



Economic Development Council of Colorado 2018 Legislative Session Summary

The 2018 legislative session convened on January 10, 2018 and adjourned May 9, 2018. Unlike in past years when we saw major public policy bills introduced in the last few days of session, this year they were some of the first ones introduced and were debated throughout the session. We saw a total of 780 bills introduced during the session – about 100 more than in recent sessions.

This year, the legislature had unexpected revenues to the state General Fund due in part to the continued growth in the economy and also revenues from the federal tax reform. The legislature prioritized spending the additional revenues for maintaining roads and bridges, buying down the K-12 education Budget Stabilization Factor, dedicating money to the opioid crisis, providing grants to schools for safety purposes, and mitigating an increase in tuition for higher education.

Even with divided control of the General Assembly, the legislature was able to find compromise on crucial reforms to maintain solvency of the Public Employees Retirement Association (PERA), and on a combination of bonding and spending for Colorado's transportation system. As it is an election year, we saw many 'messaging' bills introduced to help legislators campaign for or against issues.

The Governor's Office of Economic Development and International Trade (OEDIT) and the Department of Revenue lead an effort to adjust the way that business income is collected. [HB18-1185](#) updates Colorado's income tax model from a cost-of-performance system to a market-based sourcing system, aligning Colorado's tax policy with the U.S. service-based economy. Adopting market-based sourcing will move the state away from a tax structure that discourages businesses from locating facilities and employees in Colorado. OEDIT also led the effort to extend the Advanced Industries Export Promotion program originally created in 2013 to help Colorado businesses develop additional markets for their products abroad. [HB18-1185](#) extends the program for three years and allocates \$175,000 per year to the program.

An important bill for economic development that we supported was [HB18-1271](#), which incentivizes commercial and industrial businesses to relocate to Colorado by allowing electric utilities to charge economic development rates (lower rates) for electricity users. The bipartisan bill passed the legislative process with little opposition.

As in many previous years, we supported legislation that encourages tax incentives for businesses and primary employers, and many of those bills passed the legislative process. [HB18-1083](#) provides a sales and use tax exemption for purchase of on-demand air carriers services, which includes private charter companies, transport of cargo, tours, and medical flights. [HB18-1350](#) provides a sales tax exemption for scrap metal that becomes a by-product when manufacturing goods. [SB18-007](#) expands the low-income housing tax credit, renamed the affordable housing tax credit, for an additional five years. And [HB18-1190](#) extends the historic preservation tax credit for an additional ten years.

We supported two key workforce development bills that passed the legislative process. The first extends the Skilled Worker Outreach, Recruitment, and Key (WORK) Training Grant Program through 2021, [HB18-1316](#). This bill provides matching grants to eligible public or private entities or organizations that provide skilled worker training programs in partnership with industry. And the second one, [HB18-1266](#), extends the Career Development Success Pilot Program for five years, which provides a distribution of up to \$1,000 to school districts and charter schools for each high school student who successfully completes an identified industry certificate, internship, or pre-apprenticeship program.

The legislature adopted a transportation funding package on the second to last day of the session. [SB18-001](#) provides a combination of spending and bonding options *pending the outcome of potential statewide elections in 2018 and 2019*. As part of the compromise, the legislature will dedicate \$495 million (in FY 2018-19) and \$150 million (in FY 2019-20) in one-time spending, allocated as follows: 70 percent to the state, 15 percent to local communities (cities and counties), and 15 percent to multimodal options. There are currently different initiated measures competing to be on the ballot for 2018, and a possible referred measure in 2019. SB18-001 is linked to these measures as follows:

1. **2018 Measure without a tax increase.** If a measure authorizing Transportation Revenue Anticipation Notes (TRANs) passes in 2018 with no new revenues, SB18-001 repeals future lease purchase requirements passed in 2017.
2. **2018 Measure with a tax increase.** If a measure authorizing TRANs passes with a tax increase (and the “no tax increase” measure fails), SB18-001 continues the current lease purchase schedule. In addition, \$50 million would be transferred each year from the General Fund to the State Highway Fund.
3. **2019 Measure.** If none of the 2018 measures pass, SB18-001 authorizes a referendum in 2019 to issue TRANs up to a maximum amount of \$2.34 billion. Existing lease purchase obligations would be repealed, and the state would increase the fee on electric vehicles from \$50 to \$100. The state would transfer \$122 million each year from the General Fund to the State Highway Fund to service the debt.

