

# ECONOMIC DEVELOPMENT

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## **Economic Development**

**HB 15-1230** *(Enacted)*

Innovative Industry Workforce Development

**SB 15-282** *(Enacted)*

Jump-start Program Economic  
Development Distressed Counties

**Date:** 8/26/2015

**Version:** Final



# Legislative Council Staff

## Research Note

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**Bill Number:** HB15-1230

**Short Title:** *Innovative Industry Workforce Development Program*

**Prime Sponsors:** Representative Lee and Representative Foote  
Senator Heath and Senator Cooke

**Research Analyst:** Luisa Altmann (x3518)

### Current Status

This research note reflects the final version of the bill, which became effective on August 5, 2015.

### Summary

The bill creates the Innovative Industries Workforce Development Program within the Colorado Department of Labor and Employment (CDLE). Beginning October 1, 2015, the program may reimburse a business for up to 50 percent of its expenses related to a qualifying internship, subject to available funding. The Colorado Workforce Development Council will submit a report to the Finance and Business committees of the Colorado General Assembly summarizing the program's activities each year. The program ends on July 1, 2020.

The bill specifies that at least 80 percent of the businesses receiving funding must have less than 100 employees. A business may be reimbursed for up to five interns per location and up to ten interns total at all locations. The maximum amount that a business may be reimbursed for each internship is \$5,000. At least half of the reimbursement amount must be paid to the intern. The business must receive approval from CDLE for reimbursement prior to the start of the internship.

### Background

The bill defines an innovative industry as one in the advanced manufacturing, aerospace, bioscience, construction, electronics, energy and natural resources, engineering, and information technology industries, and any other innovative industry as determined by CDLE.

A qualifying internship is defined in the bill as one that is in an innovative industry, lasts for

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at least 130 hours and up to six months, allows students to gain valuable work experience in at least two key occupation areas as defined in the bill, pays the intern at least \$10 per hour, provides a mentor or supervisor who will work closely with the intern, will not be for the purpose of meeting required residency or clinical hours for the intern, will be with an eligible business, will be for a student who is eligible, and, along with all other internships, constitutes less than 50 percent of the business's workforce located in the state.

In order to participate in the internship program, a person must be enrolled in one of the educational programs listed in the bill, have graduated from one of these educational programs in the last six months, or be a resident of Colorado who is enrolled at an institution of higher education outside of Colorado. The person must not be a current or former employee or relative of an owner or operator of a participating business, or displace a current employee of the business.

## **House Action**

**House Business Affairs and Labor Committee (March 26, 2015).** At the hearing, representatives from the Colorado Advanced Manufacturing Alliance, Associated General Contractors of Colorado, Colorado Contractors Association, The Women's Foundation of Colorado, Colorado Cross-Disability Coalition, and local businesses testified in support of the bill. One individual representing himself testified in opposition to the bill. The committee adopted amendments L.002 and L.003, which clarified the types of educational programs an eligible internship participant may be enrolled in and added language to the legislative declaration recognizing that internships create opportunities in innovative industries for historically underrepresented communities. The committee referred the bill to the House Appropriations Committee.

**House Appropriations Committee (April 10, 2015).** The committee adopted amendment J.001, which added an appropriation of \$582,698 from the General Fund for FY 2015-16 to the Department of Labor and Employment. The committee referred the bill to the House Committee of the Whole.

**House Second Reading (April 15, 2015).** The House Committee of the Whole adopted the committee reports and the bill.

**House Third Reading (April 16, 2015).** The House adopted the bill, unamended.

## **Senate Action**

**Senate Business, Labor, & Technology Committee (April 29, 2015).** At the hearing, representatives from the Colorado BioScience Association, Colorado Advanced Manufacturing Alliance, Colorado Cleantech Industries Association, Women's Foundation of Colorado, and Associated General Contractors of Colorado testified in support of the bill. The committee referred the bill, unamended, to the Senate Appropriations Committee.

**Senate Appropriations Committee (May 1, 2015).** The committee referred the bill, unamended, to the Senate Committee of the Whole.

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**Senate Second Reading (May 5, 2015).** The Senate Committee of the Whole adopted the bill, unamended.

**Senate Third Reading (May 6, 2015).** The Senate adopted the bill, unamended.



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## Research Note

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**Bill Number:** SB15-282

**Short Title:** *Jump-start Program Economic Development for Distressed Counties*

**Prime Sponsors:** Senators Scott and Johnston  
Representatives Duran and Willett

**Research Analyst:** Julia Jackson (x4788)

### Current Status

This research note reflects the final version of the bill, which was signed by the Governor and became effective on May 13, 2015.

### Summary

This bill provides tax benefits to approved new businesses that locate inside a rural jump-start zone and establish a relationship with a state institution of higher education, junior college, or an area vocational school. A rural jump-start zone is a designated area within a distressed county. The Colorado Economic Development Commission is responsible for developing guidelines for administering the rural jump-start zone program and identifying eligible distressed counties.

