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0541 Economic Development Committee

Colorado Legislative Council

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Economic Development

Committee

Report to the

COLORADO

GENERAL ASSEMBLY

Colorado Legislative Council
Research Publication No. 541
December 2005

RECOMMENDATIONS FOR 2006

ECONOMIC DEVELOPMENT COMMITTEE

Report to the
Colorado General Assembly

Research Publication No. 541
December 2005

COLORADO GENERAL ASSEMBLY

LEGISLATIVE COUNCIL

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December 2005

To Members of the Sixty-fifth General Assembly:

Submitted herewith is the final report of the Economic Development Committee. This committee was created pursuant to House Joint Resolution 05-1023. The purpose of the committee was to work with the business community to develop policies to enhance the state's business climate.

At its meeting on November 15, 2005, the Legislative Council reviewed the report of this committee. A motion to forward this report and the bills therein for consideration in the 2006 session was approved.

Respectfully submitted,

/s/ Senator Joan Fitz-Gerald
Chairman

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EXECUTIVE SUMMARY

Committee Charge

The Committee on Economic Development was created to work with the business community to develop policies to enhance the state's business climate. Specifically, the committee was charged with:

- evaluating ways to enhance the state as a prime location in which to start and grow a business;
- determining ways to promote innovation, productivity, and competitiveness in the Colorado business community;
- considering policies that would heighten the ability of businesses to provide diverse, secure, and high-paying career opportunities for Colorado citizens;
- identifying the policies and practices of the state and local governments that could be enhanced to maximize Colorado's competitiveness in the global marketplace;
- working with the educational community to determine how Colorado's institutions of higher education can help Colorado's citizens compete in the 21st century economy; and
- soliciting input from experts in the community in the areas of transportation, public health, and environmental conditions regarding policies or practices that could be implemented to foster economic development in the state.

A 15-member Advisory Board to the Committee on Economic Development, representing different sectors of the state's economy and geographic areas of the state, was appointed to assist the committee in its work. The advisory board was charged with making presentations and providing written comments and other relevant data to the committee upon request.

Committee Activities

The Committee on Economic Development held six meetings during the 2005 interim. Meetings included a variety of presentations by representatives of economic development organizations, businesses, educational institutions, trade groups, the advisory board, and other interested parties. The advisory board met separately to discuss ways to promote economic development in the state; and, several advisory board members participated at the committee's meetings.

The committee meetings focused on: (1) Colorado's economy and business climate; (2) the use of economic development incentives; (3) educating Colorado's workforce; (4) tourism; (5) the arts industry's role in economic development; (6) transportation issues; and (7) energy issues as they relate to economic development.

Colorado's economy and business climate. The committee heard testimony regarding Colorado's economy from local economist Tucker Hart Adams who was cautiously optimistic of the state's economy, but warned of a potential housing bubble and high levels of consumer debt. The Metro Denver Economic Development Corporation, as well as a variety of businesses explained that Colorado's strengths include a low tax and regulatory environment, a high quality of life, and a highly educated workforce. Colorado had the 5th lowest combined state and local tax burden in the nation in FY 2001-02

According to staff research and committee testimony, in general, an educated workforce is the most important factor in business location decisions, followed by a variety of factors depending on the type of business, such as high-quality transportation infrastructure, tax incentives, and access to higher education institutions. According to the Metro Denver Economic Development Corporation, while Colorado ranks highly in some of these categories, it is trending downward in some important areas, such as in educating its own population and its ability to move products efficiently.

Economic development incentives. The committee heard testimony regarding the role of financial incentives in the state's efforts to attract and retain businesses. Most economic development organizations believe that incentives are a factor in a business's location decisions and that Colorado must offer some incentives because it is competing with other states that do. The committee discussed the potential need to place disclosure requirements on incentives, to ensure that the state's incentives are performance-based, and to tie quality job requirements to incentives. The committee also heard testimony that financial incentives do not have a significant financial impact for businesses and that government resources are better used to invest in transportation and education in order to help a region compete.

Educating Colorado's workforce. The committee focused one meeting on what is necessary to prepare Colorado's workforce for the competitive global economy. Colorado has been largely importing its educated workforce, as data shows both a high percentage of residents with a college degree, but a low percentage of high school students attending college.

The discussion on educating Colorado's workforce was broad-based and included learning about vocational programs, such as a local pipefitters' apprenticeship program and machinist training. Most participants agreed that more money needs to be available both for student financial aid and program development in order to help maximize the potential of Colorado's workforce. Finally, the committee learned about the need to promote science and math education, as these skills will be most in demand in many high technology arenas. This discussion included potentially providing incentives for businesses to invest in their local schools to promote science and math and urging the math and science-related industries to increase their outreach to schools and the community about the career opportunities in their industries. It is estimated that there will be significant labor shortages in the fields of aerospace, computer science, and other applied math and science fields as the baby boom generation begins to retire from the workforce.

Tourism and economic development. According to the University of Denver's Center for Travel and Tourism, the tourism industry is the state's second largest, based on retail sales. However, adjusted for inflation, spending by travelers to Colorado has declined since 1997. According to tourism market research, Colorado is the 5th most desired vacation state. Colorado's tourism office's budget ranks 35th highest of all states and the state ranks 23rd in market share based upon the total number of travelers and trips taken, according to the Travel Industry Association of America.

The committee learned about the Colorado Tourism's Office efforts to promote Colorado as a tourist destination and to increase the state's tourist market share. According to the Director of the Center for Travel and Tourism, the state needs to develop a comprehensive statewide tourism development policy that would define the role of the public and private sectors in keeping the state's tourism industry competitive.

The arts and economic development. The committee also heard testimony about the role of the arts industry in economic development. Today's mobile workforce is increasingly able to choose where it wants to live. Testimony indicated that the existence of arts and culture in an area helps promote economic development as it enhances an area's quality of life. Testimony indicated that most other states are doing more than Colorado to promote arts and culture as an economic development tool.

Transportation issues. A high-quality transportation system is an integral component of a good business climate. This is particularly the case for manufacturing and agricultural companies that need to transport goods to markets. Also, a well-planned transportation system helps promote tourism. According to the Colorado Department of Transportation, it is estimated that Colorado will see a 67 percent increase in vehicle miles traveled over the next 25 years, which indicates the need for increased resources to be devoted to the state's infrastructure.

The committee learned about the economic impact of mass transit and transit-related development. Businesses rely on mass transit to transport employees to and from work. Denver's Regional Transportation District moves up to 50,000 passengers each day into Denver. Also, discussions occurred regarding the economic impact of Denver International Airport (DIA) and, more generally, economic development around airport facilities. Clusters of businesses typically form along major airport arteries for up to 25 miles. Passenger traffic at DIA is expected to double by 2020, and surveys indicate that travelers to Denver are twice as likely to fly than drive compared to other states, indicating the importance of DIA to the state's economy.

Energy issues. Most of the energy that Colorado uses to fuel its economy continues to be supplied by fossil fuels that are non-renewable and produce emissions. The committee listened to testimony about the increasing usage of renewable energy and clean fuel sources which hold significant economic development opportunities for Colorado. The committee learned that the existence of renewable energy supplies and potential clean fuel sources, as well as the location of the National Renewable Energy Laboratory, research universities, and private energy companies provide resources that can help the industries develop and succeed in Colorado. The committee learned that in order for it to realize its potential, Colorado needs to focus on developing renewable energy and clean technology industry clusters. It would also be beneficial to develop a renewable energy plan that sets goals for renewable-energy use or carbon emissions and outlines the steps needed to attain them.

Committee Recommendations

The committee recommends three legislative proposals for consideration during the 2006 legislative session.

Bill A — Economic Development Fund Minimum Standards. Under current law, the Colorado Economic Development Commission (EDC) has the authority to set the terms and conditions that a public or private entity must meet in order for it to receive an economic development loan or grant from the commission. Bill A places in state law minimum conditions that an entity must meet in order for the EDC to award the entity a grant or loan. In order to receive a grant or a loan, an entity must:

- pay at least one dollar higher than the federal minimum wage;
- pay 50 percent of the cost of health insurance for its employees that work over 35 hours a week; and
- not have violated any laws regarding the health, safety, or working conditions of its employees in the past five years.

The bill also requires entities that receive a grant or loan from the EDC to file an annual progress report with the EDC. The EDC must provide the information from the reports to the General Assembly each year indicating whether the entities met their job creation, wage, and benefit requirements. Finally, the bill extends the statutory repeal date of the EDC from July 1, 2006 to July 1, 2016.

Bill B — Transfer State Council on the Arts to the Office of Economic Development and International Trade. Bill B transfers the State Council on the Arts from the Department of Higher Education to the Colorado Office of Economic Development and International Trade on July 1, 2006. The Colorado Council on the Arts provides grants of state and matching federal dollars to communities to promote the arts, humanities, and culture. The committee heard testimony that moving the Council on the Arts to the Office of Economic Development would help the state better integrate the arts into its economic development efforts.

Bill C — Dynamic Model Pilot Program. HB 05-1046, which passed during the 2005 session, established a pilot program for Legislative Council Staff to acquire a dynamic model to analyze the economic impact of bills that make a tax policy change. A dynamic model considers the direct and indirect economic effects of policy changes. The pilot program could not begin unless there was a certain dollar amount deposited into a state fund by September 1, 2005. The dollar amount threshold was not reached by the deadline.

Bill C reestablishes the pilot program. The bill states that Legislative Council Staff will begin the pilot program when $120,000 is donated for the program. Once a dynamic model is acquired, the model can be used to analyze up to ten tax policy bills approved by the Executive Committee of the Legislative Council. Legislative Council Staff must file a report evaluating the use of the dynamic model that includes recommendations on the future use of the dynamic model. The bill states that money from the General Fund cannot be used for the pilot program during FY 2006-07. Bill C was recommended by the advisory board to the committee.

STATUTORY AUTHORITY AND RESPONSIBILITIES

House Joint Resolution 05-1023 created the Committee on Economic Development to work with the business community to develop policies to enhance the state's business climate. Specifically, the committee was charged with:

- evaluating ways to enhance the state as a prime location in which to start and grow a business;
- determining ways to promote innovation, productivity, and competitiveness in the Colorado business community;
- considering policies that would heighten the ability of businesses to provide diverse, secure, and high-paying career opportunities for Colorado citizens;
- identifying the policies and practices of the state and local governments that could be enhanced to maximize Colorado's competitiveness in the global marketplace;
- working with the educational community to determine how Colorado's institutions of higher education can help Colorado's citizens compete in the 21st century economy; and
- soliciting input from experts in the community in the areas of transportation, public health, and environmental conditions regarding policies or practices that could be implemented to foster economic development in the state.

Legislative Council Staff and the Office of Legislative Legal Services were directed to assist the committee in carrying out its duties.

Advisory board. A 15-member Advisory Board to the Committee on Economic Development, representing different sectors of the state's economy and geographic areas of the state, was appointed to assist the committee in its work. The advisory board was charged with making presentations and providing written comments and other relevant data to the committee upon request. The advisory board met separately to discuss ways to promote economic development in the state; however, several advisory board members participated at the committee's meetings.

