



Guidance for Colorado Just Transition Community Funding Opportunities

The Colorado Office of Just Transition (OJT) has two main goals:

Goal One: To help communities replace what they lose when coal mines and power plants close:

- more family sustaining jobs
- increased commercial property value and a broader property tax base, and
- measurably more economic diversity.

Goal Two: To help coal workers prepare for closure, secure good new jobs, or enter secure retirements without sacrificing family economic well-being in the process.

The strategies for achieving these goals are outlined in [Colorado Just Transition Action Plan \(Action Plan\)](#), which was completed in 2020 and is grounded in the recommendations of the Just Transition Advisory Committee. In 2021, [House Bill 21-1290](#) provided \$15 million in **one-time state stimulus funds** to begin implementing the *Action Plan*. It divided the funding into two accounts -- \$8 million for general implementation of the *Action Plan* and \$7 million to establish a new “Coal Transition Worker Assistance Program.” By law, OJT must expend at least 70 percent of each account by June 30, 2022, with the remainder expended by June 30, 2023.

This document outlines how OJT will allocate the \$8 million account to begin to implement the *Action Plan*. This includes granting 75 percent of these funds directly to transition communities for purposes that advance the goals and strategies in the *Action Plan*. It details how OJT can partner with communities, and it is offered as a guide for those communities and other key stakeholders seeking funding.

*** Note that the use of the \$7 million account created by HB 21-1290 for the Coal Transition Worker Assistance Program is not addressed in this document.** HB 21-1290 directs that this funding is to be used primarily to benefit individual transition workers and outlines specific programs for OJT to prioritize. Therefore, there is likely to be little overlap between the allowed uses of the two accounts, and **communities should not expect additional support from the transition worker account for any community transition strategies discussed in this guidance document.**

The purpose of HB 21-1290 is to fund the *Colorado Just Transition Action Plan*.

HB 21-1290 is clear about how the \$8 million account is to be expended:

. . . THE OFFICE SHALL EXPEND THE MONEY TRANSFERRED **TO IMPLEMENT THE FINAL JUST TRANSITION PLAN FOR COLORADO** [emphasis added] PREPARED AS

REQUIRED BY SECTION 8-83-503 (4) AND TO PROVIDE SUPPLEMENTAL FUNDING FOR EXISTING STATE PROGRAMS THAT THE OFFICE IDENTIFIES AS THE MOST EFFECTIVE VEHICLES FOR TARGETED INVESTMENT IN COAL TRANSITION COMMUNITIES.

-- C.R.S. § 8-83-504 (4)(a)

The “Just Transition Plan for Colorado prepared as required by Section 8-83-503 (4)” is the *Colorado Just Transition Action Plan* referenced throughout this document. “Supplemental funding for existing state programs” is in reference to the strategy outlined in that *Action Plan* to maximize use of the “wide range of programs, incentives, and other tools” the State and Federal Government already have “to assist with economic development,” recognizing that “these are most effective when they are coordinated and often stacked upon one another.”¹

Spending short-term funds to address long-term challenges

While the *Action Plan* largely outlines **long-term strategies to address transformational challenges**, HB 21-1290 only provides **one-time stimulus funds that must be expended by the state in two years or less**. While most of Colorado’s mine and power-plant closures (and the resulting job losses) are not likely to happen until after 2023², OJT must expend all HB 21-1290 funding before then – by July, 2023 (and 70 percent of it must be expended by July, 2022).

Therefore, OJT has carefully reviewed the *Action Plan* to identify and prioritize the best opportunities for using this short-term funding to support successful, long-term transitions (that over time are most likely to result in more family-sustaining jobs, broader property tax bases, and measurably more economic diversity).

OJT has identified the following six provisions of the *Action Plan* as being the most consistent with this goal:

- **Capacity Building and Long-Term Transition Strategies**, including building local staff capacity, developing local long-term transition strategies, and taking advantage of early implementation opportunities (from Community Strategy 3 in the *Action Plan*).
- **Unique and time-limited business opportunities**, including business start-up, expansion, retention, or attraction opportunities consistent with each community’s transition strategy or the *Action Plan*’s goal of replacing what the communities have lost or will lose (from Community Strategy 2 in the *Action Plan*).
- **Strategically leveraging long-term private investment** in business start-up, expansion, retention, or attraction opportunities consistent with each community’s transition strategy or the *Action Plan*’s goal of replacing what the communities have lost or will lose (from Community Strategies 5 and 6 in the *Action Plan*).

¹ Community Strategy 1, page 5 of the *Action Plan*.

