



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Final Fiscal Note

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|-------------------------|--------------------------------------|------------------------|---|
| Drafting Number: | LLS 22-0957 | Date: | September 19, 2022 |
| Prime Sponsors: | Rep. McCluskie; Herod Sen. Moreno | Bill Status: | Signed into Law |
| | | Fiscal Analyst: | Clare Pramuk 303-866-2677 clare.pramuk@state.co.us |

Bill Topic: MONEY FROM CORONAVIRUS STATE FISCAL RECOVERY FUND

| | | |
|----------------------------------|---|--|
| Summary of Fiscal Impact: | <input 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 |

The bill amends the administrative requirements for spending federal American Rescue Plan Act funds and substitutes money that was allocated in 2021 legislation from the Federal Coronavirus State Fiscal Recovery Fund with General Fund or cash funds through transfers and changes to appropriations.

Appropriation Summary: The bill makes adjustments to funding sources in other bills and includes an appropriation of \$10.0 million in FY 2021-22 to the Office of Economic Development. See State Appropriations section.

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

**Table 1
State Fiscal Impacts Under HB 22-1411**

| | | Current Year FY 2021-22 | Budget Year FY 2022-23 | Out Year FY 2023-24 |
|-----------------------------|----------------------|----------------------------|---------------------------|------------------------|
| Revenue | | | - | - |
| Expenditures | General Fund | \$55,221,958 | \$19,278,042 | - |
| | Total | \$55,221,958 | \$19,278,042 | |
| Transfers | General Fund | - | (\$19,278,042) | - |
| | Cash Funds | (\$224,831,176) | - | - |
| | Cash Funds | \$261,331,176 | \$19,278,042 | - |
| | HUTF | (\$36,500,000) | - | - |
| | Net Transfer | \$0 | \$0 | - |
| Other Budget Impacts | General Fund Reserve | \$7,399,742 | \$2,891,706 | - |

Summary of Legislation

The bill amends the administrative requirements for spending federal American Rescue Plan Act (ARPA) funds, substitutes money that was allocated in 2021 legislation from the Federal Coronavirus State Fiscal Recovery Fund with General Fund or cash funds with funds that originated from the General Fund, creates and amends transfers, and makes changes to appropriations.

The changes to the administrative requirements include:

- requiring subrecipients to spend or obligate ARPA funds by November 30, 2024, expend the funds by December 11, 2026, and return unspent funds by December 11, 2026;
- requiring the State Controller to transmit the unspent funds to the U.S. Department of the Treasury;
- clarifying that the compliance, reporting, record-keeping, and program evaluation requirements established by the Office of State Planning and Budgeting and the State Controller apply to a person regardless of whether the person is a beneficiary or a subrecipient and regardless of whether the person receives the money directly from a department or from a subrecipient;
- requiring the Department of Revenue to provide the controller with information about reductions or increases in net tax revenue; and
- establishing that money transferred from the fund to a recipient fund is available to be reported as being an expenditure for the provision of government services.

House Bill 22-1379 appropriated \$15.0 million to the Department of Natural Resources for watershed restoration and flood mitigation grants. This bill expands the uses of the appropriation to include other provisions in HB 22-1379, including providing assistance to entities applying for federal funds related to water projects.

Background

The “American Rescue Plan Act of 2021” Cash Fund was created under Senate Bill 21-288 for funds received under ARPA. The General Assembly may transfer money in the fund to another cash fund that is established for the purpose of using the money from the Federal Coronavirus State Fiscal Recovery Fund. The federal government distributed \$3.8 billion to Colorado on May 18, 2021. On January 6, 2022, the federal Department of the Treasury issued its final rule for the use of Coronavirus State and Local Fiscal Recovery Funds. Based on this additional guidance, it was determined that ARPA funds were not appropriate for certain spending such as loans.

State Transfers

For FY 2021-22, the bill requires the following transfers.

