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Fiscal Note

Drafting Number: LLS 22-0573 **Date:** February 22, 2022
Prime Sponsors: Rep. Catlin; Roberts **Bill Status:** House Agriculture
 Sen. Bridges; Simpson **Fiscal Analyst:** Josh Abram | 303-866-3561
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Bill Topic: TURF REPLACEMENT PROGRAM

Summary of Fiscal Impact:

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government
<input checked="" type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill creates a turf replacement program in the Department of Natural Resources to assist with the replacement of nonessential irrigated turf on residential, commercial, institutional or industrial properties. The bill increases state expenditures beginning in FY 2022-23.

Appropriation Summary: For FY 2022-23, the bill requires an appropriation of \$4.0 million to the Department of Natural Resources

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

Table 1
State Fiscal Impacts Under HB 22-1151

		Budget Year FY 2022-23	Out Year FY 2023-24
Revenue	Cash Funds	-	-
Expenditures	Cash Funds	\$1,337,541	\$2,662,459
	Centrally Appropriated	\$15,837	\$36,782
	Total Expenditures	\$1,353,378	\$2,699,241
	Total FTE	0.8 FTE	1.8 FTE
Transfers¹	General Fund	(\$4,000,000)	-
	Cash Funds	\$4,000,000	-
	Net Transfer	\$0	-
Other Budget Impacts	General Fund Reserve	\$600,000	-

¹The fiscal note assumes that funding for the program will be transferred in FY 2022-23 via an appropriation from the General Fund, and that expenditures from the program cash fund occur in FY 2022-23 and FY 2023-24.

Summary of Legislation

Before July 1, 2023, the bill requires the Colorado Water Conservation Board (CWCB) in the Department of Natural Resources (DNR) to develop a turf replacement program to incentivize the voluntary replacement of nonessential irrigated turf on residential, commercial, institutional or industrial properties.

A local government, special district, Native American tribe or nonprofit organization that already administers or plans to administer a turf replacement program may apply for matching funds from the state program. An eligible applicant must provide up to 50 percent of the costs to develop and implement a local program, and must begin implementation within 12 months of receiving a grant. The CWCB may also contract with one or more third parties to administer turf replacement programs in areas of the state where local programs do not exist.

The CWCB must create rules for the program, including application forms and deadlines for eligible entities, and the responsibilities of any third party contractors. The bill creates the Turf Replacement Fund in the Treasury for administration by CWCB. The cash fund is subject to annual appropriations, and consists of money that may be appropriated or transferred to the fund, federal funds the CWCB may receive, and any gifts, grants, or private donations to support the program. The CWCB may use money in the fund to cover their direct and indirect costs in developing and administering turf replacement programs.

State Revenue

The bill authorizes the CWCB to accept and spend gifts, grants, or private donations to implement the turf replacement program, potentially increasing state revenue. No amount of funding from grants or private sources has been identified. Revenue from these sources is not subject to TABOR.

State Transfers

The bill creates a cash fund for the CWCB to implement the program, but does not specify a funding amount. The General Assembly may choose to place money in the cash fund via a statutory transfer or via an appropriation. Total funding for the program is at the discretion of the General Assembly; however, this fiscal note assumes a total funding amount of \$4.0 million will be transferred from the General Fund to the Turf Replacement Fund via an appropriation in FY 2022-23, for expenditures in FY 2022-23 and FY 2023-24. See Technical Note.

State Expenditures

The bill increases state expenditures in the DNR by about \$1.4 million in FY 2022-23, and by about \$2.7 million in FY 2023-24 from the Turf Replacement Fund. This fiscal note assumes an initial funding amount of \$4.0 million transferred via an appropriation from the General Fund in FY 2022-23 for administrative costs and for grants; however, actual funding for the program is at the discretion of the General Assembly.

Administrative costs continue annually unless the program is repealed and no additional funding is provided. This fiscal note assumes one third of available grant funding will be spent in FY 2022-23, and that the remaining funding will be spent in FY 2023-24. Expenditures are shown in Table 2 and discussed below.

Table 2
Expenditures Under HB 22-1151

	FY 2022-23	FY 2023-24
Department of Natural Resources		
Personal Services	\$56,236	\$134,780
Operating Expenses	\$1,080	\$2,430
Capital Outlay Costs	\$6,200	-
Computer Programming	\$11,400	-
Turf Replacement Grants / Third Party Contracts	\$1,262,625	\$2,525,249
Centrally Appropriated Costs ¹	\$15,837	\$36,782
Total Cost	\$1,353,378	\$2,699,241
Total FTE	0.8 FTE	1.8 FTE

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

Personal services. Beginning in FY 2022-23, the DNR will have increased personal service costs for a research scientist to create rules, issue a request for proposals to select third party administrators, develop application procedures, write and review contracts, develop evaluation criteria, provide technical assistance, manage contractors, and prepare annual reports. Beginning in FY 2023-24, the DNR will add additional administrative support for contract management and to process invoices and payments to grantees. Personal services costs in FY 2022-23 are prorated for a September 1 effective date.

Information technology. The DNR will have computer programming costs in FY 2022-23 for a grants portal reporting database. This cost is from purchased services and reappropriated to the Office of Information Technology).

Turf replacement grants / third party contracts. After administrative expenses, about \$1.3 million is available in FY 2022-23, and about \$2.5 million is available in FY 2023-24 to make awards from the turf replacement program and to contract with third party administrators to establish programs where none exist.

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, supplemental employee retirement payments, and an indirect assessment on new personal service costs are shown in Table 2.

Other Budget Impacts

Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve beginning in FY 2022-23. If the General Assembly chooses to transfer funding via an appropriation, this bill increases the amount of General Fund held in reserve by \$600,000 in FY 2022-23, which decreases the amount of General Fund available for other purposes.

Local Government

Local governments that already administer or plan to administer a turf replacement program will be eligible for matching grants from the state. Only those local governments, including cities, counties, and special districts that demonstrate the ability to provide matching funds and that can begin a program within 12 months of an award may receive funding from the CWCB.

Technical Note

The General Assembly must decide how to transfer money to the cash fund to implement the bill. If the General Assembly chooses to transfer funding via an appropriation from the General Fund, this will increase the amount of General Fund held in reserve. If funding is accomplished via a statutory transfer from the General Fund, the transferred amount is no longer available for appropriation from the General Fund, and there is no increase in the amount of General Fund held in reserve.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2022-23, the bill requires an appropriation of \$4.0 million from the General Fund to the Turf Replacement Fund for use by the Department of Natural Resources, and 0.8 FTE. Of this amount, \$11,400 is reappropriated to the Office of Information Technology.

State and Local Government Contacts

Counties
Natural Resources

Information Technology
Special Districts

Municipalities