Economic Development

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SB 12-005 *(Deemed Lost)*
Office of Economic Development Business Retention & Expansion Program

SB 12-058 *(Postponed Indefinitely)*
Venture Capital Advisory Board

SB 12-143 *(Postponed Indefinitely)*
Local Business Database Office of Economic Development

SB 12-144 *(Postponed Indefinitely)*
Office of Economic Development Strategy Grow & Retain Key Industries

HB 12-1044 *(Postponed Indefinitely)*
Start-up Colorado Technology Transfer Grant Program

HB 12-1112 *(Postponed Indefinitely)*
State Economic Impact As Procurement Factor

HB 12-1129 *(Postponed Indefinitely)*
Moneys For Small Business Development Centers

HB 12-1133 *(Postponed Indefinitely)*
Economic Gardening Business Assistance Pilot Program

HB 12-1154 *(Postponed Indefinitely)*
Regional Economic Development Through Partnerships

HB 12-1284 *(Postponed Indefinitely)*
Small Business Financing Interim Committee

HB 12-1286 *(Enacted)*
Film Production Activities In Colorado

Enterprise Zones

HB 12-1241 *(Enacted)*
Review Enterprise Zone Designations

HB 12-1251 *(Postponed Indefinitely)*
Reforms To Urban & Rural Enterprise Zone Act

HB 12-1260 *(Postponed Indefinitely)*
Limit Enterprise Zone Investment Income Tax Credit

Economic Development

The General Assembly considered a variety of economic development-related legislation during the 2012 session. However, only one bill relating to film production and a bill creating a task force to review enterprise zones were passed. Many other bills considered in 2012 regarding economic development did not pass. These included bills that would have created or modified economic and business development programs, established business rating and database programs, and assisted small businesses.

Film production. Currently, the Colorado Film Incentive Program offers producers a 10 percent cash rebate for production costs taking place in Colorado. The incentive program covers feature films, television pilots, television series , television commercials, music videos, industrials, documentaries and video game design and creation. To qualify for the program a Colorado production company must have qualified in-state spending of at least $100,000 on a project while an out-of-state production company must have at least $250,000 in qualifying expenses. In addition to the qualifying expenses, at least 25 percent of the workforce on every project must be filled by Colorado residents under current law. In order to qualify for a performance-based incentive for Colorado film production activities, a production company must apply for and receive conditional approval from the Colorado Office of Film, Television, and Media (OFTM) prior to beginning production activities in the state.

Effective July 1, 2012, **House Bill 12-1286** moves the OFTM from the Creative Industries

Division to the Colorado Office of Economic Development and International Trade (OEDIT). In addition, the bill makes the following changes to the existing film incentive program:

- the maximum incentive payment per employee or contractor is reduced from $3 million to $1 million. The payment may be used by a production company to pay the wages or salaries of employees or contractors who participate in production activities;
- creates a loan guarantee program that allows the OFTM, with approval from the Colorado Economic Development Commission, to enter into contracts with production companies to guarantee loans obtained for purposes of financing production activities, up to 20 percent of the entire production budget;
- allows the OFTM to charge a loan guarantee facility fee; and states that any loan guarantee made through the program does not constitute or become an indebtedness, a debt, or liability of the state, nor does the loan guarantee the giving, pledging, or loaning of the full faith and credit of the state;
- increases the amount of the performance-based incentive for film production in Colorado from 10 percent to 20 percent of the total amount of the production company's qualified local expenditures;
- in order to qualify for a performance-based incentive, increases the percentage of the workforce that must be comprised of Colorado residents from 25 percent to 50 percent;
- creates the Colorado Office of Film, Television, and Media Operational Account Cash Fund to consist of moneys appropriated to the fund by the General Assembly, moneys transferred from the Creative Industries Cash Fund, and any gifts, grants, or donations from private or public sources;
- states that moneys in the fund shall be used for both the operation of the OFTM, for performance-based incentives for film production in Colorado, and for the loan guarantee program;
- appropriates $3.0 million General Fund for FY 2012-13 to the OFTM for allocation to the fund; and
- requires a complete performance audit of the OFTM, the performance-based incentive program for film production, and the loan guarantee program no later than July 1, 2017.

The bill defines "film" to mean any visual or audiovisual work, including a video game, television show, or a television commercial that contains a series of related images, regardless of the medium by which the work is fixed and from which it can be viewed or reproduced, that is intended to be either:

- commercially exploited by being shown in theaters or on television licensed for the home or international market; or
- for internal industrial, corporate, or institutional use.

The definition of film does not include an obscene film.

