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Fiscal Note

Drafting Number: LLS 21-0734
Prime Sponsors: Rep. Holtorf; Ortiz
Sen. Hisey

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Bill Status: House Judiciary
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Bill Topic: **EXPANSION OF JUSTICE CRIME PREVENTION INITIATIVE**

Summary of Fiscal Impact:

- State Revenue
- State Expenditure
- State Transfer
- TABOR Refund
- Local Government
- Statutory Public Entity

The bill expands the Justice Reinvestment Crime Prevention Initiative into a statewide program and adds a small business grant program for formerly incarcerated persons to the initiative. It will increase state and, potentially, local expenditures on an ongoing basis.

Appropriation Summary: For FY 2021-22, the bill requires an appropriation of up to \$532,288 to the Department of Local Affairs.

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

Table 1
State Fiscal Impacts Under HB 21-1215

		Budget Year FY 2021-22	Out Year FY 2022-23
Revenue		-	-
Expenditures	General Fund ¹	up to \$532,288	up to \$535,594
	Centrally Appropriated	\$6,360	\$9,148
	Total Expenditures	up to \$538,648	up to \$544,742
	Total FTE	0.4 FTE	0.6 FTE
Transfers		-	-
TABOR Refund		-	-

¹ This amount includes an estimated \$500,000 for grants and loans in two additional cities.

Summary of Legislation

The bill expands the Justice Reinvestment Crime Prevention Initiative administered by the Division of Local Government in the Department of Local Affairs (DOLA) into a statewide program and adds a small business grant program for formerly incarcerated persons to the initiative.

DOLA is required to work with the Department of Corrections (DOC) and the Office of Economic Development (OEDIT) in developing and implementing the program, which must include:

- a training program in business, finance, and entrepreneurship for formerly incarcerated persons;
- a small business grant for formerly incarcerated persons who have completed the training program and are selected by the department through a rigorous application process; and
- an ongoing consulting program in business, finance, and entrepreneurship for the selected grant recipients.

Selected grant recipients are eligible for the consulting program for at least one year from selection. The grants are funded from the General Fund and are limited to no more than \$50,000 per selected grant recipient per year.

Background

House Bill 17-1326 created the Justice Reinvestment Crime Prevention Initiative and the Parole Savings Cash Fund in DOLA. The initiative reinvests parole reform dollars into North Aurora and Southeast Colorado Springs to support economic development and community services through community loan and grant programs. Senate Bill 19-064 extended the repeal date from September 1, 2020, to September 1, 2023.

The grant program's FY 2020-21 budget is \$2.0 million, down from \$3.0 million in prior fiscal years, which provides roughly \$860,000 per year in grant funding in each community. The remainder of funding covers the foundation's administration costs and contract payments for a third-party evaluator. The current foundation is located in Denver and contracts with a Colorado Springs-based community foundation to support the grant programs.

The lending program received no appropriation in FY 2020-21, down from \$1.0 million in prior fiscal years. The lending program is split evenly between both communities. Each Community Development Financial Institution (CDFI) received \$35,000 in funds for start-up and administration costs to administer loans.

Assumptions

The fiscal note assumes a gradual statewide program expansion, and indicates resources for initial expansion to two cities in FY 2021-22 and FY 2022-23.

State Expenditures

The bill increases General Fund expenditures in DOLA by up to \$538,648 and 0.4 FTE in FY 2021-22 and up to \$544,742 and 0.6 FTE in FY 2022-23. These amounts are shown in Table 2 and described below.

**Table 2
 Expenditures Under HB 21-1215**

Cost Components	FY 2021-22	FY 2022-23
Department of Local Affairs		
Personal Services	\$26,088	\$34,784
Operating Expenses	-	\$810
Capital Outlay Costs	\$6,200	-
Grants, Loans, and Administration	up to \$500,000	up to \$500,000
Centrally Appropriated Costs ¹	\$6,360	\$9,148
Total	up to \$538,648	up to \$544,742
Total FTE	0.4 FTE	0.6 FTE

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

Department of Local Affairs. DOLA requires 0.6 FTE to administer the initial program expansion. The staffing level assumes that the program expansion is gradual, expanding to two cities in FY 2021-22 and FY 2022-23, and more in future fiscal years. Standard operating and capital outlay costs are included for this staff and first-year costs are prorated for an October 1, 2021, effective date and the General Fund pay date shift.

Grants, loans, and administration. As discussed in the Background section, the two current programs had full-funding levels totaling \$4.0 million in FY 2019-20, including funding for grants and loans as well as third-party administration costs. Assuming the program is initially expanded to two cities, additional grant, loan, and administration costs up to \$500,000 are anticipated. The General Assembly has discretion in determining the exact amount of money to appropriate for grants and loans.

Future program expansion. If the program is made available statewide, DOLA will require at least 2.0 FTE. Using the Aurora population and applying a per capita proportional increase for the state population, necessary funding for grants, loans, and administration costs will range up to \$30.4 million. If a lower amount of funding is provided, DOLA will be required to prioritize which communities receive support, and at what level of support from grants and loans. Future program expansion will be addressed through the annual budget process.

Other state agencies. The DOC and OEDIT will work with DOLA to develop and implement the small business grant program. 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 \$6,360 in FY 2021-22 and \$9,148 in FY 2022-23.

Local Government

In local governments where the program is available, the bill will increase workload to support and coordinate with grant recipients on community and economic development issues. Impacts will vary depending on existing infrastructure at the local level for conducting this work.

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 2021-22, the bill requires a General Fund appropriation of \$32,288 to the Department of Local Affairs and 0.4 FTE for program expansion staff.

In addition, the bill requires a General Fund appropriation of up to \$500,000 to the Department of Local Affairs to provide grant and loan support.

State and Local Government Contacts

Corrections
Information Technology
Municipalities

Counties
Law

Economic Development
Local Affairs