HB12-1241

Colorado Legislative Council Staff Fiscal Note

STATE FISCAL IMPACT

Drafting Number:	LLS 12-0606	**Date:**	February 9, 2012
Prime Sponsor(s):	Rep. Ferrandino	**Bill Status:**	House Finance
		Fiscal Analyst:	Harry Zeid (303-866-4753)

TITLE: CONCERNING ENTERPRISE ZONE DESIGNATIONS.

Fiscal Impact Summary	FY 2012-2013	FY 2013-2014
State Revenue	See the State Revenue section	
State Expenditures	See the State Expenditures section	
FTE Position Change		
Effective Date: January 1, 2013, assuming no referendum petition is filed.		
Appropriation Summary for FY 2012-2013: None required.		
Local Government Impact: None.		

Summary of Legislation

In order to be designated as an enterprise zone under current law, the area under consideration must meet certain population restrictions and at least one of the following criteria:

- an unemployment rate at least 25 percent above the state average for the most recent 12-month period;
- a population growth rate less than 25 percent of the state average rate for the most recent 5-year period; or
- per capita income less than 75 percent of the state average for the most recent period for which data is available.

The bill requires any new enterprise zone designation to meet at least two of the above criteria. Furthermore, enterprise zone designations must be reviewed at least once every five years to ensure that the existing zones continue to meet those criteria.

The bill requires the director of the Colorado Office of Economic Development and International Trade (OEDIT) and the Colorado Economic Development Commission (EDC) to review enterprise zone designations at least once every five years to ensure that the existing enterprise zones continue to meet the criteria specified the Urban and Rural Enterprise Zone Act.

As a part of each 5-year review, the director of OEDIT and the EDC must analyze the annual documentation of efforts required by law. Except in a period of high unemployment, the director and the commission may make changes or terminate existing enterprise zone designations based on the review. The bill requires the State Auditor to commence a performance audit of the review undertaken by OEDIT and the EDC. The final audit report will be submitted to the Governor and the General Assembly.

State Revenue

Certain state income tax credits and sales tax exemptions are provided to businesses that meet statutory criteria within the boundaries of an enterprise zone. Examples include: an investment tax credit; job training tax credit; new business facility jobs credit; new business health insurance credit; research and development increase tax credit; and a vacant building rehabilitation tax credit. If an enterprise zone is eliminated or reduced geographically in the future based on the bill, then some businesses within those zone boundaries will lose their eligibility to receive the enterprise zone tax credits and exemptions. Assuming no change in business investment, such a change would increase state revenue.

State Expenditures

The bill will not require additional state resources beyond those currently budgeted to OEDIT and the State Auditor.

Office of Economic Development and International Trade. The responsibilities for OEDIT, including the five-year review of enterprise zone designations and the ability to make boundary changes or termination of an existing enterprise zone authorization will be accomplished within annual budgeted resources of the office. Therefore, no appropriation is required.

State Auditor. The performance audit required of the State Auditor is assumed to occur in FY 2013-14. Although the audit will be performed within the FY 2013-14 General Fund appropriation to the State Auditor, it should be noted that a performance audit costs the State Auditor an average of $175,000 per audit.

Departments Contacted

Governor's Office | State Auditor