

**Schedule 13**  
**Funding Request for the 2013-14 Budget Cycle**

Department: Governor's Office Economic Development Programs  
 Request Title: Economic Development Commission General Fund Increase  
 Priority Number: R-2

Dept. Approval by: *Alvin Holt* 10-15-12  
 Date

OSPB Approval by: *Earl Kelly* 10/19/12  
 Date

- Decision Item FY 2013-14
- Base Reduction Item FY 2013-14
- Supplemental FY 2012-13
- Budget Amendment FY 2013-14

Line Item Information		FY 2012-13		FY 2013-14		FY 2014-15
		1	2	3	4	6
	Fund	Appropriation FY 2012-13	Supplemental Request FY 2012-13	Base Request FY 2013-14	Funding Change Request FY 2013-14	Continuation Amount FY 2014-15
<b>Total of All Line Items</b>	<b>Total</b>	6,092,280	-	2,092,280	2,986,236	2,994,162
	FTE	4.0	-	4.0	0.9	1.0
	GF	2,013,764	-	2,013,764	2,986,236	2,994,162
	GFE	-	-	-	-	-
	CF	4,078,516	-	78,516	-	-
	RF	-	-	-	-	-
	FF	-	-	-	-	-
<b>(4) Economic Development Programs-</b>	<b>Total</b>	6,092,280	-	2,092,280	2,986,236	2,994,162
<b>Economic Development</b>	<b>FTE</b>	4.0	-	4.0	0.9	1.0
<b>Commission-General</b>	<b>GF</b>	2,013,764	-	2,013,764	2,986,236	2,994,162
<b>Economic Incentives and</b>	<b>GFE</b>	-	-	-	-	-
<b>Marketing</b>	<b>CF</b>	4,078,516	-	78,516	-	-
	<b>RF</b>	-	-	-	-	-
	<b>FF</b>	-	-	-	-	-

Letternote Text Revision Required? Yes:  No:  If yes, describe the Letternote Text Revision:

Cash or Federal Fund Name and COFRS Fund Number: Not Required

Reappropriated Funds Source, by Department and Line Item Name: Not Required

Approval by OIT? Yes:  No:  Not Required:

Schedule 13s from Affected Departments: Not Required

Other Information: Not Required



# GOVERNOR'S OFFICE ECONOMIC DEVELOPMENT PROGRAMS

John W. Hickenlooper  
Governor

Kenneth W. Lund  
Executive Director

*Kenneth W. Lund*  
Signature

10/16/12  
Date

*FY 2013-14 Funding Request  
November 1, 2012*

*Department Priority: R-2*

*Request Title: Economic Development Commission General Fund Increase*

Summary of Incremental Funding Change for FY 2013-14	Total Funds	General Fund	FTE
Economic Development Commission General Fund Increase	\$2,986,236	\$2,986,236	0.9

### Request Summary:

The Department is requesting an increase in its annual General Fund appropriation from \$2,013,764 to \$5,000,000, an increase of \$2,986,236, to support the Economic Development Commission (EDC) in FY 2013-14. This funding will help spur economic activity and the creation of approximately 1,230 new jobs based on historical trend data reflected in Exhibit B. This is anticipated to generate approximately \$2.6 million in tax revenue for the state, which will generate a full pay-back to the state in a little over one year. The job creation estimates are solidified by the EDC contract procedures that require businesses to commit to specific job creating conditions in order to receive funding. In addition, the Department will use \$70,721 of the requested funding for costs associated with a new 0.9 FTE, annualizing to 1.0 FTE in FY 2014-15 to administer the increased workload.

### Problem or Opportunity:

The opportunity is to make funding available that can be used to provide performance-based job creation incentives to businesses, thus making Colorado more competitive in attracting businesses to the state.

### Brief Background:

The General Assembly created the EDC in 1987 to encourage, promote, and stimulate economic development in Colorado by providing job creation incentives, marketing and special project funds. The EDC's primary objective is to provide assistance to businesses considering expansion in or relocation to Colorado.