The chair of the advisory board – the director of the state's Office of Economic Development and International Trade – was charged with coordinating the meetings, activities, and agendas of the board. The chair was also a nonvoting member of the legislative committee and made the board's recommendations to the committee.

Committee Activities

The Committee on Economic Development held six meetings during the 2005 interim. The committee heard testimony from the state's Office of Economic Development and International Trade and other economic development organizations, large and small businesses representing different industries, such as aerospace, aviation, engineering, manufacturing, information technology, biotechnology, and energy, the Denver World Trade Center, educational institutions, the Colorado Transportation Commission, trade groups, an advisory board, and other interested persons.

The committee took a broad-based approach to studying economic development in order to evaluate Colorado's ability to attract and retain businesses and to compete in the 21st Century global economy. The availability of an educated workforce, the condition of the state's infrastructure, and the costs of doing business in Colorado – which economic development officials cite as the foundation of an area's business climate – were addressed. The committee also looked at the role of financial incentives in economic development efforts, and focused on the importance of the tourism industry to Colorado's economy, as well as the role of university research and the arts in economic development efforts. Also included were discussions on how the state can ensure that its emerging industries, such as biotechnology and renewable energy, continue to develop and realize their potential.

The committee also discussed other issues relating to economic development in the state, including affordable housing, the economic importance of hospitals, and economic development opportunities in the recycling industry. Further, the Office of Economic Development and International Trade outlined its efforts to work with local economic development organizations and communities to promote proactive, long-term statewide economic development policies and planning as it believes each industry and area of the state is important to Colorado's economic future.

Due to the number and complexity of economic development topics discussed during the committee's limited number of meetings, the committee discovered that many of its study issues deserved to be explored further. The committee recommended legislation to create a permanent Committee on Economic Development, Tourism, and International Trade to enable the General Assembly to continue to review and propose policies that contribute to economic development in the state. However, the legislation was not approved by Legislative Council.

The following sections provide a summary of the issues relating to economic development in Colorado that were discussed by the committee. Included is a review of discussions that led to recommendations for legislation from the committee. Also provided is information on recommendations from the advisory board on policies that the state should implement to help it attract and retain jobs.

Colorado's Economy and Business Climate

Colorado's economy. The committee heard testimony regarding Colorado's economy from local economist Tucker Hart Adams. Most of Colorado's economic indicators are positive. The state is adding jobs, Colorado's personal income growth is outpacing the nation's, and housing construction and home values are positive.

According to Dr. Adams, Colorado's economic forecast looks positive in the near term, as long as the national economy continues to grow. However, higher energy prices could impact tourism and consumer spending in Colorado. Another concern is that consumer debt levels in Colorado are some of the highest in the country. Dr. Adams also warned of a potential housing bubble. There is an oversupply of housing and significant speculation in the real estate market. A rise in interest rates could cause financial difficulty for consumers who have adjustable rate mortgages, which could reduce spending and cause a slowdown in the economy.

Colorado's business climate. Staff research found that Colorado and Denver generally rank favorably in studies that have attempted to measure the general business climate and economic competitiveness of states and metro areas. The Metro Denver Economic Development Corporation (MDEDC), the economic development arm of the Metro Denver Chamber of Commerce, told the committee that the state has a strong entrepreneurial climate as Colorado businesses are able to develop and invest in profitable ideas.

According to staff research and committee testimony, in general, an educated workforce is the most important factor that businesses consider in their location decisions, followed by a variety of factors depending on the type of business, such as the quality of transportation infrastructure, proximity to major airports, the cost and availability of land, costs of doing business, tax incentives, the proximity to suppliers and customers, the proximity to natural resources, access to higher education institutions, and quality of life.

According to the MDEDC, Colorado ranks highly in many of these categories, especially as it compares to its competitors. The committee learned that Colorado's strengths include a low tax and regulatory environment, a high quality of life, and a highly educated workforce, including a relatively large population of individuals with science and engineering doctorates. It has the 11th most productive workforce of all states. Colorado is also generally considered to have low costs for doing business. Although, labor costs are relatively high.

Colorado had the 5th lowest combined state and local tax burden in the nation in FY 2001-02, the latest data available. However, a couple of businesses that addressed the committee cited the need for the state to address relatively high property taxes for businesses. Colorado consistently ranks among the most livable states, is a healthy state, and scores high in venture capital, research and development spending, and the number of patents granted.

Colorado rankings are more mediocre in other important categories and are trending downward, according to the MDEDC. It has a relatively low percentage of college-bound students and scores in the middle in its salaries for public school teachers, school spending, and other education-related rankings. Further, health care costs are 30th highest in the country and the cost of housing in Colorado is generally considered high. Colorado scores in the middle of states in its ability to move products efficiently. The MDEDC noted that many of the categories in which Colorado ranks less favorably can be addressed. The MDEDC noted that the most important economic development policy the state government can implement is to invest in its infrastructure.

International trade in Colorado. The committee learned about international trade in Colorado. Colorado exported $6.7 billion in goods and services in 2004, and international trade provides roughly 20,000 jobs to Colorado's economy, according to the Denver World Trade Center. Out of all the countries Colorado sells its goods and services to, Canada purchases the most exports, followed by Mexico and Japan. China is significantly increasing its imports of Colorado products.

The Denver World Trade Center provided suggestions for how the state can support international trade activity. The state should continue to form partnerships with the international business community and seek more international flights to Colorado. It should also support efforts to increase tourism, particularly to attract international visitors, as they can discover ideas for their markets when they visit the state.

Economic Development Incentives

The committee heard testimony regarding the role of financial incentives in the state's efforts to attract and retain businesses. Although the committee learned that incentives are not a primary factor that businesses consider in their location decisions, most economic development organizations believe that incentives are necessary as businesses evaluate their costs to relocate, expand, and operate in different areas. The committee learned that incentives can be a primary factor for a business that is deciding among its final potential locations. Further, testimony indicated that Colorado must offer some incentives because it is competing with other states that do. Some of the individual businesses that testified explained that incentives provided by the state helped their company decide to stay or expand in the state.

Other state's incentives. According to economic development organizations that testified, such as the Office of Economic Development and International Trade (OEDIT), the Adams County Economic Development Corporation, and the MDEDC, other states offer much larger economic development incentives to attract and retain businesses than Colorado. For example, North Carolina used a $242 million incentive package, mainly tax credits, to recruit a computer company to the state in 2004, while Florida used $510 million in state and local government grants to help attract a biotechnology company. Also, a Colorado-based business told the committee that the state of Alabama offered to loan it money to build a facility and then forgive the loan when the business hired a certain number of employees. Some businesses testified that the state should increase the amount of resources it allocates for economic development incentives.

According to the Economic Development Administration in the U.S. Department of Commerce, the Southeast and Midwest are the most aggressive areas of the country in the use of incentives. However, testimony indicated that some of Colorado's competitors, including Texas, New Mexico, and Arizona, also offer larger financial incentives than Colorado. It is important to note that some states may offer larger incentives because they have less ability to attract and retain businesses than other states. For example, they may have high business tax environments or a lower quality of life compared to states that they are competing with for businesses.

Performance-based incentives and disclosure. The committee learned that tax credits that are available to businesses that create new jobs are generally considered the best way to tie a state incentive to performance as businesses cannot claim the incentive until they have added jobs. In addition, a national organization that promotes economic development best practices indicated that the most important policy a state can enact to improve the effectiveness of its economic development incentives is disclosure, including annual, company-specific, deal-specific reporting of costs and benefits. Also, placing job-quality requirements on businesses that receive incentives, such as wage and health care requirements, is good policy.

Committee recommendation to require that businesses meet certain conditions in order to receive a state-funded loan or grant. In relation to the testimony on performance-based incentives and disclosure, the committee recommended Bill A. Bill A places in state law minimum conditions that a business must meet in order for the state Economic Development Commission to award the business a grant or loan, including wage, health care, and working conditions requirements. The bill also requires an annual report to the General Assembly. Testimony from OEDIT indicated that many of the conditions that the Economic Development Commission currently requires of businesses are more stringent than those required by Bill A.

The role of economic development incentives is diminishing. Testimony from Mr. Robert Olson, Denver Regional Director of the Economic Development Administration in the U.S. Department of Commerce indicated that there is an evolution in thinking regarding the use of incentives in economic development. The focus of economic development efforts is beginning to shift from using financial assistance through incentives to trying to establish regional competitiveness through developing industry clusters, providing targeted marketing, developing human capital through education, and promoting an area's livability. Mr. Olson stated that Colorado should use its livability and its highly trained workforce to market itself. The example of a large pharmaceutical manufacturing expansion in Colorado that used no state incentives was provided to the committee. The business decided to expand in Colorado because its employees liked to live and work in the state and because of its proximity to the University of Colorado at Boulder.

Incentives may not be the best use of public resources for economic development. Testimony from a national organization that promotes economic development best practices indicated that most of the financial assistance provided to business from governments is misspent because it is given to businesses to influence decisions that they would have made anyway. The organization stated that governments should redirect their resources to create more skilled labor and improve public infrastructure systems to help a region compete. The organization told the committee that the state should evaluate its current incentives to see which ones are the most effective and which ones are unnecessary.

Colorado's enterprise zone program. The Colorado Urban and Rural Enterprise Zone Act of 1986 established an enterprise zone program to provide incentives and tax credits for private enterprise to expand and for new businesses to locate in economically distressed areas of the state. As noted, about $25.7 million in enterprise zone tax credits were claimed in FY 2004-05. The committee was presented an academic study that found that Colorado's enterprise zone program is generally not meeting its intended goal of improving employment and wages in the state's "distressed" areas and that there is no evidence that the program is resulting in new firms or increased income in the zones. The study did find that the agricultural industry is benefitting more than other industries from the program.

However, economic development organizations in the state, such as OEDIT, MDEDC, and the Adams County Economic Development Office, told the committee that the incentives offered by the enterprise zone program are effective and necessary. They stated that businesses considering expanding or relocating to Colorado frequently inquire about the existence of an enterprise zone program. The committee discussed the need for more extensive study to evaluate the effectiveness of the program, but made no formal recommendation.

Advisory board recommendations for new economic development incentives. The advisory board to the committee recommended four measures to add to the state's package of incentives to use to attract and retain jobs in Colorado. The first three recommendations were not adopted by the committee. The fourth was adopted by the committee, but was not approved by Legislative Council.

The advisory board recommended an income tax credit for businesses that create new full-time jobs in the state. The amount of the tax credit ranged from $1,000 to $1,500 per new job. The tax credit could only be claimed once for each new job and only if the new job was maintained for at least one year. The second recommendation allowed businesses in enterprise zones to claim a tax credit for purchases of new commercial trucks and tractor trailers.

Third, the advisory board recommended providing various tax incentives for the motion picture industry to film in Colorado. The advisory board indicated that increased motion picture industry activity in Colorado would provide economic benefits to the state. Also, Colorado's competitors offer incentives to attract the filming of major motion pictures in their state.

Fourth, the advisory board recommended a measure to create an incentive to encourage the development of the biotechnology industry in the state. Biotechnology companies often do not begin to earn income until their products are developed and can be sold in the marketplace. The advisory board recommended setting up a "state net operating loss pool" to allow companies to purchase net operating losses from qualifying bioscience companies. Effectively, instead of carrying forward losses into future tax years, participating biotechnology companies could receive cash payments for current losses to use for capital, equipment, office or laboratory space, or other operating expenses.

