

JOINT BUDGET COMMITTEE



SUPPLEMENTAL BUDGET REQUESTS FY 2022-23

OFFICE OF THE GOVERNOR

Economic Development and International Trade

JBC WORKING DOCUMENT - SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

PREPARED BY:
ALFREDO KEMM, JBC STAFF
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JOINT BUDGET COMMITTEE STAFF
200 E. 14TH AVENUE, 3RD FLOOR • DENVER • COLORADO • 80203
TELEPHONE: (303) 866-2061 • TDD: (303) 866-3472

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ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE

DIVISION OVERVIEW

This Joint Budget Committee staff supplemental recommendations document includes the **OFFICE OF ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE (OEDIT)** within the Office of the Governor. The Office assists in strengthening Colorado's prospects for long-term economic growth by providing broad-based support to businesses. The Office's support services include business funding and incentives; promotion of creative industries; international trade assistance; tourism promotion; minority-, woman-, and veteran-owned businesses assistance; key industry promotion (including advanced industries, aerospace, and health and wellness), and film, television, and media industry development.

SUMMARY: FY 2022-23 APPROPRIATION AND RECOMMENDATION

OFFICE OF ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE: RECOMMENDED CHANGES FOR FY 2022-23						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2022-23 APPROPRIATION						
FY 2022-23 Appropriation	\$91,050,722	\$27,636,638	\$54,728,779	\$6,260,291	\$2,425,014	65.6
CURRENT FY 2022-23 APPROPRIATION:	\$91,050,722	\$27,636,638	\$54,728,779	\$6,260,291	\$2,425,014	65.6
RECOMMENDED CHANGES						
Current FY 2022-23 Appropriation	\$91,050,722	27,636,638	\$54,728,779	\$6,260,291	\$2,425,014	65.6
OEDIT S1 Admin funds for Prop 123	131,231	131,231	0	0	0	1.0
OEDIT S2 CHIPS	0	0	0	0	0	0.0
OEDIT DPA Annual fleet supplemental	(1,312)	(1,312)	0	0	0	0.0
RECOMMENDED FY 2022-23 APPROPRIATION:	\$91,180,641	\$27,766,557	\$54,728,779	\$6,260,291	\$2,425,014	66.6
RECOMMENDED INCREASE/(DECREASE)	\$129,919	\$129,919	\$0	\$0	\$0	1.0
Percentage Change	0.1%	0.5%	0.0%	0.0%	0.0%	1.5%
FY 2022-23 EXECUTIVE REQUEST						
Request Above/(Below) Recommendation	\$5,000,000	\$0	\$5,000,000	\$0	\$0	0.3

REQUEST/RECOMMENDATION DESCRIPTIONS

(OEDIT) S1 ADMIN FUNDS FOR PROP 123: The request includes \$153,373 General Fund and 1.0 FTE for administrative support for Proposition 123 implementation. The recommendation is \$131,231 General Fund and 1.0 FTE.

(OEDIT) S2 CHIPS: The request includes: a transfer of \$5.0 million General Fund to the Colorado Economic Development Fund; and \$5.0 million cash funds spending authority from the Colorado

Economic Development Fund including \$51,000 and 0.3 FTE for a Program Manager III to serve as an expert on the federal Chips and Science (CHIPS) Act and for state matching funds. The recommendation is for legislation for a transfer of \$5.0 million General Fund to the Colorado Economic Development Fund (Fund). The Fund is continuously appropriated; no annual appropriation is necessary.

OEDIT DPA ANNUAL FLEET SUPPLEMENTAL: The common policy request includes a decrease of \$1,312 General Fund for the Department of Personnel's annual fleet supplemental request. The recommendation is pending.

PRIORITIZED SUPPLEMENTAL REQUESTS

(OEDIT) S1 ADMIN FUNDS FOR PROP 123

	REQUEST	RECOMMENDATION
TOTAL	\$153,373	\$131,231
FTE	1.0	1.0
General Fund	153,373	131,231
Cash Funds	0	0
Federal Funds	0	0

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? **YES**
 [An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]

Explanation: JBC staff and the Department agree that this request is the result of an unforeseen contingency.

DEPARTMENT REQUEST: The Governor's Office of Economic Development and International Trade (OEDIT) requests \$153,373 General Fund and 1.0 FTE for administrative support to implement Proposition 123, passed by the voters in the November election.

STAFF RECOMMENDATION: Staff recommends that the Committee approve \$131,231 General Fund and 1.0 FTE.

