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Bill Ritter, Jr.
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Keep Colorado Working:

*Governor Bill Ritter, Jr.'s 2009 Business & Economic
Development Package*

Proposal Summaries:

Job Growth Incentive Program

- Governor Ritter is proposing the creation of a new tax-credit program, which is designed to incentivize businesses to create jobs in Colorado. For a company to qualify for this program, the company must apply to the EDC and meet specific criteria.
- The company will be eligible for a tax credit of up to 50% of their annual FICA taxes on new employees. The tax credit for new employees would be calculated on a year-to-year basis for five years according to the number of FTE's on the company's payroll at year's end.

Colorado Credit Reserve Program (formerly the Access to Capital Initiative)

- Colorado Credit Reserve (CCR) is a pool guaranty program originally established and administered by CHFA. In partnership with CHFA and OEDIT, Governor Ritter proposes that this program be restored and expanded as a way to generate small business loans throughout the state.
- The revitalized program is designed to encourage lenders located in the state of Colorado to extend credit amounts up to \$500,000 to Colorado businesses. By committing \$5 million to this program at a maximum of 2.5% per loan (the percentage varies according to loan size), the State can leverage these funds to generate over \$100 million in new loans.

New Energy Jobs Program

- Governor Ritter proposes to increase funding by \$1.0 million per year to this program, which will be targeted for new energy job training programs. These new funds will be used to create job training programs for new energy jobs and will allow community colleges to apply for cluster-based grants.

Clean Energy Fund

- Governor Ritter is proposing to increase current funding to the Clean Energy Fund by \$1.4 million dollars beginning in fiscal year 09-10. Legislation will specify that new money be given priority towards economic development incentives for clean energy companies around the state.

Proposal Details

Job Growth Incentive Program

Proposal

The Colorado Job Growth Incentive Program (The Program) is a tax-credit proposal designed to incentivize companies to create jobs in Colorado and to help “level the playing field” between Colorado and other states competing for large job creation projects.

This program will be administered within the Colorado Office of Economic Development and International Trade. Specifically, The Economic Development Commission (EDC) will be responsible for making recommendations regarding the types of projects that may apply for this tax credit. To qualify for this tax credit, the EDC will examine a potential projects’ need for this program and weigh that need in consideration of other incentives being offered by the Office of Economic Development.

For this credit to be granted, the company or program must prove that if not for this credit, the company would not move to or expand within Colorado. Given this, the tax credit will only come from new revenue to the state. Tax credits will not be given until the qualifications below have been met and new revenues have already entered and have been flowing through the state.

Qualifications

- Projects must encourage, promote and stimulate economic development in key economic sectors including, but not limited to: aerospace, bio/life sciences, clean energy technology, and information technology;
- The company must commit to bringing at least 20 new jobs with an average wage of at least 110% of the most current county wage; or
- The company must meet other job creation or retention standards as set forth by the EDC.

Additional Requirements

Any company applying for the credit **MUST** demonstrate that if not for this program, the project would not occur in Colorado. The company may satisfy this requirement through the submission of legitimate records evidencing that:

- 1) The company has multi-state location options and could reasonably and efficiently locate outside of the state; or
- 2) At least one other state is being considered for the project; or
- 3) Receipt of this tax credit is a major factor in the company's decision and that, without this credit, the company likely would not create and/or retain jobs in Colorado.

As part of this process, the company should identify the cost differential, using the best available data, in the expected costs for the company's project compared to the expected costs in the competing state (including the impact of the competing state's incentive programs). The cost differential could, for example, demonstrate the following:

- 1) Specific costs of labor, utilities, taxes and other costs of an out-of-state site or the industry's cost structure in the competing region; or
- 2) Specific cost differential due to the impact of a competing state's incentive programs.

Before awarding this tax credit, the EDC must conclude that if not for this tax credit the applicant would not relocate (or expand) to Colorado.

