



*Bioscience Discovery Evaluation Program.* The program, created in 2007, intends to accelerate the development of new bioscience products and services. To achieve this goal, it provides grants to assist technology transfer offices and early-stage bioscience companies. Thirty percent of the fund is dedicated to activities in life sciences, engineering material sciences, computer sciences, photonics or nanotechnology. Another thirty percent is dedicated to therapeutic or diagnostic products to improve human health, bioscience technologies and biofuels. To date, approximately \$9 million has been expended from this fund towards these activities.

*Clean Technology Research Program.* The program, created in 2009, also dispenses grant money, and was designed to mirror the Bioscience Discovery Evaluation Program, while awarding grants specifically to companies in renewable energy, electric motors, and lighting, among other related areas. To date, the grant fund has not been funded, and therefore has not disbursed any grants. Should the program receive funding, grants can be awarded up to \$50,000 to an office of technology transfer, and up to \$150,000 for an early stage clean technology company.

## **State Revenue**

The bill does not directly affect state revenue, but it allocates a portion of General Fund moneys to fund grants that may lead to expanded growth in the bioscience and clean technology industries and potentially higher tax revenue in the future. Given the limited data on past industry growth and the potential impact of grants on future growth, no estimate has been assigned to this amount.

## **State Transfers and Diversions**

This bill transfers an estimated \$4 million per year from the Income Tax Withholding Fund to two other funds beginning in FY 2013-14. The effect of this transfer is to divert money that would otherwise be credited to the General Fund. The transferred amount will be equally divided between the Bioscience Discovery Evaluation Cash Fund and the Clean Technology Discovery Evaluation Cash Fund.

The initial transfer is estimated based on the three months from October 2010 to December 2010, during which the industries identified in the bill withheld 2.81 percent of the income taxes withheld by all industries. On an annual basis, these industries are projected to currently withhold about \$110 million in estimated income taxes. Assuming an average growth rate of 3.4 percent, based on Colorado wage and income forecast rates, income tax withholding should be approximately \$8 million above the withholding base by 2014 when the first transfer occurs. The bill transfers one-half of this amount to two funds in equal shares, or approximately \$2 million each.

Estimated income taxes are withheld by employers on behalf of employees. These withholding payments are made regularly to the Department of Revenue and can vary with new employees, changes in the number of deductions claimed by employees, and changes in the withholding tables published by the department.

**State Expenditures**

The bill affects state expenditures in three ways. First, it provides a source of funding for grants to support bioscience and clean technology development beginning in FY 2013-14. Second, it reduces the amount of money in the General Fund available for other purposes. Finally, it requires some work to establish baseline data and modify computer systems. **For FY 2011-12, the bill increases state expenditures by \$11,733 General Fund and 0.2 FTE.** These impacts are described below.

**Bioscience and clean technology grant programs.** The bill provides an estimated \$4.5 million per year to support grant programs beginning in FY 2013-14. It also extends the grant programs until 2024. The grant programs are administered by OEDIT based on criteria set in law, and outlined earlier in background section of this document.

**General Fund impact.** Beginning in FY 2013-14, the bill diverts an estimated \$4.5 million that would otherwise be available for appropriation from the General Fund.

**One-time costs for implementation.** The DoR must track and calculate both the withholding base and the withholding total, and classify and verify the businesses among the industries identified in the bill. This effort will require 429 hours of work by a tax examiner at a cost of \$8,773 and 0.2 FTE in FY 2011-12. The DoR must also modify the Colorado Integrated Tax Architecture software, including development, coding, testing, and validation. This effort will require approximately 40 hours of work by staff in the Office of Information Technology (OIT) at a cost of \$2,960 in FY 2011-12.

<b>Table 1. Expenditures Under SB 11-047</b>		
<b>Cost Components</b>	<b>FY 2011-12</b>	<b>FY 2012-13</b>
Personal Services (DoR)	\$8,773	
FTE	0.2	
Personal Services (OIT)	2,960	
Contractual Services	40 hrs	
<b>TOTAL</b>	<b>\$11,733</b>	

It should be noted, however, that several unpredictable variables contribute to forecasting economic growth, particularly in innovative industries. Limited data exists on how these industries have performed in the past. Therefore, while this program is proposed for a ten-year time frame, this fiscal note is written to address the target date of June 30, 2014.

**Expenditures Not Included**

Table 2 indicates expenditures for this bill that are centrally appropriated in the Long Bill, under a policy of the Joint Budget Committee.

<b>Table 2. Expenditures Not Included Under SB 11-047*</b>		
<b>Cost Components</b>	<b>FY 2011-12</b>	<b>FY 2012-13</b>
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$1,420	
Supplemental Employee Retirement Payments	388	
<b>TOTAL</b>	<b>\$1,808</b>	<b>\$0</b>

*\*More information is available at: <http://colorado.gov/fiscalnotes>*

**State Appropriations**

The Department of Revenue requires a General Fund appropriation of \$11,733 and 0.2 FTE in FY 2011-12, of which \$2,960 should be reappropriated to the Office of Information Technology.

**Departments Contacted**

Governor      Revenue      Treasury