

**STATE and LOCAL  
FISCAL IMPACT**

**Drafting Number:** LLS 15-0590  
**Prime Sponsor(s):** Sen. Donovan  
 Rep. Hamner

**Date:** January 23, 2015  
**Bill Status:** Senate SVMA  
**Fiscal Analyst:** Alex Schatz (303-866-4375)

**BILL TOPIC:** RURAL ECONOMIC EMERGENCY ASSISTANCE GRANT PROGRAM

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017
<b>State Revenue</b>	Potential revenue increase from gifts, grants, and donations. See State Revenue section.	
Revenue Change Cash Funds		
State Transfers	<b>\$0</b>	
General Fund	(2,000,000)	
Cash Funds	2,000,000	
<b>State Expenditures**</b>	<b>\$184,904</b>	<b>\$156,969</b>
Cash Funds	149,153	119,038
Centrally Appropriated Costs***	35,751	37,931
<b>FTE Position Change</b>	1.5 FTE	1.5 FTE
<b>Appropriation Required:</b> \$149,153** - Department of Local Affairs (FY 2015-16)		

\* 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.

\*\* The fiscal note reports a minimum appropriation necessary to implement the bill. However, to provide spending authority for grants in FY 2015-16, an additional appropriation amount may be required. See the State Appropriations section.

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

**Summary of Legislation**

This bill creates the Rural Economic Emergency Assistance Grant Program (program) in the Department of Local Affairs (DOLA). For rural communities experiencing a significant economic event, such as a plant closure, that may have a quantitative effect on unemployment within the community, the program makes grants available. Eligible communities meet the bill's definition of rural if they are:

- a county of under 50,000 residents;
- a municipality of under 50,000 residents, so long as that municipality is at least 50 miles distant from any municipality of 50,000 or more residents; or
- the unincorporated part of a county at least 50 miles distant from a municipality of 50,000 or more residents.

The bill creates the Rural Economic Emergency Assistance Grant Fund (grant fund) and directs the State Treasurer to transfer \$2.0 million from the General Fund to the grant fund for FY 2015-16. The grant fund may also receive gifts, grants, and donations. Unexpended money remains in the fund.

The manner in which a grant will assist the impacted rural community must be stated in a plan submitted to DOLA with the grant application. In addition to the community's plan for the use of grant money, applicants must submit information regarding coordination with regional economic development organizations, any available local funding sources, and pertinent economic conditions, including the scale and duration of the economic emergency. The director of DOLA determines standards for the award of grants and notifies applicants of their approval or denial within 60 days of receiving the application.

DOLA and the Office of Economic Development and International Trade (OEDIT) will provide technical assistance in the application process, as requested by rural communities, and DOLA will administer grants after they are awarded. In addition, DOLA's role in the program requires:

- rendering nonmonetary assistance to rural communities that have been awarded a grant but lack the resources to provide local services; and
- delivering an annual report to the local government committees of the General Assembly each year from 2016 to 2021, on or before February 1, regarding applications received, grants awarded, and uses of grant moneys.

The bill is repealed on July 1, 2021.

## **Background**

The bill defines several types of locations as a rural community eligible to receive grants. A total of 269 locations have been identified as potential grant recipients based on preliminary analysis by DOLA.<sup>1</sup> These communities span the state, range in size, and include many unincorporated areas in rural counties.

## **State Revenue**

**The state may receive increased cash fund revenue as a result of the bill. The bill also results in a transfer of \$2.0 million in FY 2015-16.**

The bill increases state revenue to the extent that the grant fund receives gifts, grants, and donations. No source of gifts, grants, and donations is known as of this writing, and no specific increase is estimated. In future fiscal years, the receipt of gifts, grants, and donations may play a role in the continued viability of the program (see the Technical Note section below).

**State transfers.** The bill transfers \$2.0 million from the General Fund to the grant fund in FY 2015-16. Since this transfer is essential to the operation of the program, it is assumed that the transfer occurs on July 1, 2015 (see the Technical Note section below).

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<sup>1</sup> DOLA's preliminary analysis assumes that any municipality in a county of under 50,000 residents is eligible as a rural community, even if that municipality is within 50 miles of another municipality of over 50,000 residents (e.g., Central City, Elizabeth, Cañon City); however, the bill's 50-mile buffer requirement appears to apply to any municipality. The number of rural communities eligible to receive grants is estimated at less than 250 if this preliminary analysis is over inclusive with respect to such communities.

**State Expenditures**

The bill increases state cash fund expenditures by at least **\$184,904 and 1.5 FTE in FY 2015-16**, and **\$156,969 and 1.5 FTE in FY 2016-17** and future fiscal years through FY 2020-21. Depending on rural economic conditions in Colorado, the bill could result in state expenditures of **up to \$2.0 million in FY 2015-16** or any other fiscal year until FY 2020-21.

<b>Cost Components</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>
Personal Services	\$87,838	\$87,838
FTE	1.5	1.5
Operating Expenses	5,175	5,175
Capital Outlay Costs	9,406	
Legal Services (Dept. of Law)	1,134	945
Information Technology (OIT)	45,600	25,080
<i>Program grants</i>	<i>see note</i>	<i>see note</i>
Centrally Appropriated Costs**	35,751	37,931
<b>TOTAL</b>	<b>\$184,904*</b>	<b>\$156,969*</b>
<b>Fund balance at beginning of fiscal year</b>	<b>\$2,000,000</b>	<b>up to \$1,815,096</b>
<b>Fund balance after administrative costs</b>	<b>\$1,815,096</b>	<b>up to \$1,658,127</b>

\* Grants are not estimated as a component of the total costs shown in Table 1. When an economic emergency occurs, a grant will be made from the balance available in the grant fund. This balance is shown at the bottom of Table 1. See the discussion on grants below and in the Local Government Impact section for an estimate of grant expenditures.