The commission is only permitted to approve three rural jump start zones in calendar year 2016, and it may not approve additional zones or businesses after December 31, 2020.

A participating business must be new to the state, hire at least five employees, export goods and services outside the distressed county, and not directly compete with the core function of a business that is already operating in the state.

The bill defines a distressed county as a county with a population less than 250,000 reflecting certain indicators of economic distress, such as lower per capita income than the statewide average, lower gross domestic product than the statewide average, unemployment levels higher than the statewide average, a declining workforce, or a higher concentration of pupils eligible for free lunch than the statewide average. The commission will be responsible for identifying distressed counties and must make this determination by December 1, 2015. The commission will review each distressed county's designation every three years.

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The program is optional for distressed counties and municipalities wholly or partially within a distressed county. Any county or municipality that chooses to join the program must adopt a resolution affirming that it will also provide incentive payments, tax exemptions, or refunds to the new businesses that locate in a rural jump-start zone.

A new business that establishes a relationship with a state higher education institution in a rural jump-start zone will receive the following state tax benefits in addition to county and municipality incentives:

- an income tax credit equal to 100 percent of the income taxes imposed on the income derived from the new business activities in the jump-start zone; and
- a sales and use tax refund on the purchase of all tangible personal property acquired by the new business and used exclusively within the jump-start zone.

In addition, new hires of the business are entitled to receive an income tax credit equal to 100 percent of their wages. These employees must work at least 35 hours per week for at least six months and receive a salary equal to or greater than the county average annual wage. Up to 200 new hires in a jump-start zone are eligible to receive these tax credits, or 300 if the new businesses are in certain industries.

The state credits and refunds are available for four years, beginning with the first tax year the business has been approved to receive tax benefits. A business may seek an extension of the credits and refunds up to an additional four years.

If a new business claims the rural jump-start zone program benefits, it may not claim any other tax incentive for which it may be eligible as a result of establishing the new business in the state.

## **Background**

The bill was modeled after the Start-Up NY program in New York, although Colorado made significant modifications. Start-Up NY offers new and expanding businesses the opportunity to operate tax-free for 10 years on or near eligible university or college campuses in New York state. The companies partner with their sponsor institutions of higher education, 72 of which are currently participating. New York excludes certain industries, such as retail and restaurants, from the program. The state reports that 128 businesses are currently participating in Start-Up NY, and these businesses have committed to create at least 3,609 new jobs in targeted areas.

As of July 2014, the US Census Bureau estimated that 55 of Colorado's 64 counties had a population of under 250,000.

## **Senate Action**

**Senate State, Veterans, and Military Affairs Committee (April 29, 2015).** At the hearing, representatives from the Governor's office and Western Slope business and civic organizations testified in support of the bill. A representative of the Colorado Fiscal Institute testified against the bill.

The committee adopted amendment L.003, which is a strike-below amendment.

The committee referred the bill, as amended, to the Senate Appropriations Committee.

**Senate Appropriations Committee (May 1, 2015).** The committee adopted amendment J.001, which appropriates \$125,983 from the General Fund to the Office of the Governor, based on the assumption that the office will require an additional 1.0 FTE. The committee referred the bill, as amended, to the Senate Committee of the Whole.

**Senate second reading (May 4, 2015).** The Senate adopted the State, Veterans, and Military Affairs and Appropriations committee reports. The Senate also adopted the following amendments:

- Amendment L.009 clarifies the incentives available at the local level and the role of universities in the program. It limits the program to three rural jump-start zones in 2016 and ends the program at the end of 2020. It also changes the length of eligibility for the tax benefits from ten years with the possibility of reduction to five years to four years with the possibility of extension for another four years.
- Amendment L.011 eliminates the definition of and references to "new employees" in the bill.

The Senate passed the bill, as amended, on second reading.

**Senate third reading (May 5, 2015).** The Senate adopted amendment L.012 and passed the bill on third reading as amended. Amendment L.012 clarifies certain changes made in previous amendments.

## House Action

**House Local Government Committee (May 5, 2015).** At the hearing, representatives from the Governor's office, the Jump Start Colorado Coalition, and the Associated Governments of Northwest Colorado testified in support of the bill. A representative from the Colorado Fiscal Institute testified against the bill. The committee referred the bill, unamended, to the House Appropriations Committee.

**House Appropriations Committee (May 5, 2015).** The committee referred the bill, unamended, to the House Committee of the Whole.

**House second reading (May 5, 2015).** The House passed the bill on second reading with no amendments.

**House third reading (May 6, 2015).** The House passed the bill on third reading with no amendments.

## Relevant Research

*Colorado's Enterprise Zone Program* (LCS Issue Brief, 2012): <http://tinyurl.com/pjj9axf>