Educating Colorado's Workforce

The committee focused one meeting on what is necessary to prepare Colorado's workforce for the competitive global economy. The committee learned that it is estimated that over the next 20 years, 63 percent of the new jobs in Colorado will require more than a high school education. As previously indicated, the availability of an educated workforce is generally the most important factor cited by businesses when they make decisions on where they want to locate or expand. According to testimony, Colorado ranks second among states in its percentage of adults with bachelor's degrees – 35 percent.

However, Colorado has been largely importing its educated workforce, as data shows a low percentage of high school students attending college. Also, research provided by Mr. Spiros Protopsaltis, Director of Research for Mr. Jared Polis, State Board of Education member, shows that Colorado was the 2nd largest net importer of college graduates and freshmen students from 1989 through 2001. Testimony from Dr. Thomas Clark, from the Department of Planning and Design from the University of Colorado at Denver, warned that the state's capacity to attract outside skilled workers is likely declining as there is increasing competition for skilled workers among states and skilled workers from other countries are increasingly finding more work options outside the United States. Dr. Clark thought that Colorado may decline economically unless it does a better job of educating its residents.

In addition to providing data on Colorado's students, Mr. Protopsaltis provided recommendations to improve the state's ability to educate its own workforce. The primary recommendations of Mr. Protopsaltis were to transition to a preschool through 16 education system (P-16) and to increase cooperation between primary, secondary education, and postsecondary education systems, with business involvement. Other recommendations were to:

- provide universal access to preschool;
- provide better tracking of student achievement throughout a student's educational career;
- promote dual enrollment to allow students to stay in school and get a head start in college;

- explore more financing structures to increase financial aid to encourage college enrollment;
- upgrade teacher preparation and professional development;
- provide more support to low-income college students because many of these students drop out of college their first year;
- evaluate the efficiency and effectiveness of ongoing workforce development programs and job training tax credits,
- increase state investment in high-growth and high-skilled education and training programs;
- promote research and development partnerships in emerging growth areas; and
- make quality of workforce and quality of public education systems the central focus of economic development policies.

Coordinating workforce supply and demand. Dr. Thomas Clark told the committee that the state needs to better coordinate the supply and demand of its workforce. The state should target industries that it believes have the best potential to yield economic benefits for Colorado and coordinate what type of education businesses in these industries will need. Dr. Clark recommended that the state help provide strategic financial aid for students in targeted fields and ensure that more students are involved in the workplace while they study. The committee also discussed the possibility of providing incentives to students to study targeted fields.

Technical education and the skilled trades. The committee's discussion on educating Colorado's workforce did not focus only on college and university education. The committee heard from a union apprenticeship pipefitters' program. There is a demand for skilled trade workers in regions of the state that are experiencing large construction projects. However, the program indicated that it is difficult to recruit individuals because of society's emphasis on higher education. The committee learned about a successful recruiting venture in Adams County that involves an educational consortium formed to help recruit individuals to the skilled and technical trades.

The committee also learned about a training program for aviation mechanics and technicians at the Emily Griffith Opportunity School. A representative from the school indicated that the most significant problem that the school encounters is that many lower-income students cannot afford to enroll. According to the representative, there is more demand for aviation mechanics and technicians than graduates from aviation mechanics schools in Colorado.

The demand for math and science educated workers. The committee discussed the need to promote science and math education in the state, as these skills will be in high demand in many high technology sectors in the future. The National Science Foundation estimates that there will be significant labor shortages in the fields of aerospace, computer science, and other applied math and science fields due to increasing labor demand in these industries and as the baby boom generation begins to retire from the workforce. For example, the Colorado Institute of Technology, a partnership of technology industries and higher education institutions, estimates that 70 to 80 percent of the aerospace industry's technical workforce is retirement eligible and there will be 90,000 aerospace jobs that will need to be filled in Colorado by 2010. Further, other states have the same anticipated workforce shortage problems and will compete with each other for workers.

In addition, according to the National Science Foundation, the number of students pursuing math and science degrees has been declining for many years, while the number has increased significantly in other countries. The United States ranks 17th in the proportion of college-age students pursuing science and engineering degrees, down from 3rd place 20 years ago. The committee learned that there is a perception among students that math and science programs are too hard and that there are no jobs in the fields. In addition, younger students often receive little encouragement to pursue math and science from parents and teachers.

The committee discussed several recommendations to help increase the number of math and science educated workers in Colorado. The discussion included providing incentives for businesses to invest in their local schools to promote science and math, and urging the math and science-related industries to increase their outreach to schools and the community about the career opportunities in their industries. The Colorado Institute of Technology indicated that the higher education system needs more resources to hire math and science professors and that the state needs to promote efforts to get more students interested in math and science.

Recommendation to promote math and science education in the state. The committee recommended legislation that would create an income tax credit for taxpayers who contribute money, services, equipment, or property to further the study of math or applied sciences at the state's institutions of higher education. However, the legislation was not approved by Legislative Council.

University Research, Technology Transfer, and Economic Development

In addition to the production of an educated workforce, the committee also learned about higher education's other important role in economic development – the development of ideas that lead to new businesses and consumer products. The committee heard testimony about the efforts of Colorado's research institutions, including the University of Colorado and the Colorado School of Mines, in developing technology that can be transferred to and sold in the commercial marketplace and that can spur start-up companies. The University of Colorado research has led to the start up of 45 companies since 1995. Further, large computer and aerospace companies have located in Colorado because of the availability of skilled workers and research universities.

Colorado's academic research institutions are involved in research for biotechnology, computer products, energy, aerospace, nanotechnology, physics, engineering, and the environment. Most of university research is funded from the federal government, while a smaller portion is funded by the private sector.

Suggestions for increasing university research and technology transfer. The committee heard testimony that the state needs to increase both private and public funding for university research. Further, testimony indicated that policies need to be implemented to help streamline intellectual property and contracting issues to facilitate increased research and technology transfer to the marketplace. The committee learned from the advisory board to the committee that OEDIT plans to have its Advance Colorado Center and the state's universities work together to develop a streamlined process for technology transfer. The Advance Colorado Center is a headquarters for industry associations, including biotechnology, to support innovation and help entrepreneurs grow profitable, sustainable businesses.

One biotechnology company indicated that the state needed to increase funding to its higher educational system to help the quality of its research programs and to preserve professor excellence. Also, the state's research universities should work more closely with the biotechnology industry to develop products and create start-up companies.

Tourism and Economic Development

The importance of tourism to Colorado. The committee heard testimony about the importance of the state's tourism industry to the state economy. According to the University of Denver's Center for Travel and Tourism, the tourism industry is the state's second largest, based on retail sales. Further, according to the Colorado Tourism Office, travelers to Colorado spent $7.3 billion in 2004 and the industry provides 200,000 jobs in the state. According to tourism market research, the state ranks 23rd in market share based upon the total number of travelers and trips taken, according to the Travel Industry Association of America.

The Colorado Tourism Office's efforts to market Colorado to tourists. The committee learned about the Colorado Tourism Office's efforts to promote Colorado as a tourist destination. The state has the 16th lowest tourism office budget among states, according to the Travel Industry Association of America. The Colorado Tourism Office receives about $5.7 million from the state each year. The office markets the state both domestically and internationally, targeting France, the United Kingdom, and Germany. The tourism office cites research by a tourist market research firm that shows that every $1 of state money spent on tourism marketing generates $18.10 in state and local tax dollars and $292 in tourism spending.

Advisory board recommendation to increase tourism promotion funding. The advisory board to the committee recommended that the General Assembly consider passing legislation to increase funding for tourism promotion. The board recommended authorizing an income tax credit equal to 100 percent of the total contribution made by individuals and businesses to be used for tourism promotion. Under the recommendation, contributions eligible for the tax credit cannot exceed $15 million per year. This recommendation was not adopted by the committee.

Heritage tourism. Heritage tourism involves traveling to experience historical places and activities. According to the Colorado Tourism Office, heritage tourism is growing faster than the regular tourism market and research by the Travel Industry Association has shown that heritage travelers spend more money and stay longer than traditional tourists. Further, according to the tourism office, heritage tourism is a useful economic development tool, especially in rural communities. The committee learned that the Colorado Tourism Office is undertaking an effort to promote heritage tourism by marketing the state's heritage tourism sites and developing a heritage tourism strategic plan.

A comprehensive state tourism policy. The committee also heard testimony that the state needed to implement policies to improve the state's tourism industry. Testimony from the University of Denver's Center for Travel and Tourism indicated that, adjusted for inflation, spending by travelers in Colorado has declined since 1997, and total direct employment resulting from tourism declined 14.3 percent from 1998 to 2003.

The Center for Travel and Tourism testified that the state needs a statewide tourism development policy which could address the role of the public and private sectors in promoting the tourism industry. Other recommendations of the Center were to:

- increase the staff of the Colorado Tourism Office with individuals experienced in tourism development and promotion;
- create a tourism planning and development program that forecasts, monitors, and analyzes trends and consumer preferences for travel experiences in Colorado; and
- find a consistent funding source to fund state tourism promotion.

The Center indicated that the 15 highest states in tourism promotion funding have experienced a growth in market share.

The Arts and Economic Development

The committee heard testimony about the role of the arts industry in economic development. The committee was told that a strong arts and cultural environment can attract businesses as arts and culture are important aspects of quality of life. A 2004 report found that Colorado had just over 12,000 arts-related businesses, including museums, performing arts, visual arts, film, television, radio, design and publishing, and arts schools and services, employing about 50,850 people.

The committee learned that other states are involved with developing the arts as an economic cluster, including through incentives and economic development planning efforts. The committee discussed the need to increase Colorado's marketing efforts to promote its arts and culture and to incorporate the arts into its economic development planning efforts. The Colorado Business Council for the Arts, the Western States Arts

Federation, and the Denver Office of Cultural Affairs provided several recommendations to the committee that they believed would help arts and culture promote economic development in the state, including:

- restoring the Colorado Council on the Arts' funding to the level it had in FY 2000-01 – about $1.9 million – to enable the organization to better serve all areas of the state, restore support for K-12 arts education, and to provide increased assistance for cultural organizations. The Colorado Council on the Arts currently provides grants of state and matching federal dollars to communities to promote the arts, humanities, and culture;
- transferring the Council on the Arts from the Department of Higher Education to OEDIT;
- funding a statewide cultural strategic plan;
- implementing a statewide cultural advisory committee to direct statewide planning for cultural economic development and cultural tourism, and to guide community-based efforts to capitalize on cultural assets;
- creating a new economic development position within the Council on the Arts to promote commercial arts and creative industries; and
- appointing more arts and cultural experts on state boards and commissions, such as the Colorado Tourism Board and the Economic Development Commission.

Recommendation to transfer the Council on the Arts to OEDIT. As a result of the committee's discussions, the committee recommended Bill B, which transfers the Council on the Arts to OEDIT in order to help the state better integrate the arts into its economic development efforts. Also, in its recommendation to create a tax credit for tourism promotion efforts, the advisory board recommended that at least 10 percent of the money available for tourism promotion be annually provided to the Council on the Arts. The funding recommendation was not adopted by the committee.

