



**Colorado
Legislative
Council
Staff**

HB16-1226

FISCAL NOTE

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 16-0036
Prime Sponsor(s): Rep. Young; Arndt
 Sen. Grantham

Date: February 23, 2016
Bill Status: House Agriculture
Fiscal Analyst: Clare Pramuk (303-866-2677)

BILL TOPIC: AGRICULTURAL INNOVATION GRANTS

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018
State Revenue		
State Expenditures	<u>\$1,008,747</u>	<u>\$1,009,070</u>
General Fund	1,000,000	1,000,000
Centrally Appropriated Costs	8,747	9,070
FTE Position Change	0.5 FTE	0.5 FTE
Appropriation Required: \$1,000,000 - Department of Agriculture (FY 2016-17).		
Future Year Impacts: \$1,000,000 annual appropriations through FY 2019-20.		

Summary of Legislation

This bill creates the Agricultural Development and Investment Partnership Program to be administered by the Agricultural Value-Added Development Board (board) in the Colorado Department of Agriculture (CDA). The grant program has three parts as follows:

- proof-of-concept and feasibility study grants which are limited to \$100,000 per grant;
- early-state capital and business-expansion grants which are limited to \$250,000 per grant; and
- reimbursement of market development and promotion expenses which are limited to \$15,000 per applicant in a fiscal year.

The requirements for each part of the grant program are specified in the bill and all require that applicants supply matching funds.

The board is required to appoint a seven-member advisory body (advisory body) to review grant and reimbursement applications and make recommendations to the board. The advisory body will include a representative of the board and one member with expertise and experience in each of the following fields: technology and science, agricultural production, business management, and finance.

The board must also establish procedures and timelines for the application process, award criteria, grantee reporting requirements and giving priority to a business affecting or located in rural counties. The board may make grants to business incubators and aggregators who agree to make grants according to the program requirements. The board may use up to 5 percent of the appropriation for program administration.

The bill includes an annual appropriation of \$1,000,000 from the General Fund through FY 2019-20. Funds appropriated in FY 2016-17 not expended during the fiscal year, are further appropriated to the CDA for the same purpose in FY 2017-18.

Background

The seven-member Agricultural Value-Added Development Board was created by House Bill 01-1086. The board makes grants, loans and loan guarantees, and equity investments to any person, including eligible agricultural value-added cooperatives, for new or ongoing agricultural research and projects that add value to Colorado agricultural products and aid the economy of rural Colorado communities. The board also has the authority to fund market promotion activities of the CDA. The board receives \$500,000 from the Severance Tax Operational Fund annually.

State Expenditures

This bill will increase General Fund expenditures by \$1,008,747 and 0.5 FTE in FY 2016-17 and \$1,009,070 and 0.5 FTE in FY 2017-18. Expenditures will continue through FY 2019-20. Costs are shown in Table 1 and explained below.

Table 1. Expenditures Under HB16-1226		
Cost Components	FY 2016-17	FY 2017-18
Personal Services	\$26,155	\$28,532
FTE	0.5 FTE	0.5 FTE
Operating Expenses and Capital Outlay Costs	475	475
Travel and Per Diem	7,740	7,740
Postage and Promotional Materials	2,025	2,025
Legal Services	1,900	1,900
Grants and Reimbursements	961,705	959,328
Centrally Appropriated Costs*	8,747	9,070
TOTAL	\$1,008,747	\$1,009,070

* Centrally appropriated costs are not included in this bill's appropriation.

Grant administration. The CDA will provide support to the board in administering the program with 0.5 FTE. Personal services costs are adjusted for the General Fund paydate shift. Travel and per diem of \$7,740 per year is required for board members, advisory body members and staff to meet with prospective businesses, business development agencies, and economic development agencies on the front end of the process, and grantees once grant awards have been made. CDA staff will develop forms for grants and reimbursement applications and promotional materials to publicize the program.

The CDA will use 20 hours of legal services from the Department of Law at a rate of \$95.01 beginning in FY 2016-17 and continuing thereafter. These hours are for executing contracts with grant recipients and structuring agreements with incubators.

Grant distribution. Remaining funds of approximately \$960,000 annually will be distributed to applicants under the two grant programs and the reimbursement program. The number of awards will depend on the type of applications received, recommendations of the advisory body, and choices of the board.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 2.

Cost Components	FY 2016-17	FY 2017-18
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$4,009	\$4,013
Supplemental Employee Retirement Payments	2,238	2,557
Indirect Costs	2,500	2,500
TOTAL	\$8,747	\$9,070

Effective Date

The bill takes effect August 10, 2016, if the General Assembly adjourns on May 11, 2016, as scheduled, and no referendum petition is filed.

Local Government Impact

In order for a business in a rural county to be given priority for funding under the bill, the rural county must demonstrate support of the business including financial support. As a result, this bill could result in an increase in costs for counties that participate with a local business to receive grant or reimbursement funds.

State Appropriations

For FY 2016-17, the Colorado Department of Agriculture requires and the bill includes a General Fund appropriation of \$1,000,000 and an allocation of 0.5 FTE. The Department of Law requires \$1,900 in reappropriated funds.

State and Local Government Contacts

Agriculture Information Technology