

A Snapshot of Local Government Fiscal Impacts from COVID-19 Survey Summary *April 2020*

Survey Conducted in Partnership by



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Overview

The Department of Local Affairs, in partnership with Colorado Counties, Inc., Colorado Municipal League, and Special District Association of Colorado, surveyed local governments between April 3 and April 10, 2020 on the fiscal impacts of the COVID-19 pandemic. This survey is intended to understand how the pandemic is affecting Colorado local governments' revenue and the services they provide to local communities. **Reported fiscal impacts are only estimates of the immediate economic impacts and are not representative of the anticipated long-term loss of revenue due to business closures and loss of other revenue generating sources that may or may not recover. Further, the estimates provided by this survey are likely extremely low and underreport actual fiscal impacts currently experienced by Colorado's local governments.**

Of the 4,099 municipalities, counties and special districts contacted to complete the survey, 13% (551) responded. Thank you to the local governments who participated in this survey and for their self-response utilizing the best information available at the time.

Summary of Key Findings

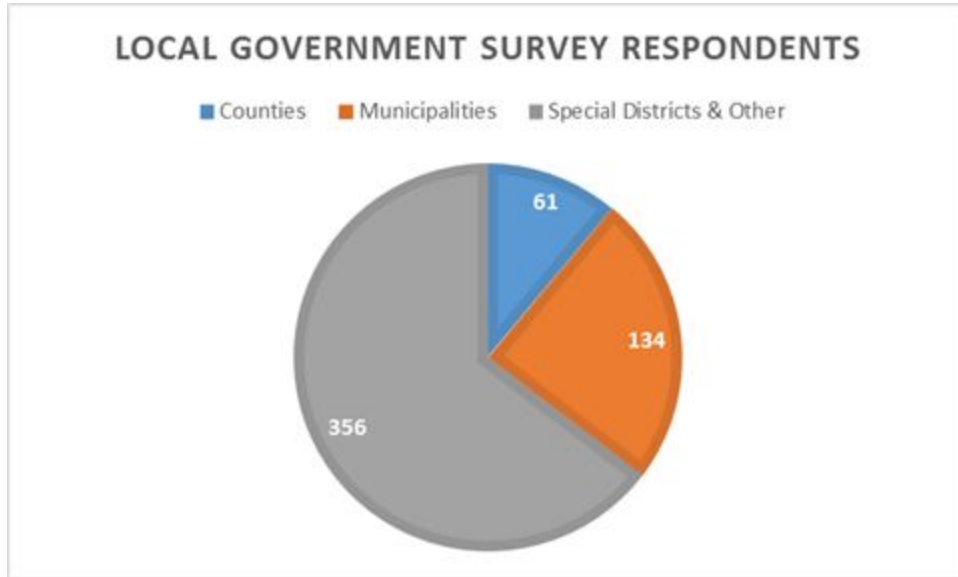
Results reveal Colorado local governments, particularly those dependent on sales and use tax, are experiencing immediate and unprecedented revenue declines from the pandemic. The survey results also show local governments are responding to the effects of the pandemic by making various budget and service adjustments. Despite these significant fiscal impacts, local governments are also employing various methods to provide assistance to local residents and businesses in Colorado communities.

- Survey results reflect self-reported responses from about 13% of all local governments in Colorado. Actual fiscal impact statewide is likely greater than survey estimates.
- Local government respondents are very concerned about revenue declines. Counties and municipalities are most concerned with the impact to sales and use tax revenue. Special districts and other governmental entities are mostly concerned with the impact to property tax revenue.
 - Municipal respondents estimate a total revenue loss of over \$520 million for the 2020 budget year.
 - All respondents estimate a total revenue loss of over \$680 million for the 2020 budget year.
 - Based on Department of Revenue reporting, 79% counties, 82% of municipalities and about 38 special districts out of 4,099 total local governments in Colorado have sales and use tax.
- In the near term, counties and municipalities might be more vulnerable than special districts to exhausting rainy day reserves due to greater reliance on sales and use taxes.
- Special districts are concerned with longer term impacts to property tax revenue. Property tax impacts would be realized and extend into subsequent budget years beyond 2020.
- Local governments estimate they will spend approximately \$49 million on COVID-19 response/recovery. Survey respondents anticipate most of that will be in staff sick/administrative leave and purchase of equipment for remote work.
- Local government respondents are still unsure of the fiscal impacts the COVID-19 crisis will have on services and budget priorities in the coming months. Apart from capital projects,

special districts and other governmental entities are unsure what services will be reduced in response to COVID-19.

- Delaying capital projects and reducing operating expenditures are the most common budget strategies currently being implemented by all local governments.
- Many survey respondents have implemented or are considering various methods to support local businesses and residents. Waiving late fees/penalties and marketing support are the most common methods for local business support. Methods to support local residents include suspending utility shut-off and waiving late fees.

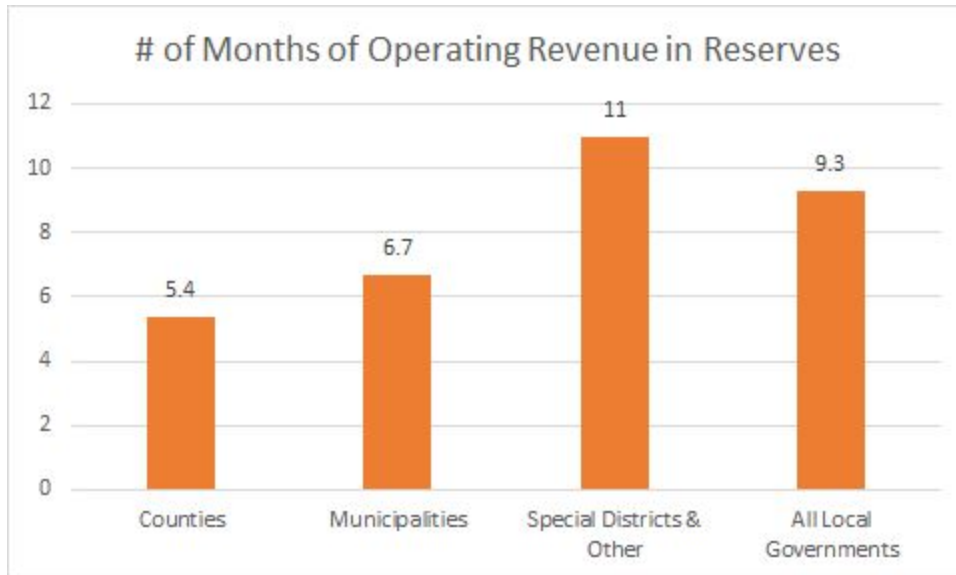
Respondents



- 61 or 95% of counties responded
- 134 or nearly 50% of municipalities responded
- Special district respondents represent a variety of types of entities.
 - 81, or 32% of the state's fire protection, EMS, rescue districts responded to the survey
 - 88, or 33% of special districts providing water and/or sewer services responded
 - 8 out of 40 health service (hospital) districts responded to the survey
 - Other local government respondents represented about 20 other types of local governments

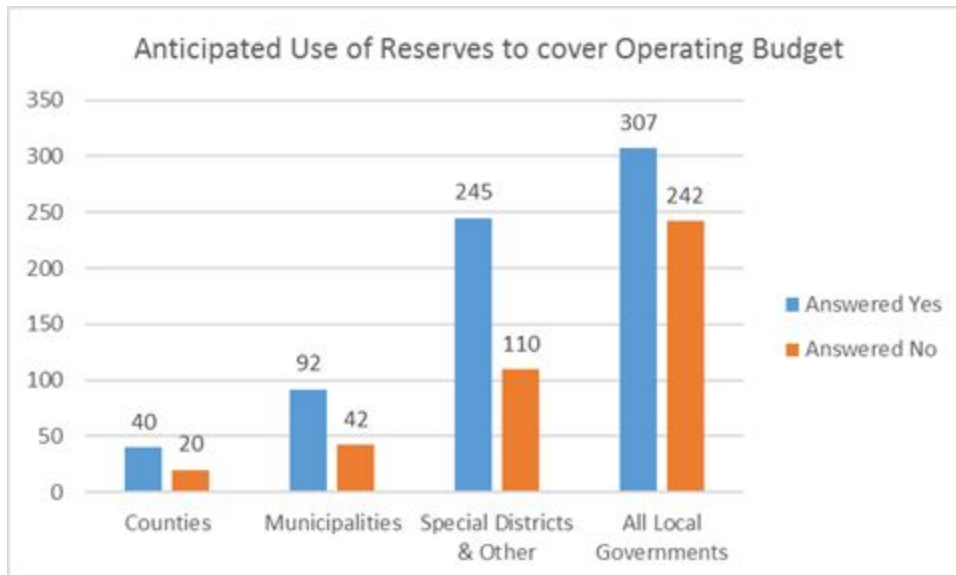
Reserves

Question 3: How many months of operating expenditures does your organization have in reserves?



