



Joint Budget Committee

Interim Supplemental Budget Requests FY 2026-27

Department of Local Affairs

Prepared by:

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Item	Total Funds	General Fund	Cash Funds	Reapprop. Funds	Federal Funds	FTE
Request	\$1,219,700	\$1,219,700	\$0	\$0	\$0	0.8
Recommendation	1,219,700	1,219,700	0	0	0	0.8
Staff Recommendation Higher/-Lower than Request	\$0	\$0	\$0	\$0	\$0	0.0

Does JBC staff believe the request satisfies the interim supplemental criteria of Section 24-75-111, C.R.S.?

YES

The Controller may authorize an overexpenditure of the existing appropriation if it: (1) Is approved in whole or in part by the JBC; (2) Is necessary due to unforeseen circumstances arising while the General Assembly is not in session; (3) Is approved by the Office of State Planning and Budgeting (except for State, Law, Treasury, Judicial, and Legislative Departments); (4) Is approved by the Capital Development Committee, if a capital request; (5) Is consistent with all statutory provisions applicable to the program, function or purpose for which the overexpenditure is made; and (6) Does not exceed the unencumbered balance of the fund from which the overexpenditure is to be made.

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? **YES**

An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.

Explanation: The need to extend the spending authority for the Microgrids for Community Resilience Grant Program should have been foreseeable and predictable. However, JBC staff concedes that this request meets supplemental criteria due to the Executive Branch being completely unaware of the problem until after the close of the 2025-26 state fiscal year.

Request

The Department of Local Affairs (DOLA) requests \$1,219,700 General Fund to offset an appropriation from HB 22-1013 (Microgrids for Community Resilience Grant Program) that reverted at the close of FY 2025-26. This amount has been adjusted downward from \$1,244,262 in the Office of State Planning and Budgeting submission so that the request equals the amount of the reversion. The Department failed to request an extension of spending authority for these funds past FY 2025-26. Because the appropriation expired and the fiscal year closed, the request has to be executed through an overexpenditure in FY 2026-27 rather than a request for

extended roll-forward authority for the HB 22-1013 appropriation. There is no line item for this grant program in FY 2026-27, so the overexpenditure is requested in the Division of Local Government, Field Services, Program Costs line item.

Recommendation

Staff recommends that the Committee approve the request for an overexpenditure of \$1,219,700 General Fund in the Division of Local Government, Field Services, Program Costs line item. The Department accidentally let \$1,219,700 of the appropriation from HB 22-1013 revert to the General Fund at the close of FY 2025-26. Therefore, staff feels it is reasonable to frame this request as a net-zero cost. Of this amount, \$108,067 is related to administration and \$1,111,633 is for outstanding grant awards. Per the details in the request, staff recommends allowing expenditure of the grants portion through FY 2027-28 but limiting administrative costs to FY 2026-27.

Analysis

The Microgrids for Community Resilience Grant Program was created by HB 22-1013. This program allows cooperative electric associations and municipally owned utilities to apply for a grant to purchase microgrid resources for eligible rural communities that are at significant risk of severe weather or natural disaster events. The U.S. Department of Energy defines a microgrid as a group of interconnected electric loads and distributed energy resources within clearly defined electrical boundaries that can function as a single, controllable entity. A microgrid can operate either in grid-connected mode or in “island mode”.

The bill appropriated \$3.5 million General Fund to the Department in FY 2022-23, with roll-forward authority for those funds through FY 2025-26. Of the initial \$3.5 million, the Legislative Council Staff Fiscal Note estimated that \$111,315 would be used for administrative costs in the first year and \$3,388,685 would be available for grants over the four-year timeframe. Ongoing administrative costs for the grant program were annually appropriated from the General Fund in the FY 2023-24, FY 2024-25, and FY 2025-26 Long Bill.

The Department awarded state funds to 19 projects, 5 of which were not completed by the end of FY 2025-26. The Department also leveraged \$2.6 million of this program’s funding as a federal match that brought in \$10.3 million of federal funding through DOLA and \$6.9 million through the Colorado Energy Office. The dollars in this request make up a portion of the \$2.6 million federal match; federal projects will therefore be jeopardized if the request is not approved. The five state-funded projects impacted by the request are as follows:

Impacted State-funded Grants

Grantee	Award	Description
San Miguel Power Authority	\$666,526	Provides battery backup for Rico during frequent electric disruptions
Poudre Valley Rural Electric Association	896,175	Installs a battery and microgrid controller in Livermore
Poudre Valley Rural Electric Association	117,459	Installs a photovoltaic solar generation system to connect to battery system in Livermore
San Luis Valley Rural Electric Cooperative	36,000	Planning grant to explore backup power and microgrid opportunities in service territory
United Power	700,656	Install batteries at fire stations in Del Camino, unincorporated Golden, Lochbuie, and Dacono

The Microgrids for Community Resilience Grant Program was originally set to repeal on September 1, 2026. The repeal date was eliminated by HB 26-1051 (Continue Microgrid Community Resilience Grant Program). Communications around HB 26-1051 framed the need for program extension as a result of federally funded grants that wouldn't be fully closed out until FY 2027-28. Non-partisan staff were told that ongoing administrative costs after FY 2025-26 would be paid for by federal funds. At the time HB 26-1051 was being considered by the Legislature, it was unclear to staff that 5 of the 19 state-funded grants were incomplete and that spending authority, along with state-funded administrative costs, would be needed past the close of FY 2025-26. The Fiscal Note therefore showed continuation costs for administration as federally funded, with no General Fund impact. Additionally, there was no request or direction to amend the appropriations clause from HB 22-1013 to extend spending authority through FY 2026-27 and FY 2027-28.

Due to DOLA's confusion around roll-forward authority that was or was not provided in HB 22-1013, the Long Bill, and HB 26-1051, \$1,219,700 from the initial appropriation reverted to the General Fund at the close of FY 2025-26. Additionally, approximately \$160,000 appropriated for administrative costs in the Long Bill reverted to the General Fund from FY 2023-24 through FY 2025-26. The Department is requesting an overexpenditure equal to the amount of the HB 22-1013 reversion. This will allow the Department to fully pay the grants that were awarded and retain 0.8 FTE to administer the state-funded grants.

The Department's failure to request an extension of spending authority for this program during the 2026 legislative session was a tremendous oversight. Due to the statutory mechanics of the interim supplemental process, the problem at hand can only be rectified by approval of a \$1,219,700 General Fund overexpenditure in the Division of Local Government, Field Services, Program Costs line. Staff recommends approval of this request on the grounds that it is offset by an equivalent General Fund reversion that has already been realized, denial of the request would result in awarded grants being revoked, and the General Assembly expressed support for the Microgrids for Community Resilience Grant Program through HB 26-1051. The Office of the State Controller and the Office of Legislative Legal Services agree that because authority to administer this grant program still exists pursuant to Section 40-9.8-104, C.R.S., the overexpenditure authority can be granted through a broad line item in the absence of the specific grant program line item in FY 2026-27.