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Revised Fiscal Note

(replaces fiscal note dated April 8, 2021)

Drafting Number: LLS 21-0885 Date: May 13, 2021
Prime Sponsors: Sen. Donovan; Rankin Bill Status: House Agriculture
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Bill Topic: RURAL ECONOMIC DEVELOPMENT INITIATIVE GRANT FUNDING

- Summary of Fiscal Impact:
State Revenue [ ] TABOR Refund [ ]
State Expenditure [x] Local Government [x]
State Transfer [ ] 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 FY 2021-22, the bill includes an appropriation of \$5.0 million to the Department of Local Affairs.

Fiscal Note Status: The revised fiscal note reflects the reengrossed bill.

Table 1
State Fiscal Impacts Under SB 21-204

Table with 4 columns: Category, Budget Year (FY 2021-22), and Out Year (FY 2022-23). Rows include Revenue, Expenditures (General Fund, Centrally Appropriated, Total Expenditures, Total FTE), Transfers, and 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, and is permitted to use up to 3.75 percent of funding to cover administration costs. Any funds not expended prior to July 1, 2022, are further appropriated to DOLA in FY 2022-23 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 FY 2021-22 and FY 2022-23, the bill increases state General Fund expenditures in DOLA by a total of \$5.1 million. Costs are shown in Table 2 and detailed below.

**Table 1**  
**Expenditures Under SB 21-204**

	FY 2021-22	FY 2022-23
<b>Department of Local Affairs</b>		
Personal Services	\$100,692	\$57,782
Operating Expenses	\$2,700	\$1,350
Capital Outlay Costs	\$12,400	-
REDI/REACT Grants <sup>1</sup>	up to \$4,825,076	-
Centrally Appropriated Costs <sup>2</sup>	\$46,406	\$24,571
<b>Total Cost</b>	<b>\$4,987,274</b>	<b>\$83,703</b>
<b>Total FTE</b>	<b>1.9 FTE</b>	<b>1.0 FTE</b>

<sup>1</sup> Grant funding may be spent through FY 2022-23.

<sup>2</sup> Centrally appropriated costs are not included in the bill's appropriation.

**Department of Local Affairs.** Expenditures will increase by a total of \$5.1 million in DOLA in FY 2021-22 and FY 2022-23 to issue and administer grants. In FY 2021-22, administrative costs assume 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.

**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 FY 2021-22, the bill includes an appropriation of \$5.0 million to the Department of Local Affairs.

## **State and Local Government Contacts**

Economic Development

Local Affairs