

**STATE
FISCAL IMPACT**

Drafting Number: LLS 09-0541

Date: February 2, 2009

Prime Sponsor(s): Sen. Heath
Rep. Marostica;
Gagliardi

Bill Status: Senate Business, Labor, & Technology
Fiscal Analyst: Chris Ward (303-866-5834)

TITLE: CONCERNING THE AUTHORITY FOR THE OPERATION OF THE COLORADO CREDIT RESERVE PROGRAM, AND, IN CONNECTION THEREWITH, MAKING AN APPROPRIATION.

Fiscal Impact Summary	FY 2009-2010	FY 2010-2011
State Revenue	\$0	\$0
State Expenditures		
General Fund	\$2,500,000	\$0
FTE Position Change	0.0 FTE	0.0 FTE
Effective Date: Upon signature of the Governor		
Appropriation Summary for FY 2009-2010: See State Appropriations section.		
Local Government Impact: None.		

Summary of Legislation

The bill authorizes the Colorado Economic Development Commission to contract with the Colorado Housing and Finance Authority for the operation of a program to increase the availability of credit to small businesses in Colorado. It also provides \$2.5 million in FY 2009-10 from the state General Fund for this purpose.

Background

The Colorado Housing and Finance Authority (CHFA) is a statutory public entity established to provide loans and other forms of capital to homeowners and small businesses in Colorado. It issues bonds to finance these loans which are repaid from loan payments made by borrowers. CHFA currently receives no state tax dollars and its bonds are not obligations of the state.

This bill reestablishes a credit reserve program first established in 1993 by CHFA and the Economic Development Commission. The program encourages banks to extend credit to Colorado small businesses that may not qualify under normal bank standards by offering matching funds to help cover any losses associated with loans registered in the program.

State Revenue and Expenditures

The bill appropriates \$2.5 million from the state General Fund to the Colorado Economic Development Commission in FY 2009-10. With this money, the commission will contract with CHFA to help secure loans for small businesses in Colorado. To the extent that this bill generates new business loans, it could also generate additional state and local tax revenue from increased business activity in the state. However, the actual impact of this potential activity cannot be determined at this time.

It should be noted that CHFA expects the \$2.5 million in credit reserves to generate roughly \$50 million in lending by financial institutions.

State Appropriations

For FY 2009-10, the bill appropriates \$2,500,000 from the General Fund to the Governor's Office for allocation to the Colorado Office of Economic Development, Colorado Economic Development Commission. No further appropriations are required.

Departments Contacted

Governor

Colorado Housing and Finance Authority