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Final Fiscal Note

Drafting Number: LLS 22-0876
Prime Sponsors: Rep. Mullica
Sen. Jaquez Lewis

Date: June 21, 2022
Bill Status: Signed into Law
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Bill Topic: **STOCKPILE FOR DECLARED DISASTER EMERGENCIES**

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 type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill requires the Department of Public Safety to procure and maintain a stockpile of essential materials that are available for distribution after the Governor has declared a disaster emergency. Beginning in FY 2022-23, it increases state expenditures and may increase state revenue on an ongoing basis.

Appropriation Summary: For FY 2022-23, the bill requires and includes an appropriation of \$1.9 million to the Department of Public Safety.

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

Table 1
State Fiscal Impacts Under HB 22-1352

		Budget Year FY 2022-23	Out Year FY 2023-24	Out Year FY 2024-25
Revenue		-	-	-
Expenditures	General Fund ¹	-	-	\$60,508
	Cash Fund	\$1,881,727	\$1,875,527	\$1,809,654
	Centrally Appropriated	\$16,792	\$16,792	\$15,310
	Total Expenditure	\$1,898,519	\$1,892,319	\$1,885,472
	Total FTE	1.1 FTE	1.1 FTE	1.0 FTE
Transfers		-	-	-
Other Budget Impacts	General Fund Reserve	-	-	\$9,881

¹ Expenditures in FY 2022-23 and FY 2023-24 are assumed to be appropriated from the Revenue Loss Restoration Cash Fund. In FY 2024-25, expenditures for the emergency stockpile will be appropriated from the Revenue Loss Restoration Cash Fund and are assumed to be obligated by December 31, 2024, and staff costs will be appropriated from the General Fund. Beginning in FY 2025-26, expenditures will be appropriated from the General Fund.

Summary of Legislation

The bill requires the Division of Homeland Security and Emergency Management in the Department of Public Safety (DPS) to procure and maintain a stockpile of essential materials that are available for distribution after the governor has declared a disaster emergency. The DPS must ensure a sufficient supply of essential materials to bridge the gap until the national supply chain can increase production to meet demand. Essential materials include personal protective equipment (PPE), ventilators, and any other items the DPS determines are necessary to respond to a disaster emergency. The DPS, in consultation with the Department of Public Health and Environment (CDPHE) may distribute the essential materials to state agencies, local public health agencies, hospitals, or other health-care providers, or to others in need.

State agencies are required, to the extent possible, to procure essential materials from the DPS to ensure the stockpile is rotated prior to expiration. The DPS is also authorized to donate or sell materials as necessary to maintain up-to-date stockpiles. Any proceeds are credited to the Emergency Stockpile Rotation Cash Fund, created in the bill and continuously appropriated to the DPS for use by the Division of Homeland Security. The DPS may also seek, accept, and expend gifts, grants, and donations, including from public, private, and federal government sources.

The State Board of Health in the CDPHE is authorized to adopt rules to assure that health facilities maintain adequate stockpiles of PPE for infection control and staff proficiency in using PPE.

The General Assembly is authorized to appropriate money from the General Fund and, for the DPS expenditures made prior to December 31, 2024, from the Revenue Loss Restoration Cash Fund to implement these provisions.

Background

During the COVID-19 pandemic, the DPS was charged with maintaining the state emergency stockpile of PPE and associated warehouses. The Division of Homeland Security and Emergency Management has since maintained a 60-day stockpile of five key PPE product categories to dispatch to state agencies as needed, stored in two warehouses leased by the DPS.

State Revenue

To the extent that stockpiles are sold to non-state agencies, revenue to the Emergency Stockpile Rotation Cash Fund will increase. Due to limited information on the quantity and value of materials sold, this revenue is not estimated. It is assumed that any revenue received will be subject to the state's TABOR limit.

State Expenditures

Beginning in FY 2022-23, the bill increases ongoing state expenditures by \$1.9 million in the DPS, initially from the Revenue Loss Restoration Cash Fund and then from the General Fund. Workload will also increase in the CDPHE. Expenditures are shown in Table 2 and detailed below.

**Table 2
Expenditures Under HB22-1352**

	FY 2022-23	FY 2023-24	FY 2024-25
Department of Public Safety			
Personal Services	\$64,388	\$64,388	\$59,023
Operating Expenses	\$1,485	\$1,485	\$1,485
Capital Outlay Costs	\$6,200	-	-
Essential Materials Stockpile	\$1,809,654	\$1,809,654	\$1,809,654
Centrally Appropriated Costs ¹	\$16,792	\$16,792	\$15,310
Total	\$1,898,519	\$1,892,319	\$1,885,472
Total FTE	1.1 FTE	1.1 FTE	1.1 FTE

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

Department of Public Safety. Beginning in FY 2022-23, the DPS requires 1.1 FTE to implement and administer the manual billing process necessary to perform this new function of maintaining the state's emergency stockpile. Staff will ensure the stockpile is adequately stored, inventoried, and rotated to ensure products are kept up-to-date, as well as manage procurement by state agencies and donations and sales to other entities. Standard operating and capital outlay costs are included. Funding in FY 2022-23 and FY 2023-24 are assumed to be from the Revenue Loss Restoration Cash Fund. In FY 2024-25, the fiscal note assumes that purchases of essential materials can be obligated by December 31, 2024, and paid from the Revenue Loss Restoration Cash Fund but staffing costs will be paid from the General Fund. Costs to replenish the essential materials stockpile are based on an analysis DPS conducted that accounted for shelf-life, targeted stockpile levels, estimated ongoing demand, and average market prices.

Department of Public Health and Environment. Beginning in FY 2022-23, the CDPHE will have an increase in workload to support rulemaking in the State Board of Health, and to advise the DPS as needed. This can be accomplished within existing appropriations.

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.

Effective Date

The bill was signed into law by the Governor and took effect on May 18, 2022.

State Appropriations

In FY 2022-23, the bill requires and includes an appropriation of \$1,881,727 from the Revenue Loss Restoration Cash Fund to the DPS, and 1.1 FTE.

Departmental Difference

The Department of Public Health and Environment estimates expenditures of \$113,613 and 1.0 FTE annually beginning in FY 2022-23 for an emergency preparedness and communication specialist to assist DPS with delivering essential equipment to health facilities and to lead the rulemaking process with the State Board of Health. Following full-time support to rulemaking in FY 2022-23, this staff person is estimated to spend 800 hours annually to facilitate discussion with health facilities, 700 hours annually to consult with the DPS, 200 hours to maintain working knowledge of essential materials and locations, 200 hours to contribute to the creation of the request process for essential materials, and 180 hours for rule modification and updates.

This fiscal note assumes that the DPS is the lead agency to manage and distribute essential materials, and that the CDPHE can absorb consulting with the DPS on distributing essential materials. This fiscal note also assumes that the CDPHE can conduct rulemaking to ensure health facilities maintain adequate stockpiles and staff proficiency for using the essential materials with existing appropriations.

State and Local Government Contacts

Information Technology

Public Health and Environment

Public Safety