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225 E. 16th Avenue, Suite 260
DENVER, COLORADO 80203
TELEPHONE (303) 860-1616
FAX (303) 860-0175
www.axiomstrategiesinc.com

FOLLOWING THE LEADERS

An up to date review of Colorado government and politics as they relate to the clients of Axiom Strategies Inc.

“Endure the present, and watch for better things.” Virgil

107 Days to Sine Die

Tax Exemptions on Fast-Track to Elimination

In November, Governor Ritter proposed eliminating or suspending 13 tax exemptions and credits for the 2010-11 budget year. However, in an attempt to generate funds to balance the current year’s budget, he has proposed fast-tracking seven of the eliminations. Slated to be enacted in March of this year are the exemptions for direct mail advertising, energy use in industrial manufacturing, non-essential food containers, candy and soft drinks, agricultural compounds, pesticides, and the software sales tax exemption. If the bills repealing the exemptions all pass, the fiscal impact for FY 2009-10 is anticipated to be \$18 million. Legislation for 12 of the proposed 13 repeals was introduced Friday afternoon, the exemption for pesticides being the only one missing from introduction of bills, and all were assigned to Appropriations as the committee of reference.

Business groups are rallying against the legislation, noting that both large and small businesses will be harmed and economic recovery in Colorado will be hindered. Those interested in weighing in on any of the measures need to act fast – all are scheduled for their first vote on Wednesday, January 27. For more information on any of the bills or assistance in communicating with legislators on the issue, please contact Axiom Strategies.

Tax Resolutions Introduced

While debate rages over the proposed tax exemption eliminations, two resolutions addressing Colorado’s prescriptive budgetary issues were introduced in the Senate this week. Senate Joint Resolution 002 - Request For Comprehensive Tax Study by Sen.

Rollie Heath (D-Boulder) and Rep. Lois Court (D-Denver) passed both chambers on Friday. The resolution requests that a comprehensive tax study be performed by the University of Denver and that such study be funded by the private sector. The study would consider whether changes in tax policy or tax laws would aid in ensuring the equitable distribution of state and local tax burdens among Colorado taxpayers. A similar study was last done in 1958.

Senate Concurrent Resolution 001- Fiscal Policy Constitutional Commission by Sen. Heath and Rep. Mark Ferrandino (D-Denver) has been introduced as well. The resolution creates a way to amend the constitution through the creation of a temporary fiscal policy constitutional commission. The commission is created for the purpose of reviewing the fiscal policy set forth in the state constitution and, if appropriate, submitting one or more measures to amend the state constitution to the voters at the 2012 general election. Currently, the state constitution may only be amended by a measure referred to the voters by the general assembly or a constitutional convention, or referred through the initiative process.

Urban Renewal on Ag Lands

Rep. Randy Fischer (D-Fort Collins) and Sen. Morgan Carroll (D-Aurora) have introduced HB 1107 – Urban Renewal Area Ag Lands, legislation to prohibit the inclusion of agricultural land in an urban renewal area apart from specific exceptions. Those five exceptions are if the land is a brownfield site, at least half of the area contains urban level development that is slummed or blighted and at least two-thirds of the perimeter is contiguous with urban level development, it is an enclave within the municipality and has been contiguous with urban level development for at least three years, each taxing entity agrees to the inclusion of the ag land, or the ag land was included in the urban renewal area prior to the effective date of the bill.

The bill defines ag land as any one parcel or any two or more contiguous parcels of land that are classified as ag by the county assessor for property tax purposes, regardless of how it is zoned, and defines urban level development as an area in which there is a predominance of permanent structures or above ground or at-grade infrastructure. Additionally, HB 1107 requires that if ag land is included in the urban renewal area, it must be valued at market value to determine the TIF base. The bill has raised initial concerns in the development community, but entities are still evaluating the bill to determine its potential impact.

Rent Control Returns

As in many past years, a rent control bill has been introduced at the state legislature. HB 1107 – Voluntary Agreement Affecting Rent Private Residential Property by Rep. Daniel Kagan (D-Denver) and Sen. Betty Boyd (D-Lakewood) came out of this summer's Economic Opportunity Poverty Reduction Task Force. Current law provides that a governmental entity can control any property "in which it has an interest" through a housing authority or similar agency. This bill would define "interest" so that the local government can impose a rent control restriction through a deed restriction or covenant, or similar instrument. The bill would allow a local government when approving a project to force the owner/developer to sign a deed restriction with a rent control provision and give the government the power to enforce that restriction.

While bill sponsors have focused on mountain area concerns – affordable housing in resort communities for employees – the bill has a statewide affect. Opponents are not only concerned about the adverse affect such legislation will have on private property rights for new projects, the bill also allows changes to existing contracts to retro-active applications.

