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SB 20B-001

**FINAL
FISCAL NOTE**

Drafting Number: LLS 20B-0051
Prime Sponsors: Sen. Winter; Priola
 Rep. Herod; Sandridge
Date: December 10, 2020
Bill Status: Signed into Law
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Bill Topic: COVID-19 RELIEF SMALL & MINORITY BUSINESS ARTS ORGS

Summary of Fiscal Impact:

- State Revenue
- State Expenditure
- State Transfer
- TABOR Refund
- Local Government
- Statutory Public Entity

This bill provides relief to small businesses, arts and cultural organizations, and minority-owned businesses. It also provides General Fund backfill to support a one-year suspension of health inspection and liquor licensing fees. It will both increase and decrease state revenue and increase state expenditures in FY 2020-21 and FY 2021-22.

Appropriation Summary: For the current FY 2020-21, the bill includes a General Fund appropriation of \$57.1 million to multiple state agencies.

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

**Table 1
State Fiscal Impacts Under SB 20B-001**

		FY 2020-21 (current year)	FY 2021-22	FY 2022-23
Revenue	General Fund	\$1,049,059	\$1,049,059	-
	Cash Funds*	(\$2,073,000)	-	-
	Total	(\$1,023,941)	\$1,049,059	-
Expenditures	General Fund	\$57,107,476	\$64,299	-
	Centrally Appropriated	\$46,644	\$15,695	-
	Total	\$57,154,120	\$79,994	-
	Total FTE	3.1 FTE	1.0 FTE	-
Transfers		-	-	-
TABOR Refund		-	-	-

* This estimated fee revenue decrease will be spread across both FY 2020-21 and FY 2021-22, depending on the timing of when waived fees would have been paid. It is shown in FY 2020-21 for simplicity.

Summary of Legislation

This bill provides COVID relief to eligible businesses, organizations, and individuals as follows:

- \$37.0 million to small businesses, administrated jointly by the Division of Local Government in the Department of Local Affairs (DOLA) and counties;
- \$7.5 million to arts and cultural organizations, administrated by the Creative Industries Division in the Office of Economic Development and International Trade (OEDIT); and
- \$4.0 million to minority-owned businesses, administrated by the Minority Business Office in OEDIT.

In addition, the bill waives certain retail food establishment and liquor licensing fees for 2021, and provides state funding to affected agencies, including the Department of Public Health and Environment (CDPHE), local public health agencies, and the Department of Revenue (DOR).

COVID relief to small businesses. Small businesses with annual receipts of less than \$2.5 million for calendar year 2019 and that meet other criteria outlined in the bill are eligible for small business relief. The bill appropriates \$37.0 million for this assistance, of which 5 percent may be used for administrative costs by DOLA and local governments. DOLA must develop a process to allocate funding to counties on a per capita basis and to also set-aside a percentage of funding for high-need counties with populations of 100,000 or less. Counties, and in some cases cities, will administer the funding.

Generally, eligible small businesses may receive relief payments depending on 2019 calendar year receipts as follows:

- less than \$500,000 in receipts: up to \$3,500;
- between \$500,000 and \$1.0 million in receipts: up to \$5,000; and
- between \$1.0 million and \$2.5 million in receipts, up to \$7,000.

Deadlines for the program are as follows:

- January 8, 2021: counties apply to DOLA for relief funding;
- January 15, 2021: DOLA distributes funding to counties based on population; and
- February 12, 2021: counties make distributions of relief payments to small business applicants.

The Department of Revenue (DOR) must provide DOLA and counties with information necessary to verify a small business' eligibility.

COVID relief to arts and cultural organizations. Arts, culture, and entertainment artists, crew members, and organizations meeting eligibility criteria established by the Creative Industries Division in OEDIT are eligible for art and cultural organization relief. The bill appropriates \$7.5 million for this purpose, of which 5 percent may be used for administrative costs. The division may contract with a third-party to establish application and disbursement criteria, as outlined in the bill.

COVID relief and technical assistance to minority-owned businesses. Businesses that are at least 51 percent controlled by an individual who is a member of a minority group are eligible for minority-owned business relief and technical support funding. The bill appropriates \$4.0 million for this purpose, of which up to \$150,000 may be used for administrative costs. The Minority Business Office in OEDIT will establish application and disbursement criteria for relief, loans, and technical support, as outlined in the bill.