Overall, it was a successful legislative session for the Economic Development Council of Colorado. Here is a full list of legislation tracked by the EDCC during the session – [EDCC Bill Report](#).

ECONOMIC DEVELOPMENT COUNCIL OF COLORADO LEGISLATION

HB18-1083 On-demand Air Carriers Sales and Use Tax Exemption

Status: Pending the Governor's signature

Position: Support

This bill exempts the purchase of aircraft for use by on-demand air carriers from sales & use tax.

HB18-1084 County Lodging Tax Revenue Allowable Uses

Status: Postponed indefinitely (killed) February 14

Position: Support

This bill eliminates the requirement that revenue from county lodging taxes be used only for local tourism advertising and marketing.

HB18-1135 Extend Advanced Industry Export Acceleration Program

Status: Pending Governor's signature

Position: Support

This bill extends the advanced industry export acceleration program by six years. It increases state expenditures on an ongoing basis.

HB18-1185 Market Sourcing for Business Income Tax Apportionment

Status: Pending Governor's signature

Position: Support

This bill changes how multi-state corporate income taxpayers apportion income from the sales of services and intangible property to Colorado.

HB18-1190 Modify Job Creation Main Street Revitalization

Status: Pending Governor's signature

Position: Support

This bill makes several modifications to the historic preservation tax credit under the Colorado Job Creation and Main Street Revitalization Act. The credit will be extended to tax years 2020 through 2029.

HB18-1195 Tax Credit for Contribution to Affordable Housing Organizations

Status: Postponed indefinitely May 7

Position: Support

This bill creates a state income tax credit for donations made to eligible nonprofit residential real estate developers that build qualified affordable housing units in Colorado. The credit will be available for tax years 2019 through 2022.

HB18-1250 Analysis to Improve Compliance with Rules By Businesses

Status: Governor signed May 3

Position: Support

This bill requires state agencies to conduct analyses of rule noncompliance.

HB18-1266 Career Development Success Program Expansion

Status: Pending Governor's signature

Position: Support

The bill extends and amends the Career Development Success Program and increases state expenditures by \$1.0 million from FY 2019-20 through FY 2023-24

HB18-1271 Public Utilities Commissioner Electric Utilities Economic Development Rates

Status: Pending Governor's signature

Position: Support

This bill allows the Colorado Public Utilities Commission (PUC) to approve investor-owned electric utilities in charging lower rates, for up to 10 years, for commercial and industrial users who locate or expand their operations in Colorado.

HB18-1316 Extend CDLE (WORK) Training Grant Program

Status: Pending Governor's signature

Position: Support

This bill extends the Skilled Worker Outreach, Recruitment, and Key Training Grant Program in the Colorado Department of Labor and Employment through January 1, 2021.

HB181-1350 Machine Tool Sales Tax Exemption For Scrap Metal

Status: Pending Governor's signature

Position: Support

This bill expands the definition of machinery and machine tools purchased by scrap metal processors for sales and use tax exemption purposes.

SB18-001 Transportation Infrastructure Funding

Status: Pending Governor's signature

Position: Neutral

This bill creates two years of transfers from the GF for transportation purposes and conditionally creates 20 years of additional GF transfers to the State Highway Fund. If an initiated ballot measure authorizing state debt for transportation is not approved in 2018, this bill refers a ballot measure to do so at the 2019 election. Conditional on approval of the 2019 measure, the bill requires the issuance of TRAns worth up to \$2.337 billion. Executions of lease-purchase agreements under SB 17-267 for years beyond FY 2018-19 are conditionally repealed.

SB18-002 Financing Rural Broadband Deployment

Status: Governor signed April 2

Position: Support

This (HCSM) bill phases in additional funding from the High Cost Support Mechanism to support broadband deployment grants and makes changes to the Deployment Board's membership and grant application process.

SB18-005 Rural Economic Advancement Of Colorado Towns

Status: Governor signed March 22

Position: Support

The bill requires the Department of Local Affairs (DOLA) to coordinate nonmonetary services to rural communities that experience a significant economic event.

SB18-007 Affordable Housing Tax Credit

Status: Pending Governor's signature

Position: Support

This bill changes the name of the existing low-income housing tax credit to the affordable housing tax credit and authorizes an additional five years (2019 to 2024) in which CHFA may allocate an additional \$150 million in tax credits.