*Note: The common best practice for general purpose local governments is to maintain unrestricted reserves of no less than two months of general fund operating expenditures. However, the locally determined reserve balance target level may be far in excess of this minimum recommendation of two months based on factors such as revenue volatility or vulnerability to natural disasters and other shocks. Replenishment of “rainy day” funds after use may take years to achieve based on local fiscal circumstances.

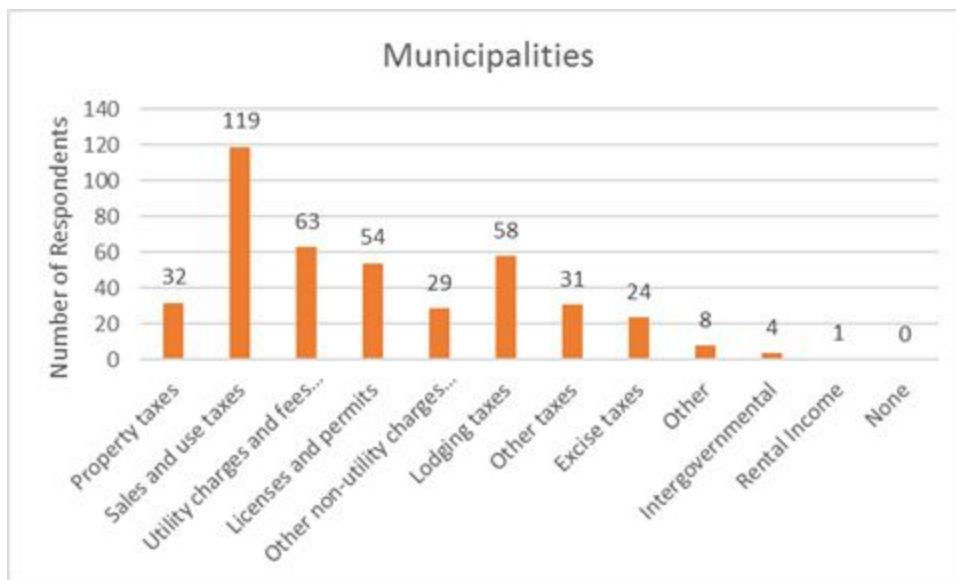
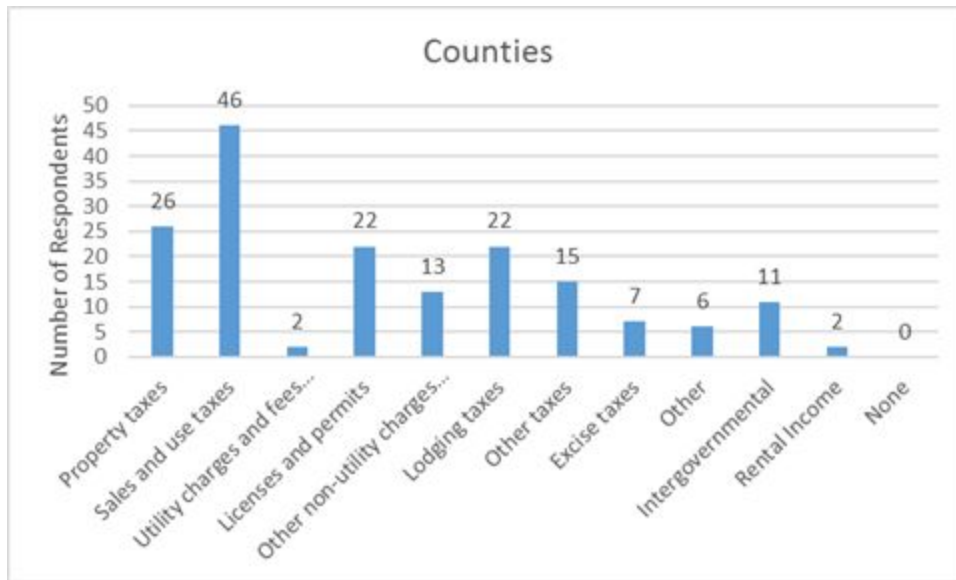
Question 4: Do you anticipate having to utilize these reserves to cover your operating budget?

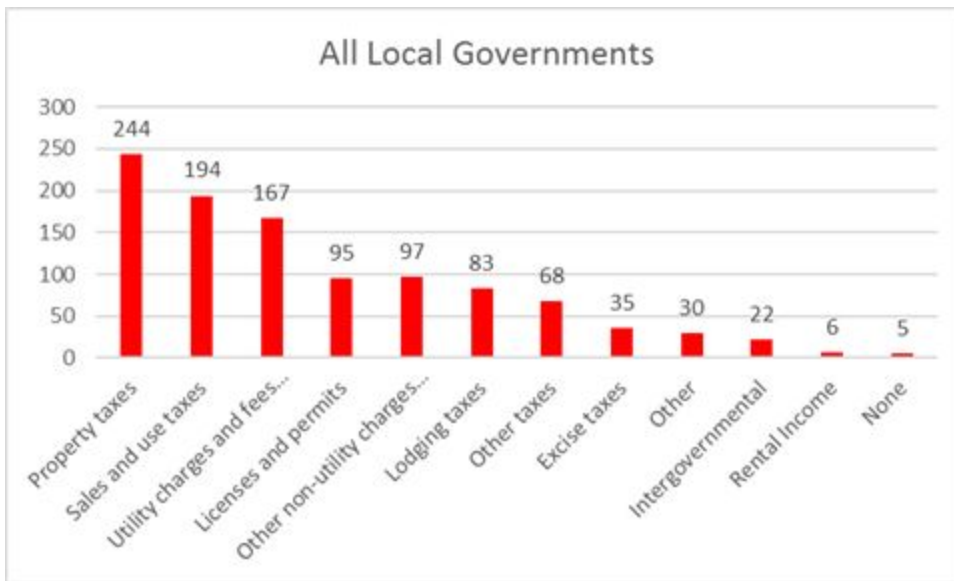
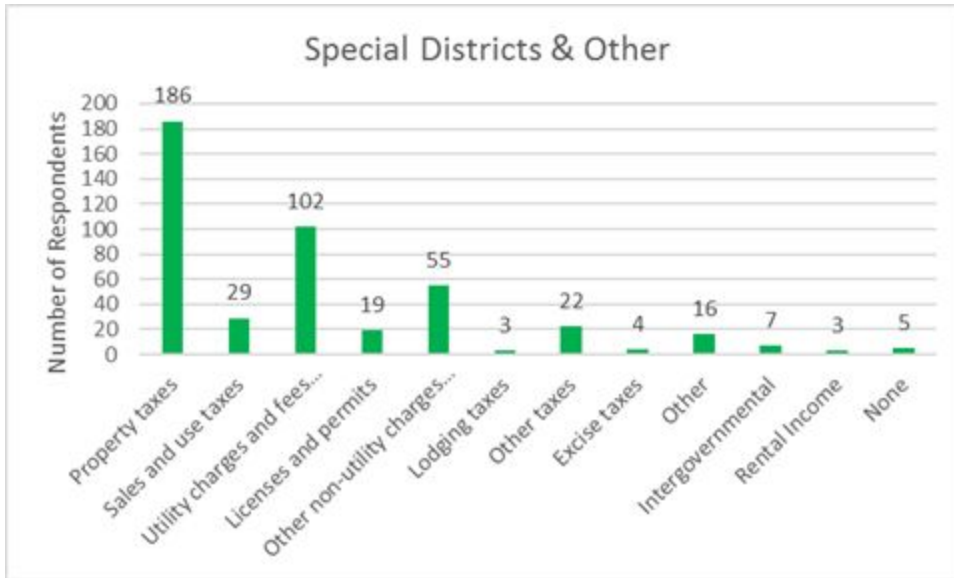


- Roughly two thirds of counties and municipalities anticipate using reserves to cover their operating budgets, and report on average having 5-7 months of operating reserves.
- Special districts on average report having 11 months of operating reserves and are more likely to report not anticipating using these reserves. This may reflect special districts are predominantly funded through property taxes which are not expected to be immediately impacted by the pandemic.

