

**Legislative Council Staff**

Nonpartisan Services for Colorado's Legislature

Revised Fiscal Note

(replaces fiscal note dated March 18, 2024)

Drafting Number:	LLS 24-0727	Date:	April 9, 2024
Prime Sponsors:	Rep. Lukens; Soper Sen. Bridges; Will	Bill Status:	House Appropriations
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Bill Topic: OPPORTUNITY NOW GRANTS & TAX CREDIT

Summary of Fiscal Impact:	<input checked="" type="checkbox"/> State Revenue	<input checked="" type="checkbox"/> State Transfer	<input type="checkbox"/> Local Government
	<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> TABOR Refund	<input type="checkbox"/> Statutory Public Entity

The bill continues funding to the Regional Talent Development Initiative Grant Program, creates the Regional Talent Summit Grant Program, and establishes a workforce shortage tax credit. It makes a one-time transfer from the General Fund, decreases state revenue through tax year 2032, and increases expenditures starting in FY 2024-25.

Appropriation Summary:	For FY 2024-25, the bill requires an appropriation of \$109,603 to the Office of Economic Development and International Trade.
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Fiscal Note Status:	This revised fiscal note reflects the introduced bill, as amended by the House Finance Committee.
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Table 1
State Fiscal Impacts Under HB 24-1365

		Budget Year FY 2024-25	Out Year FY 2025-26	Out Year FY 2026-27
Revenue	General Fund	-	(\$7,500,000)	(\$15,000,000)
	Cash Funds	\$12,100	\$129,200	\$129,200
	Total Revenue	\$12,100	(\$7,370,800)	(\$14,870,800)
Expenditures	General Fund	\$109,603	-	\$48,719
	Cash Funds	\$4,012,100	\$115,041	\$115,041
	Centrally Appropriated	\$18,534	\$23,168	\$23,168
Total Expenditures		\$4,140,237	\$138,209	\$186,928
	Total FTE	0.8 FTE	1.0 FTE	1.0 FTE
Transfers	General Fund	(\$4,000,000)	-	-
	Cash Funds	\$4,000,000	-	-
	Net Transfer	\$0	-	-
Other Budget Impacts	TABOR Refund	\$12,100	(\$7,370,800)	not estimated
	General Fund Reserve	\$16,440	-	\$7,308

Summary of Legislation

The bill extends funding to the Regional Talent Development Initiative Grant Program, also known as Opportunity Now Colorado, to continue awarding grants to programs that connect Coloradans to in-demand, high-skill, and high-wage occupations. The Regional Talent Summit Grant Program is also created in the Office of Economic Development and International Trade (OEDIT) to convene regional talent summits across the state. Lastly, the bill establishes a workforce shortage tax credit for infrastructural and equipment improvements to training programs that alleviate worker shortages.

Regional Talent Development Initiative Grant Program (Opportunity Now Colorado). The bill transfers \$3.8 million on July 1, 2024, from the General Fund to the Regional Talent Development Initiative Grant Program Cash Fund to fund Phase III of the program, which addresses workforce shortages in infrastructure and building trades. No more than seven percent of transferred funds may be used for program administration costs by OEDIT.

Regional Talent Summit Grant Program. The bill creates the Regional Talent Summit Grant Program in OEDIT to provide grants to a program facilitator and regional hosts that convene regional talent summits across the state. OEDIT must administer the program in partnership with a program facilitator that receives a grant to engage with stakeholders, analyze job market metrics, and develop recommendations for regional workforce needs.

The office must also work collaboratively with a selection committee to award grants to regional hosts that secure locations, determine relevant participants, and gather insights for talent summits. To be considered for a grant, a regional host must meet certain criteria and submit an application that details the proposed summit's economic development goals. The selection committee must consider regional diversity, community engagement, local partnerships, and event capacity when selecting grant recipients.

The bill creates the Regional Talent Summit Grant Program Cash Fund and transfers \$200,000 on July 1, 2024 from the General Fund to the fund. Money in the cash fund is continuously appropriated to OEDIT to administer the program and award grants. The program repeals on July 1, 2030.

Workforce Shortage Tax Credit. The bill creates a state income tax credit for tax years 2026 through 2032 for expenses for facility improvement and equipment acquisition costs associated with training programs designed to alleviate worker shortages. Applicants must apply for a tax credit reservation from OEDIT, and, once the investment costs are incurred, submit evidence of compliance and certification of expenditures to receive a tax credit certificate. OEDIT may levy an application and issuance fee to cover program implementation and administration.

