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Fiscal Note

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| Drafting Number: | LLS 23-0547 | Date: | January 26, 2023 |
| Prime Sponsors: | Sen. Simpson; Hansen Rep. Bird; Lynch | Bill Status: | Senate Business |
| | | Fiscal Analyst: | Anna Gerstle 303-866-4375 anna.gerstle@coleg.gov |

Bill Topic: **ADVANCED INDUSTRY ACCELERATION PROGRAMS**

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|----------------------------------|---|--|
| Summary of Fiscal Impact: | <input checked="" type="checkbox"/> State Revenue | <input checked="" type="checkbox"/> TABOR Refund |
| | <input checked="" type="checkbox"/> State Expenditure | <input type="checkbox"/> Local Government |
| | <input checked="" type="checkbox"/> State Transfer | <input type="checkbox"/> Statutory Public Entity |

The bill extends the Advanced Industry Acceleration Program in the Office of Economic Development and International Trade by ten years. It continues current state expenditures, transfers, and revenues through FY 2034-35.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the introduced bill.

**Table 1
State Fiscal Impacts Under SB 23-066**

| | | Budget Year FY 2023-24 | Out Year FY 2024-25 |
|------------------------------|---------------------------|-----------------------------------|--------------------------------|
| Revenue* | Cash Funds | - | \$14,613,090 |
| | Total Revenue | - | \$14,613,090 |
| Expenditures* | Cash Funds | - | \$20,113,090 |
| | Total Expenditures | - | \$20,113,090 |
| | Total FTE | - | 2.6 FTE |
| Transfers* | General Fund | - | (\$5,500,000) |
| | Cash Funds | - | \$5,500,000 |
| | Net Transfer | - | \$0 |
| Other Budget Impacts* | TABOR Refund | - | \$14,613,090 |

* State revenue, expenditure, and transfer impacts represent a continuation of current amounts.

Summary of Legislation

Under current law, the Advanced Industry Export Acceleration Program in the Office of Economic Development and International Trade (OEDIT) is repealed on January 1, 2025, and the Advanced Industry Acceleration Grant Program, including the portion of the bioscience and clean technology income tax withholding growth that is deposited in the Advanced Industries Acceleration Cash Fund, ends July 1, 2024. The bill extends both of those programs by 10 years.

The bill also repeals the requirement that a business show a profit during the last fiscal year to be eligible for an international export development expense reimbursement.

Background

The Advanced Industry programs in OEDIT support the growth of businesses in seven advanced industries: advanced manufacturing, aerospace, bioscience, electronics, energy and natural resources, infrastructure engineering, and technology and information. The Export Acceleration Program reimburses advanced industry businesses for qualified international business development and marketing costs. The Acceleration Grant Program provides proof-of-concept, early-stage capital and retention, and infrastructure funding grants to qualifying businesses to expand and develop, facilitate collaboration, and develop products and services.

Advanced Industry programs are funded from the Advanced Industries Acceleration Cash Fund, which includes half the bioscience and clean technology income tax withholding growth (estimated at \$14.6 million in FY 2022-23) and a portion of limited gaming revenues (\$5.5 million annually) transferred from the General Fund to the cash fund. It is administered by 2.6 FTE.

Assumptions

The state revenue, transfers, and expenditures identified in this fiscal note reflect a continuation of current amounts and existing operations.

State Revenue

The bill increases state revenue to the Advanced Industries Acceleration Cash Fund by an estimated \$14.6 million beginning in FY 2024-25. This represents a continuation of current revenue generated by the portion of the bioscience and clean technology income tax withholding growth that is deposited in the cash fund. Revenue generated through this mechanism fluctuates; this amount reflects FY 2021-22 revenue which is assumed to continue in FY 2022-23 and subsequent years.

State Transfers

Under current law, \$5.5 million per year in limited gaming revenue is transferred from the General Fund to the Advanced Industries Acceleration Cash Fund. This transfer does not repeal; however, the

cash fund is currently scheduled to repeal January 1, 2025. The fiscal note assumes that the transfer will continue annually for ten years, beginning in FY 2024-25.

State Expenditures

The bill increases state expenditures in OEDIT by an estimated \$20.1 million in FY 2024-25 through FY 2034-35. Expenditures are from the Advanced Industries Acceleration Cash Fund and will fluctuate based on the amount of revenue generated annually. The money is distributed as grants or reimbursements to businesses in advanced industries, and covers the cost of 2.6 FTE to staff the program in OEDIT.

Other Budget Impacts

TABOR refunds. The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the December 2022 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2024-25. Because TABOR refunds are paid from the General Fund, increased cash fund revenue will reduce the amount of General Fund available to spend or save.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State and Local Government Contacts

Information Technology

Office of Economic Development and International Trade