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FINAL FISCAL NOTE

Drafting Number: LLS 20-0364 Date: May 6, 2020
Prime Sponsors: Sen. Coram Bill Status: Postponed Indefinitely
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Bill Topic: RURAL DEVELOPMENT GRANT PROGRAM CREATION

- Summary of Fiscal Impact:
- State Revenue
- State Expenditure
- State Transfer
- TABOR Refund
- Local Government
- Statutory Public Entity

The bill would have created a rural development grant program to be administered by the Office of Economic Development and International Trade. It would have increased state expenditures through FY 2024-25; and may have increased state revenue from gifts, grants, or donations.

Appropriation Summary: No appropriation was required. The Rural Development Grant Program Cash Fund is continuously appropriated to the Office of Economic Development and International Trade.

Fiscal Note Status: The fiscal note reflects the introduced bill. This bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.

Table 1
State Fiscal Impacts Under SB 20-054

Table with 3 columns: Category, FY 2020-21, FY 2021-22. Rows include Revenue, Expenditures (Cash Funds, Centrally Appropriated, Total, Total FTE), Transfers (General Fund, Cash Funds), and TABOR Refund.

Summary of Legislation

This bill creates the Rural Development Grant Program in the Office of Economic Development and International Trade (OEDIT) to provide grants to early stage rural businesses and economic development organizations. It creates the Rural Development Grant Program Cash Fund, which receives a transfer of \$2.5 million from the General Fund on July 1, 2020. Money in the cash fund is continuously appropriated to OEDIT. OEDIT may also seek, accept, and expend gifts, grants, or donations to fund the grant program.

Grants are not to exceed \$150,000 per business or organization per year. Businesses may use the grant for developing prototypes, proof of business concepts, or proof of business models. Organizations may use the grant for programmatic expenses. To be eligible for a grant, a business or organization must secure at least one-third of the requested grant amount in matching funds from non-governmental sources. The bill defines a rural area as a county with a population under 60,000, or a municipality with a population under 25,000 that is not contiguous with another municipality with a population of 25,000 or more.

OEDIT is required to implement and administer the grant program, including developing guidelines for the grant application and review process by October 1, 2020. Each year, the office must award grants on or before December 1; receive reports from grant recipients on or before March 15; and report to the General Assembly on or before April 15.

The grant program repeals on July 1, 2025.

State Revenue

Beginning in FY 2020-21, the bill may increase state cash fund revenue from gifts, grants, or donations. No source of funds has been identified as of writing. This revenue source is TABOR-exempt.

State Transfers

In FY 2020-21, the bill transfers \$2.5 million from the General Fund to the Rural Development Grant Program Cash Fund.

State Expenditures

In FY 2020-21, this bill will increase state expenditures by up to \$2,353,798 from the Rural Development Grant Program Cash Fund, and by \$89,916 in FY 2021-22. Expenditures are shown in Table 2 and described below.

**Table 2
 Expenditures Under SB 20-054**

	FY 2020-21	FY 2021-22
Office of Economic Development		
Personal Services	\$71,751	\$71,751
Operating Expenses and Capital Outlay Costs	\$7,550	\$1,350
Computer Programming	\$10,000	-
Travel	\$45,000	-
Marketing	\$9,000	-
Operations, Accounting, and Procurement	\$17,083	-
Grants to Rural Businesses*	\$2,193,415	-
Centrally Appropriated Costs**	\$16,815	\$16,815
Total Cost	\$2,370,613	\$89,916
Total FTE	1.0 FTE	1.0 FTE

* This is the total amount for grants after all administrative costs

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

Office of Economic Development and International Trade. Using the Advanced Industries Acceleration Grant Program as a proxy, OEDIT will hire 1.0 FTE project manager to oversee the newly created grant program. Standard operating and capital outlay costs are included. Additional costs for one-time computer programming, travel, marketing, and indirect administrative costs are also included. Administrative costs are below the bill's 8 percent cap of \$200,000 in FY 2020-21 (see Technical Note).

- *Grants to economic development organizations and rural businesses.* After accounting for administrative expenses through FY 2022-23, \$2.2 million will be available for grants. Assuming that each grant recipient receives an average grant of about \$100,000, OEDIT will award approximately 22 grants.

Department of Local Affairs. Workload in DOLA will minimally increase to collaborate with OEDIT on providing information to economic development groups and early stage rural businesses.

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 estimated to be \$16,815 in FY 2020-21 and FY 2021-22.

Technical Note

The bill creates an annual cap on the administrative expenses for the newly created grant program at 8 percent of the money transferred or appropriated to the fund in that year. Given that the bill specifies that the entire \$2.5 million is transferred into the fund in FY 2020-21 and no transfers are included for FY 2021-22, this would result in an administrative costs cap of \$200,000 in FY 2020-21 and \$0 in FY 2021-22. This fiscal note reflects the costs that are required to run the grant program notwithstanding the cap.

Effective Date

This bill was postponed indefinitely by the Senate Agriculture and Natural Resources Committee on February 6, 2020.

State Appropriations

The newly created Rural Development Grant Program Cash Fund is continuously appropriated to the Office of Economic Development and International Trade; therefore, no appropriation is required in FY 2020-21.

State and Local Government Contacts

Counties
Local Affairs
Personnel

Economic Development
Information Technology
Regulatory Agencies

Law
Municipalities