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Fiscal Note

Drafting Number: LLS 22-0383 Date: April 4, 2022
Prime Sponsors: Sen. Fenberg; Gonzales Bill Status: Senate Trans. & Energy
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Bill Topic: AIR QUALITY IMPROVEMENT INVESTMENTS

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

The bill creates several grant programs in the Colorado Energy Office and the Department of Public Health and Environment with the purpose of reducing air pollution. It also modifies certain definitions, form and filing requirements, hearing deadlines, and the legislative review process for revisions to the state implementation plan in the department's air quality control program. It will create several one-time transfers from the General Fund in the current FY 2021-22, and will increase state expenditures starting in FY 2022-23.

Appropriation Summary: For FY 2022-23, the bill includes appropriations of \$124.8 million to multiple state agencies.

Fiscal Note Status: The fiscal note reflects the introduced bill. Due to time constraints, this fiscal note is preliminary. It will be updated to provide additional detail on program spending for a future committee.

Table 1
State Fiscal Impacts Under SB 22-193

Table with 4 columns: Category, Sub-category, Current Year FY 2021-22, Budget Year FY 2022-23, Out Year FY 2023-24. Rows include Revenue, Expenditures, Transfers, and Other Budget Impacts.

Summary of Legislation

The bill creates a number of grant programs to fund voluntary efforts to reduce air pollution. It also modifies certain definitions, form and filing requirements, hearing deadlines, and the legislative review process for revisions to the State Implementation Plan in the Department of Public Health and Environment's (CDPHE) air quality control program. These programs and provisions are detailed below.

Industrial and Manufacturing Operations Clean Air Grant Program. The bill creates the Industrial and Manufacturing Operations Clean Air Grant Program in the Colorado Energy Office (CEO) to help private entities, local governments, and public-private partnerships finance voluntary projects to reduce emissions of air pollutants from industrial and manufacturing operations. The CEO will establish an application process, determine the eligibility of projects, develop criteria for awarding money, determine how recipients must demonstrate emissions reductions, determine reporting requirements, and establish procedures for addressing noncompliance. By January 1 of each year beginning in 2025, the CEO must provide a progress report to relevant legislative committees and post the report on its website.

The bill creates the continuously appropriated Industrial and Manufacturing Operations Clean Air Grant Program Cash Fund and transfers \$25 million from the General Fund to the cash fund on June 30, 2022. The CEO is authorized to use a portion of the money in the fund to cover the direct and indirect costs of administering the grant program and for interagency money transfers for technical support provided by the CDPHE and the Department of Natural Resources (DNR). The CEO may seek, accept, and expend money from federal sources and from gifts, grants or donations. The program repeals September 1, 2029.

Community Access Electric Bicycles. The bill creates the Community Access to Electric Bicycles Grant Program in the CEO to finance bike share programs and ownership programs administered by local governments or nonprofit organizations. Local governments or nonprofit organizations may use awarded funds to purchase and maintain electric bicycles, equipment, and infrastructure for its bike share program or ownership program, pay labor costs to implement the program, and cover the administrative costs associated with implementing the program. The CEO will establish an application process, develop award criteria and reporting requirements, and procedures for addressing noncompliance.

The CEO must also establish a rebate program for individual purchases of electric bicycles. The CEO will establish eligibility criteria as outlined in the bill and the mechanism for issuing a rebate. By January 1 of each year beginning in 2025, the CEO must provide a progress report to relevant legislative committees and post the report on its website.

The bill creates the Community Access to Electric Bicycles Cash Fund and transfers \$12 million from the General Fund to the cash fund on June 30, 2022. The bill includes an appropriation of \$12 million from the fund for FY 2022-23 and the CEO is authorized to use a portion of the money in the fund to cover administrative costs. The office may seek, accept, or expend money from federal sources and from gifts, grants or donations. The program repeals September 1, 2028.

Diesel Truck Emissions Reduction Grant Program. The bill creates the Diesel Truck Emissions Reduction Grant Program in CDPHE to provide grants to private and public entities for decommissioning and replacing diesel trucks. The CDPHE will establish policies and procedures for the program, determine program eligibility and timeframes, evaluation criteria, and procedures for addressing noncompliance. By December 1 of each year beginning in 2023, the CDPHE must provide a progress report to relevant legislative committees and post the report on its website.

The bill creates the Diesel Truck Emissions Reduction Grant Program Cash Fund and transfers \$15 million from the General Fund to the cash fund on June 30, 2022. The bill includes an appropriation of \$15 million from the cash fund to the CDPHE for FY 2022-23 to implement the grant program, and the CDPHE is authorized to use a portion of the money in the fund to cover administrative costs. The CDPHE may seek, accept, or expend money from federal sources and from gifts, grants, or donations. The program repeals July 1, 2032.

