

**STATE
FISCAL IMPACT**

Drafting Number: LLS 13-0620	Date: January 16, 2013
Prime Sponsor(s): Rep. Young; Gerou Sen. Heath; Steadman	Bill Status: House Business, Labor, Economic, and Workforce Development
	Fiscal Analyst: Jonathan Senft (303-866-3523)

TITLE: CONCERNING AN ADVANCED INDUSTRY GRANT PROGRAM, AND, IN CONNECTION THEREWITH, ENACTING THE "ADVANCED INDUSTRIES ACCELERATION ACT"; ADDING REPRESENTATIVES FROM ADVANCED INDUSTRIES TO THE ECONOMIC DEVELOPMENT COMMISSION; REPEALING THE BIOSCIENCE DISCOVERY EVALUATION GRANT PROGRAM AND THE CLEAN TECHNOLOGY DISCOVERY EVALUATION GRANT PROGRAM; AND CREATING THE COLORADO ADVANCED INDUSTRIES ACCELERATION CASH FUND TO BE USED TO PROVIDE PROOF-OF-CONCEPT GRANTS, EARLY-STAGE CAPITAL AND RETENTION GRANTS, AND INFRASTRUCTURE FUNDING GRANTS.

Fiscal Impact Summary	FY 2013-14	FY 2014-15
State Revenue		
Cash Funds		
Bioscience Discovery Evaluation Fund - reduction	(\$5,790,569)	(\$6,707,924)
Clean Technology Discovery Evaluation Fund - reduction	(1,231,508)	(2,012,092)
Advanced Industries Acceleration Cash Fund	<u>7,022,076</u>	<u>8,720,016</u>
Subtotal	0	0
State Transfers or Diversions		
Transfer from the Bioscience Discovery Evaluation Fund To the Advanced Industries Acceleration Cash Fund	\$5,465,644	
State Expenditures	No Net Change	
Cash Funds	No Net Change	
FTE Position Change	1.4 FTE	1.4 FTE
Effective Date: August 7, 2013, if the General Assembly adjourns on May 8, 2013, as scheduled, and no referendum petition is filed.		
Appropriation Summary for FY 2013-2014: See State Appropriations section.		
Local Government Impact: None.		

Summary of Legislation

This bill creates the Advanced Industries Acceleration (AIA) grant program, to be administered by the Office of Economic Development and International Trade (OEDIT). The program distributes grants to seven specified industries: advanced manufacturing, aerospace,

bioscience, electronics, energy and natural resources, infrastructure engineering, and information technology. This program is funded using limited gaming funds that are currently credited to the Bioscience Discovery Evaluation Fund (Bioscience Fund) and the Income Tax Withholding Fund created under Senate Bill 11-047. Bioscience Discovery and Clean Technology Discovery grants will be awarded as part of the AIA grant program created under this bill. Thus, this bill essentially expands two existing grant programs by adding five new industries to receive grants, and new types of grants offered.

This bill sets forth three types of grants. These are (i) a technology transfer proof-of-concept grant, which has a maximum of \$150,000 per grant, (ii) an early stage capital and retention grant, which has a maximum of \$250,000 per grant, and (iii) an infrastructure funding grant, with a maximum of \$500,000 per grant. Subject to available funds, there is no limit to the number of grants OEDIT may annually award. The AIA Fund, used to fund these grants, is continuously appropriated.

In addition, this bill adds two members to the Economic Development Commission, which currently has eight members. The bill also requires that OEDIT annually report, on or before November 1, 2014, all of the grants awarded in the previous year. This bill is repealed January 1, 2025.

State Revenue

This bill reallocates money among various funds, but does not change overall revenue to the state. Table 1 shows the total estimated amount available for Advanced Industry grants and administration by source. Currently, these moneys are allocated for Bioscience and Clean Technology grants. It should be noted that the Bioscience Fund is annually appropriated 18 percent of limited gaming fund revenues, while the Clean Technology Evaluation Fund is not.

Fund	FY 2013-14	FY 2014-15	FY 2015-16
Bioscience Discovery Evaluation Fund	\$5,790,569	\$6,707,924	\$7,237,229
Clean Technology Discovery Evaluation Fund	1,231,508	2,012,092	2,400,521
Bioscience Fund Transfer (See below)	5,465,644	0	0
Total	\$12,487,721	\$8,720,016	\$9,637,750

State Transfers

On January 1, 2014, this bill transfers the balance in the Bioscience Discovery Evaluation Fund to the Advanced Industries Acceleration Fund. This transfer is estimated at \$5,465,644.

State Expenditures

The bill changes the purposes for which certain state money can be spent, but it does not change the overall level of state expenditures. It also changes the funds from which the money is spent and expands the duties of OEDIT staff. Table 2 shows the anticipated expenditure of money for AIA grants and administration, which under current law would have been spent for Bioscience and Clean Technology grants.

Table 2. Total Expenditures Under HB13-1001*			
Cost Components	FY 2013-14	FY 2014-15	FY 2015-2016
Personal Services	\$189,720	\$189,720	\$189,720
FTE	1.4	1.4	1.4
Operating Expenses, Capital Outlay	11,806	500	500
Travel	6,000	6,000	6,000
Technology	22,000	22,000	22,000
Marketing	40,000	40,000	40,000
Accounting (Indirect cost)	5,000	5,000	5,000
Technical Management	75,000	75,000	75,000
Commercialization	100,000	100,000	100,000
Technology Identification	75,000	75,000	75,000
Grant Allocation	11,963,194	8,206,796	9,124,530
TOTAL	\$12,487,720	\$8,720,016	\$9,637,750

* These amounts are cash funded through the AIA grant program, and continuously appropriated. Under this bill, OEDIT is authorized to establish procedures, timelines and criteria for awarding grants.

Grant funding and administration. This bill expands existing grant programs to cover seven industries, instead of two which is expected to increase the number of grant recipients. Currently, OEDIT is appropriated 0.6 FTE to administer the bioscience program. It is assumed this FTE will now assist in the administration of the AIA program. However, an additional 1.4 FTE is required to manage the new workload proposed by the bill. This estimate includes 1.0 FTE for a director who will oversee the establishment of procedures for grant applications, criteria for grant amounts, and reporting requirements. This bill also requires 0.4 FTE for a program administrator, who will be responsible for grant application review, contract compliance, and calculating economic impacts. Finally, additional expenditures are required for commercialization assistance, technical management, and technological identification.

In addition, this bill adds two new members to the Economic Development Commission. These positions are unpaid, and expenses related to these positions will not require any additional change in appropriations.

Expenditures Not Included

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 summarized in Table 3.

Table 3. Expenditures Not Included Under HB 13-1001*		
Cost Components	FY 2013-14	FY 2014-15
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$8,830	\$8,830
Supplemental Employee Retirement Payments	11,645	13,175
TOTAL	\$20,475	\$22,005

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

State Appropriations

For FY 2013-14, the Governor's Office of Economic Development and International Trade will require an additional 1.4 FTE. No further appropriation is required as money in the Advanced Industries Acceleration Fund is continuously appropriated.

Departments Contacted

Governor's Office Revenue