The EDC receives an annual General Fund appropriation for job creation incentives, marketing and special projects. The FY 2012-13 appropriation provided \$2,013,764 in General Funds to support the EDC's efforts. Additionally, the EDC received a one-time \$13 million allocation of federal funds from the Jobs & Growth Tax Relief Reconciliation Act and from gaming funds that had a 5 year sunset provision. These additional funds have all been committed.

The Department's Global Business Development (GBD) staff work with businesses looking to expand or relocate from other states and countries. In order to respond to the businesses' site selection requirements, the GBD staff work with the EDC to develop and present competitive proposals to businesses for their consideration.

These proposals may include potential sites, available labor force, infrastructure information, transportation options, state and local incentives, and other information requested by businesses for their consideration. In conjunction with such proposals, the EDC has a proven track record of attracting businesses and expansion opportunities resulting in jobs being created. For example, since January of 2010, businesses have committed to create 5,352 jobs with an average wage rate of \$51,589. To attract these job creating opportunities to Colorado, the EDC approved incentives for these businesses totaling \$8,902,734. In addition, the EDC is currently working with businesses to create 1,773 new jobs at an average wage rate of \$80,802. For these projects, the EDC has earmarked funding of \$5,094,478 pending site selection decisions. The EDC used its sources of funding noted above to make these commitments.

The requested FTE is estimated to cost \$70,721 in FY 2013-14, annualizing to \$78,647 in FY 2014-15. Job responsibilities for this FTE will include reviewing applications submitted by businesses, completing the financial underwriting and due diligence reviews, providing written summaries to the EDC describing the final incentive structures and obtaining formal approvals from the EDC. In addition, this FTE will draft and execute the state's contracts, monitor the EDC contract requirements and disburse funds on a periodic performance-basis. With additional programs placed under the EDC's oversight in recent years and with no additional FTE, the increased volume of requests and the urgent nature of these requests, it is imperative that an additional FTE be added at this time to support the program in an effective and efficient manner. Please refer to Exhibit D for FTE cost calculations.

**Proposed Solution:**

The proposed solution is for the state to make approximately \$5 million in base level funding available annually to the EDC to support Colorado's efforts to compete with other states and countries for job creation opportunities.

Although the EDC's request is half that of comparative states on the lower end of the funding scale, such as Virginia and North Carolina, this funding will increase Colorado's chances in competing for more job creating projects.

Attached as Exhibit C are examples of funding levels that other states have available and utilize to compete for such job-creating opportunities.

**Anticipated Outcomes:**

Based on past use of funds and related outcomes, the Department projects the creation of 1,230 new jobs in Colorado with this additional \$2,986,236 in funding. At an average annual wage rate of \$54,752, this outcome results in estimated annual direct state tax revenue from jobs of \$2,600,000 (see Exhibit B for assumptions). Thus, the requested funding will generate full pay-back to the state in a little over one year. Beyond job creation and tax revenue to the State, the additional funding could also spur capital expenditures (Forecasted CapEx) that have a positive exponential effect on the economy.

The EDC's contract procedures serve to guarantee anticipated job creation consistent with the actual incentives disbursed to businesses. Businesses must commit to creating a specified number of net new full-time jobs paying a minimum stated average wage rate in Colorado. Additionally, they must maintain those jobs for at least one year. EDC funds are only disbursed to businesses on a job creation/incentive pro-rata basis as net new jobs have been created and maintained for at least a one year period and other contract conditions have been met.

**Assumptions for Calculations:**

The Department based job creation projections on actual results of EDC activities since 2008. For detailed information on EDC activities, please refer to Exhibits A and B.

Over the past five years, the EDC approved \$17,784,474 in total funding. Of this total they committed \$13,437,734, or 75.6%, on job

creation projects that will produce 7,323 new jobs. The remaining 24.4% was used for special projects as described in Exhibits A and B and for administrative costs. The Department expects the EDC will spend approximately 75.6% or \$2,257,594 of the requested \$2,986,236 to generate new jobs. This will result in 1,230 new jobs at a cost of \$1,835 per job. Refer to Exhibit B for additional detail on the above calculations.

The new FTE is estimated to cost \$70,721 in FY 2013-14, annualizing to \$78,647 in FY 2014-15.