Transportation Infrastructure and Economic Development

Highways and Bridges. A high-quality transportation system is an integral component of a good business climate and is cited as one of the key factors in business location decisions. The committee heard testimony regarding the importance of the ability to move freight in and out of Colorado. This is particularly the case for industries that transport their goods to markets, such as manufacturing and agriculture. A well-planned transportation system also helps promote tourism.

According to testimony from a Colorado Transportation Commissioner, the necessary growth in transportation infrastructure cannot be sustained at current funding levels and there is a need for increased resources to be devoted to the state's infrastructure. The Colorado Department of Transportation (CDOT) estimates that over the next 25 years Colorado will experience a 67 percent increase in vehicle miles traveled, that 25 percent of state highway lane miles will experience congestion, and that 68 percent of state highways and 20 percent of bridges will be in poor condition.

The committee discussed the need for improved north/south and east/west routes, including rail routes, for the state's commerce and tourism industry. For example, the lack of an adequate north/south route from Wyoming to New Mexico along the western slope may prove to be an impediment to the full potential of the natural gas and oil shale industries in the region. Further, the committee discussed that some travelers already avoid driving through Colorado because of traffic congestion. According to a recent CDOT study, there is a range of options available to relieve congestion along the I-70 corridor through the mountains, but a lack of funding is the largest deterrent to a solution.

Mass transit and transit-oriented development. The committee learned about the economic impact of mass transit and transit-related development. Businesses rely on mass transit to transport employees to and from work, and certain resort communities and entertainment venues are also benefitted by mass transit. Denver's Regional Transportation District (RTD) moves up to 50,000 passengers each day into Denver. The Colorado Association of Transit Agencies told the committee that increased mass transit will require increased public funding and transportation districts. Partnerships involving transit agencies and private entities could also be utilized.

The committee also learned about the potential economic development opportunities that can occur around mass transit stations – called "transit-oriented development"– from the City of Denver's planning department. Transit-oriented development can lead to added investment value, community enhancement, the creation of unique urban places, the creation of a more healthy environment, and increased transit ridership. Testimony provided suggestions for how the General Assembly could support transit-oriented development, including:

- maintaining the flexibility of local jurisdictions over transportation policy;
- supporting partnerships with the Regional Trasnportation District and the Colorado Department of Transportation;
- continuing tax credits for preservation and low-income housing;
- establishing transit-oriented development areas as priority areas;
- locating state facilities near transit stations; and
- providing incentives for state employees to use transit.

Air transportation. Discussions also occurred regarding the economic impact of Denver International Airport (DIA) and, more generally, economic development around airport facilities. DIA is the nation's 5th busiest airport and passenger traffic at DIA is expected to double by 2020. Also indicating the importance of DIA to the state's economy is that surveys show that travelers to Denver are twice as likely to fly than drive compared to other states.

The committee learned that an aviation and economic development expert at the University of North Carolina has indicated that airports will drive 21st Century business location, job creation, and urban development as highways did in the 20th Century, railroads did in the 19th Century, and seaports did in the 18th Century. Businesses are clustering near major airports because of the accessibility and speed that airports provide to businesses and customers nationally and worldwide. Clusters of airport-linked businesses tend to form along major airport arteries up to 25 miles from the airport, with significant economic impact up to 60 miles away. For example, the development around the Dallas/Fort Worth airport is the area's largest employment center.

The committee heard testimony about the potential emergence of an "aerotroplis" around DIA, including the development of business parks, retail centers, wholesale merchandise marts, hotel, tourism, entertainment centers, and large mixed-use residential developments. According to the DIA Partnership, an economic development organization serving the DIA area, DIA is the fastest growing area of the entire Denver metro area with over $34 billion in investment expected by 2015. The partnership notes that it is important that the area's growth is coordinated by public and private sectors in order for it to reach its full economic potential.

The Economic Development Potential of the Renewable Energy and Clean Fuel Industries

About 36 percent of Colorado's energy comes from petroleum, 30 percent comes from natural gas, 32 percent comes from coal, and 2 percent comes from renewable energy, according to the U.S. Energy Information Agency. Thus, most of the energy that Colorado uses to fuel its economy continues to be supplied by fossil fuels that are non-renewable and produce emissions. The committee listened to testimony about the potential of renewable energy, such as wind power, solar power, and biofuels, as well as clean-fuel sources, such as coal gasification, which hold significant economic development opportunities for Colorado. Due to higher energy costs, these resources are starting to become more economically viable. Testimony indicated that the transformation to the use of more renewable energy and clean fuel sources will occur, and that Colorado must ensure that its renewable energy and clean fuel industries develop to benefit.

The committee learned that the presence of renewable energy and clean fuel sources, as well as the location of the National Renewable Energy Laboratory in Golden, research universities, and innovative energy companies in the state provide resources that can help the industries develop and succeed in Colorado. However, testimony indicated that assistance is needed to enable the development of the industries. Testimony from renewable energy and clean fuel advocacy groups indicated that Colorado needs to devote resources to foster partnerships with the industries, governments, and academic institutions. The committee learned that in order for it to realize its potential, Colorado needs to focus on developing renewable energy and clean technology industry clusters. It would also be beneficial to develop an energy plan like other states, such as California, Pennsylvania, New York, and New Jersey, that sets goals for renewable-energy use and/or carbon emissions reductions and outlines the steps needed to attain them.

Other Economic Development Issues

In addition to the broad economic development topics the committee discussed above, the committee learned about other specific issues relating to economic development in Colorado, including affordable housing, the economic importance of hospitals, and economic development opportunities in the recycling industry.

Economic development and housing. The committee heard about the economic impact of investment in housing from the Colorado Housing Investment Fund Coalition. This coalition stated that there is a link between a strong economy and housing stability and that housing costs are an important factor in attracting businesses and employees. The coalition advocated the creation of a housing investment fund in Colorado that could increase the amount of affordable housing in the state. The coalition suggested a real estate transfer tax, a document recording fee increase, or an increase in the state sales tax as funding sources for a housing investment fund. According to the coalition, there are 38 states that have invested in housing. The most widely used funding sources for a housing investment fund are a real estate transfer tax or a sales tax. It should be noted that TABOR currently prohibits either the raising of existing taxes or a real estate transfer tax. Therefore, using these funding sources for a housing investment fund would require voter approval.

The economic impact of Colorado hospitals. The Colorado Health and Hospital Association discussed the impact of hospitals to the state's economy. Hospitals employed 51,143 workers in Colorado in 2003, and total salaries and benefits for Colorado hospital employees was over $3.1 billion. Further, a productive workforce depends on having healthy workers, and the availability and quality of hospitals are a factor in business location decisions. Hospitals can also help attract other health-related businesses, including the emerging biotechnology industry. Therefore, the association believes that hospitals should be included more often in economic development efforts at both the state and local level.

Economic development opportunities in the recycling industry. The committee also learned about the economic development potential of the recycling industry in Colorado from the Colorado Association for Recycling. The association explained that the recycling industry is a potential economic development resource that could generate new jobs in the state that pay higher than average wages. However, Colorado lags behind other states' recycling industry efforts. For example, Utah has created recycling market development zones, while Iowa has created a recycling equipment tax credit to support the recycling industry.

The association explained that the only governmental support for the recycling industry in Colorado is from revenue generated from a $1 waste tire fee that is levied on returned used tires. This fee generates revenue for grants to local governments and private organizations to support the recycling industry. The association recommended that the legislature renew the waste tire fee, which is due to sunset in 2007, and raise the fee 25 cents. The increased money -- estimated at $750,000 annually – could be used to help develop recycling infrastructure in the state.

Summary of Recommendations

As a result of the committee's activities, the following bills are recommended to the Colorado General Assembly.

Bill A — Concerning the Colorado Economic Development Commission, and, in Connection Therewith, Establishing Minimum Standards for Recipients of Moneys from the Colorado Economic Development Fund, Establishing Reporting Requirements for the Recipients, and Extending the Statutory Repeal Date for the Commission

Under current law, the Colorado Economic Development Commission (EDC) has the authority to set the terms and conditions that a public or private entity must meet in order for it to receive an economic development loan or grant from the commission. Bill A places in state law minimum conditions that an entity must meet in order for the EDC to award the entity a grant or loan. In order to receive a grant or a loan, an entity must:

- pay at least one dollar higher than the federal minimum wage;
- pay 50 percent of the cost of health insurance for its employees that work over 35 hours a week; and
- not have violated any laws regarding the health, safety, or working conditions of its employees in the past five years.

The bill also requires entities that receive a grant or loan from the EDC to file an annual progress report with the EDC reporting the number of jobs that the business created and salary and benefit level information. The EDC must provide the information from the reports to the General Assembly each year indicating whether the entities met their job creation, wage, and benefit requirements. Finally, the bill extends the statutory repeal date of the EDC from July 1, 2006 to July 1, 2016.

Bill B — Concerning the Transfer of the State Council on the Arts from the Department of Higher Education to the Colorado Office of Economic Development

Bill B transfers the State Council on the Arts from the Department of Higher Education to the Colorado Office of Economic Development and International Trade on July 1, 2006.

Bill C — Concerning the Pilot Program for the Director of Research of the Legislative Council to Use a Dynamic Model to Analyze the Economic Impact of Bills that Make a Tax Policy Change

HB 05-1046, which passed during the 2005 session, established a pilot program for Legislative Council Staff to acquire a dynamic model to analyze the economic impact of bills that make a tax policy change. A dynamic model considers the direct and indirect economic effects of policy changes. The pilot program could not begin unless there was a certain dollar amount deposited into a state fund by September 1, 2005. The dollar amount threshold was not reached by the deadline.

The committee heard testimony that a dynamic model would provide the General Assembly an analytic tool when making tax policy changes, especially policies intended to promote the economic development of the state. Supporters stated that the tool could provide the General Assembly more complete information on the total impact of a tax policy change and thus provide a more complete economic and revenue estimate. In response, the committee recommended Bill C to reestablish the dynamic model pilot program. Bill C was initially recommended by the advisory board to the committee.

The bill states that Legislative Council Staff will begin the pilot program when $120,000 is donated for the program. This money is only intended to fund Legislative Council Staff's efforts to study what kind of dynamic model it should acquire, not to purchase a model.

Once a dynamic model is acquired, the model can be used to analyze up to ten tax policy bills chosen by the economic development committee, if it is created, or the business affairs committees. The ten bills must be approved by the Executive Committee of the Legislative Council. Legislative Council Staff must file a report evaluating the use of the dynamic model that includes recommendations on the future use of the dynamic model. The bill states that money from the General Fund cannot be used for the pilot program during FY 2006-07.

Resource Materials

The resource materials listed below were provided to the committee or developed by Legislative Council staff during the course of the meetings. The summaries of meetings and attachments are available at the Division of Archives, 1313 Sherman Street, Denver, (303-866-2055). For a limited time, the meeting summaries and materials developed by Legislative Council Staff are available on our web site at:

www.state.co.us/gov_dir/leg_dir/lcsstaff/2005/05interim.

