



Legislative Council Staff

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Fiscal Note

Drafting Number:	LLS 21-0898	Date:	April 29, 2021
Prime Sponsors:	Rep. Bacon; Duran Sen. Coleman	Bill Status:	House Business
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Bill Topic: COLORADO STARTUP LOAN PROGRAM

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 the Colorado Startup Loan Program and transfers funds to be disbursed to eligible businesses by the Office of Economic Development. The bill creates a one-time state transfer, and increases state revenue and expenditures on an ongoing basis.

Appropriation Summary: The newly created Colorado Startup Loan Fund is continuously appropriated to the Office of Economic Development.

Fiscal Note Status: This fiscal note is preliminary and reflects the introduced bill. It will be updated if information on administrative costs becomes available from the agency.

**Table 1
State Fiscal Impacts Under HB 21-1288¹**

		Current Year FY 2020-21	Budget Year FY 2021-22	Out Year FY 2022-23
Revenue	Cash Funds	-	-	up to \$31.35 million
	Total Revenue	-	-	up to \$31.35 million
Expenditures	Cash Funds	-	up to \$31.35 million	-
	Total Expenditures	-	up to \$31.35 million	-
Transfers²	General Fund	(\$31.35 million)	-	-
	Cash Funds	\$31.35 million	-	-
	Net Transfer	\$0	-	-
TABOR Refund		-	-	-

¹ The bill creates a revolving loan and grant program paid from a continuously appropriated cash fund. For illustrative purposes, the fiscal note shows initial loans as awarded in FY 2021-22 and repaid in FY 2022-23. Actual amounts will depend on a variety of factors including administration costs, contract terms, and loan repayment rates.

² Of the \$31.35 million transfer, \$1.35 million is conditional upon the passage of SB 21-241.

Summary of Legislation

This bill creates the Colorado Startup Loan Program in the Office of Economic Development (OEDIT) to provide loans and grants to businesses seeking capital to start, restart, or restructure a business.

Colorado Startup Loan Program. OEDIT is required to establish policies and processes for the revolving loan and grant program, including eligibility requirements for businesses, loan parameters, and reporting requirements. In determining eligibility of applicants, OEDIT must consider the impacts of the pandemic on the business, their financial needs and repayment ability, and their ability to access capital from traditional sources. The program must be developed with a goal of generating enough return to replenish the program for future loan allocations. OEDIT is required to work with the Minority Business Office, small business development centers, and community development financial institutions to promote the program.

The office may contract with a program administrator using a competitive process. A contract administrator may receive an administration fee to their administration costs, and OEDIT may advance money to a contract administrator in preparation for issuing loans and grants.

Colorado Startup Loan Program Fund. The bill creates the Colorado Startup Loan Program Fund and transfers \$31.35 million from the General Fund to the fund for OEDIT to implement the program. Of the \$31.35 million, \$1.35 million is conditional upon the passage of Senate Bill 21-241, and is reserved for businesses that complete the Small Business Accelerated Growth Program. The fund is continuously appropriated to OEDIT, and the office may spend a portion of the money to pay for its direct and indirect program administration costs. The office may also seek and expend gifts, grants, and donations for the program, credited to the fund.

Reporting. Beginning in November 2022, OEDIT is required to submit annual reports to the Governor's Office and the General Assembly detailing the use of the funds appropriated in this bill.

State Revenue

The bill is expected to increase state cash fund revenue by up to \$31.35 million from loan repayment, interest, and fees beginning in FY 2022-23. Actual loan repayment terms may differ from this timeline. Revenue from repayment of the loan principal is not subject to TABOR; however, any earnings such as fees and interest are subject to TABOR.

The bill also potentially increases state revenue from gifts, grants, or donations; however, no sources have been identified at this time. Gifts, grants, and donations are exempt from TABOR revenue limits.

State Transfers

In the current FY 2020-21, the bill transfers \$30.0 million from the General Fund to the Colorado Startup Loan Program Fund and, conditional upon passage of SB 21-241, an additional \$1.35 million.

State Expenditures

Beginning in FY 2021-22, state expenditures will increase in OEDIT from the Colorado Startup Loan Program Fund by up to \$31.35 million.

Table 2
Expenditures Under HB 21-1288

	FY 2020-21	FY 2021-22	FY 2022-23
Office of Economic Development			
Loans and Grants	-	at least \$29.85 million	-
Administration Costs ¹	-	up to \$1.50 million	-
Total Cost	\$0	\$31.35 million	\$0

¹ Administration costs are shown at an assumed 5 percent of total program funding.

OEDIT. As outlined in the bill, OEDIT will use the funds to award revolving loans and grants to businesses, to cover the office's direct and indirect administration costs, and to potentially contract with a third-party administrator. Of the total funding, \$30.0 million is to be used for loans and grants to businesses that meet the eligibility requirements developed by OEDIT. The remaining \$1.35 million is conditional upon passage of SB 21-241, and is specifically for loans and grants to businesses that complete the Small Business Accelerated Growth Program.

In addition, OEDIT will have administration costs in-house or via a third-party administrator. At the time of writing, these costs have not been estimated and instead are shown as 5 percent of total funding for illustrative purposes.

TABOR refunds. The bill may increase state revenue subject to TABOR. For FY 2022-23, the March 2021 LCS forecast projects revenue to fall short of the TABOR limit by \$28.6 million, or 0.2 percent of the limit. If actual revenue exceeds the limit, the bill will increase the amount required to be refunded to taxpayers from the general fund in FY 2023-24.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature, except that subsection 24-48.5-127 (9)(e), C.R.S., in Section 1, takes effect only if SB 21-241 becomes law, in which case this subsection takes effect on the effective date of this act or on the effective date of SB 21-241, whichever is later.

State and Local Government Contacts

Economic Development

Information Technology

Treasury