Health inspection licensing fee waiver. The bill authorizes the CDPHE to provide state funding to local boards of health and the City and County of Denver in lieu of those agencies charging annual licensing fees to certain retail food establishments for one year.

Liquor licensing fee waiver. The bill provides funding to the Department of Revenue to offset the department's waiver of certain liquor license fees for one year.

Reports. All entities are required to report to the Governor and legislature, as outlined in the bill.

IRS Form 1099. Both DOLA and OEDIT must collect sufficient information to issue and to issue IRS Form 1099 to relief payment recipients.

State Revenue

The bill will reduce state fee revenue by an estimated \$2.1 million in FY 2020-21, and increase state income tax revenue by an estimated \$2.1 million over FY 2020-21 and FY 2021-22. These impacts are outlined below.

Liquor and health inspection fee revenue reduction. The bill decreases revenue to the DOR and CDPHE by approximately \$2.1 million over a 12-month period in FY 2020-21 and FY 2021-22. This reduction is from the fee waiver under the bill that applies liquor licensees regulated by the DOR and certain retail food establishments in six counties where CDPHE performs the inspections. Table 2 below shows the revenue reduction from these waived fees by state agency. While the fiscal note shows the revenue reduction in the current FY 2020-21, the exact timing of the revenue loss may spread across both FY 2020-21 and FY 2021-22 depending on the timing of when fees would have been paid.

Table 2
Fee Revenue Change under SB 20B-001

	FY 2020-21 <i>(current year)</i>	FY 2021-22	FY 2022-23
Department of Public Health and Environment	(\$195,000)	-	
Department of Revenue	(\$1,878,000)	-	
Total Fee Revenue Change	(\$2,073,000)	-	

State income taxes. The bill increases state revenue from income taxes by an estimated \$2.1 million over two fiscal years. Relief payments, estimated to total \$46.1 million after administration costs, will be subject to the state income tax rate of 4.55 percent. This estimate represents two half-year impacts in FY 2020-21 and FY 2021-22 on an accrual accounting basis.

State Expenditures

The bill increases state General Fund expenditures by \$57.2 million in the current FY 2020-21 and \$79,994 in FY 2021-22. Expenditures are in DOLA, OEDIT, CDPHE, and DOR, as outlined in Table 3 on the following page and discussed below.

**Table 3
Expenditures Under SB 20B-001**

Cost Components	FY 2020-21 (current year)	FY 2021-22	FY 2022-23
Local Affairs			
Personal Services	\$109,954	-	-
Operating Expenses	\$2,835	-	-
Contractors	\$6,000	-	-
Counties – COVID Relief	\$35,150,000	-	-
Administrative Costs for Local Governments	\$1,731,211	-	-
Centrally Appropriated Costs*	\$30,948	-	-
FTE	2.1 FTE	-	-
DOLA Subtotal	\$37,030,948	-	-
Economic Development			
Personal Services (Minority Business Office only)	\$62,949	\$62,949	-
Operating Expenses and Capital Outlay Costs	\$13,750	\$1,350	-
Creative Industries Division – COVID Relief	\$7,500,000	-	-
Minority Business Office – COVID Relief, etc.	\$3,859,002	-	-
Centrally Appropriated Costs*	\$15,695	\$15,695	-
FTE	1.0 FTE	1.0 FTE	-
OEDIT Subtotal	\$11,451,396	\$79,994	-
Public Health and Environment			
Health Inspection Fee Backfill	\$6,780,000	-	-
CDPHE Subtotal	\$6,780,000	-	-
Revenue			
Liquor Licensing Fee Backfill	\$1,878,000	-	-
Computer Programming and Testing	\$13,775	-	-
DOR Subtotal	\$1,891,775	-	-
Total	\$57,154,119	\$79,994	-
Total FTE	3.1 FTE	1.0 FTE	-

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

Department of Local Affairs. The Division of Local Government in DOLA will administer the \$37.0 million COVID relief payments to small businesses. It requires 2.1 FTE and \$6,000 in contractor support to implement the bill for a half-year in the current FY 2020-21. This includes a program coordinator, accountant, and contract administrator, in addition to the utilization of the division's current grant team to guide the temporary staff. Activities will include applicant technical assistance, allocation verification and formulation, distribution payments and repayments, monitoring, reporting, and accounting. As the bill allows 5 percent of funds to cover administrative costs, this leaves \$1.73 million available for local government administration (see Local

Government section). It is assumed that the division will verify eligible local governments and allocations, and is not responsible for reviewing the eligibility of the small businesses, nor to collect sensitive financial data. The bill allows the DOR to share information with DOLA to facilitate verification.