Electrifying School Buses Grant Program. The bill creates the Electrifying School Buses Grant Program in the CDPHE to help school districts and charter schools finance the conversion and replacement of fossil-fuel powered school buses with electric-powered school buses. The CEO will provide technical assistance, and the CDPHE will administer the program, establish an application process, and develop award criteria, reporting requirements, and procedures for addressing noncompliance. By January 1 each odd-numbered year beginning in 2025, the CDPHE must provide a progress report to relevant legislative committees and post the report on its website.

The bill creates the Electrifying School Buses Grant Program Cash Fund and transfers \$65 million from the General Fund to the cash fund on June 30, 2022. The bill includes an appropriation of \$65 million to the CDPHE for FY 2022-23, and the CDPHE is authorized to use a portion of the money in the fund to cover administrative costs. The CDPHE may seek, accept, or expend money from federal sources and from gifts, grants, or donations. The program repeals September 1, 2034.

Air Quality Control Program. The bill modifies certain definitions, form and filing requirements, and hearing deadlines in the CDPHE's air quality control program. It clarifies that statutory fee caps for fees collected by the Air Quality Enterprise apply only to the annual stationary source emissions fees. It also modifies the legislative review process for revisions to the State Implementation Plan.

Eco passes. The bill appropriates \$750,000 from the General Fund to the Department of Personnel and Administration (DPA) for the costs of issuing free annual RTD Eco Passes to state employees.

Aerial surveying. The bill appropriates \$7 million from the General Fund to the CDPHE to finance the aerial surveying of pollutants. Money appropriated is available to the CDPHE through FY 2024-25.

State Revenue

To the extent that gifts, grants, or donations are received, state revenue will increase. No sources of these funds are known at this time, so state revenue is not estimated. Gifts, grants, and donations are not subject to the state's TABOR revenue limit.

State Transfers

The bill makes the following transfers from the General Fund on June 30, 2022, in the current FY 2021-22:

- \$25 million to the Industrial and Manufacturing Operations Clean Air Grant Program Cash Fund;
- \$12 million to the Community Access to Electric Bicycles Cash Fund;
- \$15 million to the Diesel Truck Emissions Reduction Grant Program Cash Fund; and
- \$65 million to the Electrifying School Buses Grant Program Cash Fund.

State Expenditures

The bill increases state expenditures in multiple state agencies by \$124.8 million, paid from multiple cash funds and the General Fund, starting in FY 2022-23. Expenditures are shown in Table 2 below.

Table 2
Expenditures Under SB 22-193

Program	State Agency	FY 2022-23 Amount	Fund Source
Industrial and Manufacturing Operations Clean Air Grant Program	CEO	\$25,000,000	Cash Fund
Community Access Electric Bicycles Grant and Rebate Programs	CEO	\$12,000,000	Cash Fund
Diesel Truck Emissions Reduction Grant Program	CDPHE	\$15,000,000	Cash Fund
Electrifying School Buses Grant Program	CDPHE	\$65,000,000	Cash Fund
Aerial Surveying of Pollutants	CDPHE	\$7,000,000	General Fund
Eco-Passes	DPA	\$750,000	General Fund
	Total	\$124,750,000	

These state agencies will have administrative costs associated with implementing these programs. Due to time constraints, these costs have not been estimated and will be provided in a future revision to the fiscal note.

The bill includes several cash fund appropriations for FY 2022-23 for the grant programs created by the bill. For informational purposes, these appropriations are shown as FY 2022-23 expenditures; however, agencies will likely spend the transferred funds over several years given that the programs are all repealed further into the future. A revised fiscal note will provide additional detail on the expected timing of expenditures, if this information becomes available. To the extent that money is not spent all in FY 2022-23, the included appropriations should include roll forward authority to future years, or annual cash fund appropriations in future years should be provided in future years to allow agencies to spend available funds.

Other Budget Impacts

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

Local Government

Local governments and school districts that apply for grants will have workload impacts, and those that receive grant funding will have increased revenue and expenditures.

Effective Date

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

State Appropriations

The bill includes the following appropriations:

- \$25 million from the Industrial and Manufacturing Operations Clean Air Grant Program Cash Fund to the CEO;
- \$12 million from the Community Access to Electric Bicycles Cash Fund to CEO;
- \$15 million from the Diesel Truck Emissions Reduction Grant Program Cash Fund to the CDPHE;
- \$65 million from the Electrifying School Buses Grant Program Cash Fund to the CDPHE;
- \$750,000 from the General Fund to the DPA for purchasing Eco Passes; and
- \$7 million from the General Fund to CDPHE for aerial surveying.

Technical Note

The bill includes an appropriation of \$25 million from the Industrial and Manufacturing Operations Clean Air Grant Program Cash Fund to CEO for FY 2022-23. However, this fund is continuously appropriated to the CEO under the bill, so an annual appropriation is not required.

State and Local Government Contacts

Colorado Energy Office
Local Affairs
Personnel

Counties
Municipalities
School Districts

Information Technology
Public Health and Environment