

Colorado Legislative Council Staff Fiscal Note

**FINAL
FISCAL NOTE**

Drafting Number: LLS 14-0117	Date: June 26, 2014
Prime Sponsor(s): Rep. Young; Gerou Sen. Heath	Bill Status: Signed into Law
	Fiscal Analyst: Alex Schatz (303-866-4375)

SHORT TITLE: ADVANCED INDUSTRY ECONOMIC DEVELOPMENT FUNDING

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
State Revenue		<u>\$0</u>
<i>State Transfers</i>		
General Fund		(\$5,000,000)
Cash Funds		5,000,000
State Expenditures		<u>\$5,000,000</u>
Cash Funds		4,992,859
Centrally Appropriated Costs**		7,141
FTE Position Change		0.8 FTE
Appropriation Required: None.		

* This summary shows changes from current law under the bill for each fiscal year. Transfers and diversions result in no net change to state revenue. Parentheses indicate a decrease in funds.

** These costs are not included in the bill's appropriation. See the State Expenditures section for more information.

Summary of Legislation

This bill requires a \$5 million transfer from the General Fund to the Advanced Industries Acceleration Cash Fund (AI cash fund) on July 1, 2015, and again on July 1, 2016.

Under current law, on January 1, 2015, and each January 1 for the next three years, \$300,000 will be transferred from the General Fund to the Advanced Industry Export Acceleration Cash Fund (AIEA fund). For the next four fiscal years, the bill adjusts these transfers to the AIEA fund from the beginning of the third quarter of each fiscal year, on January 1, to the beginning of each fiscal year, six months earlier, on July 1.

The bill also authorizes the Office of Economic Development and International Trade (OEDIT) to expend gifts, grants, and donations received by the AIEA fund and the AI cash fund.

Background

Two advanced industry economic development programs were enacted in Colorado's 2013 legislative session.

Advanced Industry Export Acceleration Program. The Advanced Industry Export Acceleration Program (House Bill 13-1193) provides \$300,000 each fiscal year through FY 2017-18 for the reimbursement of international export development expenses by private industry, as well as export training and a referral system for trade consulting administered by the Office of Economic Development and International Trade (OEDIT).

Advanced Industry Acceleration Grant Program. Under House Bill 13-1001, the Advanced Industry Acceleration Grant Program (AI grant program) consolidated and expanded existing advanced industries funding sources, creating the AI cash fund and continuing transfers of over \$10 million each year to the fund, as of FY 2015-16, from the Limited Gaming Fund and other sources. In the FY 2014-15, the AI cash fund is projected to receive over \$10 million, including a \$5 million General Fund appropriation.

The AI cash fund is continuously appropriated and used by OEDIT to fund three types of grants: proof-of-concept, early stage capital and retention, and infrastructure funding. In addition, OEDIT may use up to 5 percent of transfers to the AI cash fund for administrative costs. HB 13-1001 specified grant criteria, annual reports, and other administrative requirements for the use of the AI cash fund by OEDIT.

Enlargement of the AI grant program and OEDIT's duties under HB 13-1001 resulted in an estimated workload increase of 1.4 FTE at OEDIT. This increase was not appropriated in the enacted bill.

OEDIT budget. Under current law, OEDIT appropriations include 1.1 FTE to administer an estimated \$15,426,032 in funding in the AI grant program. Accounting for HB 13-1001, resources required to administer this level of funding include 2.5 FTE.

State Revenue

The bill produces no net change in state revenue. Certain grants may remain in the custody of state institutions of higher education after the AI cash fund receives transfers from the General Fund.

Institutions of higher education. As research institutions, certain institutions of higher education in Colorado are eligible to receive proof-of-concept grants from the AI cash fund. Colorado institutions of higher education compete with other nonprofit and private research institutions for these grants, and increased state revenue to public institutions depends on their participation and the relative quality of grant applications.

State transfers. For FY 2015-16 and FY 2016-17, the bill transfers \$5 million each fiscal year from the General Fund to the AI cash fund, for a net total transfer of \$10 million as of July 1, 2016. From FY 2014-15 through FY 2017-18, the bill also modifies the schedule for periodic transfers to the AIEA fund, but it does not change the fiscal year in which those transfers occur or the net total transfer.

State Expenditures

The bill increases state expenditures in OEDIT by \$5 million in FY 2015-16 and FY 2016-17. Table 1 summarizes increased costs in OEDIT, including administrative expenditures of \$109,679 and 0.8 FTE in FY 2015-16.

Table 1. Expenditures in OEDIT Under HB 14-1011		
Cost Components	FY 2014-15	FY 2015-16
Personal Services		\$45,098
FTE		0.8
Standard Operating Expenses		760
Capital Outlay Costs		0
Program Costs		56,700
Grants		4,890,321
Centrally Appropriated Costs*		7,121
TOTAL		\$5,000,000

* Centrally appropriated costs are not included in the bill's calculation of appropriated costs.

Assumptions. Relative to current law, the bill represents a \$5 million increase in annual transfers to the AI cash fund for the two affected fiscal years. The fiscal note assumes staff requirements increase proportionally to grant funding.

The fiscal note also assumes that existing workload does not change in the Advanced Industries Export Acceleration Program. The bill adjusts transfers to the AIEA fund to align with the fiscal year, which temporarily increases fund balance and allows for greater flexibility in paying reimbursements to industry.

Office of Economic Development and International Trade. By attracting additional applicants to the AI grant program, workload for OEDIT increases to field questions about the program and the application process, review applications and applicant facilities, prepare contracts, monitor awards, and make reports. To manage increased workload, OEDIT will require new personal services for grant management and administration. In addition, the OEDIT will increase spending on marketing, travel, and consulting, at an estimated annual cost of \$56,700. The remainder of annual transfers are available for grants, as shown in Table 1.

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. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 2.

Table 2. Centrally Appropriated Costs Under HB 14-1011*		
Cost Components	FY 2014-15	FY 2015-16
Employee Insurance (Health, Life, Dental, and Short-term Disability)		\$3,626
Supplemental Employee Retirement Payments		3,495
TOTAL		\$7,121

**More information is available at: <http://colorado.gov/fiscalnotes>*

Effective Date

The bill was signed into law by the Governor and took effect on May 17, 2014.

State and Local Government Contacts

Higher Education
Treasury

Office of Economic Development and International Trade
Personnel and Administration