



PROPOSAL FOR PUBLIC COMMENT¹

Guidance for Colorado Just Transition Community Funding Opportunities

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

Task One: To help communities replace what they lose when their coal mines and power plants close. Specifically:

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

Task 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.

House Bill 21-1290 provides \$15 million in one-time state stimulus funds to begin this work, including \$8 million for Task One and \$7 million for Task Two. By law, OJT must expend at least 70 percent of each amount by June 30, 2022, with the remainder expended by June 30, 2023.

This document outlines how OJT will use the \$8 million allocated to Task One (community support). In keeping with the direction from HB 21-1290 (specifically, C.R.S. § 8-83-504 (4)(a)), this guidance reflects strategies outlined in the [Colorado Just Transition Action Plan](#) (Action Plan). It details how OJT envisions its partnerships with communities, and it is offered as a guide for those communities and other key stakeholders seeking funding.

*** Note** that funding for Task Two (transition workers) is not addressed in this document. HB 21-1290 clearly directs that this funding is to be spent primarily to benefit individual coal transition workers and outlines specific worker assistance programs for OJT to prioritize. Therefore, there is likely to be little overlap between the allowed uses of Task One and Task Two funding, and **communities should not anticipate additional support from Task Two funding for the community transition strategies discussed in this guidance document.**

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

Only Coal Transition Communities² and “eligible entities”³ may receive funding, and Tier One Transition Communities⁴ will have first priority, in accordance with specific direction in HB 1290.⁵

¹ The public comment period closes on October 22, 2021. For information on how to comment, see page 8.

² Coal Transition Communities as defined at C.R.S. § 8-83-502 (1)

³ Eligible Entities as defined at CRS § 8-83-502 (5)

⁴ Tier One Transition Communities as defined at C.R.S. § 8-83-502 (10)

⁵ C.R.S. § 8-83-504 (4)(a)

Tier One Transition Communities are:

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

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

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

“Eligible entities” are economic development districts; counties, municipalities, or other political subdivisions of the State; 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 communities.**

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

HB 21-1290 is clear about how Task One funding 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 guidance 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.”⁶

⁶ Community Strategy 1, page 5 of the *Action Plan*.

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 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 likely to happen after 2023⁷, 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 is, that are most likely to result in more family-sustaining jobs, broader property tax bases, and measurably more economic diversity). We urge transition communities and other entities seeking to access these resources to set similar priorities.

OJT has identified the following 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*).
- **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*).

Communities and eligible entities may use HB 21-1290 funding only for these six purposes, unless they can convincingly demonstrate to OJT that another use is likely to help 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.

⁷ 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 already closed in the West End of Montrose County.

How HB 21-1290 funding will be allocated.

While some funding will be used by the OJT for administration and to implement appropriate strategies from the *Action Plan*, the large majority of HB 21-1290 funding will be used by or on behalf of transition communities and other eligible entities. OJT will work with communities and eligible entities to build collaborative partnerships and to streamline the funding process to ensure timeliness and to minimize administrative burdens. OJT is also committed to a process that is transparent, equitable, and accountable.

OJT has divided the funding into three categories, or “buckets,” and has designated how much of the \$8 million total is targeted for each. OJT has further designated a target amount that is earmarked for each Tier One transition community as well as for all Tier Two transition communities combined. **OJT reserves the right to reallocate unused funds 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 June 30, 2023).

➤ Community Bucket

Initial target amount -- **\$5.75 million** (72% of total)

➤ Central Projects and Investor Bucket

Initial target amount -- **\$1.85 million** (23% of total)

➤ Administration Bucket

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

C.R.S. § 8-83-504 (4)(b)(IV)

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.

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 and coal mines) in each community and multiplies it by a timing 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 for all Tier Two transition communities.

Tier One communities must spend earmarked funding on clear transition strategies. Funding for Tier Two communities will be allocated through a separate competitive grant program based on the same criteria utilized for Tier One communities.

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 page 3 of this document, **unless** they can convincingly demonstrate to OJT that another use is likely to help 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.

Each point in the distribution formula represents 7.7 percent of the funding, or about \$442,308 of the \$5.75 million in the Community Bucket. The earmarks per community are as follows:

- **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: \$1.768 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: \$2.654 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: \$442,308
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 scheduled to close fully until 2040.

Total Points: 1
Earmark: \$442,308
Share of total: 7.7%

- **Tier Two Transition Communities**, which 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).

