



**Colorado  
Legislative  
Council  
Staff**

**HB17-1214**

**FISCAL NOTE**

**FISCAL IMPACT:**  State  Local  Statutory Public Entity  Conditional  No Fiscal Impact

**Drafting Number:** LLS 17-0620  
**Prime Sponsor(s):** Rep. Coleman  
Sen. Tate

**Date:** March 14, 2017  
**Bill Status:** House Business  
**Fiscal Analyst:** Anna Gerstle (303-866-4375)

**BILL TOPIC:** ENCOURAGE EMPLOYEE OWNERSHIP OF EXISTING SMALL BUS

<b>Fiscal Impact Summary</b>	<b>FY 2017-2018</b>	<b>FY 2018-2019</b>
<b>State Revenue</b> General Fund	Potential increase.	
<b>State Expenditures</b> General Fund	<b><u>\$200,000</u></b> 200,000	<b><u>\$200,000</u></b> 200,000
<b>Appropriation Required:</b> \$200,000 - OEDIT (FY 2017-18).		
<b>Future Year Impacts:</b> Ongoing expenditure and potential revenue and increase.		

**Summary of Legislation**

The bill requires the Office of Economic Development and International Trade (OEDIT) to establish a revolving loan fund program to assist existing businesses with a transition to becoming employee-owned businesses. OEDIT may contract with a nonprofit organization, lender, or financial institution engaging in community development to administer the program, and either OEDIT or the contracted entity must establish specified fees, terms, rates, and policies associated with the program in order to generate enough return to replenish the program for future loans. OEDIT may also seek matching private sector funds for the program.

Only existing businesses that are at least two years old, have at least three employees, have annual net revenues of no more than \$5 million, offer employee ownership opportunity to every employee, and plan to or have entered into an employee ownership agreement with at least half the employees may participate in the program. Program loans must:

- be used to obtain technical assistance or for transition purposes;
- not be used to pay off debt, or for general operating expenses or capital expenses;
- not exceed \$10,000, or more than 50 percent of cost of transition; and
- be held by the owner of the existing business.

The bill appropriates \$200,000 annually from the General Fund for the program from FY 2017-18 through FY 2022-23. No more than 15 percent (\$30,000) in FY 2017-18 and 10 percent (\$20,000) in FY 2018-19 may be used for administrative expenses.

In addition, by September 1, 2017, OEDIT must work with an employee-owned business nonprofit organization to educate staff on the forms and merits of employee ownership and the small business assistance center in OEDIT must make available information on employee ownership and the revolving loan fund.

### **State Revenue**

To the extent that OEDIT receives matching private sector funds, state General Fund revenue will increase. Gifts, grants, and donations are TABOR-exempt. No private sector funding sources have been identified at this time.

### **State Expenditures**

***The bill increases General Fund expenditures in OEDIT by \$200,000 in FY 2017-18 and FY 2018-19.*** The bill also increases the workload for OEDIT beginning in FY 2017-18.

***Administration.*** In FY 2017-18, OEDIT requires the \$30,000 allowed under the bill for administrative costs to conduct upfront program work, and to contract with a nonprofit organization for the administration of the revolving loan fund. In FY 2018-19, the \$20,000 provided in the bill is required for ongoing administration of the program.

***Loans.*** Of the \$200,000 appropriated for the program in each year, \$170,000 in FY 2017-18 and \$180,000 in FY 2018-19 will be available to make loans to small businesses to assist with the conversion to employee-owned businesses. The fiscal note assumes that 17 loans will be made in FY 2017-18 and 18 in FY 2018-19, each at the maximum allowable amount of \$10,000.

***Training and materials.*** The bill increases the workload for OEDIT to provide training to staff on employee-ownership, as well as to make materials on the subject available to small businesses through the small business assistance center. The workload increase is expected to be accomplished within existing appropriations. Should additional resources be required, it will be requested through the annual budget process.

### **Effective Date**

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

### **Technical Note**

OEDIT has no cash fund ideally suited for private sector funds donated for the program. As a result, the fiscal note assumes that any private sector funds will be deposited into the General Fund.

**State Appropriations**

For FY 2017-18, the bill includes an appropriation of \$200,000 from the General Fund to the Office of Economic Development and International Trade.

**State and Local Government Contacts**

Information Technology      Office of Economic Development and International Trade