STAFF ANALYSIS: Proposition 123 dedicates one-tenth of one percent of federal taxable income to a newly created State Affordable House Fund. On July 1, 2023 and each year thereafter, the balance of the State Affordable Housing Fund is transferred in shares of 60 percent to the Affordable Housing Financing Fund in OEDIT and 40 percent to the Affordable Housing Support Fund in the Department of Local Affairs (DOLA). Transfers for FY 2023-24 are estimated at \$81 million to OEDIT and \$54 million to DOLA. Transfers for FY 2024-25 are estimated at \$162 million to OEDIT and \$108 million to DOLA.

Proposition 123 authorizes OEDIT to contract with a third party administrator to run these programs and allows the third party administrator to charge up to two percent of the program funds to operate the programs. However, there is no funding provided for the implementation and oversight costs incurred by OEDIT for the new programing.

OEDIT’s role as a fiscal and oversight agent for the programs mandated by Proposition 123 includes ensuring proper implementation and distribution of resources. OEDIT has not historically managed housing programs, does not currently employ staff with expertise related to these newly-created programs, and will have to develop new infrastructure to oversee implementation of programs and distribution of funding.

Requested funding will support a 0.5 FTE Deputy Department Head and a 0.5 FTE Program Management I, requested only for the second half of FY 2022-23. OEDIT will work through the legislative process to secure administrative and oversight costs in FY 2023-24 and future years through the Affordable Housing Financing Fund created in Section 29-32-103 (2), C.R.S. The staff will be responsible for finding a third party vendor and contracting with that vendor for each of the programs, establishing performance metrics for the programs, and setting up systems related to tracking those expenditures and performance metrics.

Staff recommends that the Committee approve the request for staff; however, consistent with Committee policy, staff does not recommend funding for POTS (compensation policies) in the first year of funding. The staff recommendation represents funding for the personal services and operating expenses for the staff identified in the request.

(OEDIT) S2 CHIPS

	REQUEST	RECOMMENDATION
TOTAL	\$5,000,000	\$0
FTE	0.3	0.0
General Fund	0	0
Cash Funds	5,000,000	0
Federal Funds	0	0

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? YES

[An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]

Explanation: JBC staff and the Department agree that this request is the result of an unforeseen contingency.

DEPARTMENT REQUEST: The Office of Economic Development and International Trade (OEDIT) requests a transfer of \$5.0 million General Fund to the Colorado Economic Development Fund; and \$5.0 million cash funds spending authority from the Colorado Economic Development Fund, including: \$51,000 and 0.3 FTE for a full time Program Manager III to serve as an expert on the federal Chips and Science (CHIPS) Act; and for state matching funds for projects funded by the federal CHIPS Act.

STAFF RECOMMENDATION: Staff recommends that the Committee sponsor legislation to transfer \$5.0 million General Fund to the Colorado Economic Development Fund (Fund) for this purpose. The Fund is continuously appropriated, therefore no annual appropriation is necessary.

STAFF ANALYSIS: The federal Creating Helpful Incentives to Produce Semiconductors and Science Act of 2022 (CHIPS Act) is the largest investment in American industrial policy in over 50 years – providing \$280 billion in spending in the next 5 years. In order to participate in funding, the state must develop a matching funds strategy, and maximize the state’s access to federal funds.

CHIPS Act statute requires that applicants for funding demonstrate that they have secured incentives from state or local governments. The Notice of Funding Opportunity (NOFO) for CHIPS funding from the Department of Commerce will be announced in February of 2023. The requested supplemental funding will enable Colorado to access early funds and be competitive with other states.

Colorado has above average concentrations in science-related industries and a wealth of research and development (R&D) infrastructure which make it a great candidate for the expansion of semiconductor R&D, design, and production, and for the location of the identified centers of R&D and national networks in the Act.

Bare Printed Circuit Board and Printed Circuit Assembly Manufacturing are both much denser in the state, relative to the nation as a whole. Printed Circuit Boards are boards on which a collection of microelectronics, like semiconductors, are installed and interconnected. Along with the Broadcom and Microchip fabrication facilities – both of which have seen expansions and upgrades in recent years – the state is also home to the headquarters of Arrow Electronics, one of the world’s largest electronics wholesalers; an Intel campus that employs 600 workers; a Cobham Advanced Electronic Solutions production facility that works on radiation-hardened integrated chips; and other operations like Circuits West.

Additionally, high-tech local clusters like aerospace, energy, telecommunications, information technology, and bioscience are large-scale users of semiconductors and downstream components. These industries and facilities are all denser in Colorado than the US and growing much faster. OEDIT lead and participation in CHIPS funding could result in the expansion of the semiconductor industry, establishment of R&D centers, and other job creation impacts in Colorado.

