



COMMON SENSE

Policy Roundtable

2012 ANNUAL REPORT

Common Sense Policy Roundtable
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Highlands Ranch, CO 80129

www.CommonSensePolicyRoundtable.com

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MISSION STATEMENT

Common Sense Policy Roundtable is a non-profit, free-enterprise think tank dedicated to the protection and promotion of Colorado's economy.

CSPR actively follows tax and budget related legislation and initiatives.

LETTER FROM THE BOARD

Dear CSPR Supporters,
2012 was a year of continual success and challenges for Common Sense Policy Roundtable.

Considerable progress has been made in introducing a dynamic econometric model for Colorado. We have met with legislators, executive branch personnel, academics, and university leaders. All have opinions, which are favorable for the need of a dynamic model and recognize the values of assessing economic and job growth when major policy decisions for the state are being considered.

We entered the final phase of setting up a "public-private" organizational structure allowing legislative, commercial, and academic use of the dynamic model balancing economic and job creation research. The challenge will be prioritizing our research. The end reward will be the enhancement of public discourse and decision-making on key public policy decisions.

Additionally, in 2012, we accepted another challenge. CSPR was asked to research what other states may be doing to control the growth of Medicaid budgets. Governor Hickenlooper has accepted the federal government's offer to finance expansion of state's Medicaid recipients and programs. Eventually, the state will need to replace the federal government's subsidy starting in the fourth and fifth year. Then Colorado will face a 'fiscal crisis'. This year we produced a report on the alternatives other states have chosen to control state Medicaid expenses. It discussed how other states have had success in meeting the unique Medicaid demands without spending more.

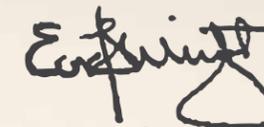
Beyond the special Medicaid study, we continued focusing on jobs creation. Through the use of dynamic modeling, CSPR explained that certain jobs create more of an economic multiplier effect for Colorado. For example, CSPR helped legislators and various community organizers understand how one energy job could create approximately 5 additional jobs within Colorado, whereas the "typical" Colorado job may create 2 to 3 additional jobs. This information helped contribute to the encouragement of statewide energy policy for fracing with state regulators and executive branch clearly understanding the greater opportunity for job growth within the energy industry.

Lastly, closing out the year, we assisted with several broader community efforts. We supported the Yes on S personnel reform initiative. In effect, the executive branch would have broader authority in personnel changes. In addition, we co-hosted the first annual Business Legislative Candidate Forum, featuring Senate District 26 and House District 3. We hosted this in partnership with the Denver Business Journal, Denver South Economic Development Partnership, and South Metro Denver Chamber.

As you can see, 2012 has been a year of significant progress working across party lines and coming up with common sense solutions to business policy issues. We fully expect that in 2013 CSPR will institutionalize the dynamic model as a public-private good. Our first priority will be to clearly explain the "fiscal cliff" Colorado has coming in the next 5-6 years related to Medicaid. First, it is a matter of informing, second, it's a matter of assessing, and third, it's a matter of identifying resolution. Hopefully, the public debate will start this year.

Thank you for all your contributions and support to the Common Sense Policy Roundtable.

Respectfully submitted,



Earl L. Wright,
Board Chair

DID YOU KNOW?

This year CSPR worked closely with REMI (Regional Economics Modeling, Inc.) to run a variety of dynamic model simulations to figure out the true impact of creating a single job.¹

How would creating 5,000 direct jobs with an average annual compensation rate of \$38,286 impact employment in Colorado and the rest of the United States?

This simulation would create 11,115 jobs in Colorado and 5,844 in the rest of the United States.

- ▶ 5,000 Direct Jobs
- ▶ 2,221 Intermediate Demand Jobs
- ▶ 2,326 Local Consumption Jobs
- ▶ 91 Government Demand Jobs
- ▶ 603 Investment Activity Jobs

Job creation in the United States would benefit because of Colorado's 5,000 jobs too.

- ▶ 1,563 Intermediate Demand Jobs
- ▶ 828 Local Consumption Jobs
- ▶ 56 Government Demand Jobs
- ▶ 248 Investment Activity Jobs

How would creating 5,000 direct jobs in the energy sector with an average annual compensation rate of \$106,313 impact employment in Colorado and the rest of the United States?

This simulation would create 23,026 jobs in Colorado and 5,844 in the rest of the United States.

- ▶ 5,000 Direct Jobs
- ▶ 6,201 Intermediate Demand Jobs
- ▶ 6,713 Local Consumption Jobs
- ▶ 291 Government Demand Jobs
- ▶ 4,826 Investment Activity Jobs

Job creation in the United States would benefit because of Colorado's 5,000 jobs too.

