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Fiscal Note

Drafting Number:	LLS 22-0176	Date:	January 17, 2022
Prime Sponsors:	Rep. Cutter; Valdez D. Sen. Ginal; Lee	Bill Status:	House Energy & Environment
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Bill Topic: WILDFIRE MITIGATION AND RECOVERY

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 creates the Wildfire Mitigation and Recovery Grant Program in the Colorado State Forest Service to assist counties in preventing and recovering from wildfire incidents in a manner that reduces the amount of carbon that enters the atmosphere. Beginning in FY 2022-23, the bill increases state expenditures and local government revenue and expenditures on an ongoing basis.

Appropriation Summary: For FY 2022-23, the bill requires an appropriation of \$47,942 to the State Forest Service in the Department of Higher Education.

Fiscal Note Status: The fiscal note reflects the introduced bill, as recommended by the Wildfire Matters Review Committee.

**Table 1
State Fiscal Impacts Under HB 22-1012**

		Budget Year FY 2022-23	Out Year FY 2023-24
Revenue		-	-
Expenditures	General Fund	\$47,942	\$55,566
	Centrally Appropriated	\$11,658	\$14,877
	Total Expenditures	\$59,600	\$70,443
	Total FTE	0.8 FTE	1.0 FTE
Transfers		-	-
Other Budget Impacts	General Fund Reserve	\$7,191	\$8,335

Summary of Legislation

The bill creates the Wildfire Mitigation and Recovery Grant Program within the Colorado State Forest Service (CSFS) to help counties with forested areas prevent and recover from wildfires by removing wildfire fuel and debris in a manner that reduces the amount of carbon that enters the atmosphere. Grant money may be spent on wood-removal equipment and labor, as well as reforestation efforts such as tree seedling planting. Grant applications must be reviewed by the CSFS in consultation with the Division of Fire Prevention and Control in the Department of Public Safety and the Colorado Forest Health Council within the Department of Natural Resources. Counties that received a grant are required to submit a report to the CSFS on or before November 1 each year that, at a minimum, must include an itemization of how the grant money was spent. The CSFS must submit a summarized report on or before January 1 each year beginning in 2023 to the relevant legislative committees and the Governor. The grant program is repealed September 1, 2028, following a sunset review.

Background and Assumptions

The Colorado State Forest Service currently administers the Forest Restoration and Wildfire Risk Mitigation (FRWRM) competitive grant program to provide funding for community-level actions across the state to protect populations and property in the wildland-urban interface, promote forest health, and to increase the use of woody materials including traditional forest products and biomass energy. The FRWRM grant program provided 42 grants ranging from around \$40,000 to \$700,000 in 2021. The below table provides information on current and historic spending levels under the existing FRWRM grant program.

Table 2
Historic and Current Funding for Forest Restoration and Wildfire Risk Mitigation Grant Program

Fiscal Year	Funding Amount	Fund Source
FY 2022-23 ¹	\$8 million	General Fund
FY 2021-22	\$8 million	General Fund
FY 2020-21	\$6 million	General Fund
FY 2019-20	\$1.4 million	General Fund; Severance Tax
FY 2018-19	\$2.0 million	General Fund; Severance Tax

¹ FY 2022-23 funding amount included in the Governor's Budget Request and is not yet authorized.

Source: Legislative Council Staff; Colorado State Forest Service.

This fiscal note assumes that the Wildfire Mitigation and Recovery Grant Program created in this bill will be administered as a supplemental grant program under the existing FRWRM grant program, with the added criteria that projects are undertaken in a manner that reduces the amount of carbon that enters the atmosphere, in accordance with the requirements of this bill.

State Expenditures

The bill increases General Fund expenditures by \$59,600 in FY 2022-23 and \$70,443 in FY 2023-24 and ongoing in the CSFS. It will also increase workload in the Departments of Natural Resources and Public Safety. Expenditures are shown in Table 3 and detailed below.

**Table 3
Expenditures Under HB 22-1012**

Cost Components	FY 2022-23	FY 2023-24
Department of Higher Education—Forest Service		
Personal Services	\$40,662	\$54,216
Operating Expenses	\$1,080	\$1,350
Capital Outlay Costs	\$6,200	-
Centrally Appropriated Costs ¹	\$11,658	\$14,877
Total	\$59,600	\$70,443
Total FTE	0.8 FTE	1.0 FTE

¹ Centrally appropriated costs are not included in the bill's appropriation.

Department of Higher Education—Forest Service. The CSFS requires one grant program specialist to administer and provide additional consideration to applicants to the supplemental grant program under the umbrella of the broader FRWRM grant program. Costs for personal services, operating and capital outlay, and centrally appropriated costs for an additional 1.0 FTE once fully implemented in the CSFS are shown in Table 2 above. Costs for FY 2022-23 reflect a September 1 start date and the General Fund pay date shift.

Grant awards. Funding for the new grant program may be set at the discretion of the General Assembly. This fiscal note assumes that no additional appropriations for grant awards are required under the bill, given the assumption that it will operate as part of the FRWRM grant program and use funding available under that program. The fiscal note will be updated if more information on program funding levels becomes available.

Departments of Natural Resources and Public Safety. Beginning in FY 2022-23, the Departments of Natural Resources and Public Safety will have an increased workload associated with reviewing grant applications and reports. This workload can be accommodated within existing resources.

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 shown in Table 2.

Other Budget Impacts

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve beginning in FY 2022-23. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by \$7,191 in FY 2022-23 and \$8,335 in FY 2023-24, which will decrease the amount of General Fund available for other purposes.

Local Government

Beginning in FY 2022-23, counties that apply for and are awarded grants will receive additional revenue and have additional workload and expenditures to conduct wildfire prevention and recovery efforts.

Technical Note

The bill authorizes the CSFS to use up to 3 percent of the funding annually appropriated for the grant program to pay its direct and indirect administrative costs. This fiscal note assumes that the Wildfire Mitigation and Recovery Grant Program created in this bill will be implemented as a supplemental program to the existing Forest Restoration and Wildfire Risk Mitigation Grant Program, utilizing available funds in the Forest Restoration and Wildfire Risk Mitigation Grant Program Cash Fund to make grant awards. Therefore, the appropriation reflected in this fiscal note only accounts for the incremental administrative costs of the supplemental program. Under current law, the CSFS is authorized to utilize up to 7 percent of any amount appropriated for its direct and indirect costs in administering the program.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2022-23, the bill requires a General Fund appropriations of \$47,942 to the State Forest Service in the Department of Higher Education.

State and Local Government Contacts

Counties	Higher Education
Natural Resources	Public Safety