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ECONOMIC DEVELOPMENT COMMISSION

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The Economic Development Commission (EDC) works in conjunction with the Office of Economic Development and International Trade (OEDIT) to promote economic development in the state. The EDC is statutorily required to oversee six programs, which are administered by OEDIT. This *issue brief* provides a brief overview of the EDC, the Economic Development Fund, and the programs under the purview of the EDC.

Overview of the EDC

The Colorado General Assembly created the EDC in 1987. The EDC is charged with implementing marketing programs to support business activities and approving certain grants or loans to private and public entities. The EDC is made up of 11 members who represent certain industries and geographic areas, and are appointed by the Governor, Senate, or House of Representatives.

Economic Development Fund

The Economic Development Fund is used for general economic incentives, marketing, and administration. Money from the economic development fund cannot be spent without the EDC's recommendation. The fund receives an annual appropriation from the General Fund; \$5 million was appropriated in FY 2017-18. Of that, approximately \$500,000 is for administrative expenses.

Strategic Fund Program

The Strategic Fund program provides incentives to encourage business development, expansion, and relocation, and supports initiatives led by nonprofits or community groups for regional and new business development. To be eligible, applicants must meet certain requirements, such as providing local matching funds, job creation and wages, and demonstrating that other states are competing for a business or project. The EDC sets guidelines for the program and approves incentive and initiative applications. In FY 2016-17, four incentives of up to \$1.6 million and six initiatives of up to \$4.7 million were approved by the EDC.

Regional Tourism Act

Under the Regional Tourism Act, local governments can apply for state sales tax increment financing for tourism-related capital improvement projects. The improvements are paid from bond proceeds that are repaid from the growth in sales tax revenue, or the tax increment generated from the project.

The EDC approves applications and determines what percentage of the sales tax increment is necessary for the project to be completed. Since the program's inception in 2009, five tourism improvement districts (totaling \$434.4 million) have been approved, of which two were approved in FY 2015-16, the program's final round.

Enterprise Zone (EZ) Program

The Enterprise Zone Program provides state income tax credits to businesses and individuals that invest in economically distressed areas in the state, or enterprise zones. The EDC is required to review enterprise zone designations at least once every ten years and every two years for enhanced rural enterprise zones. Once the EDC approves enterprise zone boundaries, businesses and taxpayers are eligible for the tax credits provided by the program. For the Enterprise Zone Investment Tax Credit (ITC), the EDC has authority to waive the tax credit limit. For more information, see Legislative Council Staff's [Enterprise Zone Program](#) issue brief.

Job Growth Incentive Tax Credit

The Job Growth Incentive Tax Credit provides an income tax credit to firms that create new jobs. The credit is equal to one-half of the amount the employer is required to pay in federal social security and Medicare taxes on the newly created jobs. Businesses must meet certain eligibility requirements related to the number of new jobs and wages created.

Businesses must precertify with the EDC and outline the number of jobs they expect to create. The EDC then certifies the income tax credit once the firm has provided the required annual documentation. In FY 2016-17, 33 projects were approved for up to \$195 million in tax credits over eight years.

Transferable income tax credits. House Bill 17-1356 authorized the EDC to allow certain businesses to treat the following credits as transferable: ITC, the Enterprise Zone New Business Facility Employee Tax Credit, and the Job Growth Incentive Tax Credit. The EDC is allowed to precertify \$10 million in transferrable credits in each fiscal year from FY 2017-18 to FY 2019-20, totaling \$30 million.

Rural Jump-Start Program

The Rural Jump-Start Program is a tax relief program for new businesses and new hires who locate into certain designated areas called

jump-start zones. Qualified businesses may receive income tax credits and refunds of sales and use taxes for eligible personal property. Employees are entitled to receive an income tax credit equal to 100 percent of their wages.

The EDC is charged with reviewing the creation of zones and all applications for participation and benefits. As of June 30, 2017, five counties have formed zones and nine companies have been approved for participation in the program.

Film Incentives

The Film Incentives Program offers a 20 percent cash rebate of eligible production costs for feature films, television shows, commercials, music videos, video game design, and other creative content. To qualify, production companies must meet local expenditure requirements and hire a workforce comprised of at least 50 percent Colorado residents, among other requirements. Applications are conditionally approved by the EDC. Once the project is completed, the recipient must submit documentation of qualified costs via a certified public accountant, in order to receive the incentive. In FY 2016-17, \$2.0 million was awarded for 17 projects.

Loan program. With prior approval from the EDC, OEDIT may offer loan guarantees for feature film production companies. To date, no loan guarantee agreements have been signed and applications are not currently accepted.

Advanced Industries Accelerated Grants

The Advanced Industries Accelerated Grant Program is made up of four grants targeting Colorado's seven advanced industries (advanced manufacturing, aerospace, bioscience, electronics, energy and natural resources, infrastructure engineering and technology). Grant awards and eligibility requirements vary by program. Applications are reviewed and approved by OEDIT, in consultation with the EDC and industry-specific committees. In FY 2016-17, 76 grants were awarded, totaling \$14.1 million.