Please refer to Exhibit D for FTE cost calculations.

**Consequences if not Funded:**

If this request is not approved, there will only be limited EDC funding available for future projects. This could result in Colorado being unable to attract those businesses that need state incentives and will put Colorado at a disadvantage when competing for projects that have the potential to create jobs.

## EXHIBIT A – EDC ANNUAL REPORTS

### EDC 2008 Annual Report

#### List of Grants

Job Creation Projects	# Jobs	Annual Average Wage	% of County	\$ Incentive	Forecasted CapEX
Vestas Blades - Windsor	464	Job Training Funds		\$ 928,000	\$ 95,000,000
United States Olympic Committee*	170	\$ 71,463	166%	\$ 500,000	\$ 21,000,000
Lewis Engineering	14	\$ 36,994	110%	\$ 42,000	
<b>Total Job Creation Projects</b>	<b>648</b>	<b>\$ 66,808</b>	<b>165%</b>	<b>\$ 1,470,000</b>	<b>\$ 116,000,000</b>
<b>\$ Incentive/# Jobs</b>	<b>\$ 2,269</b>				

Footnote:

\*Retention for NonProfit

Other Projects	\$ Incentive
Colorado Space Coalition	\$ 146,000
AG Pump	\$ 100,000
Colorado Proud	\$ 150,000
Advance Colorado Center	\$ 47,040
ASES Green Jobs Study	\$ 25,000
Colorado Center for Space Entrepreneurship	\$ 150,000
Colorado Drug & Development Institute Study	\$ 200,000
Business Expansion Program	\$ 125,000
Grand Junction Incubator Feasibility Study	\$ 50,000
Job Growth Incentive Program Study	\$ 15,000
SportAccord	\$ 150,000
Enterprize Zone Marketing	\$ 375,000
<b>Total Other Projects</b>	<b>\$ 1,533,040</b>

#### Category %

Project Type	\$ Incentive	% Total Incentive
Job Creation	\$ 1,470,000	49%
Marketing	\$ 921,000	31%
Incubators	\$ 150,000	5%
Studies	\$ 290,000	10%
Special Projects	\$ 172,040	6%
<b>Total</b>	<b>\$ 3,003,040</b>	

EDC 2009 Annual Report

*List of Grants*

Job Creation Projects	# Jobs	Annual Average Wage	% of County	\$ Incentive	Forecasted CapEX
Charles Schwab	500	\$ 75,245	163%	\$ 1,000,000	\$ 1,708,500
Corinthian Colleges, Inc.	600	\$ 41,363	100%	\$ 1,200,000	\$ 2,500,000
Dot Hill	100	\$ 108,800	203%	\$ 250,000	\$ 1,000,000
CREED/NREL	123	\$ 84,307	175%	\$ 615,000	\$ 2,238,979
<b>Total Job Creation Projects</b>	<b>1,323</b>	<b>63,258</b>	<b>141%</b>	<b>\$ 3,065,000</b>	<b>\$ 7,447,479</b>
<b>\$ Incentive/# Jobs</b>	<b>\$ 2,317</b>				

Other Projects	\$ Incentive
Roraring Fork Virtual Incubator	\$ 150,000
EDC Marketing	\$ 80,000
Clean Tech Study	\$ 100,000
Nano-Renewable Energy Summit	\$ 35,000
RMI2	\$ 150,000
Enterprize Zone Marketing	\$ 375,000
<b>Total Other Projects</b>	<b>\$ 890,000</b>

*Category %*

Project Type	\$ Incentive	% Total Incentive
Job Creation	\$ 3,065,000	77%
Marketing	\$ 455,000	12%
Incubators	\$ 300,000	8%
Studies	\$ 100,000	3%
Special Projects	\$ 35,000	1%
<b>Total</b>	<b>\$ 3,955,000</b>	

