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FISCAL NOTE

Drafting Number: LLS 20B-0045
Prime Sponsors: Rep. Liston

Date: November 30, 2020
Bill Status: House Finance
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Bill Topic: **SMALL BUSINESS PAYCHECK PROTECTION LOAN PROGRAM**

Summary of Fiscal Impact:

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

The bill creates the small business paycheck protection loan program in Office of Economic Development and International Trade. The bill increases state expenditures from FY 2020-21 to FY 2025-26.

Appropriation Summary: For the current FY 2020-21, the bill requires an appropriation of \$9.99 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-1015

		FY 2020-21 <i>(current year)</i>	FY 2021-22	FY 2022-23
Revenue		-	-	-
Expenditures	General Fund	\$9,993,294	\$173,133	\$173,133
	Centrally Appropriated	\$6,706	\$16,495	\$16,495
	Total	\$10,000,000	\$189,628	\$189,628
	Total FTE	0.4 FTE	1.0 FTE	1.0 FTE
Transfers		-	-	-
TABOR Refund		-	-	-

Summary of Legislation

The bill creates the small business paycheck protection loan program in the Office of Economic Development and International Trade (OEDIT) in the Office of the Governor, to provide loans to small businesses that received a federal Paycheck Protection Program loan and have fewer than 100 employees. Eligible small businesses must apply to OEDIT by April 1, 2021. Individual loan amounts must not exceed 20 percent of the federal loan amount, or \$100,000, whichever is lower. Loans must be used for purposes authorized by the federal loan program.

Loan forgiveness. Loans issued under the program mature after five years and payments are deferred until the loan's maturity date. The loan recipient may apply for loan forgiveness if the money is used for eligible payroll, mortgage interest, rent, or utility payments. If the recipient does not apply for forgiveness by the maturity date of the loan, then payments are no longer deferred. The forgiven portion of the loan is not considered income for the purposes of state income tax.

Funding. The program is funded through \$10.0 million from the General Fund; any money not expended by April 30, 2021 reverts to the General Fund. Funding may be used for loans, or for administrative expenses, which cannot exceed 0.6 percent of the total.

Reporting. By October 1, 2021, OEDIT must report to the business committees of the General Assembly the number and amount of the loans, loan recipients, and how the loans were spent.

The program is repealed September 1, 2026.

Background

The federal payroll protection program provided loans of up to \$10 million to eligible small businesses to cover payroll costs; group healthcare and retirement benefits; employee leave time, salaries or commissions; mortgage interest; rent; utilities; or interest on debt obligations incurred prior to the pandemic. Businesses with fewer than 500 employees and that met other requirements were eligible to apply. Recipients may apply for loan forgiveness if the loan is used for eligible purposes. Applications for the program closed August 8, 2020.

Approximately 109,000 businesses in Colorado received a federal paycheck protection program loan, totalling \$10.4 billion. Of those, about 88 percent were below \$150,000 and 12 percent were above \$150,000.

State Revenue

The bill is not expected to change state income tax revenue. While loans will increase business income, the fiscal note assumes that the majority of loan amounts will be forgiven, and that income tax will not be collected on those amounts. To the extent that loans are repaid, OEDIT will have additional revenue, credited to the General Fund, from these repayments.

State Expenditures

The bill increases state General Fund expenditures in OEDIT by \$10.0 million in the current FY 2020-21 and \$189,628 per year from FY 2021-22 through FY 2025-26. Costs are listed in Table 2 and discussed below.

**Table 2
Expenditures Under HB 20B-1015**

	FY 2020-21 <i>(current year)</i>	FY 2021-22	FY 2022-23
OEDIT			
Personal Services	\$29,910	\$71,783	\$71,783
Operating Expenses	\$675	\$1,350	\$1,350
Capital Outlay Costs	\$6,200	-	-
Third Party Contracting	\$100,000	\$100,000	\$100,000
Loans	\$9,856,509	-	-
Centrally Appropriated Costs*	\$6,706	\$16,495	\$16,495
Total Cost	\$10,000,000	\$189,628	\$189,628
Total FTE	0.4 FTE	1.0 FTE	1.0 FTE

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

Administration. The bill allows 0.6 percent of the program appropriation (\$60,000) to be used for administrative purposes; however, administrative expenses are expected to exceed that amount. OEDIT requires 1.0 FTE for a program manager to implement the program, prorated to 0.4 FTE in FY 2020-21. OEDIT will also contract with a third party vendor to distribute funds and manage the loans; this is standard procedure for other grants and loan programs administered by OEDIT. The fiscal note assumes that 5.0 percent of the total loan amount will be required for the third party contract, spread over the course of the program. The administrative costs continue in subsequent years, as OEDIT will incur contracting costs to manage the loan forgiveness and repayment processes.

Loans. After administrative expenses, \$9.86 million will be available for loans to eligible small businesses. Actual loan amounts will be determined by OEDIT and depend on the size of businesses that apply for the loans.

Legal services. The bill increases legal services required by 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.

Technical Note

The bill allows 0.6 percent of the \$10.0 million for the program to be used for administrative expenses; however this fiscal note estimates that administrative expenses in FY 2020-21 are expected to be about 1.4 percent. In addition, the fiscal note assumes that expenses in subsequent years will not be covered by the initial \$10.0 million appropriation.

Effective Date

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

State Appropriations

For the current FY 2020-21, the bill requires a General Fund appropriation of \$9,993,294 to the Office of Economic Development and International Trade, and 0.4 FTE.

State and Local Government Contacts

Information Technology

Law

OEDIT

Personnel