Meeting Summaries	Topics Discussed
July 26, 2005	Colorado's Economy and Business Climate; What Businesses Look for When They Relocate; International Trade in Colorado; Briefing by the Office of Economic Development and International Trade on its Economic Development Strategy; Advisory Board Discussion
August 10, 2005	Colorado's Enterprise Zone Program; Discussion with Colorado Businesses on Doing Business in Colorado; Briefing by the Office of Economic Development and International Trade on its Activities and Functions; The Economic Impact of Housing Investment; The Role of Incentives in Economic Development
September 22, 2005	Higher Education and the Future of Colorado's Economy; Preparing Colorado's Workforce for Math and Science-Related Careers; University Research, Technology Transfer, and Economic Development; Technical and Career Education; Union Apprenticeship Program for Pipefitters; Training for Aviation Mechanics; Statistics on Educating Colorado's Workforce; Reports from the Interim Committees on the School Finance System and Rural Economic Development Issues
September 23, 2005	The Economic Impact of the Arts; The Role of Arts and Culture in Economic Development; How Other States Are Investing in the Arts, Cultural Tourism, and the Creative Economy; Economic Development and Tourism in Colorado; The Economic Impact of Colorado Hospitals
October 14, 2005	Transportation Infrastructure and Economic Development; The Economic Impact of Mass Transit; Transit-Oriented Development; DIA and Economic Development; Economic

	Development, the Environment, and the Future of the Energy Industry; Economic Development Opportunities in the Recycling Industry; Recommendations from the Advisory Board
November 2, 2005	Committee Discussion and Consideration of Legislation

Memoranda and Reports

Legislative Council Staff memoranda:

July 20, 2005	*Overview of the Economic Development Committee*
July 20, 2005	*Factors Affecting Location Decisions; Business Climates; and State and Local Tax Treatments*
August 4, 2005	*The State Enterprise Zone Program*
September 30, 2005	*Other State Economic Development and International Trade Committees*
October 4, 2005	*Other State's Economic Development Initiatives and Programs*

Second Regular Session
Sixty-fifth General Assembly
STATE OF COLORADO
DRAFT

Bill A

LLS NO. 06-0151.01 Nicole Hoffman **HOUSE BILL**

HOUSE SPONSORSHIP

Borodkin,

SENATE SPONSORSHIP

Bacon,

House Committees **Senate Committees**

A BILL FOR AN ACT

CONCERNING THE COLORADO ECONOMIC DEVELOPMENT COMMISSION, AND, IN CONNECTION THEREWITH, ESTABLISHING MINIMUM STANDARDS FOR RECIPIENTS OF MONEYS FROM THE COLORADO ECONOMIC DEVELOPMENT FUND, ESTABLISHING REPORTING REQUIREMENTS FOR THE RECIPIENTS, AND EXTENDING THE STATUTORY REPEAL DATE FOR THE COMMISSION.

Bill Summary

(Note: This summary applies to this bill as introduced and does not necessarily reflect any amendments that may be subsequently adopted.)

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.

Interim Committee on Economic Development. Specifies minimum standards that any person or entity shall satisfy in order for the Colorado economic development commission (commission) to award such person or entity a grant or loan from the Colorado economic development fund.

Requires any person or entity that receives a grant or loan from the commission on the basis of a proposal to create new jobs that meet wage and benefit requirements to file an annual progress report with the commission. Specifies the information that the person or entity shall include in the report. Requires the commission to provide the information collected each year in the reports to the general assembly.

Specifies that the reports submitted to the commission shall be open records, but prohibits the disclosure to the public of information that reveals any income tax return or the salary of any employee.

Extends the statutory repeal date for the commission.

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. 24-46-104 (2), Colorado Revised Statutes, is amended to read:

24-46-104. Powers and duties of commission. (2) The commission shall report to the general assembly no later than February 1 of each year regarding the work of the commission. THE REPORT SHALL INCLUDE, BUT SHALL NOT BE LIMITED TO, THE INFORMATION REQUIRED TO BE COLLECTED BY THE COMMISSION PURSUANT TO SECTION 24-46-105.7.

SECTION 2. The introductory portion to 24-46-105 (2.5) (a) and 24-46-105 (2.5) (b), Colorado Revised Statutes, are amended, and the said 24-46-105 is further amended BY THE ADDITION OF A NEW SUBSECTION, to read:

24-46-105. Colorado economic development fund - creation. (2.5) (a) The moneys in the fund may be used by the commission to make grants or loans to both public and private persons and entities for use in carrying out the purposes of this part 1, subject to the provisions of paragraph (b) of this subsection (2.5) and ~~subsection (3)~~ SUBSECTIONS (3)

AND (4) of this section. In determining whether to make a grant or loan, the commission shall consider each of the following guidelines:

(b) The commission may establish whatever terms and conditions it deems appropriate in making grants or loans pursuant to this section; EXCEPT THAT THE TERMS AND CONDITIONS ESTABLISHED BY THE COMMISSION SHALL MEET OR EXCEED THE REQUIREMENTS ESTABLISHED IN SUBSECTION (4) OF THIS SECTION. The loan amount and any interest earned thereon shall be paid back to the commission, and such moneys shall be credited to a special account in the fund to be known as the revolving account. In accordance with subsection (2) of this section, interest earned on the investment or deposit of moneys in the economic development fund shall also be credited to the revolving account. All moneys in the revolving account may be used by the commission to make loans and grants as provided in this subsection (2.5) without further appropriation by the general assembly. The commission shall not approve grants or loans to state departments or agencies for specific projects which are typically considered by the general assembly in the general appropriation bill or in supplemental appropriation bills unless the joint budget committee approves the application for such grants or loans.

(4) (a) THE MONEYS IN THE FUND SHALL BE USED BY THE COMMISSION TO MAKE GRANTS OR LOANS TO A PUBLIC OR PRIVATE PERSON OR ENTITY ONLY IF THE PERSON OR ENTITY:

(I) PAYS ALL OF ITS EMPLOYEES IN THE STATE A MINIMUM WAGE THAT IS AT LEAST ONE DOLLAR PER HOUR HIGHER THAN THE FEDERAL MINIMUM WAGE;

(II) OFFERS TO ALL OF ITS EMPLOYEES IN THE STATE WHO WORK AT LEAST THIRTY-FIVE HOURS PER WEEK A HEALTH INSURANCE BENEFIT PLAN FOR WHICH THE EMPLOYER PAYS AT LEAST FIFTY PERCENT OF THE

MONTHLY PREMIUM, AND THE COVERAGE PAYS AT LEAST ______ PERCENT OF THE COSTS OF PHYSICIAN OFFICE VISITS, EMERGENCY CARE, SURGERY, AND PRESCRIPTIONS, WITH AN ANNUAL DEDUCTIBLE OF NO MORE THAN ______ DOLLARS; AND

(III) HAS NOT BEEN ADJUDICATED TO BE IN VIOLATION OF ANY FEDERAL, STATE, OR LOCAL LAWS AFFECTING THE HEALTH, SAFETY, OR WORKING CONDITIONS OF EMPLOYEES FOR AT LEAST THE PRIOR FIVE YEARS.

(b) THE PROVISIONS OF THIS SUBSECTION (4) DO NOT APPLY TO THE FOLLOWING:

(I) A NOT-FOR-PROFIT ENTITY; OR

(II) AN INTERN OR TRAINEE WHO IS UNDER THE AGE OF TWENTY-ONE AND WHO IS EMPLOYED FOR A PERIOD OF NOT LONGER THAN THREE MONTHS.

(c) NO PERSON OR ENTITY SHALL PAY AN EMPLOYEE THROUGH A THIRD PARTY OR TREAT AN EMPLOYEE AS A SUBCONTRACTOR OR INDEPENDENT CONTRACTOR TO AVOID THE REQUIREMENTS OF THIS SUBSECTION (4).

SECTION 3. Part 1 of article 46 of title 24, Colorado Revised Statutes, is amended BY THE ADDITION OF A NEW SECTION to read:

24-46-105.7. Reporting requirement - new jobs created. (1) EVERY PERSON OR ENTITY THAT RECEIVES A GRANT OR LOAN FROM THE COMMISSION PURSUANT TO THIS ARTICLE, AWARDED IN PART OR IN WHOLE ON THE BASIS OF THE PERSON'S OR ENTITY'S PROPOSAL TO CREATE NEW JOBS WITH WAGE AND BENEFIT REQUIREMENTS, SHALL FILE AN ANNUAL PROGRESS REPORT WITH THE COMMISSION. THE ANNUAL PROGRESS REPORT SHALL INCLUDE, BUT SHALL NOT BE LIMITED TO, THE

FOLLOWING:

(a) THE NAME OF THE PERSON OR ENTITY THAT RECEIVED THE GRANT OR LOAN, AND IF THE RECIPIENT IS AN ENTITY, THE NAME OF THE CHIEF OFFICER OF THE ENTITY;

(b) THE BUSINESS ADDRESS AND BUSINESS PHONE NUMBER OF THE PERSON OR ENTITY THAT RECEIVED THE GRANT OR LOAN;

(c) THE AMOUNT OF THE GRANT OR LOAN AWARDED TO THE PERSON OR ENTITY BY THE COMMISSION;

(d) A STATEMENT OF THE NUMBER OF NEW JOBS THAT THE PERSON OR ENTITY PROPOSED TO CREATE BEFORE RECEIVING THE GRANT OR LOAN, CATEGORIZED BY FULL-TIME PERMANENT, PART-TIME PERMANENT, TEMPORARY, AND CONTRACT JOBS;

(e) A STATEMENT OF THE NUMBER OF NEW JOBS THAT THE PERSON OR ENTITY THAT RECEIVED THE GRANT OR LOAN HAS CREATED TO DATE, CATEGORIZED BY FULL-TIME PERMANENT, PART-TIME PERMANENT, TEMPORARY, AND CONTRACT JOBS;

(f) PAYROLL OR OTHER DATA TO VERIFY THE NUMBER OF JOBS CREATED BY THE PERSON OR ENTITY;

(g) THE AVERAGE ANNUAL COMPENSATION LEVEL OF EMPLOYEES, INCLUDING BENEFITS, OF THE NEW JOBS CREATED AND RETAINED, IF APPLICABLE, CATEGORIZED BY FULL-TIME PERMANENT, PART-TIME PERMANENT, TEMPORARY, AND CONTRACT JOBS;

(h) A STATEMENT AS TO WHETHER THE PERSON OR ENTITY THAT RECEIVED THE GRANT OR LOAN REDUCED EMPLOYMENT AT ANY OTHER SITE CONTROLLED BY THE PERSON OR ENTITY IN THE STATE AS A RESULT OF AUTOMATION, MERGER, ACQUISITION, CORPORATE RESTRUCTURING, OR OTHER BUSINESS ACTIVITY; AND

(i) ANY OTHER INFORMATION REASONABLY REQUIRED BY THE

COMMISSION TO EVALUATE THE PROGRESS OF THE PERSON OR ENTITY THAT RECEIVED THE GRANT OR LOAN AND THE EFFECTIVENESS OF AWARDING THE GRANT OR LOAN.

(2) AN ANNUAL PROGRESS REPORT SUBMITTED TO THE COMMISSION SHALL INCLUDE A SIGNED CERTIFICATION BY THE PERSON WHO RECEIVED THE GRANT OR LOAN OR, IF THE RECIPIENT IS AN ENTITY, THE CHIEF OFFICER OF THE ENTITY THAT RECEIVED THE GRANT OR LOAN AS TO THE ACCURACY OF THE ANNUAL PROGRESS REPORT.