Total Points: 1
Earmark: \$442,308
Share of total: 7.7%

The Central Project and Investor Bucket will fund projects that benefit more than one transition community or leverage private investment in transition projects.

Some parts of the *Action Plan* can be most efficiently or effectively implemented through the OJT itself. Examples include supporting a peer-to-peer learning network (part of Community Strategy 3 in the *Action Plan*), studies of the economic impacts of closures, or support for common undertakings (such as grant writing services for a combined grant application). This bucket will provide funding for such undertakings, some of which may be directed by ad hoc steering committees of local representatives.

In addition, successful transitions will require the replacement of a large amount of lost commercial property value -- perhaps \$3 billion or more among all Tier One communities. The *Action Plan* recognizes that this will require significant investment, much of which will almost certainly come from outside the communities themselves. Community Strategies 5 and 6 in the *Action Plan* address this challenge with strategies that lower risk, support a network of financial institutions to support investment, and leverage investments themselves. With the assistance of finance and investment experts, the OJT is exploring options for effectively achieving these goals, and a large portion of this bucket is reserved to implement the resulting strategies and incentives (if they fit within the expenditure timeframes set in HB 1290).

OJT may also use funding from this bucket to attract and leverage additional and longer-term funding from the public, private, and nonprofit sectors to support the ongoing implementation of the *Action Plan* and transition community strategies.

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

The initial allocation of funding among the buckets is based on current 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 (that is, by June 30, 2022). 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 the various buckets to do so. OJT will consult with the Advisory Committee at or before its first quarter meetings in 2022 and 2023 on how any reallocations might be done.

Next steps for transition communities seeking support.

We are looking forward to working with Tier One transition communities through the development and implementation of long-term transition strategies, as well as with this short-term funding opportunity.

- 1) **Long-term:** Each community should develop a long-term community transition strategy in collaboration with OJT. The purpose of the OJT is to work with each coal transition community over the long term (a decade or more) to assist with the development and implementation of a long-term transition strategy, including creating funding opportunities to replace property tax, workforce, economic diversity, and potential community assets lost when coal mines and power plants close. **OJT staff will contact transition communities about next steps in this process. Completion of this step is not required before seeking HB 21-1290 funding as outlined below.**
- 2) **Short-term:** Tier One Transition Communities may seek HB 21-1290 funding to support capacity building or projects that align with the Just Transition Action Plan goals outlined on page 3. *This funding opportunity is short-term but is intended to assist your community's progress toward long-term transition goals.* The process involves an initial written request (request form) followed by one or more meetings with OJT staff to reach agreement on potential funding.
 - **Fill out the HB 21-1290 Funding Request Form** (*this will be a link in the final document*). A separate form for each capacity building or project funding request is required.
 - 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 (e.g. matching funds or gap funding that can't be found elsewhere).
 - Because each funding earmark applies to a multi-jurisdictional transition community, as defined on page 2 of this guidance document:
 - Requests must demonstrate support from 60 percent or more of those jurisdictions within the relevant transition community.
 - OJT will work with jurisdictions 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 the completed request form and contact Kirstie McPherson** at kirstie.mcpherson@state.co.us who will schedule a meeting to discuss your funding request. Additional information and documentation (including budgets and timelines) may be requested in these meetings.
 - **We will accept applications on a rolling basis. An earmark is not a guarantee of funding, as explained on page 5.**

Tier Two Transition Communities seeking funding should also fill out and submit the HB 21-1290 Funding request form (*this will be a link in the final guidance document*). OJT will schedule a meeting similar to those outlined above for Tier One communities. Grants to Tier Two communities will be made on a competitive basis. **We will accept applications on a rolling basis and make awards on a quarterly basis. Funding is not guaranteed.**

Note that agreeing on one fiscal agent for each transition community will streamline the distribution of funds (with only one intergovernmental agreement required, even for multiple funding requests).

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

HOW TO PROVIDE PUBLIC COMMENT

OJT seeks public comment on this draft guidance document by Friday, October 22, 2021.

All comments received on or before Friday, October 22, will be considered as we prepare the final guidance document. OJT will compile a public account of all comments it receives by the deadline (no comment will be attributed directly to any individual commenter).

Please submit comments using this [form](#).

Here are some references that might be useful as you prepare your comments:

[Colorado Just Transition Action Plan](#)

[HB 21-1290](#) (provides funding and funding direction to the OJT)

[HB 19-1314](#) (establishes the OJT and outlines its responsibilities)

If you have any questions, please contact us at kirstie.mcpherson@state.co.us. Please write “Question about Comment Document” in the subject line.