



**Colorado
Legislative
Council
Staff**

SB16-081

**REVISED
FISCAL NOTE**

(replaces fiscal note dated February 5, 2016)

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

Drafting Number: LLS 16-0381
Prime Sponsor(s): Sen. Donovan
Rep. Young

Date: February 25, 2016
Bill Status: Senate Appropriations
Fiscal Analyst: Anna Gerstle (303-866-4375)

BILL TOPIC: RURAL ECONOMIC EMERGENCY ASSISTANCE GRANT PROGRAM

| Fiscal Impact Summary | FY 2015-2016 <i>(current year)</i> | FY 2016-2017 | FY 2017-2018 |
|---|--|---------------------|---------------------|
| State Revenue | | | |
| Revenue Change | Potential revenue increase. | | |
| State Transfers | \$0 | | |
| Unclaimed Property Trust Fund | (2,000,000) | | |
| Rural Economic Assistance Grant Fund | 2,000,000 | | |
| State Expenditures | | \$400,000 | \$400,000 |
| Cash Fund | | 400,000 | 400,000 |
| TABOR Impact | \$2,000,000 | Potential increase. | |
| FTE Position Change | | 0.2 FTE | 0.2 FTE |
| Appropriation Required: \$400,000 - Department of Local Affairs (FY 2016-17) | | | |
| Future Year Impacts: Potential revenue and ongoing expenditure increase. | | | |

Summary of Legislation

The bill creates the Rural Economic Emergency Assistance Grant Program (program) in the Department of Local Affairs (DOLA). The program makes grants available for rural communities experiencing a significant economic event, such as a plant closure or layoff, that has a quantifiable impact on unemployment within the community. A rural community is defined as:

- a county with a population of fewer than 50,000; or
- a municipality with a population of fewer than 20,000, if the municipality is not adjacent to another municipality with a population of at least 20,000 residents.

The bill sets the eligibility standards and specifies the information that must be included in a grant application. DOLA must notify a rural community whether the application was approved within 60 days of receiving a completed application. Two or more rural communities affected by the same event may submit a joint application.

DOLA, in collaboration with the Department of Labor and Employment (CDLE), and the Office of Economic Development and International Trade (OEDIT), must provide technical assistance to a rural community seeking assistance with the application requirements and may provide non-monetary support if requested by a grant recipient and authorized by the executive director of DOLA. The executive director of DOLA must also develop reporting requirements for the grant recipients.

DOLA must report annually to the local government committees of the General Assembly beginning no later than March 1, 2017, and must provide a final report to the committees by March 1, 2022.

The bill also creates the Rural Economic Emergency Assistance Grant Fund (grant fund) and directs the State Treasurer to transfer \$2.0 million in interest from the Unclaimed Property Trust Fund to the grant fund on June 1, 2016. Should the interest from the Unclaimed Property Trust Fund be less than \$2 million, then the remaining transfer comes from the principal in the trust fund. The grant fund may also receive gifts, grants, and donations. Unexpended money, including interest earnings, remains in the grant fund.

Background

The Unclaimed Property Division of the Treasury Department holds, in perpetuity or until claimed, lost or forgotten assets of individuals and businesses in Colorado. The Unclaimed Property Trust Fund consists of all moneys collected under the Unclaimed Property Act, and interest earned on the account. The balance at the end of FY 2014-15 was \$77.7 million and interest earnings over the next three years are expected to be approximately \$2 million per year. The only transfer currently authorized by state law transfers an annual amount sufficient to fund the adult dental benefit to the Adult Dental Fund in the Department of Health Care Policy and Financing, an estimated \$30-32 million for each of the next three fiscal years. The Unclaimed Property Trust Fund is TABOR-exempt.

State Revenue

The bill increases state revenue to the extent that the grant fund receives gifts, grants, and donations. No source or amount has been identified, and no specific increase is estimated.

State transfers. The bill also transfers \$2.0 million from the Unclaimed Property Trust Fund to the grant fund in FY 2016-17.

