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Fiscal Note

Drafting Number:	LLS 21-0885	Date:	April 8, 2021
Prime Sponsors:	Sen. Donovan; Rankin Rep. Young; Van Beber	Bill Status:	Senate Local Government
		Fiscal Analyst:	Erin Reynolds 303-866-4146 Erin.Reynolds@state.co.us

Bill Topic: **RURAL ECONOMIC DEVELOPMENT INITIATIVE GRANT FUNDING**

Summary of Fiscal Impact:

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

The bill appropriates \$5.0 million to the Department of Local Affairs for the Rural Economic Development Initiative grant program or the Rural Economic Advancement of Colorado Towns program. It will increase state expenditures and local government revenue and expenditures through FY 2022-23.

Appropriation Summary: For the current FY 2020-21, the bill includes an appropriation of \$5.0 million to the Department of Local Affairs. For FY 2021-22, the bill also requires an appropriation of \$115,792 to the department.

Fiscal Note Status: The fiscal note reflects the introduced bill.

**Table 1
State Fiscal Impacts Under SB 21-204**

		Current Year FY 2020-21	Budget Year FY 2021-22	Out Year FY 2022-23
Revenue		-	-	-
Expenditures	General Fund	\$5,000,000	\$115,792	\$59,132
	Centrally Appropriated	-	\$46,406	\$24,571
	Total Expenditures	\$5,000,000	\$162,198	\$83,703
	Total FTE	-	1.9 FTE	1.0 FTE
Transfers			-	-
TABOR Refund			-	-

Summary of Legislation

The bill appropriates \$5.0 million General Fund to the Department of Local Affairs (DOLA) for the Rural Economic Development Initiative (REDI) grant program. DOLA may also use all or a portion of the money appropriated for the REDI grant program for the Rural Economic Advancement of Colorado Towns (REACT) program. Any funds not expended prior to July 1, 2021, are further appropriated to DOLA in FY 2021-22 for the same purpose.

Background

REDI program. Senate Bill 20-002 codified the REDI program into law. The program is administered by DOLA in collaboration with the Office of Economic Development and International Trade (OEDIT). The REDI program provides grants that create new jobs in rural communities through a new employer or an expansion of an existing employer, or that create diversity and resiliency in a rural community's local economy. The program has received a General Fund appropriation between \$750,000 and \$780,000 for the past six years, and \$780,000 is currently in the FY 2021-22 Long Bill for the program. Current law requires that the program appropriation be used for grants, prohibiting the use of any funding for program administration. DOLA is currently managing this program within existing appropriations with no dedicated administrative FTE.

REACT program. Senate Bill 18-005 required DOLA to act as the designated agency for coordinating the state's response to significant economic events in rural communities, including a plant closure or substantial layoff (the REACT program). Under current law, the REACT program scheduled to repeal on September 1, 2021.

State Expenditures

In the current FY 2020-21, the bill increases state General Fund expenditures in DOLA by \$5.0 million; this amount is available through FY 2021-22. For FY 2021-22 and FY 2022-23, General Fund expenditures will increase by \$162,198 and 1.9 FTE in FY 2021-22 and \$83,703 and 1.0 FTE in FY 2022-23 for DOLA to administer the grants. Costs are shown in Table 2 and detailed below.

Table 1
Expenditures Under SB 21-204

Cost Components	FY 2020-21	FY 2021-22	FY 2022-23
Department of Local Affairs			
Personal Services	-	\$100,692	\$57,782
Operating Expenses	-	\$2,700	\$1,350
Capital Outlay Costs	-	\$12,400	-
REDI/REACT Funding ¹	\$5,000,000	-	-
Centrally Appropriated Costs ²	-	\$46,406	\$24,571
Total	\$5,000,000	\$162,198	\$83,703
Total FTE	-	1.9 FTE	1.0 FTE

¹ Program funding is appropriated to DOLA in the current FY 2020-21, and may be spent through FY 2021-22.

² Centrally appropriated costs are not included in the bill's appropriation.

Department of Local Affairs. Beginning in the current fiscal year through FY 2022-23, expenditures will increase in DOLA to issue grants. Grants awards will total \$5.0 million.

In addition to the funding for grants, in FY 2021-22 DOLA requires 1.0 FTE program manager who will provide technical assistance for grant project development and coordinate staff funding recommendations; 0.5 FTE program administrator to manage operations; and 0.5 FTE contract administrator to execute contracts and amendments. This level of staff support is required to meet the bill's timelines, and because the additional funding will expand the number of grant awards by nearly five times. In FY 2022-23, the 1.0 FTE program manager will oversee the grant implementation and final reporting. Standard operating and capital outlay costs are included for each staff, and first-year costs are prorated for the General Fund pay date shift.

Due to restrictions on the use of program funds, the fiscal note assumes that funding for the required staff is in addition to the grant funding.

Office of Economic Development. OEDIT will collaborate with DOLA on REDI grants. No change in appropriations is required.

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 \$46,406 in FY 2021-22 and \$24,571 in FY 2022-23.

Local Government

The bill will increase revenue and administrative expenditures to local government grant recipients to implement economic resilience and diversification projects.

Effective Date

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

State Appropriations

For the current FY 2020-21, the bill includes an appropriation of \$5.0 million to the Department of Local Affairs.

For FY 2021-22, the bill also requires an appropriation of \$115,792 to the Department of Local Affairs with 1.9 FTE.

State and Local Government Contacts

Economic Development

Local Affairs