



Legislative
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FISCAL NOTE

Drafting Number: LLS 20B-0021
Prime Sponsors: Rep. Buck

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Bill Status: House Finance
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Bill Topic: **NONESSENTIAL SMALL BUSINESS GRANT PROGRAM**

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

The bill creates the nonessential small business grant program in the Office of Economic Development and International Trade. The bill increases state expenditures in FY 2020-21 and FY 2021-22 only.

Appropriation Summary: For the current FY 2020-21, the bill requires an appropriation of \$102.5 million to the Office of Economic Development and International Trade.

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

Table 1
State Fiscal Impacts Under HB 20B-1010

		FY 2020-21 <i>(current year)</i>	FY 2021-22	FY 2022-23
Revenue		-	-	-
Expenditures	General Fund*	\$102,536,785	\$2,573,133	-
	Centrally Appropriated	\$6,706	\$16,495	-
	Total	\$102,543,491	\$2,589,628	-
	Total FTE	0.4 FTE	1.0 FTE	-
Transfers		-	-	-
TABOR Refund		-	-	-

* This amount includes an assumed \$100.0 million for grants based on the potential scope and goals of the program, plus administrative costs for OEDIT. The actual amount appropriated to the program will be determined by the General Assembly.

Summary of Legislation

The bill creates the Nonessential Small Business Pandemic Grant Program in the Office of Economic Development and International Trade (OEDIT). The program provides grants to small businesses with up to 50 employees that have been ordered to shut down as a result of the pandemic, have had operating restrictions placed on the business, or faced economic hardship related to the pandemic that has resulted in lost revenue, and which have not declared bankruptcy. Grants may be up to 50 percent of the lost revenue and may be used for any reasonable business expense that helps a business remains solvent. The bill specifies how to calculate lost revenue.

OEDIT must determine the program procedures and time frames, and the bill specifies what must be included in a grant application. Grant recipients are required to submit specified information to OEDIT, and OEDIT must submit a program report by January 1, 2022.

The General Assembly must annually appropriate money for the program, a portion of which may be used by OEDIT for administrative purposes. The program is repealed September 1, 2022.

Data and Assumptions

The Small Business Administration estimates there are over 33,000 businesses in Colorado with fewer than 20 employees in the arts, entertainment recreation, food, accommodation, retail, and other services industries. The fiscal note assumes that these are the industries most likely to be significantly impacted by the COVID-19 pandemic.

While the bill allows for an annual appropriation to the program, the fiscal note assumes one round of grant funding in FY 2020-21, based on program reporting deadlines and repeal date.

State Expenditures

The bill increases state General Fund expenditures in OEDIT by up to \$102.5 million in FY 2020-21 and \$2.6 million in FY 2021-22. These amounts are shown in Table 2 and discussed further below.

**Table 2
Expenditures Under HB 20B-1010**

	FY 2020-21 <i>(current year)</i>	FY 2021-22	FY 2022-23
OEDIT			
Personal Services	\$29,910	\$71,783	-
Operating Expenses	\$675	\$1,350	-
Capital Outlay Costs	\$6,200	-	-
Third Party Vendors	\$2,500,000	\$2,500,000	-
Grants*	up to \$100,000,000	-	-
Centrally Appropriated Costs**	\$6,706	\$16,495	-
Total Cost	\$102,543,491	\$2,589,628	-
Total FTE	0.4 FTE	1.0 FTE	-

* The General Assembly may provide any amount for the grant program. The \$100.0 million is an estimate based on the potential scope and goals of the program.

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

Administration. OEDIT requires 1.0 FTE for a program manager to implement the program, prorated to 0.4 FTE in FY 2020-21. Due to the large number of grants expected to be awarded, OEDIT will also contract with a third-party vendor to manage the distribution of the grants, as is standard procedure for other grant and loan programs administered by the agency. The fiscal note assumes that 5.0 percent of the total grant amount will be required for the third-party contract, spread over the two fiscal years of the program (\$2.5 million per year).

Grants. The General Assembly may appropriate any amount for the grant program; the number of grants and the amount of each grant will depend on the amount of grant funding provided. The fiscal note assumes \$100.0 million will be distributed as grants. This amount would provide \$20,000 grants to 5,000 small businesses. Actual grant amounts will be determined by OEDIT and depend on the amount of funding appropriated by the General Assembly.

Legal services. The bill increases legal services to OEDIT by a minimal amount beginning in the current FY 2020-21. Legal services are provided by the Department of Law. This increase in legal services costs is accounted for through the annual budget process, with the Department of Law billing client agencies based on their historical use of legal services. No change in appropriations is required.

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 \$6,706 in FY 2020-21 and \$16,495 in FY 2021-22.

Effective Date

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

State Appropriations

The bill includes an appropriation clause for grants to business for FY 2020-21, but does not specify an amount. The fiscal note assumes \$100.0 million may be allocated for the grant program, but will be updated based on the amount that the General Assembly adds to the appropriation clause.

In addition, the bill requires the following General Fund appropriations of to the Office of Economic Development and International Trade for program administration, assuming \$100 million in grant funding:

- for the current FY 2020-21, \$2,536,785 and 0.4 FTE; and
- for FY 2021-22, \$2,573,133 and 1.0 FTE.

State and Local Government Contacts

Economic Development

Information Technology

Law

Personnel