Tax Credit

The amount of the tax credit will be calculated on a case-by-case basis according to the company's future Federal Insurance Contributions Act (FICA) taxes. The company will be eligible to receive a tax credit up to 50% of their annual FICA taxes on new FTE's. FICA taxes are ONLY used to calculate the amount of the tax credit – the credit itself must only be used to pay down the company's state corporate income tax liability. The tax credit will be calculated on a year-to-year basis, based on the number of FTE's created in a specified year. A qualifying company will be eligible to claim once a year for five years.

Each annual credit will be calculated according to the number of FTEs on the company's payroll at the end of the fiscal year. These full time jobs must be created for one full calendar year before they can be eligible for the tax credit. These tax credits will be transferable within the year that they were issued.

No credits will be given if the above listed qualifications have not been met. This program requires that new revenue be created within the state before any tax credit is granted.

The following is an example of a company that applied for the creation of 600 jobs.

Year	# of FTE's created	Avg. Wage	Credit/Employee (50% of FICA)	Tax Credit
1	200	\$45,182	\$1,728	\$345,642
2	500	\$45,182	\$1,728	\$864,106
3	600	\$45,182	\$1,728	\$1,036,927
4	600	\$45,182	\$1,728	\$1,036,927
5	600	\$45,182	\$1,728	\$1,036,927

Total Tax Credit Over 5 Years - \$4,320,528

The Colorado Credit Reserve Program

Proposal

A Capital Access Program (CAP) is a method of increasing the availability of credit to small businesses in a cost-efficient way. There are currently 20 states that utilize some form of CAP. The system is based on a concept of leveraging funds between the borrower and the state, each contributing a percentage of the loan amount into a reserve fund located at the lender's bank.

The Colorado Credit Reserve (CCR) is a capital access program originally established and administered by Colorado Housing and Finance Authority (CHFA) under contract from the Colorado Office of Economic Development and International Trade (OEDIT). This program, which was put on hold in 2006 due to a lack of available funding, was able to utilize \$850,000 over a 10-year period to leverage over \$24 million in small business loans.

Background

In response to the current economic climate, the Governor's Office, in partnership with CHFA and OEDIT, is proposing to revive and expand the Colorado Credit Reserve Program as a way to generate small business loans throughout the state. This revitalized program will be designed to encourage lenders located in the state of Colorado ("Lenders") to extend credit in amounts up to \$500,000 to Colorado businesses. The program will also provide additional reserve funds for loans made to Colorado businesses owned by women or minorities and for loans to Colorado businesses whose principal place of business or location is within a State of Colorado designated Enterprise Zone.

All terms, fees, conditions, rates and collateral is agreed upon in a private transaction between the borrower and the lender. Registration fees collected from the borrower and matched by CCR funds will be deposited into an account at the originating Lender and owned by the Program Manager (CHFA).

The Program Manager will be permitted to use the funds only in accordance with an Agreement between the Program Manager and the participating Lender (the "CCR Agreement"). A separate reserve account is established with each participating Lender. Fees collected for loans registered in the program by that Lender will be deposited into the same account. Loan losses from loans registered in the program ("Registered Loans") are recovered from the account.

Registration fees paid by the borrower can be financed as part of the loan. The borrower fee of one and one-half percent of the loan balance will be deposited into the reserve account. The Program Manager will then deposit a fee, which will be based on the loan size, with an additional incentive for minority or women owned businesses or businesses located in Enterprise Zones. If Registered Loans pay off without a loss, the funds remain in the reserve. If the Lender does not continue its participation in the program and has no registered loans outstanding, fifty percent of the reserve funds are returned to the state.

Upon acceptance of the loan into the program, the Program Manager will issue a check to be deposited directly into the program reserve account based upon the chart below:

Loan Amt	\$0 – 50,000	\$51,000 – 250,000	\$251,000 – 500,000
CCR Match	Fixed at \$1,500	2.5%	Lesser of 2% or \$7,500
Borrower Match	1.5%	1.5%	Lesser of 1.5% or \$7,500

The Governor’s Office is proposing the use of \$5.0M in general funds to be deposited into this program (\$2.5M in FY09-10 and in FY10-11). Funds will be allocated to OEDIT, which will then contract with CHFA for the administration of this program.