² The only closures of coal transition facilities (as defined in C.R.S. § 8-83-502 (1.5)) likely to occur prior to the deadline for expending all HB 1290 funding are the mine and power plant that have already closed in the West End of Montrose County.

- **Unique and time-limited infrastructure opportunities** consistent with each community's transition strategy or the *Action Plan's* goal of replacing what the communities have lost or will lose (from Community Strategy 4 in the *Action Plan*).
- **Maximizing coordination and collaboration** between communities and state efforts, and among communities themselves (from Community Strategy 1 in the *Action Plan*).
- **Securing more and longer-term funding** to support implementation of the *Action Plan* (from Funding Strategies 1, 2, and 3 in the *Action Plan*).

HB 21-1290 funding (\$8 million account) will be allocated to address these six purposes.

OJT has divided the funding into three categories, or "buckets," and has designated how much of the \$8 million total is targeted for each.

➤ **Community Bucket**

Initial target amount -- **\$6 million** (75% of total)

Three quarters of the \$8 million has been allocated to coal transition communities and other eligible entities for projects consistent with the six provisions of the *Action Plan* outlined above. OJT will work with communities and eligible entities to build collaborative partnerships around this funding and to streamline the funding process to ensure timeliness and minimize administrative burdens. OJT is also committed to a process that is transparent, equitable, and accountable.

➤ **Central Projects and Investor Bucket**

Initial target amount -- **\$1.6 million** (20% of total)

One fifth of the \$8 million account has been allocated for OJT to use to begin to implement other strategies in the *Action Plan*. These include strategies that will have shared benefits among transition communities as well as strategies outlined in the *Action Plan* for attracting and leveraging outside investments in transition communities.

➤ **Administration Bucket**

Statutory amount -- **\$400,000** (5% of total)

HB 21-1290 allows OJT to use up to 5 percent of the \$8 million for administration.

Note that these are initial target amounts. OJT reserves the right to reallocate unused funds, either within or among the buckets, in order to meet the explicit expenditure deadlines in HB 21-1290 (at least 70 percent must be expended by OJT by June 30, 2022, and the remainder must be expended by OJT by June 30, 2023).

The Community Bucket is the source of direct funding for communities.

Funding in the Community Bucket will be used by or on behalf of transition communities and eligible entities – meaning OJT will either make direct grants to these communities and entities, or it will transfer the money to other state agencies on their behalf (and with their approval). Examples of the latter would be to provide matching funds for a DOLA grant on behalf of a community or providing incentives for a specific business attraction or expansion opportunity through OEDIT and in collaboration with a community.

Only communities and entities defined in HB 21-1290 are eligible for funding.

By law, only Coal Transition Communities³ and “eligible entities”⁴ may receive this funding, and Tier One Transition Communities⁵ will have first priority, in accordance with specific direction in HB 1290.⁶

Tier One Transition Communities are:

- **Morgan County**, including Morgan County and the municipalities of Brush, Ft. Morgan, and Wiggins (4 designated jurisdictions as underlined).
- **Pueblo**, including Pueblo County and the City of Pueblo (2 designated jurisdictions as underlined).
- **The West End** of Montrose County and the towns of Naturita and Nucla, as well as Norwood in San Miguel County (4 designated jurisdictions as underlined).
- **The Yampa Valley**, including Moffat, Rio Blanco, and Routt counties and the municipalities of Craig, Hayden, Meeker, Oak Creek, and Rangely (8 designated jurisdictions as underlined).

The remaining **Tier Two** Transition Communities are:

- Delta and Gunnison counties.
- El Paso County.
- La Plata County.
- Larimer County.

“Eligible entities” are defined by HB 21-1214 as economic development districts; counties, municipalities, or other political subdivisions of the State (including public K12 schools and special districts); Indian tribes; registered apprenticeship programs; institutions of higher education; and public or private nonprofit organizations or associations. To be eligible to apply for and receive funding, **these entities must either be located in or serve one or more coal transition**

³ Coal Transition Communities as defined at C.R.S. § 8-83-502 (1)

⁴ Eligible entities as defined at CRS § 8-83-502 (5)

⁵ Tier One Transition Communities as defined at C.R.S. § 8-83-502 (10)

⁶ C.R.S. § 8-83-504 (4)(a)

communities. Regardless of which entity applies for funding, **to qualify applications must demonstrate the support of at least 60 percent of the designated jurisdictions in the transition community being served,** as outlined on page 6 of this document.

Tier One transition communities receive specific earmarks based on a formula.