Economic and business development programs. A number of bills attempted to create economic and business development programs. The bills were not adopted. **Senate Bill 12-005** would have authorized the Colorado OEDIT to develop a business retention and expansion program. The program was intended to:

- develop stronger relationships between state economic development partners;
- serve as a clearinghouse of resources that assist Colorado business retention and expansion;
- facilitate communications between local governments, partners and businesses; and
- identify opportunities to retain and expand Colorado businesses in a quick and effective manner.

Senate Bill 12-058 would have created the Venture Capital Advisory Board. The board would have served under the state Economic Development Commission and would have reviewed the feasibility of state-supported venture capital programs. The board would have consisted of nine members, five chosen by the Governor, two chosen by the Senate leadership, and two chosen by the House leadership. It would have presented its findings on or before March 1, 2013, to the relevant committees of the General Assembly.

Senate Bill 12-144 would have empowered the OEDIT, as a key component of the state economic development plan, to develop a strategy to grow key industries located in the state. Primary responsibilities that the OEDIT could have undertaken under the bill included:

- collaborating with key industry network working groups to develop a strategy to assist in the fostering of job creation and competitiveness of key industries;
- aligning a key industries strategy with the *Colorado Blueprint* (a six-point economic development plan development by the OEDIT) and with state, regional, and local economic development programs;
- identifying potential members for each key industry network working group;
- facilitating and providing administrative support for the development and implementation of the key industry business plans;
- reviewing each key industry business plan and identifying potential policy proposals to foster economic growth; and
- assisting and meeting with the key industry network working groups.

The OEDIT would have also included in the office's annual report to the General Assembly, a report on any key industries strategy and key industry business plans developed pursuant to the bill.

House Bill 12-1044 would have created the Start-up Colorado Technology Transfer Grant Program in OEDIT. No later than September 1, 2012, the director of OEDIT would have been required to establish policies for the new grant program. The grant program would have provided up to $750,000 per grant to offices of technology transfer at institutions of higher education. No later than April 15, 2015, the director would have had to submit a report to the Finance Committees of the General Assembly detailing the recipients, grant amounts, and the number of Colorado jobs created as a result of the grant program.

House Bill 12-1133 would have created an economic gardening pilot program within the

OEDIT. The program would have provided strategic technical assistance to emerging companies using advanced software and science concepts. Under this bill, OEDIT would have selected no more than seven experienced contractors to create partnerships. The supervisor of each partnership would have selected regional companies to participate in the pilot program. Each of the regions would have had an equal number of company participants, with a maximum of seven.

Under the bill, each company selected would have received:

- free or low-cost assistance with marketing, accounting, and legal services;
- free or low-cost market research; and
- assistance with peer networking.

House Bill 12-1154 instructed the OEDIT to assist regional stakeholders to develop and support a comprehensive and inclusive regional economic development partnership. Each partnership would have had to include representation from all necessary stakeholders in the region. The size and member partners of each new partnership would have been determined by regional partners in collaboration with OEDIT. Each partnership would have had a board that consisted of 8 to 12 members, as determined by the region's partnership. The board would have been required to:

- create a regional economic development plan; convene the partnership to discuss and further the goals of the plan;
- assemble subcommittees of partnership members to develop discrete components of the plan;
- engage partners, resources, and agencies to apply for and administer programs, grants, and federal funds;
- implement the region's regional economic development plan; and
- develop an annual report on the progress of the regional economic development plan.

The State Regional Economic Development Council would have been created with one representative from each of the regional economic development partnership boards plus the regional development director of the OEDIT. The state council would have been required to meet at least once per year with the Colorado Economic Development Commission and the director of the OEDIT. The State council would have submitted the regional economic development annual reports to the Governor and to the OEDIT. The OEDIT would have included the progress reports in the state economic development plan.

Business rating and database programs. **Senate Bill 12-143** would have required the OEDIT to create and maintain an electronic online database of local businesses that was to have been operational by January 1, 2014. The purpose of the database would have been to assist consumers who wished to find and patronize local businesses; allow businesses to publicize their Colorado affiliations; and promote economic growth through the expansion of businesses in the state. The database would have been searchable by the types of goods or services offered, the location of each business, and any other factor deemed appropriate by OEDIT.

House Bill 12-1112 would have set forth a process for establishing a rating system to measure a company's economic impact in the state. The system would have allowed a company to input information about its operations and connections to the state, preferably through online access. This information would then have been used to generate a state economic impact rating to be used as an evaluation factor in state procurement contracts awarded through competitive sealed bids. The bill also would have created an advisory board to study the feasibility of such a system and would have required the OEDIT to assist the board and develop the system.