Revenues

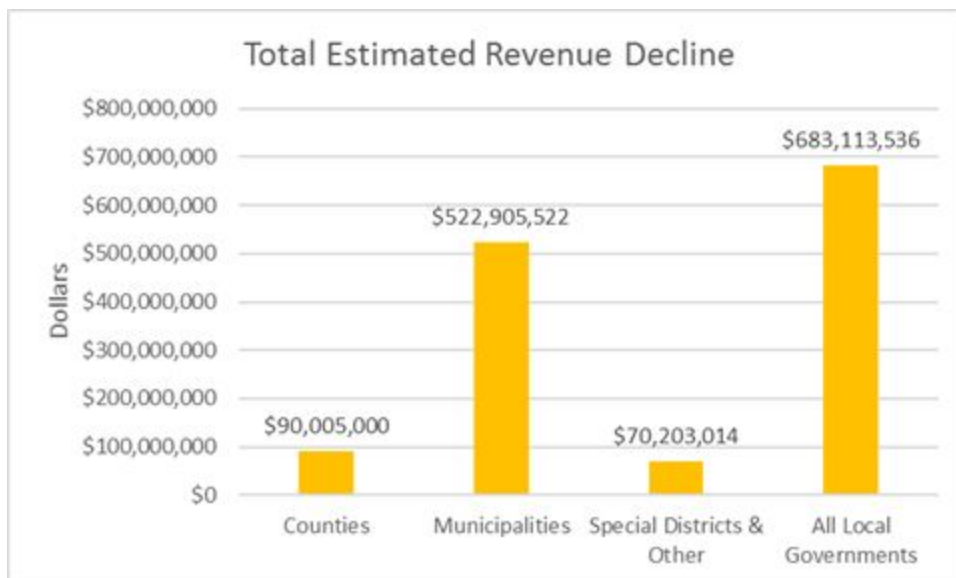
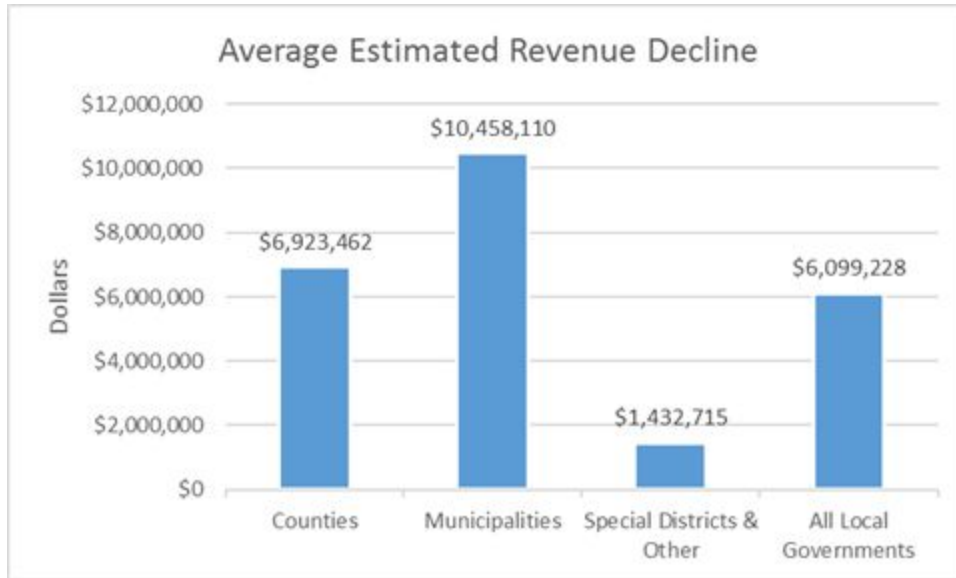
Question 7: What revenue types are you most concerned about a reduction in due to COVID-19 during the 2020 budget year? (check all that apply)





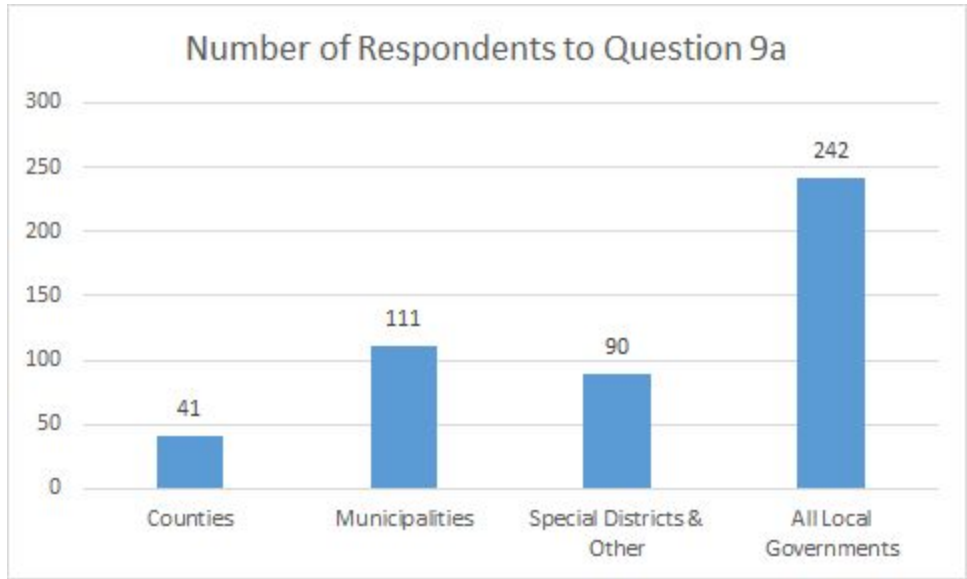
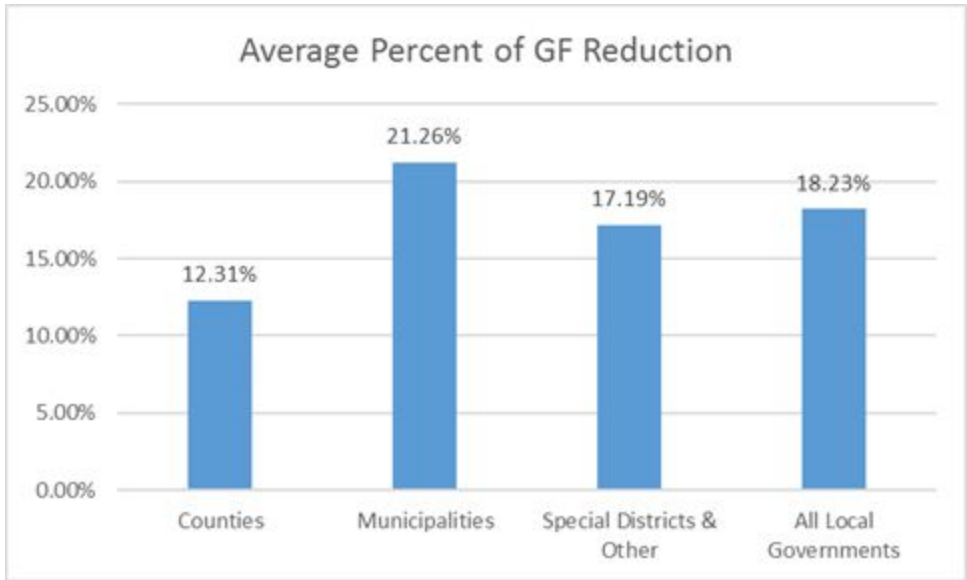
- Municipalities followed by counties report their top revenue concern as sales and use taxes. Counties and municipalities also expressed concern for declines in lodging taxes and licenses and permits.
- Special Districts are most concerned with property taxes followed by user charges and fees (both utility and non-utility).

Question 8: What is the estimated aggregate revenue decline of these revenue sources during the 2020 budget year? (enter dollar amount in "Other" or select Unknown)

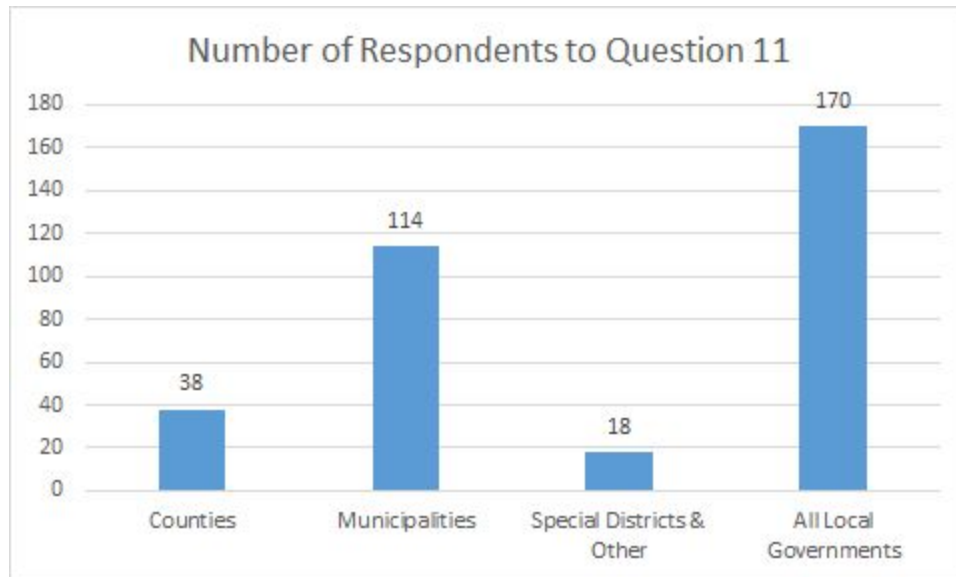
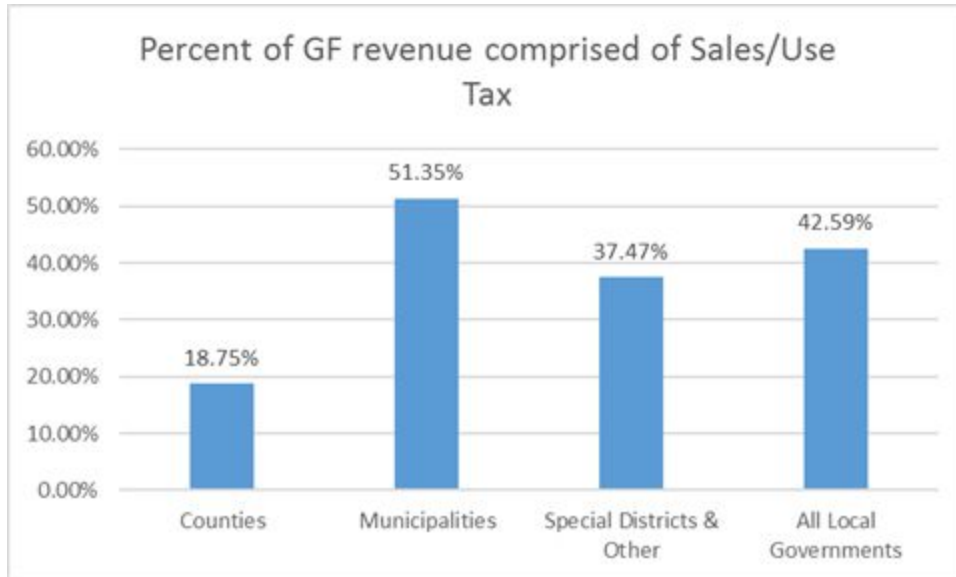