OJT has earmarked a specific amount of funding from this bucket for each Tier One transition community. These earmarks are based on a simple formula that takes the number of coal transition facilities (power plants or mines) in each community and multiplies it by a timing (or urgency) factor reflecting whether those facilities have already closed (factor of 2) or are projected to close in the future (factor of 1). This formula results in 12 points that reasonably reflect the relative impacts of the transition among the communities. To this we added a 13th point to represent all four Tier Two transition communities collectively. Each of the 13 points in the distribution formula represents 7.7 percent, or about \$461,538, of the \$6 million in the Community Bucket. The earmarks for Tier One communities community are:

- **The West End** had two transition facilities (the New Horizon coal mine and Nucla Station, a coal-fueled power plant). These are multiplied by a timing factor of two because both already are closed, meaning this community is already in the midst of its transition.

Total Points: 4
Earmark: \$1.846 million
Share of total: 31%

- **The Yampa Valley** has six transition facilities (Trapper and Colowyo coal mines and Craig Station, a coal-fueled power plant, in Moffat County; Deserado coal mine in Rio Blanco County; and Twentymile coal mine and Hayden Station, a coal-fueled power plant, in Routt County). These are multiplied by a timing factor of one, since all are still open and most will not close until the second half of this decade.

Total Points: 6
Earmark: \$2.769 million
Share of total: 46%

- **Morgan County** has one transition facility (Pawnee Station, a coal-fueled power plant), which is multiplied by a timing factor of one, since it is still open and not scheduled to convert to natural gas until 2028.

Total Points: 1
Earmark: \$461,538
Share of total: 7.7%

- **Pueblo** has one transition facility (Comanche Station, a coal-fueled power plant), which is multiplied by a timing factor of one, since it is still open and is not expected to close fully until after 2030.

Total Points: 1
Earmark: \$461,538
Share of total: 7.7%

Tier Two transition communities can apply for assistance through a competitive process.

Tier Two Transition Communities (Delta-Gunnison, El Paso, La Plata, and Larimer counties) together have two coal mines (neither of which is directly related to the generation of electricity in Colorado nor currently scheduled for closure) and three coal-fueled power plants (all of which are owned by municipalities and therefore pay no property taxes). Their combined earmark, equal to one point in the funding formula, is \$461,538, or 7.7 percent of the total. These communities can apply for this funding through a competitive process outlined on page 8.

An earmark is not a guarantee of funding.

As stated earlier, communities and eligible entities may use HB 21-1290 funding **only** for the six purposes outlined on pages 2-3 of this document, **unless** the community and OJT agree that another proposed use can reasonably be expected to achieve a meaningful long-term increase in family-sustaining jobs, a significant long-term expansion of the property tax base, or a measurable and permanent increase in local economic diversity.

In addition, because all Tier One Communities contain more than one municipality or county (“designated jurisdictions” identified on page 4), to qualify for funding **communities and eligible entities must demonstrate support from at least 60 percent of all designated jurisdictions in their transition community**. Specifically, applications from the **West End** must demonstrate support from at least 3 of its 4 designated jurisdictions; applications from the **Yampa Valley** must demonstrate support from at least 5 of its 8 designated jurisdictions; applications from **Morgan County** must demonstrate support from at least 3 of its 4 designated jurisdictions; and applications from **Pueblo** must demonstrate support from both of its designated jurisdictions.

If necessary, OJT will also work with each Tier One Transition Community to ensure that the total earmark is distributed within the transition community in a manner proportional to the impacts of coal facility closures.

For more details on how to apply for funding from this bucket, see “Next Steps” beginning on page 7.

OJT will use the Central Project and Investor Bucket for projects that benefit multiple communities or leverage private investment in transition projects.

The Central Project and Investor Bucket will be used by OJT to help implement strategies in the *Action Plan* that benefit more than one community or leverage private investment in communities. Examples of projects that benefit more than one community include the peer-to-peer learning network (part of Community Strategy 3 in the *Action Plan*), common data collection on economic impacts, support for common undertakings (such as grant writing for a combined application), and OJT intervention in Public Utility Commission (PUC) or other regulatory processes for the collective benefit of communities. This bucket will provide funding for such undertakings, some of which may be directed in part by *ad hoc* committees of local representatives.

Most notably, this bucket could provide some of the largest benefits to transition communities by leveraging longer-term funding from the public, private, and nonprofit sectors to support the ongoing implementation of the *Action Plan* and transition

community strategies. Specifically, Community Strategies 5 and 6 in the *Action Plan* address the challenge of rebuilding the local property tax base with strategies that lower investment risk, support a network of financial institutions to support investment, and leverage investments themselves in local business creation, expansion, and attraction.

