



OFFICE OF THE STATE AUDITOR



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October 30, 2017

FLAWS IN THE REGIONAL TOURISM ACT MAY NOT BE SERVING COLORADO'S INTERESTS

DENVER—The Colorado Office of the State Auditor has released a performance audit of the Governor's Office of Economic Development and International Trade's (OEDIT's) implementation of the Regional Tourism Act (RTA) and has found that not only does OEDIT lack controls to ensure that financed projects meet the objectives of the Regional Tourism Act and are being adequately monitored, but that the law as written may not adequately protect the State's interests.

The Regional Tourism Act was established in 2009 to provide financing incentives to develop large-scale tourism projects around Colorado. The RTA uniquely uses state-level Tax Increment Financing to fund projects. Between 2012 and 2015, of the nine applications for funding, five projects were approved and awarded over \$445 million in state sales taxes to be paid out over the next several decades. As of July 2017, \$11.3 million has been distributed to three of these projects.

When auditors looked at how OEDIT and the Economic Development Commission assessed and approved project applications, they found a lack of consistency. For example when an independent third-party analyst concluded that seven of the proposals did not meet statutory criteria, three of these projects were approved anyway, without OEDIT and the Commission demonstrating how the analyst's concerns were addressed.

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Additionally, for all nine applications, the applicants estimated incremental state sales tax revenue that was 28 to 94 percent higher than the estimates of an independent analyst. Statute requires that every application undergo an analysis by a third party that is independent of the applicant and is contracted through the Governor's Office. Of the five projects that were approved, four were awarded higher amounts than the analyst's calculations, without OEDIT and the Commission demonstrating how they had decided to use these higher calculations for their awards.

Separately, auditors found that OEDIT and the Commission were not holding project entities accountable for fulfilling their reporting obligations. Eleven of 57 required reports were not submitted, and OEDIT could not provide sufficient evidence that 32 of 64 meetings were held.

The Regional Tourism Act only allows for five projects to receive financial incentives, all of which have been decided. However, in the event that the General Assembly decides to expand the reach of the RTA, auditors have outlined a number of policy considerations.

The audit makes 1 recommendation.

The full report is available @ www.colorado.gov/auditor.

Under the direction of the state auditor, the OSA is the state's nonpartisan, independent external auditor with broad authority to audit state agencies, departments, institutions of higher education, and the Judicial and Legislative Branches. The OSA's professional staff serve the people of Colorado by addressing relevant public issues through high-quality, objective audits and reviews that promote accountability and positive change in government. Performance audits address whether programs operate in compliance with laws and regulations and in a manner that accomplishes intended program goals. Financial audits include annual audits of the state's basic financial statements and federal grants on a statewide level. IT audits review procedures and technology to ensure the confidentiality, integrity and availability of the state's critical computer systems and taxpayer data. The OSA also tracks about 4,000 Colorado local governments for compliance with the Local Government Audit Law.