- 112 of 551 local governments provided an estimate for their projected revenue decline totalling more than \$683 million. The remaining 439 (80%) local governments reported "Unknown" or did not respond.
- Municipalities on average projected the greatest revenue decline and represented 77% of the total projected at the time of the survey.

Question 9a: Enter the Percentage of General Fund Reduction
(Data only for those who answered Question 9 indicating they anticipate a reduction in 2020).



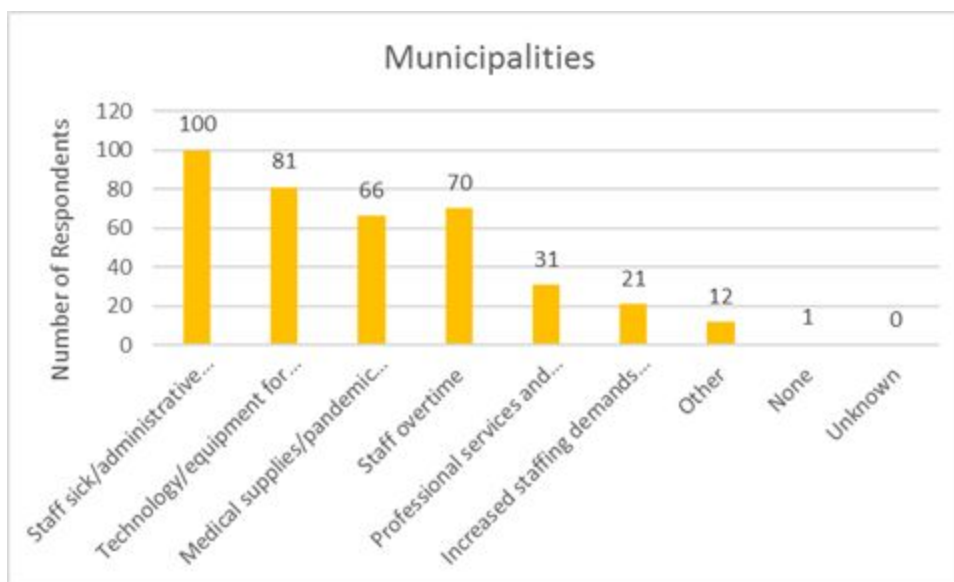
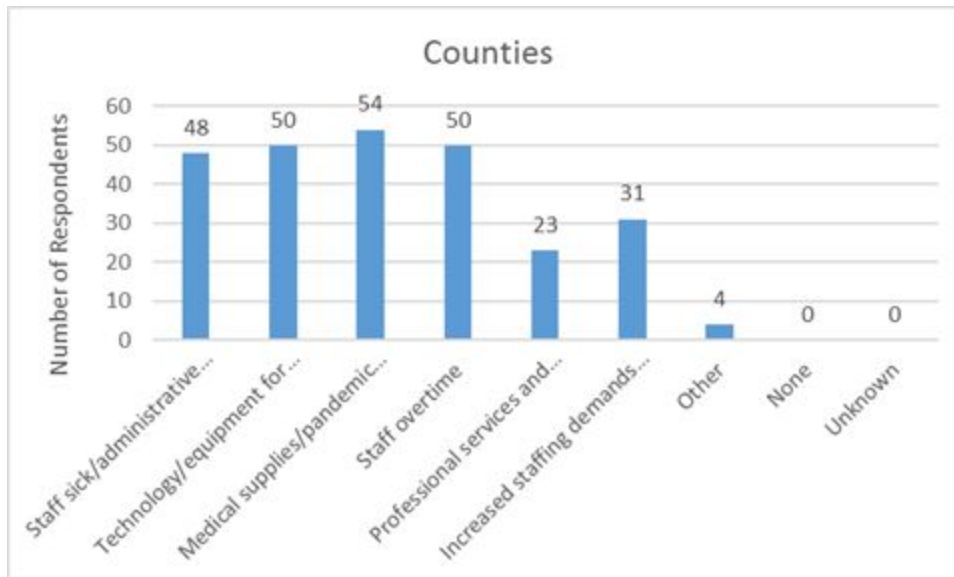
Question 11: What percentage of your 2020 General Fund revenue is comprised of Sales/Use Tax?
(Enter percent)

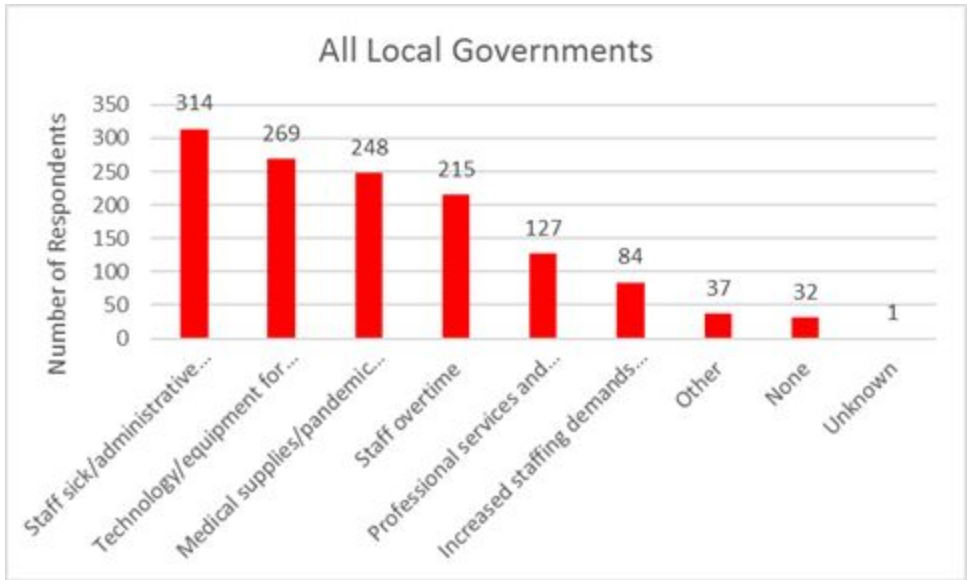
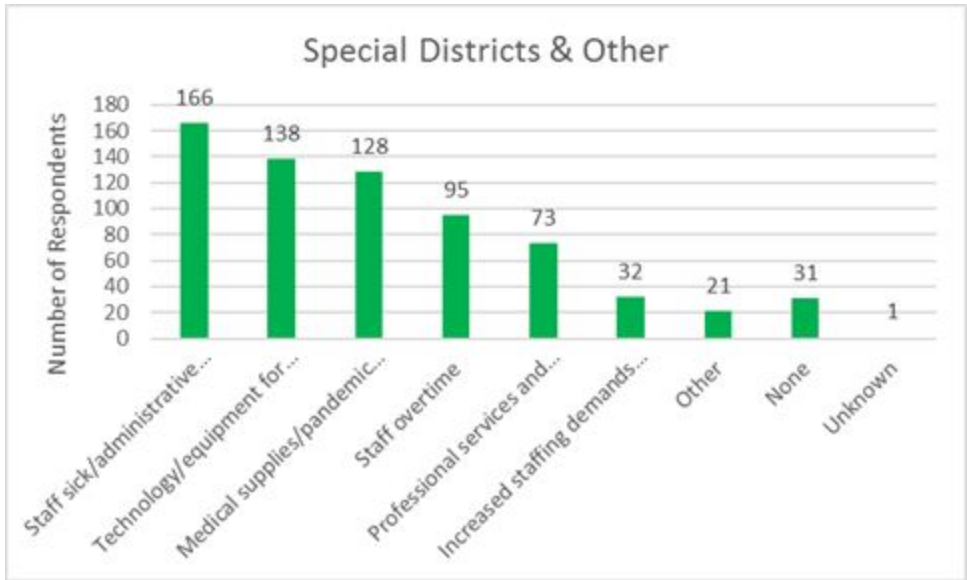