New Energy Jobs Program

Proposal

During the last recession, the General Assembly cut funding to the Colorado First and Existing Industry Program from \$4.0 million to \$2.7 million. The Governor’s Office is proposing legislation that will:

- Permanently increase funding by \$1.0 million, targeting these new funds for new energy job training; and
- Allow for the creation of cluster-based grants, wherein a community college, partnering with two or more local businesses, will apply for funding to create a broad-based training program that can be used across an industry cluster.

OEDIT will continue to administer this program. No new FTE’s will be created.

Background

The Colorado First and Existing Industry Programs are jointly administered by the Colorado Office of Economic Development & International Trade (OEDIT) and the Colorado Community College System (CCCS).

- **Colorado First** grants are for companies that are relocating to Colorado or for existing companies that are beginning a major expansion.
- **Existing Industry** grants are designed for Colorado companies that are implementing new technology to remain competitive and keep jobs in Colorado. Approved training is for transferable job skills that support both the company's economic competitiveness by re-training its workers in new skills, while enhancing the workers' resumes and overall long-term employment opportunities.

These programs are funded through the General Fund. Individual businesses must apply directly to the Office of Economic Development and International Trade (OEDIT).

All grant applications for both programs must meet the following criteria:

- Maximum grant award of \$800 per employee.
- Grant funded training must be for permanent, full-time, non-seasonal, non-retail positions in the state of Colorado, which have significant career opportunities and require substantive instruction.
- Grants will only be awarded to companies that meet a sustainable wage threshold.
- Applicant companies must pay for a minimum of 40% of the total training costs.
- A financial evaluation of the applicant company is required (Existing Industry applications only)
- An on-site visit of the applicant company is required.

Clean Energy Fund Supplemental

Proposal

A budget supplemental will create a one-time increase in current funding to the Clean Energy Fund by \$1.4 million dollars beginning in fiscal year 09-10. This new money will be targeted towards economic development incentives for clean energy companies around the state. Due to projected lack of funds, this supplemental will revitalize the economic development incentive program.

Background

The 2007 Colorado Legislature provided funding to the GEO for the purpose of creating the Clean Energy Fund. The Clean Energy Fund provides revenue to advance energy efficiency and renewable energy throughout the state of Colorado through their grant programs.

Anticipated revenues for 2009 have dropped from \$8.0 million to below \$4.0 million. As a result, programmatic funding and economic development grants were reduced for the 2008-09 year. Current estimates indicate that there is just over \$5.0 million for the 2009-10 year; however, gaming revenue returns are significantly lower than projected and those numbers are likely to be adjusted downward.

In an effort to ensure that the investments for the New Energy Economy continue, Governor Ritter has proposed that \$1.4 million of General Fund revenues be dedicated to economic development for renewable energy and energy efficiency businesses. Any gaming revenues received may then be reserved for programmatic funding in communities throughout Colorado.

In 2007-08, businesses and organizations around Colorado received New Energy Economy Development Grants over \$1.0 million.

- Primestar Solar, Golden - pilot thin-film solar manufacturing facility;
- Zolo Technologies, Boulder - increasing efficiency of coal fired power plants;

- Costilla County, San Luis - Community Owned Biodiesel production facility;
- Community Energy Systems - Monte Vista: installing biomass heating systems in veterans' homes;
- Powerhouse Enterprises - Rifle: Green modular housing company; and
- Mountain Parks Electric - Granby: Biomass heating at utility headquarters.

Additionally, funding was used to attract both Vestas and Siemens to locate in Colorado, which led to a workforce investment of over 2,500 jobs. Fort Zed was also funded to create a downtown Fort Collins Zero Energy District with \$250,000 of economic development funds which was matched by over \$5.0 million in Federal investment.