The tax credit is equal to 50 percent or less of the qualified investment, and the total amount of tax credit reservations cannot exceed \$15 million per year. Beginning in tax year 2026, if either the Office of State Planning and Budgeting or Legislative Council Staff forecast in the preceding September expects that revenue subject to TABOR will not increase by more than 4 percent in the current fiscal year, then OEDIT may not issue more than \$7.5 million in tax credit reservations in the following tax year.

Additionally, the bill creates the Workforce Development Tax Credit Program Cash Fund to administer the tax credit. The fund consists of fee revenue, gifts, grants, donations, and any other funds appropriated by the General Assembly. Money in the cash fund is continuously appropriated to OEDIT.

Background

The Regional Talent Development Initiative Grant Program, now known as Opportunity Now Colorado, is an \$85 million grant program created through [HB 22-1350](#) in OEDIT. The program provides funding to promote change through the alignment and collaboration between Colorado's secondary and post-secondary education systems and the workforce with a focus on enhancing economic mobility.

Opportunity Now Colorado consists of three phases of funding:

- Phase One: by June 2023, the program received 425 grant applications and awarded \$27 million to 46 recipients across the state. Grantees received between \$50,000 and \$7 million each, and primarily represented the education, healthcare, and infrastructure industries.
- Phase Two: between August 2023 and March 2024, the program received an additional 227 grant applications and awarded \$55 million to 43 recipients across the state.
- Phase Three: anticipated to begin mid-2024.

State Revenue

The bill increases cash fund revenue beginning in FY 2024-25 and decreases General Fund revenue beginning in FY 2025-26. All impacted revenue is subject to the state TABOR limit. Revenue changes are shown in Table 2 and discussed below.

Table 2
Revenue Changes Under HB 24-1365

	Fund	FY 2024-25	FY 2025-26	FY 2026-27
Workforce Shortage Tax Credit	General Fund	-	(\$7,500,000)	(\$15,000,000)
Issuance Fee	Cash Fund	-	\$105,000	\$105,000
Application Fee	Cash Fund	\$12,100	\$24,200	\$24,200
	Total Revenue	\$12,100	(\$7,370,800)	(\$14,870,800)

Workforce Shortage Tax Credit. Based on estimated demand for funding, this fiscal note assumes that the amount reserved and issued each year will reach the \$15 million cap. Tax credit certificates may be issued beginning in tax year 2026. The credit is expected to reduce General Fund revenue from the income tax by \$7.5 million in FY 2025-26, representing an accrued half-year impact for tax year 2026, and \$15 million in FY 2026-27, the first full year. The credit will continue through FY 2032-33, when a final half-year impact will be incurred.

Issuance fees. OEDIT may impose an issuance fee of up to three percent of the amount of the tax credit certificate at the time that the tax credit certificate is issued to the applicant. The fiscal note assumes that OEDIT will impose a fee of 1.4 percent in FY 2025-26 and 0.7 percent in FY 2026-27 and later years, to approximate their costs.

Application fees. OEDIT may impose an application fee of up to \$200 for applications requesting a tax credit of \$250,000 or less, and a fee of up to \$500 for applications requesting a tax credit of more than \$250,000. The fiscal note assumes OEDIT will charge the maximum fee, and that the office will receive up to 11 applications requesting credits of less than \$250,000 and up to 44 applications requesting credits for more than \$250,000. Actual revenue will vary depending on the number of applicants.

State Transfers

On July 1, 2024, the bill transfers \$3.8 million from the General Fund to the Regional Talent Development Initiative Grant Program Cash Fund and \$200,000 from the General Fund to the Regional Talent Summit Grant Program Cash Fund.

State Expenditures

The bill increases state expenditures in OEDIT and the Department of Revenue by about \$4.1 million in FY 2024-25, about \$138,000 in FY 2025-26, and about \$187,000 in FY 2026-27, paid from various cash funds in OEDIT and the General Fund. Expenditures are shown in Table 3 and detailed below.

Table 3
Expenditures Under HB 24-1365

	FY 2024-25	FY 2025-26	FY 2026-27
OEDIT			
Personal Services	\$91,009	\$113,761	\$113,761
Operating Expenses	\$1,024	\$1,280	\$1,280
Capital Outlay Costs	\$6,670	-	-
Salesforce Development	\$23,000	-	-
Opportunity Now Administration Costs	\$266,000	-	-
Opportunity Now Grants	\$3,534,000	-	-
Regional Talent Summit Grants	\$200,000	-	-
Centrally Appropriated Costs ¹	\$18,534	\$23,168	\$23,168
FTE – Personal Services	0.8 FTE	1.0 FTE	1.0 FTE
OEDIT Subtotal	\$4,140,237	\$138,209	\$138,209

Table 3
Expenditures Under HB 24-1365 (Cont.)