Rural communities in Colorado are largely without the resources to secure and attract large projects such as those in the CHIPS act. The funds will additionally be used to catalyze regional growth and development in rural and underserved communities. The matching funds will be used to provide technical assistance and planning grants to help communities, regions, nonprofits, and economic development organizations create comprehensive proposals to the U.S. Economic Development Administration, the National Science Foundation, and the Department of Commerce for funding opportunities and flexible spending plans for locally designated priorities.

OEDIT requests \$5.0 million in supplemental funding from the General Fund to be transferred to the Economic Development Cash Fund to build upon the currently dedicated \$1.5 million for state matching funds investments. The federal government is developing application criteria and process. OEDIT has set aside funding and is seeking this additional funding to be used as matching planning grant money to apply for funds, for infrastructure needed to implement workforces strategies, and to address additional process requirements that may be defined for the program. Additional funding will allow more entities to pursue funding through the CHIPS Act.

As additional guidance is released from the federal government on CHIPS Act programs, OEDIT's dedicated CHIPS staff will work to identify opportunities and share information with stakeholders.

OEDIT states:

While the federal government is still formulating exact requirements for state matching funds, we can estimate – through the state’s population and historical grants – that Colorado funding (both state and private) will need a 20 percent match to be competitive. Through \$1.5 million of Economic Development Fund dollars and this request, the state can provide 10.0 percent of the overall matching funds required from the State to maximize Colorado's federal funding potential.

Thus, Colorado is potentially eligible for \$5 billion over five years, which equates to \$300M in federal funding per year through \$60 million in matching funds — where the State provides \$6.5 million of that \$60 million. \$5 million from this request in addition to the \$1.5 million OEDIT has already set aside for CHIPS Act needs.

Based on the write-up, staff is unclear on whether the state is potentially eligible for \$5 billion over five years, or \$300 million per year. It is possible that \$5 billion refers to total investment and \$300 million refers to federal program funding, but this portion of the narrative is not clear. If staff understands this funding structure correctly, funding of \$300 million per year would require \$60 million per year in matching funds, which includes the state match of \$6.5 million plus other matches and industry investments.

This funding will also provide a dedicated CHIPS staff who will serve as an expert on the CHIPS act and semiconductor ecosystem; structure incentives to meet federal requirements; coordinate an advisory group; and interface with industry on what else is necessary.

While the metrics of matching funds – including state share, other government and institutional share, and industry investments – are not clear, and may not yet be defined for the Program, staff recommends that the Committee consider funding this request with a \$5.0 million General Fund transfer to the Colorado Economic Development Fund for this purpose.

STATEWIDE COMMON POLICY SUPPLEMENTAL REQUESTS

These requests are not prioritized and are not analyzed in this packet. The JBC will act on these items later when it makes decisions regarding common policies.

DEPARTMENT'S PORTION OF STATEWIDE SUPPLEMENTAL REQUEST	TOTAL	GENERAL FUND	CASH FUNDS	REAPPROP. FUNDS	FEDERAL FUNDS	FTE
OEDIT DPA Annual Fleet Supplemental	(\$1,312)	(\$1,312)	\$0	\$0	\$0	0.0
DEPARTMENT'S TOTAL STATEWIDE SUPPLEMENTAL REQUESTS	(\$1,312)	(\$1,312)	\$0	\$0	\$0	0.0

STAFF RECOMMENDATION: The staff recommendation for these requests is pending Committee action on common policy supplementals. Staff will include the corresponding appropriations in the

Department's supplemental bill based on Committee action on common policy supplementals. If staff believes there is reason to deviate from the common policy, staff will appear before the Committee at a later date to present the relevant analysis.

JBC Staff Supplemental Recommendations - FY 2022-23
Staff Working Document - Does Not Represent Committee Decision

Appendix A: Numbers Pages

	FY 2021-22 Actual	FY 2022-23 Appropriation	FY 2022-23 Requested Change	FY 2022-23 Rec'd Change	FY 2022-23 Total w/Rec'd Change
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GOVERNOR - LIEUTENANT GOVERNOR - STATE PLANNING AND BUDGETING