EDC 2010 Annual Report

List of Grants

Job Creation Projects	# Jobs	Annual Average Wage	Annual Average Wage % of County	Annual Median Wage	Annual Median Wage % of County	\$ Incentive	Forecasted CapEX
Arrow Electronics	439	\$ 84,086	158%	\$ 81,895	154%	\$ 1,097,000	\$ 1,400,000
Baird	14	\$ 128,964	307%	\$ 171,779	409%	\$ 14,000	\$ 858,495
Scotttrade	285	\$ 52,500	113%	\$ 52,500	113%	\$ 259,759	\$ 34,000,000
Space Foundation	70	\$ 90,284	219%	\$ 77,700	188%	\$ 350,000	\$ 1,000,000
Spirae	30	\$ 93,833	234%	\$ 90,000	224%	\$ 150,000	\$ 100,000
Leprino	400	\$ 44,950	116%	\$ 40,485	104%	\$ 1,200,000	\$ 425,000,000
<b>Total Job Creation Projects</b>	<b>1,238</b>	<b>\$ 65,264</b>	<b>142%</b>	<b>\$ 62,724</b>	<b>137%</b>	<b>\$ 3,070,759</b>	<b>\$ 462,358,495</b>
\$ Incentive/# Jobs	\$	2,480					

Other Projects	\$ Incentive
Monte Vista Study - Main Street Initiative	\$ 20,000
Business Retention Expansion Program	\$ 74,700
Community Assessment Program	\$ 50,000
EDC Marketing	\$ 135,000
Colorado Clean Energy Supply Chain Initiative	\$ 100,000
Colorado Regional Airports and Aviation Jobs	\$ 60,000
Colorado Space Coalition	\$ 100,000
CAMT's Technology Acceleration Program	\$ 350,000
Enterprise Zone Marketing	\$ 362,500
<b>Total Other Projects</b>	<b>\$ 1,252,200</b>

Category %

Project Type	\$ Incentive	% Total Incentive
Job Creation	\$ 3,070,759	71%
Marketing	\$ 597,500	14%
Studies	\$ 80,000	2%
Special Projects	\$ 574,700	13%
<b>Total</b>	<b>\$ 4,322,959</b>	

EDC 2011 Projects

List of Grants

Job Creation Projects	# Jobs	Annual Average Wage	Annual Average Wage % of County	Annual Median Wage	Annual Median Wage % of County	\$ Incentive	Forecasted CapEX
Parelli	25	\$ 37,180	130%	\$ 31,200	109%	\$ 125,000	\$ 500,000
SMA	500	\$ 30,749	55%	\$ 22,880	41%	\$ 1,000,000	\$ 35,000,000
Vestas	1750	\$ 37,131	101%	\$ 34,500	93%	\$ 1,000,000	\$ 618,000,000
Siemens Energy	60	\$ 98,553	188%	\$ 100,000	191%	\$ 250,000	\$ 5,641,000
PrimeStar Solar	84	\$ 72,012	149%	\$ 79,000	163%	\$ 168,000	\$ 23,100,000
Entegris	63	\$ 36,098	85%	\$ 25,581	61%	\$ 109,266	\$ 13,100,000
The Coleman Company	74	\$ 118,000	244%	\$ 131,340	272%	\$ 370,000	n/a
Bach Composite	100	\$ 31,700	82%	\$ 31,700	82%	\$ 164,000	\$ 14,000,000
JBS USA Holdings, Inc.	200	\$ 70,682	183%	\$ 50,800	132%	\$ 1,000,000	\$ 153,000,000
<b>Total Job Creation Projects</b>	<b>2,856</b>	<b>\$ 42,563</b>	<b>103%</b>	<b>\$ 35,082</b>	<b>100%</b>	<b>\$ 4,186,266</b>	<b>\$ 862,341,000</b>
\$ Incentive/# Jobs	\$	1,466					

Other Projects	\$ Incentive
2011 Nano Summit	\$ 35,000
2012 CO Space Coalition/Marketing	\$ 100,000
Craig/Moffat Incubator	\$ 115,000
<b>Total Other Projects</b>	<b>\$ 250,000</b>

Category %

Project Type	\$ Incentive	% Total Incentive
Job Creation	\$ 4,186,266	94%
Marketing	\$ 250,000	6%
Studies	\$ -	0%
Special Projects	\$ -	0%
<b>Total</b>	<b>\$ 4,436,266</b>	