Campaign Finance Law Overturned

The U.S. Supreme Court issued a ruling this week that the federal government may not ban corporations or unions from making independent expenditures or electioneering communication. Additionally, it appears that the ruling also overturns state and local prohibitions on corporate contributions used for these purposes. Colorado's constitution states that it is unlawful for a corporation or labor organization to make contributions to a candidate committee or a political party, and to make expenditures expressly advocating the election or defeat of a candidate. The ruling leaves the prohibition on direct contributions to candidates from corporations and unions in place, but potentially eliminates the prohibition on union or corporation-paid ads. The Colorado Republican Party is preparing to sue to overturn voter-approved state limits on some campaign contributions, and Secretary of State Bernie Buescher will work with state Attorney General John Suthers to see whether the Colorado finance laws need to be changed by the legislature to conform to the court decision.

In the Races

Former Speaker of the House Andrew Romanoff has recommitted to his primary race against U.S. Senator Michael Bennet. The Democrat candidate called a press conference and provided little detail about the news that would be delivered, leading many to speculate that he was dropping out of the race, possibly to consider entering Denver's mayoral race. Bennet and Republican candidate Jane Norton have both posted their fourth quarter fundraising results, while Romanoff has yet to do so, and the success of his fundraising efforts will be a significant factor in the race.

Rep. Court and Sen. Morgan Carroll have introduced HB 1156 – Public Financing of General Assembly Campaigns. The bill would create the partial public financing of campaigns for members of the general assembly, to be financed primarily by voluntary contributions from Colorado residents. Candidates would have to be certified by the Secretary of State in order to receive money from the fund, and in order to be certified candidates for the state House or Senate would need to obtain contributions of at least \$5 from at least one-tenth of one percent of the residents in the candidate's district. Certified candidates for the Senate would be entitled to receive \$2 from the fund for every dollar raised in qualifying contributions, and House candidates would receive \$1, both with a maximum payment of \$10,000 from the fund.

Rep. Amy Stephens (R-Colorado Springs) has introduced HB 1100 – Withdrawal of an Initiative Petition, a bill that would prohibit a ballot initiative proponent from withdrawing an initiative from consideration after it has been filed with the Secretary of State for signature verification. Current law allows a petition to be withdrawn no later than 60 days prior to the election.

Medical Marijuana Arrives at the Legislature

The first of several expected bills addressing medical marijuana was introduced in the House this week. SB 109 - Medical Marijuana Dr Patient Relations arrived with bipartisan co-prime sponsors, with Senators Chris Romer (D-Denver) and Nancy Spence (R-Aurora) carrying the measure in the Senate and Representatives Tom Massey (R-Poncha Springs) and Beth McCann (D-Denver) sponsoring in the House. The bill would allow the Department of Public Health and Environment to promulgate new rules related to standards for issuing registry identification cards, documentation for physicians who prescribe medical marijuana, and sanctions for physicians who violate the bill. The measure would ban doctors who prescribe medical marijuana from receiving any compensation from a caregiver, distributor, or any other provider.

Additionally, the bill creates a review board to consider requests by nonveteran patients under 21 years of age who want to be registered medical marijuana patients. For a patient who is under 21 to become a registered medical marijuana patient, a majority of the board must determine that the patient has a debilitating medical condition and could benefit from the use of medical marijuana. The goal of the bill is to move Colorado's medical marijuana dispensaries from a retail model to a legitimate clinical model.

Meanwhile, the Department of Public Health and Environment requested \$186,702 in additional funding in order to hire temporary employees to process the massive influx of medical marijuana card applications that have flooded their office. The request is not an additional cost to the state, as it is covered by the \$90 medical marijuana patients pay annually for a card, and would allow the Department the assistance needed to process an estimated 5,000 new applications per month.

Race to the Top Application Submitted

Colorado submitted a \$377 million request to the U.S. Department of Education in its Race to the Top application for education reform in order to advance teacher and principal effectiveness, boost performance at struggling schools, develop modern data-collection systems, and improve assessment tools. While Colorado's recent reform efforts and collaborative process for creating the application well-positioned Colorado to win funding, the Colorado Department of Education is working to manage expectations for a first-round win, as only two or three states out of 40 who submitted applications will be selected. However, second round applications are due in June, and more winners are expected to be selected in September.

FASTER Briefing in Transportation

The House and Senate Transportation and Energy Committees got off to a feisty start this week. During a presentation by Colorado Department of Transportation on FASTER, the vehicle registration fee increase passed last session, Executive Director Russell George stated that the first bridge to be funded with FASTER dollars is not slated to begin construction until February. The bill, anticipated to bring in an additional \$250 million annually from vehicle registrations, was promoted as helping to create "Jobs by June" by Democrats, and the current state of projects is likely to be an often-repeated talking point in upcoming campaigns.

Introduced Bills

House	200
Senate	114
Total	314