(3) ANY PERSON OR ENTITY THAT RECEIVES A GRANT OR LOAN PURSUANT TO THIS ARTICLE SHALL FILE THE FIRST ANNUAL PROGRESS REPORT REQUIRED PURSUANT TO SUBSECTION (1) OF THIS SECTION NO LATER THAN ONE YEAR AND THIRTY DAYS AFTER THE RECEIPT OF THE GRANT OR LOAN, AND THEN EVERY YEAR THEREAFTER FOR FIVE YEARS IN THE CASE OF A GRANT OR IN THE CASE OF A LOAN EVERY YEAR THEREAFTER UNTIL THE LOAN IS REPAID IN FULL.

(4) THE COMMISSION SHALL INCLUDE THE INFORMATION COLLECTED EACH YEAR PURSUANT TO SUBSECTION (1) OF THIS SECTION IN THE COMMISSION'S REPORT TO THE GENERAL ASSEMBLY PURSUANT TO SECTION 24-46-104 (2). THE COMMISSION'S REPORT SHALL ALSO INCLUDE A STATEMENT AS TO WHETHER THE PERSON OR ENTITY THAT RECEIVED THE GRANT OR LOAN HAS ACHIEVED THE PERSON'S OR ENTITY'S JOB CREATION, WAGE, AND BENEFIT REQUIREMENTS.

(5) THE COMMISSION SHALL INFORM A PERSON OR ENTITY THAT RECEIVES A GRANT OR LOAN THAT THE PERSON OR ENTITY IS REQUIRED TO COMPLY WITH THE REQUIREMENTS OF THIS SECTION AT THE TIME THE COMMISSION AWARDS THE GRANT OR LOAN.

(6) THE INFORMATION SUBMITTED IN THE ANNUAL PROGRESS REPORT TO THE COMMISSION SHALL BE CONSIDERED PUBLIC RECORDS AS

DEFINED IN SECTION 24-72-202 (6) AND SHALL BE PRESERVED FOR AT LEAST FIVE YEARS BY THE COMMISSION. THE COMMISSION SHALL BE THE CUSTODIAN OF THE REPORTS AND SHALL MAKE THE REPORTS AVAILABLE FOR INSPECTION BY ANY PERSON AT REASONABLE TIMES. NOTHING IN THIS SUBSECTION (6) SHALL BE CONSTRUED TO PERMIT THE DISCLOSURE TO THE PUBLIC OF ANY COLORADO INCOME TAX RETURN OR OF ANY INFORMATION THAT REVEALS THE AMOUNT OF COMPENSATION PAID TO ANY INDIVIDUAL EMPLOYEE.

SECTION 4. 24-46-106, Colorado Revised Statutes, is amended to read:

24-46-106. Repeal of part. This part 1 is repealed, effective ~~July 1, 2006~~ JULY 1, 2016.

SECTION 5. Applicability. The provisions of this act shall apply to grants or loans made by the Colorado economic development commission on or after the applicable effective date of this act.

SECTION 6. Safety clause. The general assembly hereby finds, determines, and declares that this act is necessary for the immediate preservation of the public peace, health, and safety.

DRAFT

Bill A

Colorado Legislative Council Staff

NO FISCAL IMPACT

Drafting Number:	LLS 06-0151	**Date:**	December 12, 2005
Prime Sponsor(s):	Rep. Borodkin Sen. Bacon	**Bill Status:**	Interim Committee on Economic Development
		Fiscal Analyst:	Marc Carey (303 866-4102)

TITLE: CONCERNING THE COLORADO ECONOMIC DEVELOPMENT COMMISSION, AND, IN CONNECTION THEREWITH, ESTABLISHING MINIMUM STANDARDS FOR RECIPIENTS OF MONEYS FROM THE COLORADO ECONOMIC DEVELOPMENT FUND, ESTABLISHING REPORTING REQUIREMENTS FOR THE RECIPIENTS, AND EXTENDING THE STATUTORY REPEAL DATE FOR THE COMMISSION.

Summary of Assessment

This bill specifies minimum standards for any person or entity seeking a grant or loan from the Colorado Economic Development Fund, administered by the Colorado Economic Development Commission. With certain exceptions, the bill requires that such person or entity:

- pay all of its employees in the state a minimum wage at least $1 per hour higher than the federal minimum wage;
- offer a health insurance benefit plan for which the employer pays at least 50 percent of the monthly premium, the coverage pays a specified percent (intentionally left blank) of health care costs and has a specified deductible (intentionally left blank), to all employees working at least 35 hours per week; and
- has not violated any federal, state or local laws pertaining to employee heath or safety during the last five years.

The bill establishes reporting requirements both for those receiving a grant or loan from the Commission and for the Commission. Reports submitted to the Commission are open records, but the disclosure to the public of information that reveals any income tax return or the salary of any employee is prohibited. Finally, the bill extends the statutory repeal date for the Commission from July 1, 2006 to July 1, 2016. This bill is effective upon signature of the Governor, and applies to grants or loans made by the Colorado Economic Development Commission after this date.

This bill requires the Commission to include additional information obtained from entities receiving grants or loans in the report it is required to submit to the General Assembly under current law. This reporting can be performed within existing resources. Therefore, this bill does not affect state or local revenues or expenditures, and is assessed as having no fiscal impact.

Departments Contacted

Governor's Office

Second Regular Session
Sixty-fifth General Assembly
STATE OF COLORADO

Bill B

DRAFT

LLS NO. 06-0203.01 Ed DeCecco

SENATE BILL

SENATE SPONSORSHIP

Bacon, Evans, and Tapia

HOUSE SPONSORSHIP

Lindstrom, Borodkin, and Massey

Senate Committees **House Committees**

A BILL FOR AN ACT

CONCERNING THE TRANSFER OF THE STATE COUNCIL ON THE ARTS FROM THE DEPARTMENT OF HIGHER EDUCATION TO THE COLORADO OFFICE OF ECONOMIC DEVELOPMENT.

Bill Summary

(Note: This summary applies to this bill as introduced and does not necessarily reflect any amendments that may be subsequently adopted.)

Interim Committee on Economic Development. Transfers the state council on the arts, including its employees and property, from the

department of higher education to the Colorado office of economic development on a specified date.

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. Title 24, Colorado Revised Statutes, is amended BY THE ADDITION OF A NEW ARTICLE CONTAINING RELOCATED PROVISIONS, WITH AMENDMENTS, to read:

ARTICLE 48.8

State Council on the Arts

24-48.8-101. [Formerly 23-9-101] Short title. This article shall be known and may be cited as the "Colorado Arts and Humanities Act of 1967".

24-48.8-102. [Formerly 23-9-102] Legislative declaration. (1) The general assembly finds and declares:

(a) That encouragement and support of the arts and humanities, while primarily a matter for private and local initiative, is also an appropriate matter of concern to the state government;

(b) That many of our citizens lack the opportunity to view, enjoy, or participate in living theatrical performances, musical concerts, operas, dance and ballet recitals, art exhibits, examples of fine architecture, and the performing and visual arts generally;

(c) That, with increasing leisure time, the practice and enjoyment of the arts and humanities are of increasing importance;

(d) That many of our citizens possess talents of an artistic and creative nature which cannot be utilized to their fullest extent under existing conditions;

(e) That the general welfare of the people of the state will be promoted by giving further recognition to the arts and humanities as a vital part of our culture and heritage and as an important means of expanding the scope of our community life;

(f) That it is desirable to establish a state council on the arts and to provide such recognition and assistance as will encourage and promote the state's artistic and cultural progress;

(g) That it is the policy of the state to cooperate with private patrons, private and public institutions, and professional and nonprofessional organizations concerned with the arts and humanities to insure that the role of the arts and humanities in the life of our communities will continue to grow and to play an evermore significant part in the welfare and educational experience of our citizens and to establish the paramount position of this state in the nation and in the world as a cultural center;

(h) That all activities undertaken by the state in carrying out the policy set out in this section shall be directed toward encouraging and assisting, rather than in any way limiting, the freedom of artistic expression which is essential for the well-being of the arts and humanities.

24-48.8-103. [Formerly 23-9-103] Establishment of council - members - term of office - chairman - compensation - transfer of functions. (1) (a) There is hereby established within the department of higher education a state council on the arts, referred to in this article as the "council". THE COUNCIL SHALL REMAIN WITHIN THE DEPARTMENT OF HIGHER EDUCATION THROUGH JUNE 30, 2006. The council shall consist of eleven members, including the chairman, to be appointed by the governor. The members of the council shall be broadly representative of the major fields of the arts and humanities and shall be appointed from among private citizens who are widely known for their competence and experience in connection with the arts and humanities, as well as their knowledge of community and state interests. In making these appointments, the governor shall seek and consider those recommended for membership by persons or organizations involved in civic, educational, business, labor, professional, cultural, ethnic, and performing and creative arts fields, as well as those with knowledge of community and state interests. At least one such person from each area designated shall be a member of the council, the membership to include both men and women.

(b) (I) ON AND AFTER JULY 1, 2006, THE COUNCIL AND THE POWERS, DUTIES, AND FUNCTIONS OF THE COUNCIL ARE TRANSFERRED FROM THE DEPARTMENT OF HIGHER EDUCATION TO THE COLORADO OFFICE OF ECONOMIC DEVELOPMENT.

(II) ON AND AFTER JULY 1, 2006, EMPLOYEES OF THE COUNCIL WHOSE EMPLOYMENT IS DEEMED NECESSARY BY THE DIRECTOR OF THE COLORADO OFFICE OF ECONOMIC DEVELOPMENT SHALL BECOME EMPLOYEES OF THE COLORADO OFFICE OF ECONOMIC DEVELOPMENT. ANY EMPLOYEES TRANSFERRED TO THE COLORADO OFFICE OF ECONOMIC DEVELOPMENT WHO ARE CLASSIFIED EMPLOYEES IN THE STATE PERSONNEL SYSTEM SHALL RETAIN ALL RIGHTS TO THE PERSONNEL SYSTEM AND RETIREMENT BENEFITS PURSUANT TO THE LAWS OF THIS STATE, AND THEIR SERVICES SHALL BE DEEMED TO HAVE BEEN CONTINUOUS. ALL TRANSFERS AND ANY ABOLISHMENT OF POSITIONS IN THE STATE PERSONNEL SYSTEM SHALL BE MADE AND PROCESSED IN ACCORDANCE WITH STATE PERSONNEL SYSTEM LAWS AND REGULATIONS.

(III) ON AND AFTER JULY 1, 2006, ALL ITEMS OF PROPERTY, REAL AND PERSONAL, INCLUDING OFFICE FURNITURE AND FIXTURES, BOOKS, DOCUMENTS, AND RECORDS OF THE COUNCIL, ARE TRANSFERRED TO THE

COLORADO OFFICE OF ECONOMIC DEVELOPMENT AND BECOME PROPERTY THEREOF.

