

Colorado Legislative Council Staff Fiscal Note

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 15-0699	Date: February 17, 2015
Prime Sponsor(s): Rep. Willett; Becker K. Sen. Donovan	Bill Status: House Business, Affairs and Labor
	Fiscal Analyst: Louis Pino (303-866-3556)

BILL TOPIC: RURAL ECONOMIC DEVELOPMENT INITIATIVE GRANT PROG

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017
State Revenue		
State Expenditures	<u>\$3,000,000</u>	<u>\$3,000,000</u>
General Fund	\$3,000,000	\$3,000,000
FTE Position Change	1.0 FTE	1.0 FTE
Appropriation Required: \$3.0 million - OEDIT.		

** This summary shows changes from current law under the bill for each fiscal year.*

Summary of Legislation

This bill creates the Rural Economic Development Initiative (REDI) Grant Program in the Office of Economic Development and International Trade (OEDIT) and appropriates \$3 million from the General Fund in FY 2015-16 for the program. The REDI program will award grants to local governments and private employers located inside a highly distressed rural county.

The bill defines a distressed rural county as a county with a population of less than 175,000 and meeting two of the three following criteria:

- an annual percent change in employment that is less than the state's annual percent change in employment;
- an annual percent change in total assessed value that is less than the state's annual percent change in assessed value; or
- a percentage of pupils eligible for free lunch that is greater than the statewide average.

Rural counties that meet the above criteria are then ranked from lowest to highest based on their total sum annual percentage change in population, employment, weekly wage, and number of establishments. Local governments and private employers located in the 30 most highly distressed rural counties are eligible to apply for a grant. The bill requires the OEDIT to use the most recent data, provided by Legislative Council's economics staff, for identifying the 30 most highly distressed rural counties.

Figure 1, below, shows the highly distressed rural counties for FY 2015-16, as defined under HB15-1177.

Background

Senate Bill 13-230 (Long Appropriation Bill) provided \$3.0 million in FY 2013-14 to the Department of Local Affairs (DOLA) for the administration of a REDI grant program to help eligible rural communities diversify their economies. In FY 2014-15 DOLA was appropriated another \$3.0 million for the program. To qualify, projects must be located in an eligible rural community and show evidence that their economy is dependent on a single large employer. The eligibility requirements for the current REDI grant program are different than under this bill. The current program is administered jointly by DOLA and OEDIT. DOLA supports local governments with infrastructure project development and grant management resources, while OEDIT provides expertise in economic development. DOLA is not currently scheduled to receive another appropriation for the FY 2015-16 for the REDI program.

State Expenditures

The bill will increase state expenditures by \$3 million and 1.0 FTE per year thru FY 2018-19 New expenditures are for program administration and to provide REDI grants to local government and private employers located in highly distressed rural counties. The fiscal note assumes the program will receive a \$3 million appropriation for FY 2016-17 thru FY 2018-19 but this is not explicitly required under the bill. Total expenditures are displayed in Table 1 and described below.

Table 1. Expenditures Under HB15-1177		
Cost Components	FY 2015-16	FY 2016-17
Personal Services	\$79,816	\$79,816
FTE	1.0 FTE	1.0 FTE
Operating Expenses, Capital Outlay, and Other Costs*	\$19,923	\$19,337
<i>Subtotal Administration</i>	\$99,739	\$99,153
REDI Grants	\$2,900,261	\$2,900,847
TOTAL	\$3,000,000	\$3,000,000

* Other costs include employee insurance and supplemental retirement payments.

REDI Grants — The bill provides about \$2.9 million for grants to up to 30 counties per year from FY 2015-16 thru FY 2018-19. Actual grants will vary by county based on OEDIT guidelines.

OEDIT — The OEDIT will require 1.0 FTE to administer the program. The program is currently being managed by 1.0 FTE located in the DOLA. The bill allows the OEDIT to use up to seven percent of the money appropriated under this bill to administer the program, or \$210,000 in FY 2015-16.

DOLA — Qualified communities may request DOLA expertise and staff support for project development, grant management and performance evaluation. The bill may require additional resources for supporting these communities. Any additional resources may be requested as part of the annual budget process.

Legislative Council Staff—The bill requires the economics staff of the Legislative Council to provide the OEDIT with the most recent economic data for identifying highly distressed rural counties. This assistance will increase workload but can be accomplished within existing appropriations since the data are already collected by Legislative Council Staff for other purposes.

Local Government Impact

The bill will increase expenditures for a local government located inside an eligible county that chooses to apply for a grant. A local government that applies for a REDI grant will also receive additional revenue if they are selected for the grant. The bill requires grant recipients to provide a dollar match if they are selected as well as specify that the grants are reimbursements for moneys already spent.

Effective Date

The bill takes effect August 5, 2015, if the General Assembly adjourns on May 6, 2015, as scheduled, and no referendum petition is filed.

State Appropriations

For FY 2015-16, this bill includes an appropriation of \$3 million dollars from the General Fund to the OEDIT. The OEDIT also requires an allocation of 1.0 FTE.

State and Local Government Contacts

Counties/Municipalities

Local Affairs

Governor's Office