Jared Polis, Governor

(OEDIT) S1 Admin Funds for Prop 123 Implementation

(1) OFFICE OF THE GOVERNOR

(B) Special Purpose

Health, Life, and Dental	<u>1,301,168</u>	<u>2,114,280</u>	<u>11,033</u>	<u>0</u>	<u>2,114,280</u>
General Fund	1,062,855	1,321,026	11,033	0	1,321,026
Cash Funds	28,099	470,019	0	0	470,019
Reappropriated Funds	210,214	100,872	0	0	100,872
Federal Funds	0	222,363	0	0	222,363
Short-term Disability	<u>18,090</u>	<u>29,015</u>	<u>175</u>	<u>0</u>	<u>29,015</u>
General Fund	14,919	16,660	175	0	16,660
Cash Funds	0	6,797	0	0	6,797
Reappropriated Funds	3,171	2,761	0	0	2,761
Federal Funds	0	2,797	0	0	2,797
S.B. 04-257 Amortization Equalization Disbursement	<u>565,138</u>	<u>955,334</u>	<u>5,467</u>	<u>0</u>	<u>955,334</u>
General Fund	466,197	548,448	5,467	0	548,448
Cash Funds	0	223,837	0	0	223,837
Reappropriated Funds	98,941	90,926	0	0	90,926
Federal Funds	0	92,123	0	0	92,123

JBC Staff Supplemental Recommendations - FY 2022-23
Staff Working Document - Does Not Represent Committee Decision

	FY 2021-22 Actual	FY 2022-23 Appropriation	FY 2022-23 Requested Change	FY 2022-23 Rec'd Change	FY 2022-23 Total w/Rec'd Change
S.B. 06-235 Supplemental Amortization Equalization					
Disbursement	<u>565,138</u>	<u>955,334</u>	<u>5,467</u>	<u>0</u>	<u>955,334</u>
General Fund	466,197	548,448	5,467	0	548,448
Cash Funds	0	223,837	0	0	223,837
Reappropriated Funds	98,941	90,926	0	0	90,926
Federal Funds	0	92,123	0	0	92,123
(4) ECONOMIC DEVELOPMENT PROGRAMS					
Administration	<u>435,203</u>	<u>905,660</u>	<u>131,231</u>	<u>131,231</u>	<u>1,036,891</u>
FTE	6.0	6.0	1.0	1.0	7.0
General Fund	435,203	905,660	131,231	131,231	1,036,891
Cash Funds	0	0	0	0	0
Reappropriated Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Total for (OEDIT) S1 Admin Funds for Prop 123					
Implementation	2,884,737	4,959,623	153,373	131,231	5,090,854
FTE	<u>6.0</u>	<u>6.0</u>	<u>1.0</u>	<u>1.0</u>	<u>7.0</u>
General Fund	2,445,371	3,340,242	153,373	131,231	3,471,473
Cash Funds	28,099	924,490	0	0	924,490
Reappropriated Funds	411,267	285,485	0	0	285,485
Federal Funds	0	409,406	0	0	409,406

JBC Staff Supplemental Recommendations - FY 2022-23
Staff Working Document - Does Not Represent Committee Decision

	FY 2021-22 Actual	FY 2022-23 Appropriation	FY 2022-23 Requested Change	FY 2022-23 Rec'd Change	FY 2022-23 Total w/Rec'd Change
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(OEDIT) S2 CHIPS

(4) ECONOMIC DEVELOPMENT PROGRAMS

Economic Development Commission - General

Economic Incentives and Marketing	<u>7,103,018</u>	<u>12,120,249</u>	<u>5,000,000</u>	<u>0</u>	<u>12,120,249</u>
FTE	5.8	6.5	0.3	0.0	6.5
General Fund	5,071,509	5,756,372	0	0	5,756,372
Cash Funds	291,677	363,877	5,000,000	0	363,877
Reappropriated Funds	1,739,832	6,000,000	0	0	6,000,000
Federal Funds	0	0	0	0	0

Total for (OEDIT) S2 CHIPS	7,103,018	12,120,249	5,000,000	0	12,120,249
FTE	<u>5.8</u>	<u>6.5</u>	<u>0.3</u>	<u>0.0</u>	<u>6.5</u>
General Fund	5,071,509	5,756,372	0	0	5,756,372
Cash Funds	291,677	363,877	5,000,000	0	363,877
Reappropriated Funds	1,739,832	6,000,000	0	0	6,000,000
Federal Funds	0	0	0	0	0

Totals Excluding Pending Items					
GOVERNOR					
TOTALS for ALL Departmental line items	415,980,185	476,306,380	5,153,373	131,231	476,437,611
FTE	<u>624.3</u>	<u>1,285.2</u>	<u>1.3</u>	<u>1.0</u>	<u>1,286.2</u>
General Fund	55,077,044	57,025,442	153,373	131,231	57,156,673
Cash Funds	67,343,385	94,591,666	5,000,000	0	94,591,666
Reappropriated Funds	280,000,715	317,902,659	0	0	317,902,659
Federal Funds	13,559,041	6,786,613	0	0	6,786,613