\*\* Centrally appropriated costs are not included in the bill's appropriation.

**Assumptions.** The fiscal note assumes that grants are awarded to local governments and may be used for any purpose that mitigates an economic emergency or promotes economic development.

**DOLA — Administrative costs.** The expenditures summarized in Table 1 represent the minimum cost for DOLA to administer the program in FY 2015-16 and FY 2016-17. The Division of Local Government in DOLA requires a new, full-time professional and a new, half-time assistant to develop eligibility and award standards, provide technical assistance to applicants, notify applicants of grant status, track and manage grants, seek additional funding sources, and compile information for annual reports and other purposes. The program will incur mailing costs and travel expenses. Also included are information technology costs to develop and maintain a grant database, as well as costs for occasional legal advice from the Department of Law. The FY 2016-17 expenditures summarized in Table 1 are expected to continue in each future fiscal year until the program is repealed in 2021.

**DOLA — Grants.** Grant awards will be expended by DOLA as dictated by need in rural communities. No specific need was identified for this fiscal analysis, and **the timing and scale of rural economic emergencies cannot be estimated.** Cumulative grant expenditures between FY 2015-16 and FY 2020-21 will meet or exceed the grant fund's beginning balance of \$2 million, less the amount of funding used to administer the program.

**DOLA — Nonmonetary assistance.** Communities may request DOLA expertise and staff support for the provision of local services in an economic emergency. DOLA provides technical assistance to local governments under current law, and with greater capacity given new personnel associated with the program. However, the bill may require additional resources for nonmonetary assistance depending on specific future economic emergencies. Any additional resources will be requested as part of the annual budget process.

**OEDIT.** The OEDIT will provide technical assistance as requested by rural communities applying for a grant. This assistance will increase workload in the OEDIT but will be accomplished within existing resources.

**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. These centrally appropriated costs are paid from the grant fund, as allowed by the bill.

<b>Table 2. Centrally Appropriated Costs Under SB15-036*</b>		
<b>Cost Components</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$12,064	\$12,064
Supplemental Employee Retirement Payments	6,808	7,517
Lease Space	2,000	2,000
Indirect Costs	14,879	16,350
<b>TOTAL</b>	<b>\$35,751</b>	<b>\$37,931</b>

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

### **Local Government Impact**

The bill increases local government revenue and expenditures to the extent that economic circumstances warrant grant applications from some number of the rural communities eligible to receive assistance under the bill.

Local governments—particularly towns, cities, and counties—will increase workload and expenditures to prepare a grant application. The bill also indicates that the availability of potential local funding sources, including emergency reserves, will be considered in the grant application process; thus, the bill may facilitate increased expenditures of such emergency reserves.

Local governments that receive a grant will experience an increase in local revenue, accompanied by an equivalent increase in expenditures. Accounting for DOLA's administrative costs, the fiscal note estimates that at least \$1.1 million will be awarded to local governments in Colorado between FY 2015-16 and FY 2020-21.

## **Technical Notes**

Implementation of the bill may require resolution of the following technical issues:

1. The FY 2015-16 date on which \$2.0 million is to be transferred to the grant fund is not specified in the bill. The fiscal note assumes that the transfer takes place on July 1, 2015. If the transfer does not occur on that date, set-up and operation of the program may be delayed.
2. Administrative expenditures from the grant fund are authorized as a percentage of a declining balance. Assuming for the purposes of this analysis that expenditures from the grant fund are \$400,000 in each of the first five fiscal years of the program, the bill allows \$200,000 for administrative costs in FY 2015-16, and \$40,000 less in each successive fiscal year, until only \$40,000 is authorized in FY 2019-20 and \$0 is available in FY 2020-21. In future fiscal years, this funding model is likely to require supplemental appropriations directly from the General Fund, or significant gifts, grants, and donations to the grant fund.
3. The bill does not specify whether moneys in the grant fund are continuously appropriated or subject to annual appropriation by the General Assembly. The bill may be amended to clarify legislative intent regarding expenditures from the grant fund.
4. The bill does not anticipate the involvement of the Colorado Department of Labor and Employment (CDLE). CDLE administers federally-funded dislocated worker grants that are targeted at the working population affected by plant closures and similar economic circumstances. In addition, the Division of Labor in CDLE has a role in assessing employment statistics and providing technical assistance to grant applicants. The bill has no direct impact on CDLE, but may reduce or increase the demand for CDLE assistance on a case-by-case basis.

## **Effective Date**

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

## **State Appropriations**

To provide spending authority from the new cash fund for administrative purposes, DOLA requires an appropriation of \$149,153 from the Rural Economic Emergency Assistance Grant Fund in FY 2015-16. For FY 2015-16, of the cash fund amount appropriated to DOLA, \$1,134 is reappropriated to the Department of Law, and \$45,600 is reappropriated to the Office of Information Technology.

To the extent that additional spending authority for grants is desired, spending authority of up to \$2,000,000 from the grant fund may be appropriate. DOLA also requires an allocation of 1.5 FTE in FY 2015-16.

See the Technical Note section above regarding appropriations to the Department of Local Affairs.

**State and Local Government Contacts**

Local Affairs  
Labor and Employment  
Municipalities  
Special Districts

Office of Economic Development and International Trade  
Office of Information Technology  
Counties