



Kelly J. Brough
Testimony on credits and exemptions
House Finance
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Good Afternoon. My name is Kelly Brough and I am the president and CEO of the Denver Metro Chamber of Commerce. I come before you today on behalf of our 3,000 members and 300,000 member employees.

Colorado is facing unprecedented economic challenges. Last Friday, the Colorado Department of Labor and Employment announced that the December unemployment rate climbed to 7.5 percent. We continue to hope that Colorado's economy is positioned to return to stability and growth this year. However, the decisions we make now are critical to achieve that goal. Certainty. Stability. Predictability. These three words are key to success for any business-but especially during rough economic waters. Today we are here to ask you to do your part to provide a bit of stability during notably unstable times.

The entire state is suffering with this economy, and our state budget is no exception. Colorado's business community contributed more than \$300 million in cash funds last year to shore up the budget, and this year we will continue to do what we can to get our state finances back on track.

The very best effort the business community in Colorado can put forward to help the state's economy is to expand and hire employees. Putting folks back to work relieves the pressures on the unemployment fund, contributes taxes to state coffers and helps to stabilize the foreclosure rate. We share the same goal as you do.

The supplemental cuts to the state budget by elimination or capping of credits and incentives creates a number of difficulties for us as we try to encourage business to expand or grow. I want to give you an example of how these credits

and incentives assist the local economies in our state. Many folks don't understand how these credits impact jobs, so I am going to give you an example.

We asked our economist, Patty Silverstein, to do an analysis of the revenue and costs associated with distribution of credits and incentives on individual companies. You have before you a copy of the analysis done on Gordon Composites, the first analysis we completed. This is just one example of the real, positive impacts incentives can have for Colorado's small businesses—for whom the bulk of whom Coloradoans work. I am going to summarize the findings for you, but there is a great deal of detail in the document.

Gordon composite is a Montrose-based company that manufactures archery bows, fly rods and sail battens among other things. They moved to Colorado in 1995 from California, and began to grow in 2005. Just a quick review of their financials is illustrative of what incentives can do for a community.

Gordon Composites will receive \$453,000 in enterprise zone and manufacturing equipment exemptions and credits over a ten year period between 2005 and 2014. During that same period of time, Gordon Composites will have approximately \$53 million in direct economic impact in Colorado. It takes 1.3 months for them to pay the state back for the incentives through their direct economic impact to the state. Even when you look strictly at just the tax revenues provided through Gordon Composites and their employees minus the costs of government services provided to the employees that Gordon Composts hires, the state is paid back in 9.1 years – before it has completed its obligation to Gordon in credits and exemptions. Either way, the credit pays for itself in a shorter time frame than the actual life of the credit.

On top of that, Montrose benefits directly from their investment. Just in real and personal property tax, Montrose will gain \$562,000 between 2005 and 2014. Just a note – Gordon Composites' enterprise zone tax credit will be effected by passage of this legislation.

These credits and exemptions allow companies the flexibility to grow and expand in Colorado. Colorado has one of the most limited credits and incentives offerings in the country – in competition for business to relocate or stay in Colorado, we

often hear how other communities are offering enormous incentives for companies to leave Colorado.

We are here to today to ask to find an alternative funding source in place of three exemptions in particular:

The enterprise zone investment tax credit, the energy exemption for industrial and manufacturing use and the net operating loss credit are really key to our economic development efforts. They create real jobs for Coloradans, and those jobs provide revenue to the state.

Please understand that eliminating these incentives is truly destructive to our ability to keep Colorado companies here and urge other companies to come and provide jobs to our citizens. None of us want a headline in the paper that reads “Cuts in job incentives lead to job loss across Colorado”

Thank you for your time.