Services and Expenditures

Question 15: What types of expenditures related to COVID-19 has your organization incurred, or you anticipate will incur, over the 2020 budget year? (check all that apply)

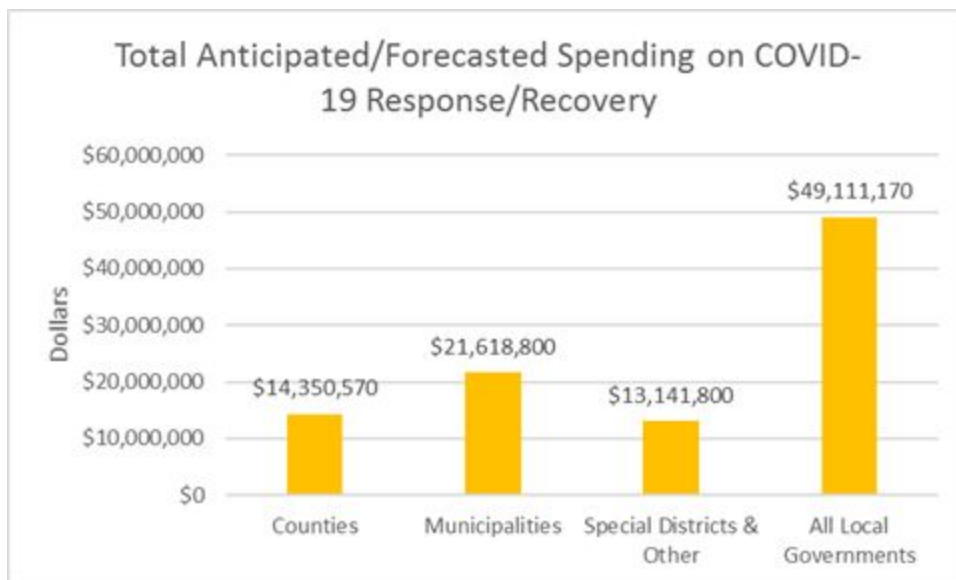
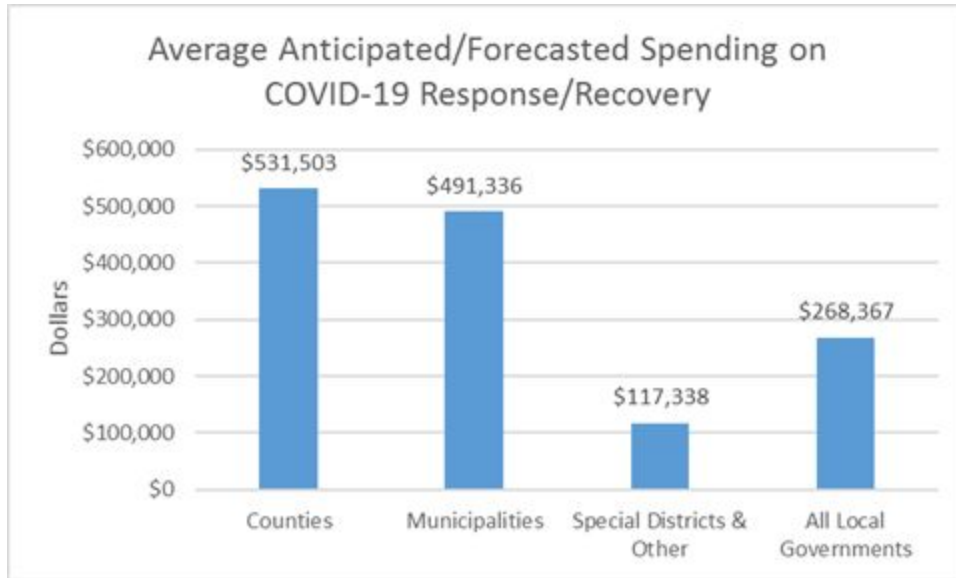
- Staff overtime
- Staff sick/administrative leave
- Technology/equipment for remote work
- Medical supplies/pandemic response
- Increased staffing demands in human services
- Professional services and consultants
- Other (please specify)





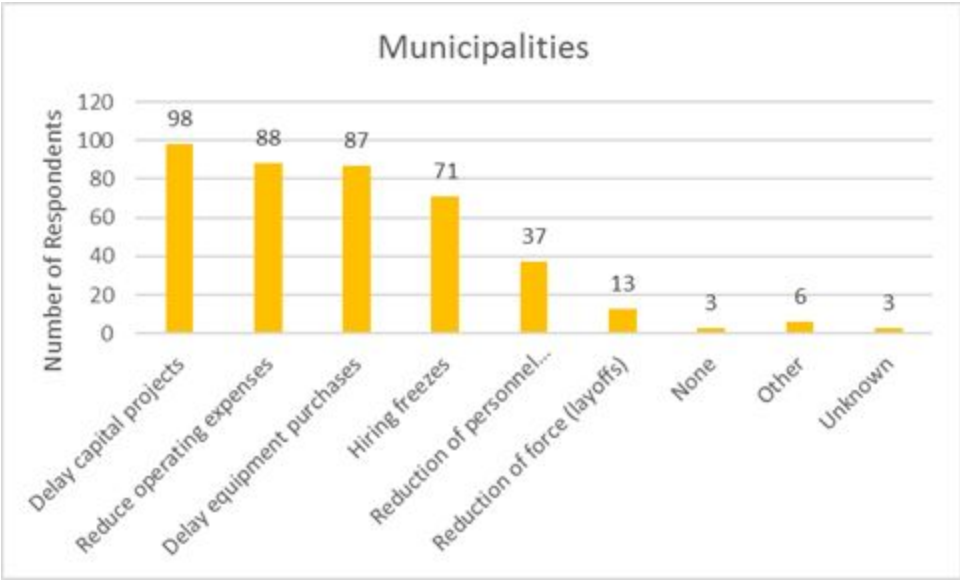
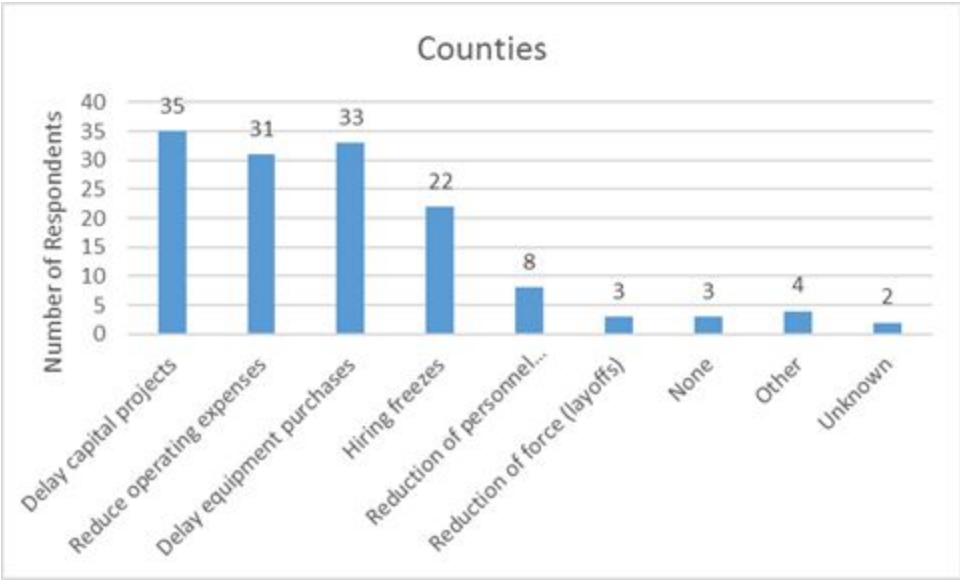
- On average local governments most frequently identify Staff sick/administrative leave as a current or anticipated cost at the time of the survey.

