



## Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

# Final Fiscal Note

<b>Drafting Number:</b>	LLS 21-0898	<b>Date:</b>	August 27, 2021
<b>Prime Sponsors:</b>	Rep. Bacon; Duran Sen. Coleman	<b>Bill Status:</b>	Signed into Law
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**Bill Topic:** COLORADO STARTUP LOAN PROGRAM

<b>Summary of Fiscal Impact:</b>	<input checked="" type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
	<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
	<input checked="" type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

This bill creates the Colorado Startup Loan Program and transfers funds to be disbursed to eligible businesses by the Office of Economic Development. The bill creates two state transfers, and increases state revenue and expenditures on an ongoing basis.

**Appropriation Summary:** For FY 2021-22, this bill includes an appropriation of \$10.0 million to the Colorado Startup Loan Fund from the Economic Recovery and Relief Cash Fund, and a transfer of \$31.35 million from the General Fund. The newly created Colorado Startup Loan Fund is continuously appropriated to the Office of Economic Development.

**Fiscal Note Status:** This fiscal note reflects the enacted bill.

**Table 1  
State Fiscal Impacts Under HB 21-1288<sup>1</sup>**

		Current Year FY 2020-21	Budget Year FY 2021-22	Out Year FY 2022-23
<b>Revenue</b>	Cash Funds	-	-	up to \$41.35 million
	<b>Total Revenue</b>	-	-	<b>up to \$41.35 million</b>
<b>Expenditures</b>	Cash Funds	-	up to \$41.35 million	\$186,304
	Centrally Appropriated	-	\$19,579	\$19,579
	<b>Total Expenditures</b>	-	<b>up to \$41.35 million</b>	<b>\$205,882</b>
	<b>Total FTE</b>	-	<b>1.1 FTE</b>	<b>1.1 FTE</b>
<b>Transfers<sup>2</sup></b>	General Fund	(\$31.35 million)	-	-
	Cash Funds	(\$10.0 million)	-	-
	Cash Funds	\$41.35 million	-	-
	<b>Net Transfer</b>	<b>\$0</b>	-	-
<b>TABOR Refund</b>		-	-	-

<sup>1</sup> The bill creates a revolving loan and grant program paid from a continuously appropriated cash fund. For illustrative purposes, the fiscal note shows initial loans as awarded in FY 2021-22 and repaid in FY 2022-23. Actual amounts will depend on a variety of factors including administration costs, contract terms, and loan repayment rates.

<sup>2</sup> Of the \$31.35 million transfer, \$1.35 million is conditional upon the passage of SB 21-241.

## **Summary of Legislation**

This bill creates the Colorado Startup Loan Program in the Office of Economic Development (OEDIT) to provide loans and grants to businesses seeking capital to start, restart, or restructure a business.

**Colorado Startup Loan Program.** OEDIT is required to establish policies and processes for the revolving loan and grant program, including eligibility requirements for businesses, loan parameters, and reporting requirements. In determining eligibility of applicants, OEDIT must consider the impacts of the pandemic on the business, their financial needs and repayment ability, and their ability to access capital from traditional sources. The program must be developed with a goal of generating enough return to replenish the program for future loan allocations. In addition, OEDIT is required to work with the Minority Business Office, small business development centers, and community development financial institutions to develop and conduct a marketing initiative in the top spoken languages of targeted communities.

OEDIT does not have the lending authority to make these loans directly to small businesses. The office must contract with a program administrator using a competitive process. A contract administrator may receive an administration fee to their administration costs, and OEDIT may advance money to a contract administrator in preparation for issuing loans and grants.

**Colorado Startup Loan Program Fund.** The bill creates the Colorado Startup Loan Program Fund and transfers \$31.35 million from the General Fund to the fund for OEDIT to implement the program. Of the \$31.35 million, \$1.35 million is reserved for businesses that complete the Small Business Accelerated Growth Program. An additional \$10.0 million is appropriated from the Economic Recovery and Relief Cash Fund to the Colorado Startup Loan Program Fund for FY 2021-22. The fund is continuously appropriated to OEDIT, and the office may spend a portion of the money to pay for its direct and indirect program administration costs. The office may also seek and expend gifts, grants, and donations for the program, credited to the fund.

