



**Legislative
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**REVISED
FISCAL NOTE**

(replaces fiscal note dated January 28, 2019)

Drafting Number:	LLS 19-0335	Date:	February 19, 2019
Prime Sponsors:	Sen. Coram Rep. McLachlan; Arndt	Bill Status:	Senate Appropriations
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Bill Topic: RURAL DEVELOPMENT GRANT PROGRAM CREATION

Summary of Fiscal Impact:

<input checked="" type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
<input checked="" type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

This bill creates a grant program for early stage rural businesses to be administered by the Office of Economic Development and International Trade. It creates a General Fund transfer; increases state expenditures from FY 2019-20 to FY 2023-24; and may increase state revenue from gifts, grants, or donations.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: This fiscal note reflects the introduced bill, as amended by the Senate Finance Committee.

**Table 1
State Fiscal Impacts Under SB 19-067**

		FY 2019-20	FY 2020-21
Revenue		-	-
Expenditures	Cash Funds	up to \$2,500,000	up to \$2,500,000
	Centrally Appropriated	\$31,371	\$30,850
	Total	\$2,531,371	\$2,530,850
	Total FTE	0.9 FTE	1.0 FTE
Transfers	General Fund	(\$2,500,000)	(\$2,500,000)
	Cash Funds	\$2,500,000	\$2,500,000
		\$0	\$0
TABOR Refund		-	-

Summary of Legislation

This bill creates the Rural Development Grant Program in the Office of Economic Development and International Trade (OEDIT) to provide grants to early stage rural businesses. It creates the Rural Development Grant Program Cash Fund, and transfers \$2.5 million from the General Fund on July 1, 2019. Money in the cash fund is continuously appropriated to OEDIT. OEDIT may also seek, accept, and expend gifts, grants, or donations to fund the grant program.

OEDIT is required to implement and administer the grant program, and its administrative expenses may not exceed 8 percent of the money transferred or appropriated to the fund each fiscal year. The office must develop guidelines for the grant application and review process by October 1, 2019 and post those on its website. Each year, the office must award grants on or before December 1; receive reports from grant recipients on or before March 15; and report to the General Assembly on or before April 15. OEDIT must also collaborate with the Department of Local Affairs (DOLA) to ensure that early stage rural businesses are aware of all programs offering assistance.

Grants are not to exceed \$150,000 per business per year and may be used for developing prototypes, proof of business concepts, or proof of business models. To be eligible for a grant, a business must secure at least one-third of the requested grant amount in matching funds from non-governmental sources. The bill defines a rural area as a county with a population under 50,000, or a municipality with a population under 20,000 that is not contiguous with another municipality with a population of 20,000 or more.

The grant program repeals on July 1, 2024.

State Revenue

Beginning in FY 2019-20, the bill may increase state cash fund revenue from gifts, grants, or donations. No source of funds has been identified as of writing. This revenue source is TABOR-exempt.

State Transfers

In FY 2019-20, the bill transfers \$2.5 million from the General Fund to the newly created Rural Development Grant Program Cash Fund. The fiscal note assumes this transfer is ongoing until the program's repeal date; see Technical Note.

State Expenditures

Beginning in FY 2019-20, this bill will increase state expenditures by up to \$2.5 million per year from the Rural Development Grant Program Cash Fund. Expenditures are shown in Table 2 and described below.

**Table 2
Expenditures Under SB 19-067**

	FY 2019-20	FY 2020-21
Office of Economic Development		
Personal Services	\$64,199	\$70,036
Operating Expenses and Capital Outlay Costs	\$5,653	\$950
Computer Programming	\$10,000	-
Travel	\$13,500	\$13,500
Marketing	\$2,000	\$3,000
Grants to Rural Businesses	up to \$2,404,648	up to \$2,412,514
Centrally Appropriated Costs*	\$31,371	\$30,850
Total Cost	\$2,531,371	\$2,530,850
Total FTE	0.9 FTE	1.0 FTE

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

Administrative costs —OEDIT. Using the Advanced Industries Acceleration Grant Program as a proxy, OEDIT will hire 1.0 FTE project manager to oversee the newly created grant program. Standard operating and capital outlay costs are included and first-year costs reflect the General Fund pay date shift. Additional costs for one-time computer programming, as well as ongoing travel and marketing events, are also included. Administrative costs are below the bill's 8 percent cost threshold of \$200,000.

Grants to rural businesses —OEDIT. Assuming that each grant recipient receives the maximum amount allowed under the bill, \$150,000, OEDIT will award approximately 16 grants to rural businesses at a total cost of approximately \$2.4 million each year.

Department of Local Affairs. Workload in DOLA will minimally increase to collaborate with OEDIT on providing information to early stage rural businesses.

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. These costs, which include employee insurance and supplemental employee retirement payments, are estimated to be \$31,371 in FY 2019-20 and \$30,850 in FY 2020-21.

Technical Note

The bill creates a five-year grant program and provides a one-year transfer of \$2.5 million, which remains in the cash fund at the end of each fiscal year and is continuously appropriated to OEDIT. It is at the discretion of the General Assembly whether to transfer or appropriate funding in the program's out years. The fiscal note assumes that the program will continue to receive a comparable transfer or appropriation in the out years, which is why those costs are shown.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

The newly created Rural Development Grant Program Cash Fund is continuously appropriated to the Office of Economic Development and International Trade; therefore, no appropriation is required in FY 2019-20.

State and Local Government Contacts

Governor
Information Technology
Office of Economic Development