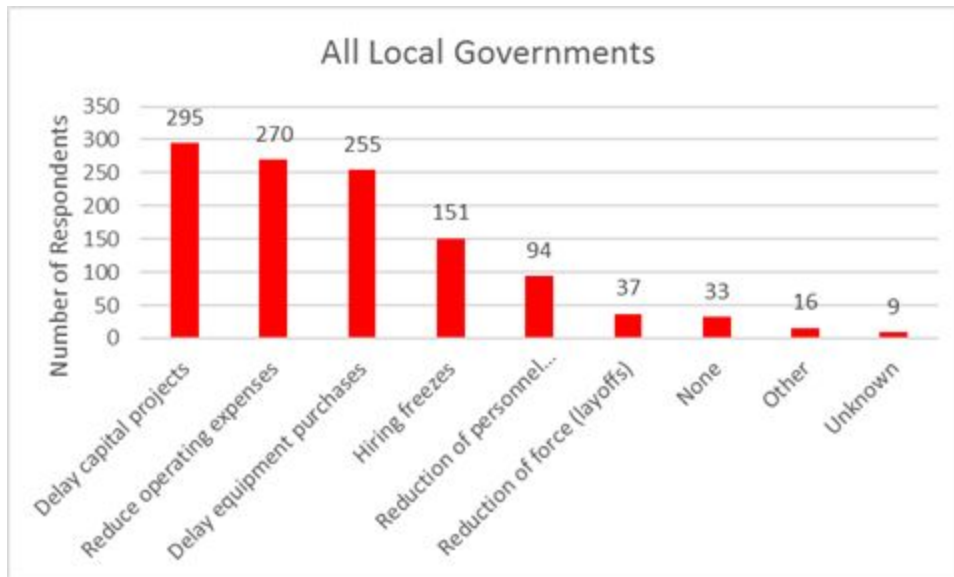
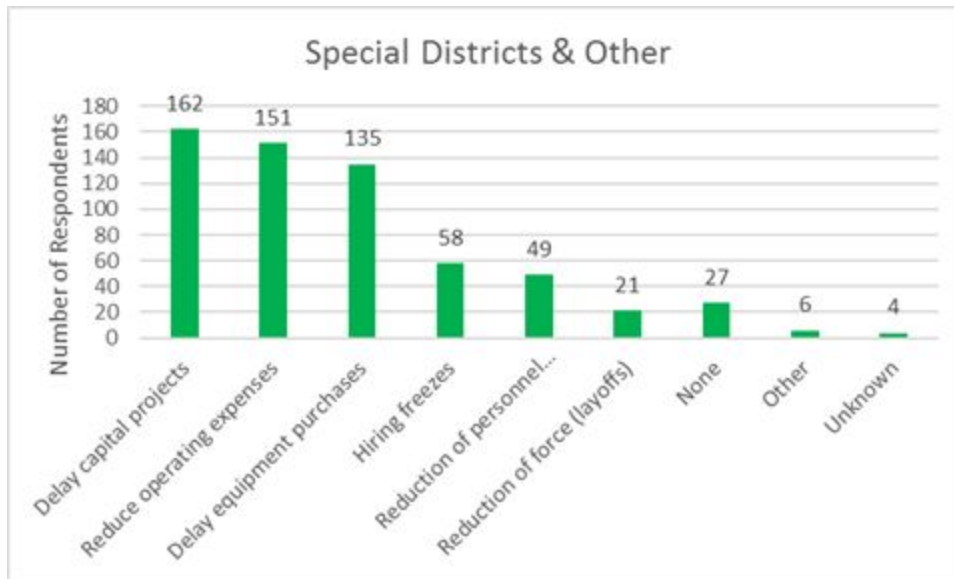
Question 16: At this time, what do you anticipate or forecast spending on your response and recovery from COVID-19? (Enter dollar amount or Unknown)



- 177 of 551 local governments provided an estimate for their projected spending totalling more than \$49 million. The remaining 374(68%) local governments reported “Unknown” or did not respond.
- Counties projected the greatest average projected spending and represented 29% of the total projected at the time of the survey.

Question 17: What budget strategies are you currently implementing to address revenue loss? Check all that apply:



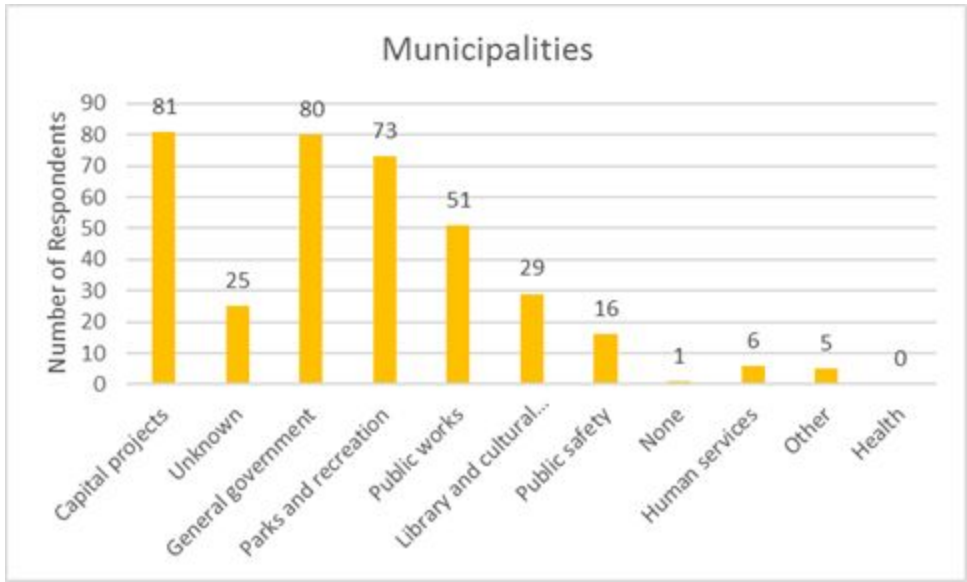
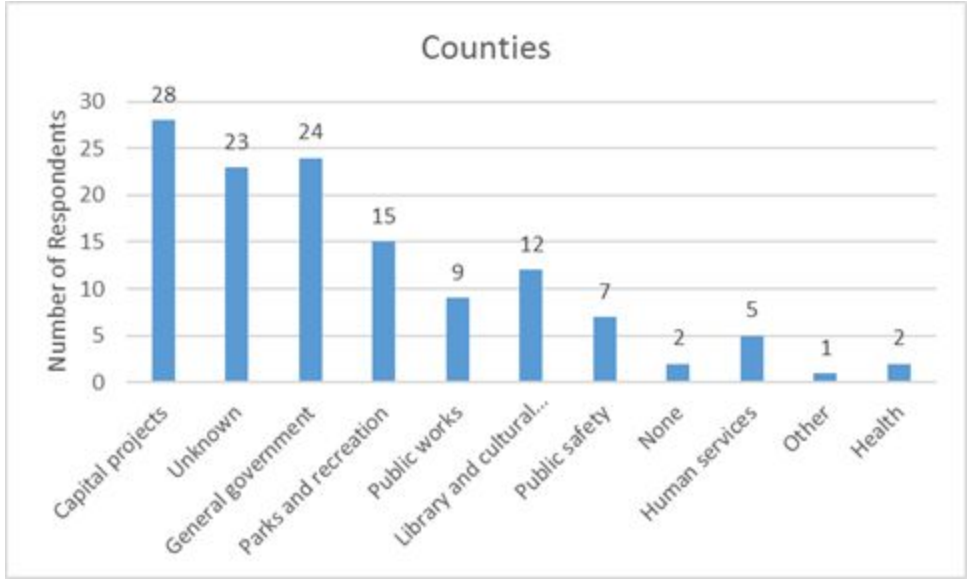


