

MEMORANDUM



JOINT BUDGET COMMITTEE

TO Joint Budget Committee
FROM Scott Thompson, JBC Staff (303-866-4957)
DATE May 1, 2020
SUBJECT Governor's Office Limited Gaming Revenue

BACKGROUND: Of the Office of Economic Development and International's total cash fund appropriation, 65.6 percent for FY 2019-20 originated as limited gaming tax revenue. Senate Bill 13-133 (Distribution of State Share of Ltd Gaming Revenues) modified the distribution of the state share of the Limited Gaming Fund to bring more consistency to the transfers. Specifically, the bill amended the distribution to various cash funds at the close of each fiscal year from a percentage-based amount to a fixed-dollar amount. Section 44-30-701 (2)(a), C.R.S., controls the current distribution, summarized below.

LIMITED GAMING TAX REVENUE TRANSFERS TO OEDIT PURSUANT SECTION 44-30-701 (2)(a), C.R.S.	
Travel and Tourism Promotion Fund	\$15,000,000
Advanced Industries	5,500,000
Creative Industries	2,000,000
Film, TV, and Media	500,000
TOTAL	\$23,000,000

JBC staff has separated each of these transfers into separate recommendations, however, all can be incorporated into a bill that makes all changes related to the allocation of limited gaming funds to agencies outside the Governor's Office.

→ COLORADO TRAVEL AND TOURISM PROMOTION FUND

JBC ACTION AS OF 3/16/20: The Committee approved a continuation level of spending authority for the program of \$15.7 million. This was based on a statutory allocation of \$15.0 million from limited gaming funds for the program and potential expenditure of unexpended reserves.

RECOMMENDATION: Staff recommends changing statute to terminate gaming revenue deposits to the Colorado Travel and Tourism Promotion Fund. When General Fund revenue and tourism activity returns, staff recommends a direct General Fund appropriation to fund Colorado Travel and Tourism instead of an annual statutory transfer. Due to the anticipated declines in gaming tax revenue, the General Fund impact of eliminating this allocation is likely to be lower than \$15.0 million.

ANALYSIS

Key Considerations: Appropriations from the tourism fund approximately 20.0 FTE, although those FTE are not reflected in the Long Bill. No immediate health, life, or safety impact and does not affect a vulnerable population.

Additional Background: The Colorado Tourism Office promotes Colorado as a top domestic and international tourism destination. The Office is overseen by an appointed board comprised of fifteen individuals representing hotel, restaurant, attraction and other tourism-related businesses as well as the Colorado General Assembly. The Office receives funding that supports operation of 10 Welcome

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Centers that provide services and inspiration to travelers at key gateways to the state. In addition to the Colorado Welcome Centers, the Office receives funding that is used for domestic and international promotion, marketing and public relations campaigns, creation of official state promotional channels and materials, and a variety of grant programs that support individual communities and nonprofit organizations in their work of attracting visitors.

→ ADVANCED INDUSTRIES ACCELERATION CASH FUND FOR BIOTECH

JBC ACTION AS OF 3/16/20: The Committee approved a continuation level of spending authority for the program of \$6.0 million. This was based on a statutory allocation of \$5.5 million from limited gaming funds for the program and potential expenditure of unexpended reserves.

RECOMMENDATION: Staff recommends changing statute to terminate gaming revenue deposits to the Advanced Industries Accelerate Cash Fund. When General Fund revenue returns, staff recommends a direct General Fund appropriation to fund grants to advanced industries. Due to the anticipated declines in gaming tax revenue, the General Fund impact of eliminating this allocation is likely to be lower than \$5.5 million.

ANALYSIS

Key Considerations: Combined with the staff recommendation for the advanced industries tax credit included in the Governor's Office balancing recommendations, eliminating this fund source will eliminate all current funding for the advanced industries programs.

Additional Background: The Advanced Industries Accelerator programs are designed to promote growth and sustainability in these industries by helping accelerate commercialization, encourage public-private partnerships, increase access to early stage capital, and create a strong ecosystem that increases the state's global competitiveness. Industries supported by program areas include:

- Advanced manufacturing;
- Aerospace;
- Bioscience;
- Electronics;
- Energy and natural resources;
- Infrastructure engineering; and
- Technology and information.

Most of the programs are funded through transfer from the General Fund based on the growth of income tax revenue in these specific industries, while the bioscience industry is funded with an allocation of limited gaming revenue. Approving this recommendation and the recommendation to eliminate the income tax growth transfers of General Fund will eliminate all funding sources for the Advanced Industries Accelerator.

→ CREATIVE INDUSTRIES CASH FUND

JBC ACTION AS OF 3/16/20: The Committee approved a continuation level of spending authority for the program of \$2.0 million. This was based on a statutory allocation of \$2.0 million from limited gaming funds for the program and potential expenditure of unexpended reserves.

RECOMMENDATION: Staff recommends changing statute to terminate gaming revenue deposits to the Creative Industries Cash Fund. When General Fund revenue returns, staff recommends a direct General Fund appropriation to fund grants to advanced industries. Due to the anticipated declines in gaming tax revenue, the General Fund impact of eliminating this allocation is likely to be lower than \$2.0 million.

ANALYSIS

Key Considerations: No immediate health, life, or safety impact and does not affect a vulnerable population.

Additional Background: The Colorado Council on Creative Industries promotes the cultural, educational and economic growth of Colorado through the development of its visual, performing, literary, and media arts. The Council administers grants and provides services that make the arts more accessible to all Coloradans; expands arts education opportunities for youth; supports tourism and other economic development strategies; preserves and promotes Colorado's cultural heritage; and stimulates and encourages the development of artists, cultural organizations, and creative businesses and communities. The Council also administers the Art in Public Places Act, which requires an allocation of one percent of capital construction funds for new or renovated state buildings for the acquisition of works of art for the project site, and administers the Colorado Creative Districts program and the Creative District Community Loan Fund.

→ COLORADO OFFICE OF FILM, TV, AND MEDIA

JBC ACTION AS OF 3/16/20: The Committee approved continuation funding, which is \$750,000 General Fund and \$519,525 from the Colorado Office of Film, Television, and Media Operational Account Cash Fund and 4.5 FTE.

RECOMMENDATION: Staff recommends changing statute to terminate gaming revenue deposits Colorado Office of Film, Television, and Media Operational Account Cash Fund. When General Fund revenue returns, staff recommends a direct General Fund appropriation to fund grants to advanced industries. Due to the anticipated declines in gaming tax revenue, the General Fund impact of eliminating this allocation is likely to be lower than \$500,000.

ANALYSIS

Key Considerations: Approving the staff recommendation related to gaming in addition to the staff recommendation included in the Governor's Office balancing recommendations packet will result in funding for FY 2020-21 of \$250,000 General Fund to maintain a bare bones program. The

recommendation has no immediate health, life, or safety impact and does not affect a vulnerable population.

Additional Background: The Colorado Office of Film, Television, and Media (COFTM) manages the film incentive program that is used to induce production to occur in Colorado instead of competing states. In addition to the incentive program, the COFTM provides a broad range of services to communities including location assistance, educational outreach, marketing Colorado, and acting as a liaison between communities, government agencies, and production companies.