



**Colorado
Legislative
Council
Staff**

HB17-1214

**REVISED
FISCAL NOTE**

(replaces fiscal note dated March 14, 2017)

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 28, 2017
Bill Status: Senate SVMA
Fiscal Analyst: Anna Gerstle (303-866-4375)

BILL TOPIC: ENCOURAGE EMPLOYEE OWNERSHIP OF EXISTING SMALL BUS

Fiscal Impact Summary	FY 2017-2018	FY 2018-2019
State Revenue* Cash Funds	Potential gifts, grants, and donations.	
State Expenditures Cash Funds	Potential expenditure and minimal workload increase.	
Appropriation Required: None.		
Future Year Impacts: Potential revenue and expenditure increase through FY 2021-22.		

* Gifts, grants, and donations are TABOR-exempt.

Summary of Legislation

The **reengrossed** 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, or may work with the Colorado Housing and Finance Authority (CHFA) to assist in offering loans. 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.

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.

OEDIT may accept and expend gifts, grants, and donations to capitalize the revolving loan fund, of which OEDIT may use the first 15 percent of any gifts, grants, and donations for administrative costs associated with the program. The bill creates the Revolving Loan Program Cash Fund in OEDIT; all moneys in the fund are continuously appropriated and any funds not spent at the end of a fiscal year must remain in the fund.

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.

The bill is repealed July 1, 2022.

State Revenue

To the extent that OEDIT receives gifts, grants, and donations to capitalize the revolving loan program, state cash fund revenue will increase. Gifts, grants, and donations are TABOR-exempt. No funding sources have been identified at this time.

State Expenditures

The bill increases the workload in OEDIT beginning in FY 2017-18 to provide training for staff on employee-ownership and to make materials on the subject available to small businesses through the small business assistance center. The workload can be accomplished within existing appropriations.

In addition, the bill may increase the workload and expenditures in OEDIT if funding is identified for the revolving loan program; implementation is contingent upon OEDIT receiving gifts, grants, or donations. However, no sources of funding have been identified at this time. Gifts, grants, and donations are continuously appropriated to OEDIT for the program.

Statutory Public Entity

CHFA may see a minimal workload increase to work with OEDIT to provide loan assistance beginning in FY 2017-18.

Effective Date

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

State and Local Government Contacts

Information Technology

Office of Economic Development and International Trade