(2) On and after July 1, 1990, members appointed to the council, except the ~~chairman~~ CHAIRPERSON, shall hold office for terms of three years, commencing on July 1 of the year of appointment. Members of the council, except the ~~chairman~~ CHAIRPERSON, shall not be eligible to serve for more than two consecutive terms nor be eligible for reappointment to the council during the three-year period following the expiration of the second of two consecutive terms. Members of the council shall hold office until the expiration of the appointed terms or until successors are duly appointed. Any vacancy occurring on the council other than by expiration of term shall be filled by the governor by the appointment of a qualified person for the unexpired term.

(3) The governor shall appoint a ~~chairman~~ CHAIRPERSON of the council who is a person widely recognized for his OR HER knowledge, experience, and interest in the arts and humanities, as well as his OR HER knowledge of community and state interests. He OR SHE shall serve at the pleasure of the appointing governor, but not longer than six consecutive years, and shall not be eligible for reappointment during the three-year period following the expiration of such six-year period. He OR SHE shall advise the governor with respect to the development in the arts and humanities in the state of Colorado. If any vacancy occurs in the office of ~~chairman~~ CHAIRPERSON, the governor shall fill within sixty days the vacancy by the appointment of a qualified person in the same manner in which the original appointment was made.

(4) Members of the council shall serve without compensation, but each member shall be reimbursed for his OR HER necessary traveling and other expenses incurred in the performance of his OR HER official duties.

24-48.8-104. [Formerly 23-9-104] Meetings of council - quorum. The council shall meet at the call of the ~~chairman~~ CHAIRPERSON, but not less than twice during each calendar year. Five members of the council shall constitute a quorum. All meetings of the council shall be open and public, and all persons shall be permitted to attend any meeting of the council. The ~~chairman~~ CHAIRPERSON shall vote only in case of a tie on any question voted on by the council.

24-48.8-105. [Formerly 23-9-104.5] Funding recommendations. The ~~chairman~~ CHAIRPERSON of the council shall make funding recommendations to the governor and the general assembly for the operation of the council. The general assembly shall make annual appropriations, in such form as the general assembly shall determine appropriate, for the operation of the council.

24-48.8-106. [Formerly 23-9-105] Powers of the council. (1) The council has the powers necessary to carry out the duties imposed upon it by this article, including, but not limited to, the power:

(a) To employ such administrative, technical, and other personnel, subject to the constitution and state personnel system laws of this state, as may be necessary for the performance of its powers and duties;

(b) To hold hearings, make and sign any agreements, and perform any acts which may be necessary, desirable, or proper to carry out the purposes of this article;

(c) To request from any department, division, board, bureau, commission, or other agency of the state such reasonable assistance and data as will enable it properly to carry out its powers and duties under this article;

(d) To appoint such advisory committees as it deems advisable and necessary to the carrying out of its powers and duties under this article;

(e) To accept, on behalf of the state of Colorado, and expend any federal funds granted by act of congress or by executive order for all or any of the purposes of this article; except that the council may expend such funds only upon appropriation by the general assembly if the federal funds require matching state contributions or capital outlay or create a commitment for future state funding;

(f) To accept any gifts, donations, or bequests for all or any of the purposes of this article;

(g) To propose methods to encourage private initiative in the arts and humanities;

(h) To advise and consult with national foundations and other local, state, and federal departments and agencies on methods by which to coordinate and assist existing resources and facilities, with the purpose of fostering artistic and cultural endeavors toward the use of the arts and humanities both nationally and internationally, in the best interest of Colorado.

24-48.8-107. [Formerly 23-9-106] Duties of the council. (1) The duties of the council shall be:

(a) To stimulate and encourage throughout the state the study and development of the arts and humanities, as well as public interest and participation therein;

(b) To take such steps as may be necessary and appropriate to encourage public interest in the cultural heritage of our state and to expand the state's cultural resources;

(c) To encourage and assist freedom of artistic expression essential for the well-being of the arts and humanities;

(d) To assist the communities and organizations within the state in originating and creating their own cultural and artistic programs;

(e) To make such surveys as may be deemed advisable of public and private institutions engaged within the state in artistic and cultural activities, including, but not limited to, humanities, music, theater, dance, painting, sculpture, photography, architecture, and allied arts and crafts, and to make recommendations concerning the appropriate methods to encourage participation in and appreciation of the arts and humanities in order to meet the legitimate needs and aspirations of persons in all parts of the state;

(f) To submit a report to the governor not later than ninety days after the end of each fiscal year and at such other times as the governor requests or the council deems appropriate.

24-48.8-108. [Formerly 23-9-107] Interference by council prohibited. In carrying out its duties and powers under this article, the council shall never by action, directly or indirectly, interfere with the freedom of artistic expression of the established or contemplated cultural programs in any local community or institution, nor shall it make any recommendations that might be interpreted to be a form of censorship.

SECTION 2. 24-1-114 (3) (a), Colorado Revised Statutes, is amended to read:

24-1-114. Department of higher education - creation - repeal. (3) The department of higher education shall include the following divisions:

(a) (I) State council on the arts, created by article 9 of title 23, C.R.S. Its powers, duties, and functions are transferred by a **type 2** transfer to the department of higher education as a division thereof.

(II) THIS PARAGRAPH (a) IS REPEALED, EFFECTIVE JULY 1, 2006.

SECTION 3. 24-1-137, Colorado Revised Statutes, is amended to read:

24-1-137. Effect of decrease in the length of terms of office for certain state boards, commissions, authorities, and agencies. Persons who are holding office on June 15, 1987, and who were appointed to terms of office pursuant to sections 11-2-102, 12-4-103, 12-22-104, 12-32-103, 12-33-103, 12-36-103, 12-40-106, 12-60-102, 22-80-104, 23-9-103, 23-15-104, 23-40-104, 23-41-102, 24-32-706, 24-42-102, 25-25-104, 29-1-503, 29-4-704, 34-60-104, 35-41-101, 35-65-401, 35-75-104, 39-2-123, and 40-2-101, C.R.S., as said sections existed prior to June 15, 1987, shall continue to serve in such office, but such service shall be at the pleasure of the governor who may appoint a replacement to serve for the unexpired term of any member. However, if the governor has not appointed any such replacement on or before November 15, 1987, then the person who is holding such office on June 15, 1987, shall no longer be subject to replacement pursuant to this section but shall be subject to whatever removal provisions may otherwise apply for such office. Any such member for whom a replacement has been appointed shall continue to serve until his or her successor is duly qualified. Appointments to new terms of office made after June 15, 1987, shall be made for terms of four years as prescribed by law; except that such provision shall not apply to terms of office of persons appointed pursuant to section 23-9-103, C.R.S., AS IT EXISTED PRIOR TO JULY 1, 2006, OR TO SECTION 24-48.8-103, WHICH IS THE FORMER SECTION 23-9-103, C.R.S.

SECTION 4. Repeal of provisions being relocated in this act. Article 9 of title 23, Colorado Revised Statutes, is repealed.

SECTION 5. Effective date. This act shall take effect July 1, 2006.

SECTION 6. Safety clause. The general assembly hereby finds, determines, and declares that this act is necessary for the immediate preservation of the public peace, health, and safety.

DRAFT

Bill B

Colorado Legislative Council Staff

STATE FISCAL IMPACT

Drafting Number:	LLS 06-0203	**Date:**	December 12, 2005
Prime Sponsor(s):	Sen. Bacon Rep. Lindstrom	**Bill Status:**	Interim Committee on Economic Development
		Fiscal Analyst:	Marc Carey (303 866-4102)

TITLE: CONCERNING THE TRANSFER OF THE STATE COUNCIL ON THE ARTS FROM THE DEPARTMENT OF HIGHER EDUCATION TO THE COLORADO OFFICE OF ECONOMIC DEVELOPMENT.

Fiscal Impact Summary	FY 2006/2007	FY 2007/2008
State Revenues General Fund		
State Expenditures General Fund		
FTE Position Change	0.0 FTE	0.0 FTE
Effective Date: July 1, 2006.		
Appropriation Summary for FY 2006/2007: Department of Higher Education: ($1,430,014)* and (2.0) FTE Governor's Office, Office of Economic Development: $1,430,014 and 2.0 FTE		
Local Government Impact: None		

* *This appropriation is based on the Council on the Arts current appropriation for FY 2005-06.* ***This fiscal note will be revised to reflect the Joint Budget Committee's recommended funding level for the Council once the FY 2006-07 Long Bill is introduced.***

Summary of Legislation

This bill, recommended by the Interim Committee on Economic Development, transfers the State Council on the Arts, including its employees and property, from the Department of Higher Education to the Colorado Office of Economic Development in FY 2006-07.

State Expenditures

Effective July 1, 2006, this bill transfers the State Council on the Arts, including its employees and property, from the Department of Higher Education to the Colorado Office of Economic Development in the Governor's Office. Based on current year funding, this transfer would require an appropriation reduction of $1,430,014 to the Department of Higher Education and an appropriation of a like amount to the Office of Economic Development in the Governor's Office. Table 1 summarizes the annual expenditure impacts on these two departments:

Table 1. Summary of Bill B on the Department of Higher Education and the Office of Economic Development.

	Annual Expenditures*	
	Higher Education	**Office of Economic Development**
Program Costs	(1,416,000)	1,416,000
Centrally Appropriated Items	(14,014)	14,014
Total	($1,430,014)	$1,430,014
FTE Position Change	(2.0 FTE)	2.0 FTE

* *Based on FY 2005-06 budget.* These figures will be revised *to reflect the Joint Budget Committee's recommended funding level for the Council once the FY 2006-07 Long Bill is introduced.*

Although the move is anticipated to cost a total of $722, based on an estimated $112 per hour moving fee and a $50 fuel charge, adequate moneys are available within current resources for this purpose.

State Appropriations

Based on current year funding, the Department of Higher Education will require an appropriation for FY 2006-07 that reduces funding by approximately $1.4 and 2.0 FTE, and the Governor's Office will require an appropriation for the same amount. The actual FY 2006-07 funding level for the Council on the Arts will be included in the FY 2006-07 Long Bill. Once the Long Bill is introduced, this fiscal note will be revised to reflect the precise transfer amounts which must be reflected in the appropriations clause for this bill.

Departments Contacted

Governor's Office   Higher Education

Second Regular Session **Bill C**

Sixty-fifth General Assembly

STATE OF COLORADO

DRAFT

LLS NO. 06-0281.01 Ed DeCecco **SENATE BILL**

SENATE SPONSORSHIP

Tapia, Bacon, and Evans

HOUSE SPONSORSHIP

Massey, and Borodkin

Senate Committees **House Committees**

A BILL FOR AN ACT

CONCERNING THE PILOT PROGRAM FOR THE DIRECTOR OF RESEARCH OF THE LEGISLATIVE COUNCIL TO USE A DYNAMIC MODEL TO ANALYZE THE ECONOMIC IMPACT OF BILLS THAT MAKE A TAX POLICY CHANGE.

Bill Summary

(Note: This summary applies to this bill as introduced and does

not necessarily reflect any amendments that may be subsequently adopted.)

Interim Committee on Economic Development. Reestablishes the pilot program for the director of research of the legislative council to use a dynamic model to analyze the economic impact of bills that make a tax policy change if a certain amount of money is received as gifts, grants, or donations. Allows the dynamic model to be used during the first regular session that it is ready.