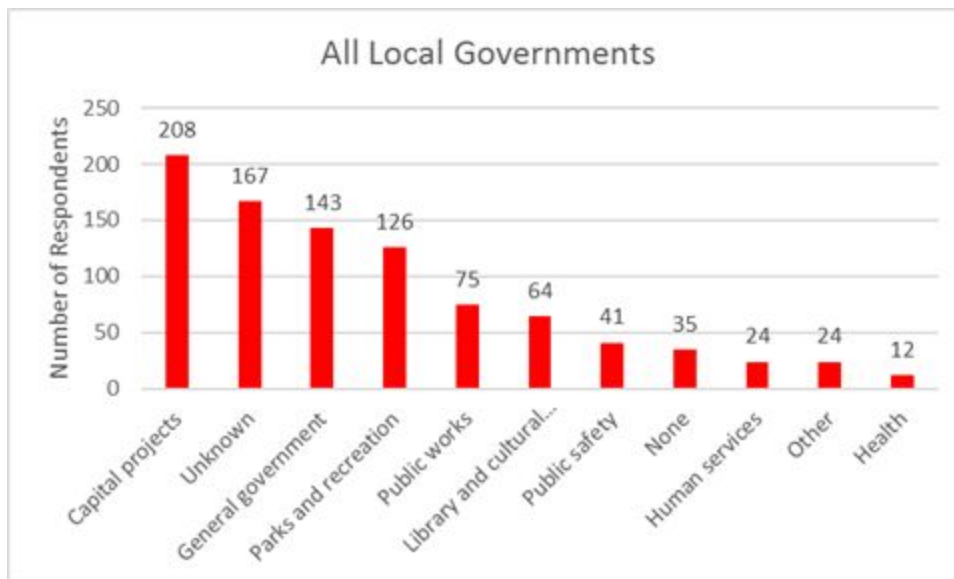
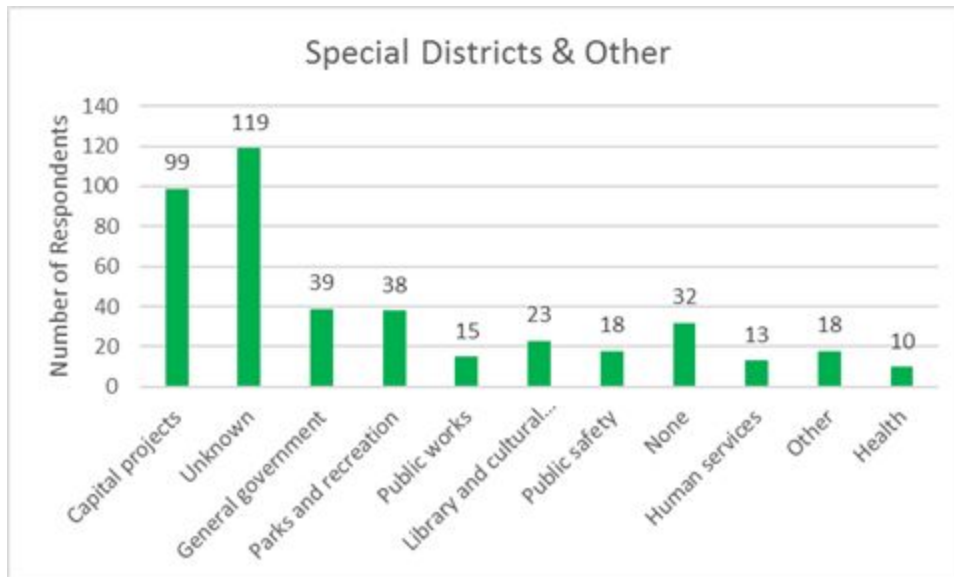
- Responding local governments most frequently report implementing delayed capital projects and equipment purchases as well as reducing operating expenses.

Strategies to Reduce Revenue

Local Government	Delay capital projects	Reduce operating expenses	Delay equipment purchases	Hiring freezes	Reduction of personnel hours or furloughs	Reduction of force (layoffs)	None	Other	Unknown
Counties	57%	51%	54%	36%	13%	5%	5%	7%	3%
Municipalities	73%	66%	65%	53%	28%	10%	2%	4%	2%
Special Districts & Other	46%	42%	38%	16%	14%	6%	8%	2%	1%

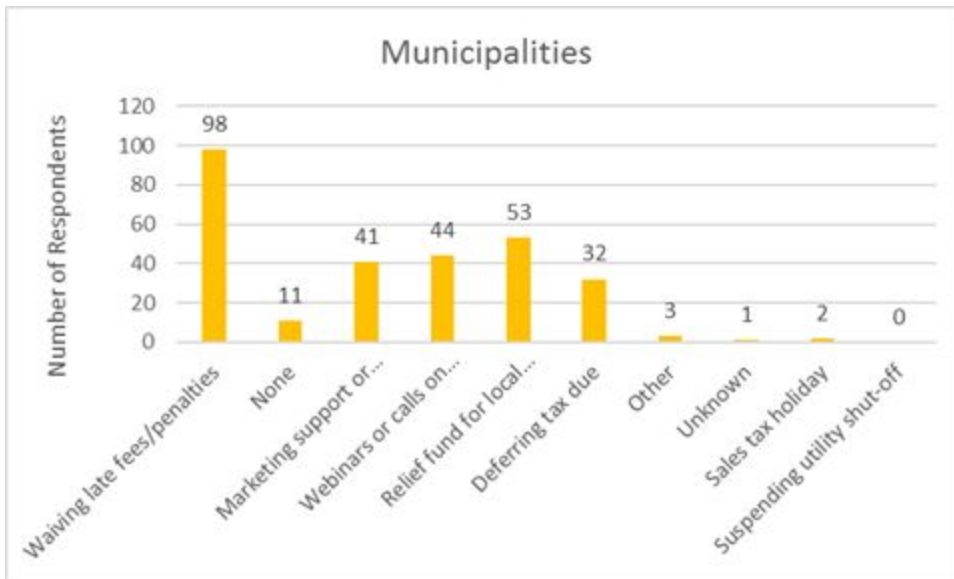
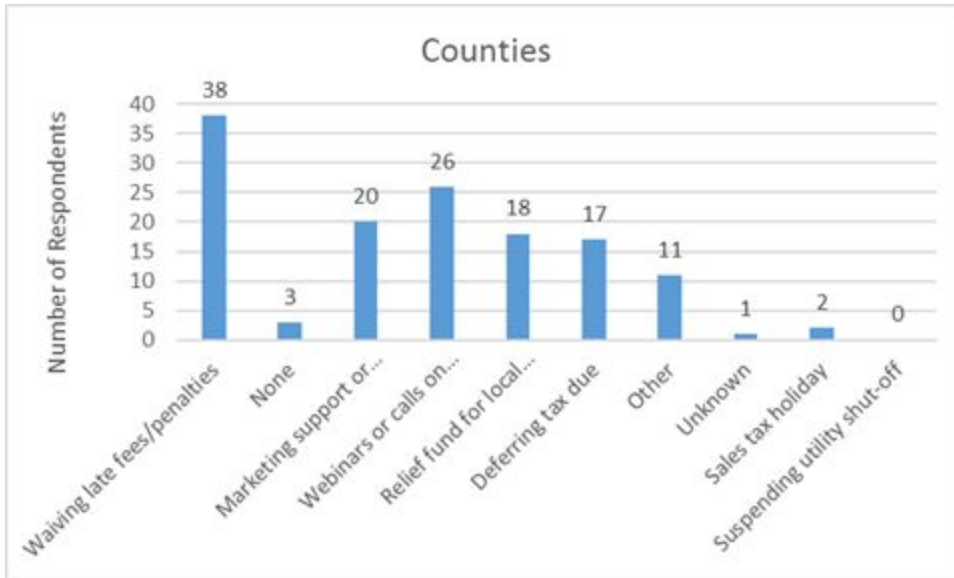
Question 18: What types of services have you reduced, or expect to reduce, for the 2020 budget year in response to COVID-19 expenditures and/or loss of revenue? (check all that apply)

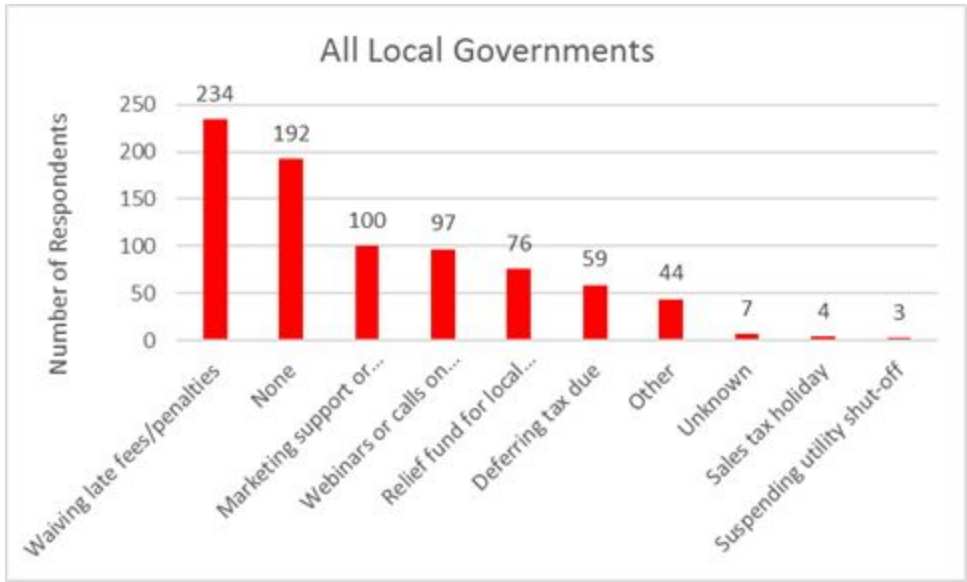
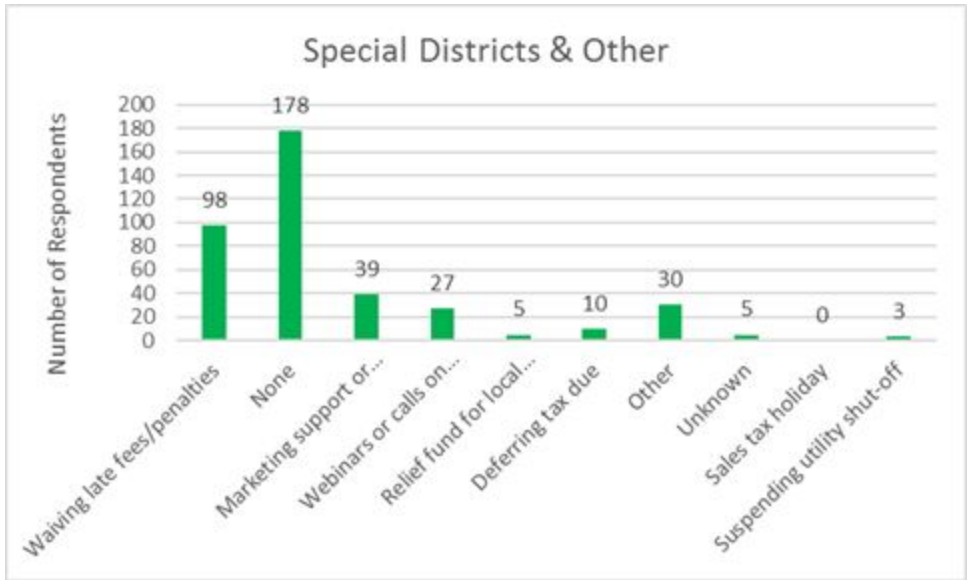




- Besides expected reductions in Capital projects, municipalities' next most frequent expected service reductions are in General government and Parks and recreation.
- Counties and special districts more often report Unknown in response to this question than municipalities.