**EDC 2012 Project To Date**

*List of Grants*

<b>Job Creation Projects</b>	<b># Jobs</b>	<b>Annual Average Wage</b>	<b>Annual Average Wage % of County</b>	<b>\$ Incentive</b>	<b>Forecasted CapEX</b>
Niagara	38	\$ 44,559	106%	\$ 38,000	\$ 30,000,000
Avago	92	\$ 49,783	124%	\$ 230,000	\$ 85,800,000
Cooper Lighting	320	\$ 41,272	99%	\$ 321,000	\$ 14,000,000
DaVita/Total Renal Research	58	\$ 58,257	121%	\$ 119,209	\$ 3,700,000
Sisters of Charity of Leavenworth Health System	750	\$ 65,000	111%	\$ 937,500	\$ 10,900,000
<b>Total Job Creation Projects</b>	<b>1,258</b>	<b>\$ 56,923</b>	<b>110%</b>	<b>\$ 1,645,709</b>	<b>\$ 144,400,000</b>

<b>\$ Incentive/# Jobs</b>	<b>\$ 1,308</b>
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<b>Other Projects</b>	<b>\$ Incentive</b>
EZ Admin	\$ 121,500
2013 CO Space Coalition/Marketing	\$ 100,000
Icelandair	\$ 200,000
<b>Total Other Projects</b>	<b>\$ 421,500</b>

*Category %*

<b>Project Type</b>	<b>\$ Incentive</b>	<b>% Total Incentive</b>
Job Creation	\$ 1,645,709	80%
Marketing	\$ 421,500	20%
Studies	\$ -	0%
Special Projects	\$ -	0%
<b>Total</b>	<b>\$ 2,067,209</b>	

**EXHIBIT B – ASSUMPTIONS FOR CALCULATIONS**

	<b>Jobs Created</b>	<b>Annual Average Wage</b>	<b>Total Job Creation Funding</b>	<b>Cost Per Job Created</b>	<b>Weighted Average Annual Wage</b>
<b>2008</b>	648	\$ 66,808	\$ 1,470,000	\$ 2,269	\$ 5,912
<b>2009</b>	1,323	\$ 63,258	\$ 3,065,000	\$ 2,317	\$ 11,428
<b>2010</b>	1,238	\$ 65,264	\$ 3,070,759	\$ 2,480	\$ 11,033
<b>2011</b>	2,856	\$ 42,563	\$ 4,186,266	\$ 1,466	\$ 16,600
<b>2012 to date</b>	1,258	\$ 56,923	\$ 1,645,709	\$ 1,308	\$ 9,779
<b>Total</b>	<b>7,323</b>	<b>\$ 58,963</b>	<b>\$ 13,437,734</b>	<b>\$ 1,835</b>	<b>\$ 54,752</b>

	<b>Total Funding for All Projects</b>	<b>Total Job Creation Funding</b>
<b>2008</b>	\$ 3,003,040	\$ 1,470,000
<b>2009</b>	\$ 3,955,000	\$ 3,065,000
<b>2010</b>	\$ 4,322,959	\$ 3,070,759
<b>2011</b>	\$ 4,436,266	\$ 4,186,266
<b>2012 to date</b>	\$ 2,067,209	\$ 1,645,709
<b>Total</b>	<b>\$ 17,784,474</b>	<b>\$ 13,437,734</b>
<b>% of Total Incentive Funding spent on Job Creation</b>		<b>75.56%</b>

<b>New Jobs Created</b>	
General Fund Increase	\$ 2,986,236
% of Incentive Funding for Job Creation	75.56%
Job Creation Incentives	\$ 2,256,364
Cost Per Job Created	\$ 1,835
Number of New Jobs Created	1,230

**EXHIBIT B – ASSUMPTIONS FOR CALCULATIONS (CONTINUED)**

<b>Estimated Direct Tax Revenue Impacts of Additional Funding for Direct Support for Companies<sup>1</sup></b>		
<b>Assumed Number of Jobs Associated with OEDIT Funding</b>		<b>Annual Direct State Tax Revenue from Jobs<sup>2</sup></b>
<b>Jobs Created</b>	1,230	\$2,600,000