OJT may reallocate unutilized funding to ensure compliance with expenditure deadlines.

The initial allocation of funding among the buckets and earmarks for transition communities are based on assumptions about need and utilization. But HB 21-1290 requires OJT to expend at least 70 percent of the funding by the end of Fiscal Year 2021-22 (June 30, 2022), and OJT must expend all remaining funds by the end of FY 2022-23 (June 30, 2023). **OJT will meet these statutory deadlines**, and if necessary will redeploy funding among or within buckets to do so. OJT will consult with the Advisory Committee on any reallocations.

Next steps for Tier One transition communities seeking support.

We are looking forward to partnering with Tier One transition communities through the development and implementation of long-term transition strategies, as well as with this short-term funding opportunity. Below are some next steps for these long- and short-term goals.

- 1) **Long-term:** Each community should have or be developing a long-term transition strategy. The purpose of OJT is to partner with transition communities over the long term (a decade or more) to help implement such strategies, including creating funding opportunities to replace property tax, workforce, economic diversity, and other community assets lost when mines and power plants close. **OJT staff will contact transition communities about where they are and how they can help in this process.**

NOTE: Completion of this step, while helpful, is not required before seeking funding from the Community Bucket as outlined below.

- 2) **Short-term:** Tier One Transition Communities may seek funding from the Community Bucket to support capacity building or projects that align with one or more of the six Just Transition Action Plan goals outlined on pages 2-3. *This funding opportunity is short-term but is intended to help your community progress toward long-term transition goals.* The process involves submission of the appropriate Funding Request Form (*links below*), followed by one or more meetings with OJT staff to reach agreement on potential funding for specific projects. **Applicants may choose to apply for support for a single project or to combine multiple projects in a single application.**
 - **Fill out the Funding Request Form. Please select the form specific to your community** (forms are the same except for listed jurisdictions specific to each community).
 - [Morgan County Funding Request Form](#)
 - [Pueblo Funding Request Form](#)
 - [West End Funding Request Form](#)
 - [Yampa Valley Funding Request Form](#)
 - Consider using HB 21-1290 funding to increase local staff capacity and expertise specifically for developing and implementing your long-term strategies.

- Take advantage of the flexibility of HB 21-1290 funding to maximize its effectiveness (for example, using it as matching funds or gap funding that can't be found elsewhere).
- Keep in mind that this state funding likely can be used as the match for federal grants, including from the Economic Development Administration through the Build Back Better Regional Challenge and the Economic Adjustment Assistance program.
- Because each funding earmark applies to a multi-jurisdictional transition community, as defined on page 4 of this guidance document:
 - Requests must demonstrate support from 60 percent or more of the designated jurisdictions within the relevant transition community (listed in the request forms).
 - OJT will work with applicants to ensure that the total earmark for each community is used in a way that is proportionate to the expected transition impacts within the community.
- **Submit a request form and contact Kirstie McPherson (kirstie.mcperson@state.co.us),** who will schedule a meeting to discuss your request. Additional information and documentation (including budgets and timelines) may be requested in these meetings.
- **Apply when you are ready and have the support of 60 percent or more of the jurisdictions in your transition community. Because this is not a competitive grant process and is intended to provide communities flexibility in accessing state support, we will accept applications whenever eligible entities are prepared to complete them.**
- **Remember that an earmark is not a guarantee of funding, as explained on page 6.**
- OJT is working to streamline the process for distributing money to successful applicants. Jurisdictions within each Tier One Transition Community can help with this process by **agreeing on one entity to serve as the fiscal agent for the entire community. This may be helpful, but is not required.**
- **The deadlines in HB 21-1290 are for when OJT must expend funds. Communities do not have to spend these funds within that time frame.**
- **Reporting requirements will be discussed and outlined in the final grant agreement.**

Next steps for Tier Two transition communities seeking support.

Grants from the Community Bucket to Tier Two communities will be made on a **competitive basis**. **OJT will accept Tier Two applications on quarterly cycles. The application deadline for the first cycle is January 7, 2022.** Grant cycles will continue until the entire Tier Two earmark (\$461,538) is allocated.

Tier Two Transition Communities seeking funding should fill out and submit the [Tier Two Funding Request Form](#) and submit it by the cycle deadline. After the cycle deadline, OJT will schedule a meeting, similar to those outlined above for Tier One communities, with each applicant. **Funding is not guaranteed.**

Contact Kirstie McPherson at the Colorado Office of Just Transition (kirstie.mcperson@state.co.us) for any questions or clarification.