Office of Economic Development. OEDIT will administer two COVID relief programs under the bill: \$7.5 million for relief to arts, cultural, and entertainment organizations through the Creative Industries Division; and \$4.0 million for relief to minority-owned businesses through the Minority Business Office, of which \$3.75 million is to be spent on relief, and \$250,000 on technical assistance to businesses.

- The **Creative Industries Division** currently contracts with a third-party organization to administer relief funding, and will utilize up to \$375,000 (or 5 percent, as permitted by the bill), to have the third-party support COVID relief efforts.
- The **Minority Business Office** will require 1.0 FTE in FY 2020-21 and FY 2021-22 to administer the technical assistance program (the equivalent of two staff working for six months in each fiscal year). Staff costs are estimated at \$140,998 over two years (in line with the bill's limit of no more than \$150,000). Staff includes a Project Manager and Program Assistant to support the COVID relief and technical assistance programs, and uses the Business, Funding and Incentives Division of OEDIT, which handles the majority of OEDIT's grants and financial support programs, as a proxy.

Department of Public Health and Environment. The bill grants a one-year hiatus on health inspection fees to licensed retail food establishments. Annual inspection fees range from \$275 to \$465, depending on a retail food establishment's seating capacity. The CDPHE will facilitate the reimbursement of lost health inspection fees, estimated at \$6.78 million based on a statewide average. The department contracts with 34 local public health agencies to license and inspect retail food establishments in 58 counties, which will receive \$6,585,000, and it conducts the work directly in 6 counties (Clear Creek, Jackson, Moffat, Park, Pitkin and San Juan), for which CDPHE will receive \$195,000.

Department of Revenue. The bill also grants a one-year hiatus on application, licensing, and renewal fees for liquor licensees. The Liquor Enforcement Division requires an estimated \$1,878,000 to backfill this lost revenue, based on an analysis of the previous two fiscal years revenue for affected license types. In addition, the department requires \$13,775 in computer programming and testing costs to facilitate information sharing with DOLA related to small business relief eligibility.

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 \$46,644 in FY 2020-21 and \$15,695 in FY 2021-22.

Local Government

Eligible counties and, in some cases, cities will establish an application process for the \$37.0 million in small business COVID relief, apply to DOLA, and make distributions following the bill's time lines. Subtracting DOLA's administrative costs, the bill allows approximately \$1.73 million for local

governments' administrative costs. Assuming 20,000 small businesses statewide apply for relief, the average COVID relief payment would be \$1,758 for each small business, with \$87 per application for local administrative costs.

If COVID relief funding prevents businesses from closing, this may prevent a reduction in sales tax revenue to local governments.

Lastly, the bill reduces locally collected fee revenue for food establishment health inspections conducted by local public health agencies due to the 12-month fee hiatus. This local funding will be replaced by state funding appropriated to, and disbursed by, the CDPHE, estimated at \$6,585,000 to 58 counties.

Effective Date

The bill was signed into law by the Governor and took effect on December 7, 2020.

State Appropriations

For the current FY 2020-21, the bill includes the following appropriations from the General Fund:

- \$37,000,000 and 2.1 FTE to the Division of Local Government in DOLA;
- \$7,500,000 to the Creative Industries Cash Fund in OEDIT;
- \$4,000,000 to the Economic Development Fund. and 1.0 FTE to the Minority Business Office, in OEDIT;
- \$6,780,000 to the Food Protection Cash Fund in CDPHE; and
- \$1,891,775 to the Department of Revenue, including \$1,878,000 to the Liquor Enforcement Division Cash Fund and \$13,775 to the Division of Taxation.

State and Local Government Contacts

Counties
Information Technology
Municipalities
Revenue

Economic Development
Law
Personnel
Special Districts

Governor
Local Affairs
Public Health