

Colorado Legislative Council Staff Fiscal Note

**STATE and LOCAL
REVISED FISCAL IMPACT**

(replaces fiscal note dated January 29, 2014)

Drafting Number: LLS 14-0747
Prime Sponsor(s): Rep. Young
Sen. Jones

Date: February 12, 2014
Bill Status: House Appropriations
Fiscal Analyst: Clare Pramuk (303-866-2677)

SHORT TITLE: WATER INFRASTRUCTURE NATURAL DISASTER GRANT FUND

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
State Revenue		
State Expenditures	<u>up to \$12.0 million.</u>	
General Fund	up to \$12.0 million.	
FTE Position Change	1.0 FTE	1.0 FTE
Appropriation Required: \$12,000,000 - DPHE (FY 2014-15)		

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

The fiscal note is revised to reflect amendments made in committee and updated personal services information.

Summary of Legislation

This bill, as amended by the ***House Committee on Agriculture, Livestock, and Natural Resources***, creates the continuously appropriated Natural Disaster Grant Fund to be administered by the Department of Public Health and Environment (DPHE) and appropriates \$12 million General Fund for deposit into the fund.

The fund is used to award grants to local governments, including local governments accepting grants on behalf of and in coordination with not-for-profit public water systems, to recover from the September 2013 floods. When determining eligibility, priority is given to applicants that have the lowest financial ability to pay for the necessary construction, improvements, renovation, or reconstruction of water infrastructure. Grant funds are available for two fiscal years; on September 1, 2015, any remaining funds are to be transferred to the Nutrients Grant Fund also administered by DPHE.

Background

The DPHE has submitted a funding request for \$12.0 million in a Long Bill decision item for FY 2014-15 to fund the recovery of water infrastructure damaged by the September 2013 floods. The \$12.0 million appropriation in this bill is a duplicate of that request which is currently pending before the Joint Budget Committee. This bill creates the cash fund and gives the DPHE the authority necessary to administer the disaster recovery grants regardless of whether the \$12.0 million is appropriated under this bill or the Long Bill.

State Expenditures

This bill increases expenditures in the DPHE by **\$12.0 million between FY 2014-15 and FY 2015-16**. These costs are for grants and DPHE administration and include direct and indirect costs of \$91,549 and 1.0 FTE in FY 2014-15, and \$94,783 and 1.0 FTE in FY 2015-16. All DPHE costs are paid from the Natural Disaster Grant Fund; however, the original source of funds is the General Fund so first year expenditures include the paydate shift.

Cost Components	FY 2014-15	FY 2015-16
Personal Services	\$73,856	\$79,816
FTE	1.0	1.0
Operating Expenses and Capital Outlay Costs	5,653	950
Legal Services	911	0
Travel Expenses	834	1,668
Grants to Local Governments	11,813,668	
Centrally Appropriated Costs*	10,295	12,349
TOTAL	\$11,905,217	\$94,783

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

Assumptions. The fiscal note assumes that funding for the Natural Disaster Grant Fund is appropriated in this bill and not from the DPHE's decision item. If the decision item is approved by the JBC, then this fiscal note will be revised to show only the costs of administration of the fund.

DPHE Administration. One-time costs to implement the bill occur in FY 2014-15, when the DPHE will undertake rulemaking. Initially, DPHE requires 10 hours of legal services from the Department of Law to conduct the rulemaking specified in the bill. Until the Natural Disaster Grant Fund is exhausted, the DPHE will incur costs to administer grants, including issuing a formal request for applications, prioritizing applications, awarding contracts, and monitoring and enforcing contracts. The bill permits up to \$100,000 each fiscal year from the fund balance to be used for administrative purposes. The DPHE will require one additional staff member, with occasional assistance from existing staff, to perform this work, with costs detailed in Table 1.

Grants. Based on the timeframe established in the bill, the DPHE will expend approximately \$11.8 million for grants prior to September 1, 2015. Grant applications and awards will be processed in FY 2014-15 and FY 2015-16. An estimated 35 projects will be eligible to receive grants from the fund.

Centrally appropriated costs. Pursuant to a Joint Budget Committee (JBC) 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 HB14-1002*		
Cost Components	FY 2014-15	FY 2015-16
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$5,638	\$6,163
Supplemental Employee Retirement Payments	4,657	6,186
TOTAL	\$10,295	\$12,349

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

Local Government Impact

Only local governments in counties where the Governor has declared a disaster emergency are eligible to receive grants from the Natural Disaster Grant Fund. An average grant of approximately \$340,000 will allow recipient local governments to restore water and wastewater systems. Grant funds can also be used as a part of a match requirement for other state or federal funds. Funding at the appropriated level of \$12.0 million in the Natural Disaster Grant Fund will result in an estimated 35 local government projects receiving grants.

Effective Date

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

State Appropriations

For FY 2014-15, the bill includes an appropriation of \$12.0 million General Fund to the Natural Disaster Grant Fund. The Department of Public Health and Environment requires authority for 1.0 FTE. No additional appropriation is required, as cash funds from the Natural Disaster Grant Fund are continuously appropriated for administrative expenditures and grants. In addition, the Department of Law requires \$911 in reappropriated funds from the \$12.0 million appropriation.

State and Local Government Contacts

Treasurer
Natural Resources

Public Health and Environment
Counties

Governor
Municipalities