



COLORADO

Office of Economic Development & International Trade

PLEASE SUPPORT THE EXTENSION OF RURAL JUMP-START HB20-1003

HB20-1003 would extend the Rural Jump-Start program (RJS) for five years. RJS is an existing, performance-based tax exemption program for new businesses, as well as the employees of those businesses, that choose to locate in economically distressed rural areas of Colorado, which are called Rural Jump-Start Zones. The proposal also includes key modifications to the program to ensure more rural communities, businesses, and their employees can benefit from it. The proposal includes an annual appropriation of ~\$81,000 for admin (extension of previous funding at a flat level since 2016).

Rural Jump-Start benefits rural Colorado in numerous and diverse ways: RJS incentivizes businesses to locate and create jobs in rural Colorado by providing (1) participating businesses relief from state income and sales taxes and local business personal property tax and (2) their employees relief from state income taxes. As of January 2020 and since inception of RJS in January 2016, 19 companies have been approved by the Economic Development Commission (EDC) for participation, 14 companies are currently active, and those companies are approved to hire a total of 284 employees who would be eligible for tax relief through the program. Last year, 24 employees received state income tax exemptions. RJS also helps local economic development organizations market their communities, diversify their economic base, and address specific economic events.

HB20-1003 makes the following key changes to increase benefits for rural Colorado:

- ❖ **Loosening the Competition Clause to Increase Participation:** The proposal would allow participation by companies that are currently barred because they compete with one or more Front Range businesses. The proposed change provides that a business is eligible to participate in RJS if it, among other things, “Is not substantially similar in operation to and does not directly compete with the core function of a business that is operating in the state rural jump-start zone in which the new business will be located and in a distressed county contiguous to the rural jump-start zone [...]” (C.R.S. 39-30.5-103(7)(d)).
- ❖ **Diversifying the Anchor Institution to Support Community Buy-in:** To participate in RJS, a business must first apply to a state institute of higher education before applying to the Economic Development Commission (EDC). This proposal would expand the types of institutions a business could apply to first and thus increase access to the program while maintaining community engagement. Specifically, a business could apply to a state institute of higher education or an “economic development organization”, defined as a “nonprofit organization or governmental entity such as a small business development center, a business accelerator or incubator, a workforce center, a local economic developer, or other such organization or entity that promotes local economic development [...]”.

Please support the extension of Rural Jump-Start to promote economic prosperity in every corner of Colorado. Should you have any questions, please contact Leslie Hylton, Legislative Liaison at the Office of Economic Development & International Trade at 720-320-2395 or via email at leslie.hylton@state.co.us.

Geographic Eligibility for Rural Jump-Start

Counties that have formed Rural Jump-Start Zones: Archuleta, Clear Creek, Delta, Dolores, Las Animas, Logan, Mesa, Moffat, Montezuma, Montrose, Otero, Prowers, Rio Blanco, Routt, San Juan.

Counties Eligible to Apply for a Rural Jump-Start Zone: Alamosa, Baca, Bent, Cheyenne, Conejos, Costilla, Crowley, Custer, Fremont, Hinsdale, Huerfano, Jackson, Kiowa, Kit Carson, Lake, Lincoln, Mineral, Morgan, Phillips, Pueblo, Rio Grande, Saguache, Sedgwick, Washington, Yuma.

Whether a county is considered economically distressed, and thus eligible to participate in RJS, depends on a number of factors outlined in the RJS statute and implemented in detail by the Economic Development Commission (EDC):

- ❖ Population of less than 250,000
- ❖ Per capita income substantially below statewide average
- ❖ Local GDP or similar measures substantially below statewide average
- ❖ Unemployment levels substantially above statewide average
- ❖ Loss of people at workforce age
- ❖ Concentration of eligible pupils for free lunch (according to federal standards)

However, the RJS statute provides the EDC with discretion to determine that a county, or segment of a county, is economically distressed, on an exception basis that do not meet the normal distressed criteria but do provide other credible evidence of distress.