TABOR Impact

By transferring the \$2 million in FY 2015-16 from a TABOR-exempt fund to an unexempt fund, the bill increases state revenue, which increases the amount of money required to be refunded under TABOR. However, there is not projected to be a TABOR refund in FY 2015-16.

Gifts and donations are exempt from TABOR. To the extent that grants are used to fund the program, the bill would increase state revenue, which would increase the amount of money required to be refunded under TABOR. TABOR refunds are paid out of the General Fund. Should

the bill increase the TABOR refund obligation without a corresponding change in General Fund revenue, the amount of money in the General Fund for the budget would decrease by an identical amount. No grants have been identified at this time.

State Expenditures

The bill increases expenditures for DOLA by \$400,000 and 0.2 FTE for five years beginning in FY 2016-17. This increase includes \$14,685 in FY 2016-17 and \$15,928 in FY 2017-18 for a General Professional IV to develop eligibility and award standards, provide technical assistance to applicants, track and manage grants, and compile information for annual reports, as well as for indirect costs associated with staff. There will be approximately \$385,000 remaining for grants to local governments each year. Table 1 below summarizes the expenditures.

| Table 1. Expenditures Under SB16-081 | | |
|---|-------------------|-------------------|
| Cost Components | FY 2016-17 | FY 2017-18 |
| Personal Services | \$12,048 | \$13,143 |
| FTE | 0.2 | 0.2 |
| Grants to Rural Communities | 385,315 | 384,072 |
| Indirect Costs | 2,637 | 2,785 |
| TOTAL | \$400,000 | \$400,000 |

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

Assumptions. The fiscal note assumes:

- the additional FTE will begin in FY 2016-17;
- average grants are approximately \$50,000, based on experience with the Rural Economic Development Initiative;
- 7-8 grants will be made per year, totaling \$400,000 annually;
- the program runs for 5 years, until March 2022;
- no additional appropriations or gifts, grants, or donations will be received; and
- a grant for infrastructure will take approximately 30 hours to process and develop in conjunction with local governments.

Technical and nonmonetary assistance. DOLA, in collaboration with the CDLE and OEDIT, can provide technical and nonmonetary assistance to impacted rural governments. This workload increase can be absorbed within CDLE and OEDIT's existing appropriations and is included in the necessary FTE allocation needed for DOLA to implement the grant program.

Rulemaking. To the extent that the bill requires rulemaking and legal counsel, there is a minimal workload increase, which does not currently require an additional appropriation.

Indirect Costs. Because the bill specifies that indirect costs associated with implementation are to be paid from the \$2 million transferred to the grant fund, the indirect costs are included in the appropriation and not addressed through the annual budget process. The indirect costs under the bill are estimated in the fiscal note for informational purposes and summarized in Table 2.

| Table 2. Indirect Costs Under SB16-081 | | |
|--|-------------------|-------------------|
| Cost Components | FY 2016-17 | FY 2017-18 |
| Employee Insurance (Health, Life, Dental, and Short-term Disability) | \$1,606 | \$1,607 |
| Supplemental Employee Retirement Payments | \$1,031 | \$1,178 |
| TOTAL | \$2,637 | \$2,785 |

Local Government Impact

To extent that rural communities experience a significant economic event, the bill will impact both expenditures and revenue of those local governments. There is an increased workload to apply for the grant funds, which can be absorbed within existing resources and reduced by the technical assistance available through the bill, as well as increased revenue to grant recipients to assist the community after a significant economic event. The extent of the impact is determined by the scope of the economic event and the number of rural communities that are competing for grant funds.

Effective Date

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

State Appropriations

The bill requires a cash fund appropriation of \$400,000 from the Rural Economic Emergency Assistance Grant Fund, and an allocation of 0.2 FTE to the Department of Local Affairs in FY 2016-17.

State and Local Government Contacts

| | |
|------------------------|--|
| Counties | Labor |
| Law | Local Affairs |
| Municipalities | Office of Economic Development and International Trade |
| Information Technology | Special Districts |