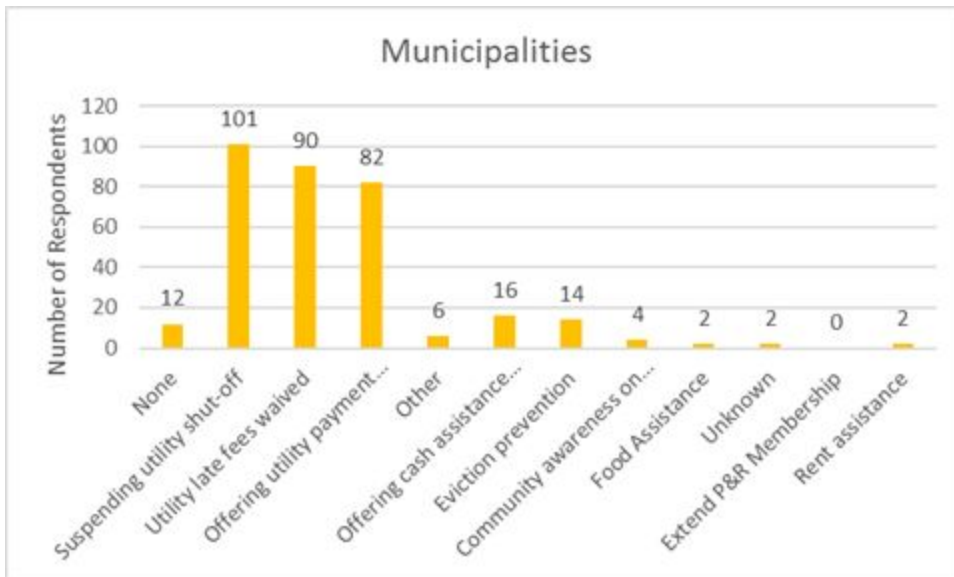
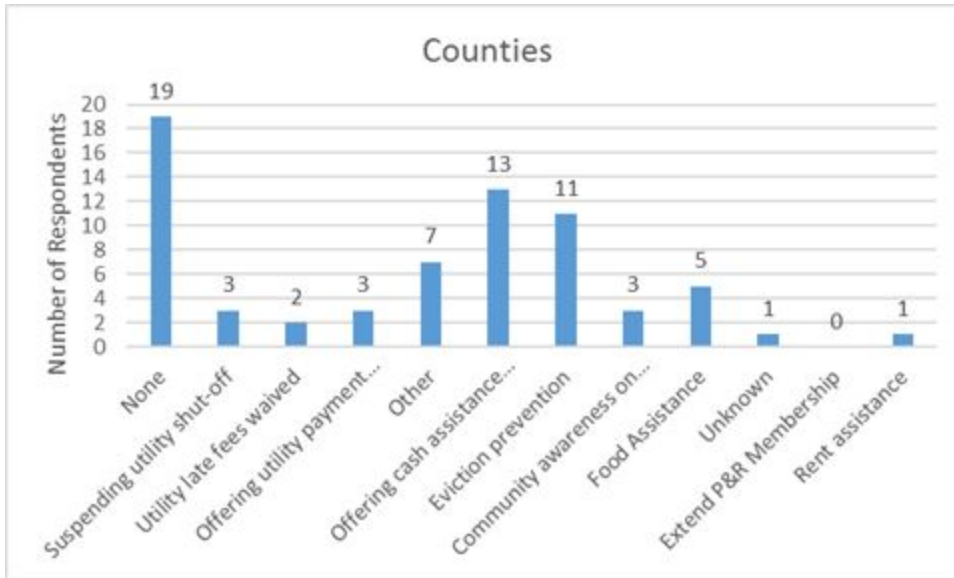
Question 19: What, if any, methods is your organization considering to support local businesses? (check all that apply)

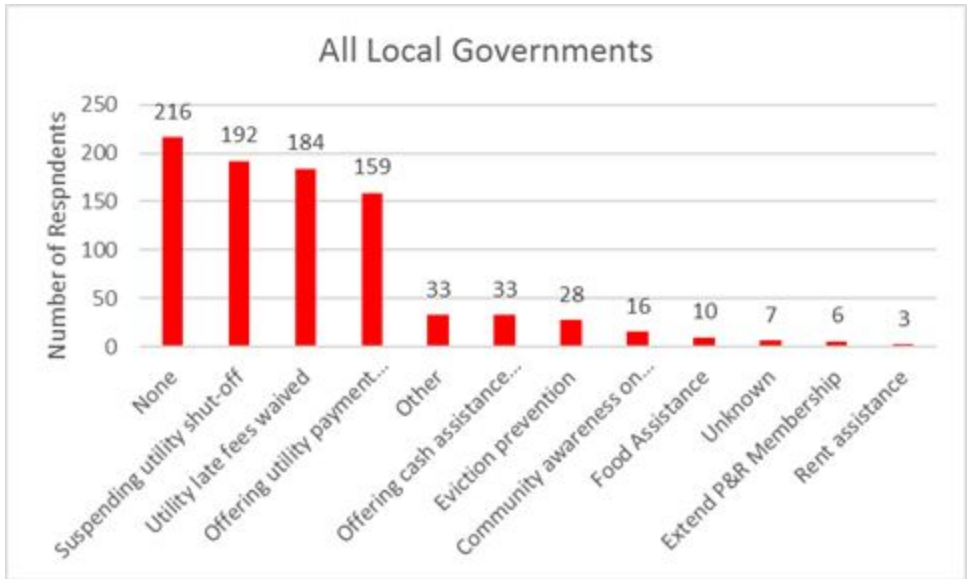
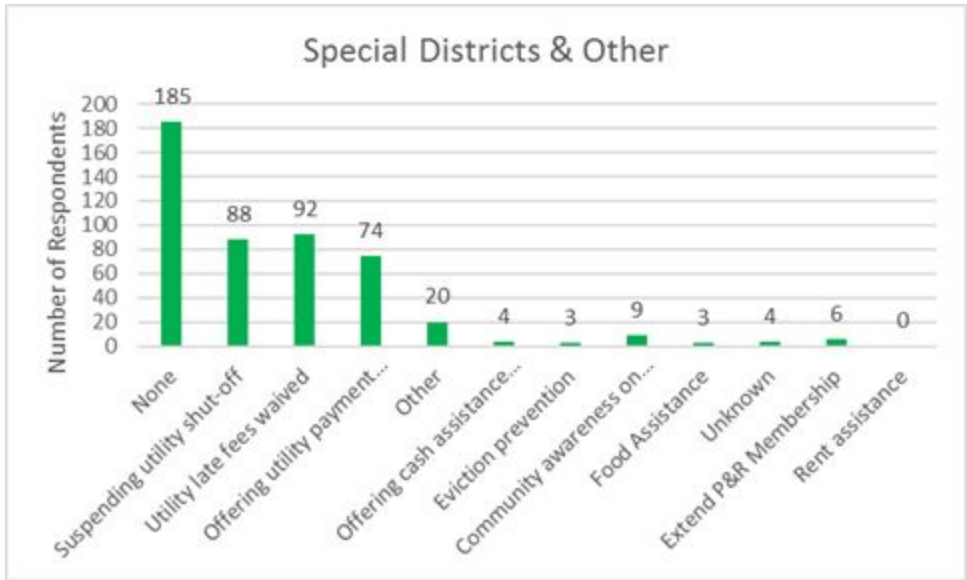




- The most frequent local government response for considering supporting local businesses is Waiving late fees/penalties.

Question 20: What, if any, methods is your organization considering to support residents who are suddenly out of work? (check all that apply)





- The most frequent local government method for considering supporting residents is Suspending utility shut-off. None was the most common response at the time of the survey.