Legislation affecting small businesses. Two bills aimed at helping small businesses in the 2012 session. Both bills were postponed indefinitely. **House Bill 12-1129** would have matched the federal funds provided to Small Business Development Centers with state General Funds of up to $300,000 per year for the next two years. If adequate federal funds were available, then the state funds would have been distributed to the OEDIT, and then redistributed equitably to the Small Business Development Centers and used to re-establish centers closed since December 2006.

House Bill 12-1284 would have created a six-member legislative interim committee to meet during the 2012 interim to study issues related to small business financing in Colorado. The committee would have been charged with meeting with small business lenders and small business owners to determine whether there was an unfilled need for capital and loans that discouraged business expansion and to identify changes to better enable the formation of capital.

Enterprise Zones

The General Assembly considered three bills concerning Colorado's Enterprise Zone Program. The Colorado Urban and Rural Enterprise Zone Act was created in 1986 to encourage job creation and capital investment in economically troubled areas of the state by providing tax incentives to businesses. Statute provides that up to 16 areas may be designated as enterprise zones. Currently, enterprise zones account for roughly 69 percent of the geographic area of the state, but only about 15 percent of its population. To be designated as an enterprise zone, an area must meet one of the following criteria:

- an unemployment rate of at least 25 percent above the state average;
- a population growth rate less than 25 percent of the state average; or
- a per capita income less than 75 percent of the state average.

In addition, the population in urban areas wishing to be designated as an enterprise zone cannot exceed 80,000 people; in rural zones, the population cannot exceed 100,000 people.

Beginning January 1, 2012, a business must receive pre-certification from the enterprise zone administrator prior to commencing the activity that will earn the credit. There are 16 enterprise zones and 2 sub-zones in Colorado.

Current law requires that any new enterprise zone designation must meet at least one criteria affecting the unemployment rate, the population growth rate, or per capita income. **House Bill 12-1241** requires that the unemployment rate used be derived from the U.S. Census Bureau or the Colorado Department of Local Affairs rather than the Colorado Department of Labor and Employment and adds that the population growth rate used may be taken from the

Department of Local Affairs in addition to the the U.S. Census Bureau.

The bill creates a 15-member Enterprise Zone Review Task Force. The director of the OEDIT or his designee, serves as chair of the task force. Task force members will be appointed by the OEDIT on or before July 1, 2012. The task force will meet as often as necessary and must review:

- criteria for designation of an enterprise zone;
- tax credits available within enterprise zones to assess their effectiveness in achieving the purposes of the enterprise zones and expanding economic development in the zones; and
- all other issues related to enterprise zones the task force finds necessary.

Progress reports, findings, and recommendations will be submitted to the House and Senate Finance Committees, the House Economic and Business Development Committee, and the Senate Business, Labor, and Technology Committee on or before November 1, 2013.

Beginning January 1, 2016, the director of the OEDIT and the Colorado Economic Development Commission will review enterprise zone designations at least once every five years to ensure that existing enterprise zones continue to meet the criteria established by law. Finally, except in periods of high unemployment, the bill authorizes the director of OEDIT and the commission to modify existing enterprise zone designations based on the results of the five-year review. Recommendations must be reported to the Legislative Audit Committee in conjunction with the annual report.

Two other bills that did not pass regarding enterprise zones would have reformed the Colorado Urban and Rural Enterprise Zone Act and limited the enterprise zone investment tax credit. Under current law, a taxpayer can claim a state income tax credit equal to three percent of any qualified investment that is either acquired, placed into service, or constructed and used exclusively in an enterprise zone for the first year of ownership by the taxpayer. The credit is limited to the taxpayer's actual tax liability for the income tax year up to $5,000, plus 50 percent of any portion of the tax liability that exceeds $5,000 up to a maximum of $500,000.

For income tax years commencing on or after January 1, 2014, **House Bill 12-1251** would have continued current law limitations on the amount of the investment tax credit that may be claimed for qualified investments in an enterprise zone. The bill would have allowed a taxpayer to appeal the $500,000 limitation by applying to the Colorado Economic Development Commission to claim a credit in excess of the limit. The taxpayer would have had to provide information to the commission showing that the additional income tax credit is a substantial factor to the start-up, expansion, or relocation of the taxpayer's business in the enterprise zone. The commission could have allowed all, part, or none of the taxpayer's request to claim the credit in excess of the $500,000 limit. Unused portions of the credit would have been allowed to be carried forward for up to 12 years to be used against subsequent years' income tax liability.

Similarly, **House Bill 12-1260** would have also continued current law's limitations on the amount of the investment tax credit that may be claimed for qualified investments in an enterprise zone until January 1, 2013. Beginning with income tax years commencing on or after to January 1, 2013, the total cap on the credit would have been lowered from $500,000 to $250,000.