Establishes the role of the committee on economic development, tourism, and international trade, which may be created by legislation introduced this session, with respect to the dynamic model. Requires the committee on business affairs and labor of the house of representatives and the committee on business, labor, and technology of the senate, or any successor committees, to fulfill the role of the committee on economic development, tourism, and international trade in the event that there is no committee on economic development, tourism, and international trade.

Eliminates the express statutory authority to use moneys from the capital construction fund to implement the pilot program.

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. 2-3-304.5 (1), (4), (5) (a), and (5) (c), Colorado Revised Statutes, are amended to read:

2-3-304.5. Tax policy changes - dynamic model - pilot program - advisory committee - repeal. (1) The director of research shall establish a pilot program for the purpose of developing or procuring a dynamic model to analyze the economic impact of bills introduced by the general assembly that can be used ~~during the 2008 regular session~~ AS SOON AS POSSIBLE.

(4) (a) (I) Prior to the ~~2008~~ FIRST regular session THAT THE DYNAMIC MODEL CAN BE USED, the director of research shall notify the executive committee of the legislative council ~~whether~~ AND THE COMMITTEE ON ECONOMIC DEVELOPMENT, TOURISM, AND INTERNATIONAL TRADE CREATED IN HOUSE BILL 06-____, ENACTED AT THE SECOND

REGULAR SESSION OF THE SIXTY-FIFTH GENERAL ASSEMBLY, THAT the dynamic model is ready to be used to analyze bills during the ~~2008~~ UPCOMING regular session. ~~If the model is ready, the executive committee shall select no more than ten bills to be analyzed using the dynamic model.~~ DURING THE FIRST REGULAR SESSION THAT THE DYNAMIC MODEL IS USED, THE COMMITTEE ON ECONOMIC DEVELOPMENT, TOURISM, AND INTERNATIONAL TRADE SHALL RECOMMEND TO THE EXECUTIVE COMMITTEE TEN BILLS THAT SHOULD BE ANALYZED USING THE DYNAMIC MODEL. THE EXECUTIVE COMMITTEE SHALL MAKE THE FINAL DETERMINATION OF WHICH OF THE RECOMMENDED BILLS SHOULD BE ANALYZED USING THE DYNAMIC MODEL. Only bills that make a tax policy change are eligible to be analyzed. The analysis of the economic impact using a dynamic model shall be in addition to any fiscal note that is prepared pursuant to the rules of the general assembly.

(II) IN THE EVENT THAT THERE IS NO COMMITTEE ON ECONOMIC DEVELOPMENT, TOURISM, AND INTERNATIONAL TRADE, THE DIRECTOR OF RESEARCH SHALL NOTIFY THE COMMITTEE ON BUSINESS AFFAIRS AND LABOR OF THE HOUSE OF REPRESENTATIVES AND THE COMMITTEE ON BUSINESS, LABOR, AND TECHNOLOGY OF THE SENATE, OR ANY SUCCESSOR COMMITTEES, THAT THE DYNAMIC MODEL IS READY TO BE USED TO ANALYZE BILLS DURING THE UPCOMING REGULAR SESSION, AND SUCH COMMITTEES SHALL RECOMMEND TO THE EXECUTIVE COMMITTEE A TOTAL OF TEN BILLS THAT SHOULD BE ANALYZED USING THE DYNAMIC MODEL.

(b) After the ~~2008~~ FIRST regular session IN WHICH THE DYNAMIC MODEL IS USED, the director of research shall prepare a report evaluating how the dynamic model worked during the ~~2008 regular~~ session and making recommendations for the use of the dynamic model in future sessions of the general assembly, including the feasibility of expanding the scope of the type of bills for which the dynamic model may be used. The report shall be prepared no later than ~~January 1, 2009~~ JANUARY 1 OF THE YEAR FOLLOWING THE SESSION IN WHICH THE DYNAMIC MODEL WAS USED. THE DIRECTOR OF RESEARCH SHALL PRESENT THE REPORT TO THE COMMITTEE ON ECONOMIC DEVELOPMENT, TOURISM, AND INTERNATIONAL TRADE OR, IF SUCH COMMITTEE DOES NOT EXIST, TO THE COMMITTEE ON BUSINESS AFFAIRS AND LABOR OF THE HOUSE OF REPRESENTATIVES AND THE COMMITTEE ON BUSINESS, LABOR, AND TECHNOLOGY OF THE SENATE, OR ANY SUCCESSOR COMMITTEES.

(5) (a) It is the intent of the general assembly that for the fiscal year commencing on ~~July 1, 2005~~ JULY 1, 2006, no general fund moneys be appropriated for the purpose of implementing this section. ~~For a fiscal year commencing on or after July 1, 2006, moneys from the capital construction fund created in section 24-75-302, C.R.S., may be appropriated to implement this section.~~

(c) Except as otherwise provided in subsection (3) of this section, the director of research shall not undertake the pilot program unless the balance in the fund is one hundred twenty thousand dollars. ~~as of September 1, 2005.~~ If the balance of the fund is at least one hundred twenty thousand dollars, ~~as of September 1, 2005,~~ then the director of research shall contract with an independent contractor to help implement the provisions of this section. ~~If the balance of the fund is less than one hundred twenty thousand dollars as of September 1, 2005, then any gifts, grants, or donations that were received prior to that date shall be returned to the respective donors.~~

SECTION 2. Effective date. This act shall take effect at 12:01 a.m. on the day following the expiration of the ninety-day period after final adjournment of the general assembly that is allowed for submitting a referendum petition pursuant to article V, section 1 (3) of the state constitution (August 9, 2006, if adjournment sine die is on May 10, 2006); except that, if a referendum petition is filed against this act or an item, section, or part of this act within such period, then the act, item, section, or part, if approved by the people, shall take effect on the date of the official declaration of the vote thereon by proclamation of the governor.

DRAFT

Bill C

Colorado Legislative Council Staff

STATE FISCAL IMPACT

Drafting Number:	LLS 06-0281	**Date:**	December 20, 2005
Prime Sponsor(s):	Sen. Tapia Rep. Massey	**Bill Status:**	Interim Committee on Economic Development
		Fiscal Analyst:	Josh Harwood (303-866-4796)

TITLE: CONCERNING THE PILOT PROGRAM FOR THE DIRECTOR OF RESEARCH OF THE LEGISLATIVE COUNCIL TO USE A DYNAMIC MODEL TO ANALYZE THE ECONOMIC IMPACT OF BILLS THAT MAKE A TAX POLICY CHANGE.

Fiscal Impact Summary	FY 2005/2006	FY 2006/2007	FY 2007/2008
State Revenues General Fund Cash Fund Exempt		Gifts, Grants, Donations*	
State Expenditures General Fund Cash Fund Exempt		Gifts, Grants, Donations*	
FTE Position Change	0.0 FTE	0.0 FTE	0.0 FTE
Effective Date: August 9, 2006, if adjournment sine die is on May 10, 2006, unless a referendum petition is filed.			
Appropriation Summary for FY 2006/2007: None required. See Appropriations Section.			
Local Government Impact: None.			

**A minimum of $120,000 will be accepted and spent by the Director of Research of the Legislative Council in order to explore options and determine the best manner in which to implement the use of a dynamic economic model for use in evaluating select tax policy legislation. This fiscal note assumes that additional appropriations would be required to develop and implement the use of such model with respect to both staffing needs and the purchase of any programs and/or data.*

Summary of Legislation

Interim Committee on Economic Development. The bill reestablishes the pilot program initially created through House Bill 05-1046 that allowed for gifts, grants, and donations to be accepted by the Director of Research of the Legislative Council in order to pursue the possibility of creating a dynamic model for analyzing tax policy changes. Upon receipt of at least $120,000 by the Director of Research of the Legislative Council, the director would begin a process to evaluate various options for procuring a dynamic model. The process would include appointing an advisory board and potentially contracting with experts regarding the best manner in which to move forward with the pilot program.

Once the evaluation of options for obtaining a dynamic model is completed and a model is ultimately usable, the director would notify the Executive Committee of the Legislative Council that a model is ready for use in the upcoming legislative session. Furthermore, because a Committee on Economic Development, Trade, and Tourism has not been formed, the director would notify the Committee on Business Affairs and Labor in the House of Representatives and the Committee on Business, Labor, and Technology in the Senate that the model is ready for use and the committees will recommend ten bills that fiscal impacts will be evaluated using the model.

The bill specifically prohibits the use of general fund money during FY 2006-07 for this project, and also eliminates the expressed authority to appropriate capital construction funds for the pilot program.

Background. House Bill 05-1046 set forth guidelines to create a pilot program that allows Legislative Council to investigate options for procuring a dynamic economic model to estimate primary and secondary impacts of tax policy changes. The bill authorized the Director of Research of the Legislative Council to establish a pilot program for the purpose of creating or procuring a dynamic model to analyze the economic impact of up to ten bills that are introduced during the 2006 regular session that have a tax policy change. This analysis would be in addition to any fiscal note that is required on bills coming before the General Assembly. The dynamic model authorized by the bill would consider the direct and indirect or secondary economic effects related to the bills to be analyzed, including an estimate of the probable behavioral responses of taxpayers, taxing entities, businesses, and other persons to the proposed tax policy change.

The bill, as amended, established a dynamic modeling advisory committee consisting of at least five representatives of the business and academic communities, and economic developers. Members of the committee would be appointed by the Director of Research and would serve without compensation.

The bill stated the intent of the General Assembly that no General Fund moneys be appropriated for the purpose of implementing HB05-1046. Rather, the bill established the Dynamic Modeling Pilot Program Fund in the State Treasury to be comprised of gifts, grants, and donations from private or public sources. The bill stated that the Director of Research of the Legislative Council should not undertake the pilot program unless there was $120,000 in the fund as of September 1, 2005. Moneys in the fund would be subject to annual appropriation by the General Assembly. The bill contains a repeal clause, effective January 1, 2008.

The Director of Research of the Legislative Council *did not* receive the full amount necessary to proceed with the program by September 1, 2005. Therefore, the enacting legislation became moot. The bill endorsed by the Interim Committee on Economic Development reenacted the bill with the stipulations summarized above and removed any dates by which the money must be received or the model put into use.

State Revenues and Expenditures

The bill continues the cash fund exempt account in the office of Legislative Council that was set up to receive gifts, grants, and donations for the exploration of options in the use of a dynamic model to evaluate primary and secondary impacts of tax policy changes. Once the account has a balance of at least $120,000, the Director of Research of the Legislative Council is authorized to appoint an advisory committee and spend money necessary to evaluate options for procuring a model that can be used to evaluate a maximum of ten bills per session. This fiscal note assumes that any moneys necessary to purchase, develop, and/or maintain a dynamic model will require an additional appropriation beyond what is set forth in this bill. Given the timeline previously set forth in House Bill 05-1046, it is reasonable to assume that the earliest a dynamic model would be ready for use would be the 2008 legislative session.

State Appropriations

This fiscal note implies that no additional appropriation is necessary for fiscal year 2006-07. However, if at least $120,000 is received by the Director of Research of the Legislative Council through gifts, grants, and donations, the Legislative Department will receive an appropriation equal to the amount in the cash fund exempt account in whichever fiscal year is appropriate.

Departments Contacted

Legislative Council Staff