- \$36.5 million from the Highway Users Tax Fund (HUTF) that was distributed to counties, cities, and incorporated towns, which is transferred as follows:
 - \$30.9 million to the Workers, Employers, and Workforce Centers Cash Fund; and
 - \$5.6 million to the Revenue Loss Restoration Cash Fund;
- \$28.0 million from the General Fund to the Housing Development Grant Fund;

- \$29.9 million from the Housing Development Grant Fund to the Affordable Housing and Home Ownership Cash Fund; and
- \$1.9 million from the Affordable Housing and Home Ownership Cash Fund that originates from the General Fund to the Housing Development Grant Fund.

Economic Recovery and Relief Cash Fund. The bill requires the following transfers from the Economic Recovery and Relief Cash Fund in FY 2021-22:

- \$70.0 million to the “American Rescue Plan Act of 2021” Cash Fund;
- \$10.0 million to the Revenue Loss Restoration Cash Fund;
- \$15.0 million to the Affordable Housing and Home Ownership Cash Fund;
- \$1.4 million to the Workers, Employers, and Workforce Centers Cash Fund; and
- \$10.0 million to the Revenue Loss Restoration Cash Fund that originated from the General Fund;

Community Revitalization Grant Fund. HB 22-1409 transfers \$20.0 million to the Community Revitalization Grant Fund from the Economic Recovery and Relief Cash Fund on July 1, 2022. This bill reduces the transfer to \$4,478,042 from money that originated from the General Fund and adds a \$14,800,000 transfer from the Affordable Housing and Home Ownership Cash Fund from money that originated from the General Fund, resulting in a total transfer of \$19,278,042. The net change is a reduction of \$721,958 in FY 2022-23 in transfers from all funds to the Community Revitalization Grant Fund. The General Fund obligation is equal to the total amount transferred, \$19,278,042.

State Expenditures

The bill will increase General Fund expenditures by \$55.2 million in the current FY 2021-22. This is the net change in expenditures from the General Fund after accounting for increases and decreases in expenditures to and from various funds, with money that originated from ARPA being replaced with General Fund or from other cash funds that originated from the General Fund.. In FY 2022-23, expenditures that would have been funded with ARPA dollars increase by \$19.3 million. These impacts are summarized in Table 2.

**Table 2
Substitution of ARPA Funds**

| Cash Funds | General Fund Impact |
|--|----------------------------|
| FY 2021-22 | |
| ARPA Cash Funds | |
| Revenue Loss Restoration | \$10,000,000 |
| Economic Recovery and Relief | (\$14,478,042) |
| Affordable Housing and Home Ownership | (\$115,194,004) |
| Other Cash Funds | |
| Highway Users Tax Fund | \$36,500,000 |
| Housing Development Grant Fund | \$128,394,004 |
| Colorado Startup Loan Fund ¹ | \$10,000,000 |
| FY 2021-22 Net Change | \$55,221,958 |
| FY 2022-23 | |
| Community Revitalization Grants Fund | \$19,278,042 |
| FY 2022-23 Net Change | \$19,278,042 |
| Total Net Change in General Fund Expenditures | \$74,500,000 |

¹This amount is also shown as an appropriation.

The bill will increase workload for the Department of Personnel and Administration, the Department of Revenue, and the Treasury Department to comply with the bill requirements. This increase does not require an increase in appropriations.

Other Budget Impacts

General Fund reserve. Under current law, an amount equal to 13.4 percent of General Fund appropriations must be set aside in the General Fund statutory reserve for FY 2021-22 and 15 percent beginning in FY 2022-23. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1 which will decrease the amount of General Fund available for other purposes.

Effective Date

The bill was signed into law by the Governor and took effect May 27, 2022, except a number of sections take effect when the bills associated with those sections take effect. The other bills referenced in this bill were all signed, and latest effective date for the affected sections was July 1, 2022.

State Appropriations

For FY 2021-22, the bill requires and includes a General Fund appropriation of \$10.0 million to the Colorado Startup Loan Program Fund in the Office of Economic Development.

State and Local Government Contacts

Personnel

Revenue

Treasury