**Reporting.** Beginning in November 2022, OEDIT is required to submit annual reports to the Governor's Office and the General Assembly detailing the use of the funds appropriated in this bill.

## **State Revenue**

The bill is expected to increase state cash fund revenue by up to \$41.35 million from loan repayment, interest, and fees beginning in FY 2022-23. Actual loan repayment terms may differ from this timeline. Revenue from repayment of the loan principal is not subject to TABOR; however, any earnings such as fees and interest are subject to TABOR.

The bill also potentially increases state revenue from gifts, grants, or donations; however, no sources have been identified at this time. Gifts, grants, and donations are exempt from TABOR revenue limits.

**State Transfers**

In the current FY 2020-21, the bill transfers \$31.35 million from the General Fund to the Colorado Startup Loan Program Fund. An additional \$10.0 million is transferred from the Economic Recovery and Relief Cash Fund to the Colorado Startup Loan Program Fund.

**State Expenditures**

The bill increases state cash fund expenditures in OEDIT from the Colorado Startup Loan Program Fund by up to \$41.35 million and 1.1 FTE per year. Costs are shown in Table 2 and detailed below.

**Table 2  
Expenditures Under HB 21-1288**

	FY 2021-22	FY 2022-23
<b>Office of Economic Development</b>		
Personal Services	\$94,819	\$94,819
Operating Expenses	\$1,485	\$1,485
Capital Outlay Costs	\$6,200	-
Third-Party Administrator	\$90,000	\$90,000
Marketing Campaign	\$287,918	
Growth Program Loans and Grants	up to \$1,350,000	
Revolving Loans and Grants	up to \$39,500,000	-
Centrally Appropriated Costs <sup>1</sup>	\$19,579	\$19,579
<b>Total Cost</b>	<b>\$41,350,000</b>	<b>\$186,304</b>
<b>Total FTE</b>	<b>1.1 FTE</b>	<b>1.1 FTE</b>

<sup>1</sup> Centrally appropriated costs are not included in the bill's appropriation.

**OEDIT.** As outlined in the bill, OEDIT will use the transferred funds to award revolving loans and grants to businesses and to cover the office's direct and indirect administration costs. Of the total funding, \$39.5 million is to be used for loans and grants to businesses that meet the eligibility requirements developed by OEDIT, and \$500,000 will be used for personal services costs, a third-party administrator, and to conduct the marketing initiative. This amount is consistent with the two-percent limit for administrative expenses set in the bill.

The remaining \$1.35 million is specifically for loans and grants to businesses that complete the Small Business Accelerated Growth Program. At least fifty percent of the money appropriated to the program must be encumbered by June 30, 2022.

**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 \$19,579 in FY 2021-22 and \$19,579 in FY 2022-23.

**TABOR refunds.** The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. TABOR refunds are paid from the General Fund. This estimate is based on the June 2021 LCS revenue forecast, which incorporates the revenue impacts of bills passed during the 2021 session. A forecast of state revenue subject to TABOR is not available beyond FY 2022-23.

**Federal ARPA funds.** This bill increases state revenue, which may impact the state's flexibility in spending federal American Rescue Plan Act (ARPA) funds. For more information, see the LCS memo, titled "Legislative Changes and Flexibility in Use of American Rescue Plan Funds," available online at: <https://leg.colorado.gov/node/2211881>.

## State Appropriations

For FY 2021-22, this bill includes a \$10.0 million appropriation to the Colorado Startup Loan Program Fund from the Economic Recovery and Relief Cash Fund.

## Effective Date

The bill was signed into law by the Governor and took effect on July 7, 2021.

## State and Local Government Contacts

Economic Development

Information Technology

Treasury