*Source: Calculations by the Governor's Office of State Planning and Budgeting using data from OEDIT and the Department of Revenue.*

<sup>1</sup> This analysis only estimates the direct effects of jobs associated with additional state funding for job creation incentives. Thus, it does not take into account any indirect or multiplier effects of the economic activities of relocating or expanding businesses and their associated employees in the state. For example, the additional spending and investment by a new or expanding business will create additional economic activity in the state that will likely generate additional tax revenue. Also, the additional spending from new jobs will create additional economic activity. The effects of these activities are not estimated in this analysis.

<sup>2</sup> Almost all of the state tax revenue is from income and sales taxes, but total revenue also includes taxes paid on motor fuel and other excise taxes, such as alcohol, as well as revenue from licenses and registrations. The revenue estimates were derived using an average annual wage of each employee of \$54,752.

## EXHIBIT C – EXAMPLES OF INCENTIVES IN OTHER STATES

At least 30 states have some form of discretionary economic development funds available in addition to other incentives offered. A number of states have either enacted new funds or increased existing funds. The following table summarizes some notable incentives in states that Colorado typically competes with for job-creating opportunities:

<b>State</b>	<b>Fund</b>	<b>Appropriation</b>	<b>Comments</b>
<b>Texas</b>	Texas Enterprise Fund	\$280 million in FY05; \$34 million in FY2011	Largest fund of its kind in the U.S.
<b>Arizona</b>	Deal Closing Fund	\$25 million in FY 2011	Will put AZ in top third of states with "closing funds"
<b>North Carolina</b>	One North Carolina Fund	\$10 million /year	
<b>Virginia</b>		\$10 million/year	
<b>Florida</b>		\$26.4 million	
<b>New York</b>		\$35 million	
<b>Georgia</b>		\$32 million	

Similar to Colorado, most of the above incentives are performance-based commitments requiring contracts with businesses with typical criteria being substantial job creation at relatively high wage levels, significant capital investment, quality of project, strategic importance, competitiveness with other states and similar factors. Most also require a local match (from cities/counties where the project is located).

**EXHIBIT D**

**Calculation Assumptions:**

**Personal Services** -- The position in this request is not classified and the salary range is consistent with the Department's salary range.

**Operating Expenses** -- Base operating expenses are included per FTE for \$500 per year. In addition, for regular FTE, annual telephone costs assume base charges of \$450 per year.

**Standard Capital Purchases** -- Each additional employee necessitates the purchase of a Personal Computer (\$900), Office Suite Software (\$330), and office furniture (\$3,473).

**General Fund FTE** -- New full-time General Fund positions are reflected in FY 2012-13 as 0.9166 FTE to account for the pay-date shift.

<b>Expenditure Detail</b>		<b>FY 2013-14</b>		<b>FY 2014-15</b>	
<i>Personal Services:</i>		FTE	\$	FTE	
	Monthly Salary				
Position 1	\$ 5,175	0.9	55,890	1.0	62,100
PERA			5,673		6,303
AED			2,012		2,484
SAED			1,816		2,329
Medicare			810		900
STD			99		110
Health-Life-Dental			4,421		4,421
<b>Subtotal Position 1, #.# FTE</b>		<b>0.9</b>	<b>\$ 70,721</b>	<b>1.0</b>	<b>\$ 78,647</b>
<i>Operating Expenses</i>					
Regular FTE Operating	500		-		-
Telephone Expenses	450		-		-
PC, One-Time	1,230		-		
Office Furniture, One-Time	3,473		-		
Other			-		
Other			-		
Other			-		
Other			-		
<b>Subtotal Operating Expenses</b>			<b>\$ -</b>		<b>\$ -</b>
<b>TOTAL REQUEST</b>		<b>0.9</b>	<b>\$ 70,721</b>	<b>1.0</b>	<b>\$ 78,647</b>
<i>General Fund:</i>					
<i>Cash funds:</i>					
<i>Reappropriated Funds:</i>					
<i>Federal Funds:</i>					