	FY 2024-25	FY 2025-26	FY 2026-27
Department of Revenue			
GenTax Programming	-	-	\$18,540
Systems Support Office	-	-	\$13,510
Office of Research and Analysis	-	-	\$7,392
User Acceptance Testing	-	-	\$6,176
Document Management	-	-	\$3,101
Department of Revenue Subtotal	-	-	\$48,719
Total Costs	\$4,140,237	\$138,209	\$186,928
Total FTE	0.8 FTE	1.0 FTE	1.0 FTE

¹ Centrally appropriated costs are not included in the bill's appropriation.

Office of Economic Development and International Trade. In FY 2024-25, expenditures in OEDIT will increase by about \$4.1 million paid from the General Fund, the Regional Talent Summit Grant Program Cash Fund, the Regional Talent Development Initiative Grant Program Fund, and, in part, from tax credit application fee revenue in the Workforce Development Tax Credit Cash Fund. Beginning in FY 2025-26, expenditures will increase by about \$138,000, paid entirely from the Workforce Development Tax Credit Cash Fund in OEDIT.

- **Staff.** Starting in FY 2024-25, OEDIT requires 1.0 FTE Program Manager III to evaluate tax credit applications, administer the credit, develop program materials, and communicate the tax incentive program. Staff costs and FTE are prorated in the first year based on the bill's effective date.
- **Salesforce development.** OEDIT uses the management software Salesforce to oversee program applicants, analytics, and application development. In FY 2024-25, OEDIT requires an estimated \$23,000 to integrate the new tax credit program into Salesforce.
- **Opportunity Now Colorado.** After administrative costs set at seven percent of the total transfer, about \$3.5 million will be available for grants to fund Phase III of the Regional Talent Development Initiative Grant Program (Opportunity Now Colorado). It is assumed that grants will be awarded in FY 2024-25 to align with the program's anticipated timelines.
- **Regional Talent Summit Grants.** Beginning in FY 2024-25, \$200,000 will be available for Regional Talent Summit grants to a program facilitator and regional summit hosts to facilitate talent summits across the state. It is assumed that grants will be awarded in FY 2024-25.
- **Legal services.** OEDIT may require legal services, provided by the Department of Law, which can be accomplished within existing legal services appropriations. Legal counsel is related to rulemaking, implementation, and ongoing administration of the program.

Department of Revenue. Starting in FY 2026-27, expenditures will increase in DOR by about \$49,000 to update tax forms, test programming changes, and evaluate the new tax credit.

- **Computer programming and testing.** In FY 2026-27 only, workload in DOR will increase to update the GenTax software system and additional testing. Programming costs are estimated at \$18,540, representing 80 hours of contract programming at a rate of \$231.75 per hour. Costs for testing at the department include \$13,510 for 386 hours of innovation, strategy, and delivery programming support at a rate of \$35 per hour, and \$6,176 for 193 hours of user acceptance testing at a rate of \$32 per hour.
- **Data reporting.** Starting in FY 2026-27, costs in the Office of Research and Analysis will increase by about \$7,400 to collect and report data on the new tax credit.
- **Document management and tax form changes.** In FY 2026-27 only, costs in DOR will increase by about \$3,100 to update tax forms for paper filings. Expenditures for form changes occur in the Department of Personnel and Administration using reappropriated funds.

State Auditor. Starting in FY 2025-26, workload in the Office of the State Auditor will increase to measure the effectiveness of the tax credit in achieving the program's goals. This workload is expected to be minimal and no change in appropriation is required.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are shown in Table 2.

Other Budget Impacts

TABOR refunds. In FY 2024-25, the bill increase state cash fund revenue subject to TABOR and in FY 2025-26 it will, on net, decrease state revenue subject to TABOR by the amounts shown in the State Revenue section above. However, the amount refunded to taxpayers may be higher than this estimate if OEDIT sets fees higher than assumed in this fiscal note. This estimate assumes the December 2023 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2025-26.

The bill decreases General Fund subject to TABOR, which will decrease the amount of General Fund revenue required to be refunded to taxpayers with no net impact on the amount available for the General Fund budget.

The bill increases cash fund revenue subject to TABOR, which will increase the amount of General Fund revenue required to be refunded to taxpayers, correspondingly decreasing the amount available for the General Fund budget.

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

Technical Note

The bill requires the State Treasurer to transfer of \$4.0 million from the General Fund on July 1, 2024. However, the bill does not take effect until August 2024, assuming no referendum petition is filed.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2024-25, the bill requires a General Fund appropriation of \$109,603 to the Office of Economic Development and International Trade, and 0.8 FTE.

State and Local Government Contacts

Higher Education
Office of Economic Development

Labor
Personnel

Local Affairs
Revenue

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).