- ▶ 6,414 Intermediate Demand Jobs
- ▶ 3,992 Local Consumption Jobs
- ▶ 235 Government Demand Jobs
- ▶ 1,418 Investment Activity Jobs

1. REMI "Connective Jobs to the Economy using REMI." Internal Study, 2012.

RESEARCH

TRUST TAX

Economic Impacts of Eliminating Colorado's Fiduciary Tax on Trusts

By Eric Fruits, Ph.D.

Published March 2012

While nearby states have no taxes on trusts, Colorado's trust tax laws are unfavorable for setting up and managing trusts. Indeed, estate planners have been advised to avoid Colorado-based trustees. Colorado's unfavorable tax climate for trusts is demonstrated by the following observations:

- ▶ The state's fiduciary tax has contributed to a decline in Colorado's trust business. The number of trust accounts in Colorado has declined over the past decade with the state losing an average of approximately 500 accounts a year.
- ▶ Colorado is losing trust business to more competitive states. While Colorado's business has seen a decline, the number of accounts in the rest of the US has been stable. As a result, Colorado's share of the US trust industry has seen a decline from nearly 0.35 percent of the market to less than 0.20 percent.
- ▶ Eliminating the fiduciary tax would not noticeably affect the state budget. In 2010, the most recent year for which information is available, fiduciary tax collections accounted for only 10 cents of every \$100 in total tax collections by the state.

The study by Common Sense Policy Roundtable employs a widely used model to calculate the net economic and fiscal impacts in Colorado if the state eliminates the tax on trusts, with the following effects within a decade.

- ▶ 9,370 to 21,965 more full- and part-time jobs.
- ▶ \$1.65 billion to \$3.87 billion in additional economic activity.
- ▶ \$435 million to \$1.03 billion in additional payroll and self-employment income.
- ▶ Eliminating the tax would "pay for itself" with increased tax collections relatively quickly.

If the state can attract sufficient trust assets by eliminating its fiduciary tax on trusts, the Colorado economy would experience improved employment and incomes over the next decade at virtually no cost to the state's tax revenues.

Study shows
eliminating
Colorado's tax on
trusts can boost
the state's economy
and grow the
tax base.

RESEARCH

ENERGY IN COLORADO

- ▶ The Colorado oil and gas industry employs over 50,000 people directly (roughly 6% of the state's total employment).
- ▶ In addition to the 50,000 direct jobs, Colorado's oil and gas industry supports over 190,000 indirect jobs throughout the state.
- ▶ The oil and gas industry provides \$12.4 billion in total labor income and \$24 billion in value added economic output annually for the state.
- ▶ Colorado ranks 7th among states in natural gas production and 12th in the nation for crude oil production.¹

As a leading job creator and significant source of revenue, Colorado's energy economy should be protected and fostered to maximize the state's full potential.

- ▶ State lawmakers should eliminate the uncertainty created by local governments who are enacting their own set of regulations. These new regulations are preempted by state rules and go beyond the current regulations that are widely considered the most restrictive in the nation.
- ▶ Resist efforts by national anti-fossil fuel interest groups to ban the practice of hydraulic fracturing. Colorado has strong disclosure laws - an outright ban on fracking would cost thousands of jobs.
- ▶ Request greater public lands access from the federal government - appoint a federal lands advocate to ensure Colorado is receiving maximum value from energy development on public lands.

1. Colorado Oil and Gas Association website www.coga.org.

RESEARCH

DYNAMIC MODEL

Did you know?

- ▶ A dynamic model is a tool that is able to measure the economic impact of policy changes beyond simple revenue changes to government budgets. A dynamic model allows for a deeper analysis of economic impacts to businesses as well as government by measuring the multiplier effect that results from changes in public policy.
- ▶ All legislation that has a potential fiscal impact to the state is assigned a fiscal note from the Office of Legislative Council. Currently, these fiscal notes are generated using a static model that fails to accurately reflect the full impact of the proposed bill.
- ▶ Twice in the past six years lawmakers have passed legislation directing the Office of Legislative Council to begin the process of creating a dynamic model in order to gain a more complete assessment of the fiscal impact a piece of legislation would have.

CSPR is close to finalizing an agreement to partner with an academic institution and the Denver South EDP and Metro Denver EDC to craft a model that would be made available to policymakers to measure the impact of major policy changes.

THE DENVER POST

**Should Colorado opt out of the Medicaid expansion as outlined in the Affordable Health Care Act?
We should reform the existing program instead.**

July 15, 2012

By Earl Wright

The decision by the Supreme Court to strike down the federal mandate in President Obama's health care law coercing states to grow their Medicaid rolls was an important win for states still struggling under the weight of an unstable economy. We believe Gov. John Hickenlooper should pass on the now-optional expansion, resist the enticement of new federal dollars, and instead pursue a Colorado solution that seeks to address the immediate challenge of reducing existing Medicaid costs without adding future liabilities.

TCO The Colorado Observer

Colorado News, Analysis and Commentary from a Fresh Perspective

Guest commentary: A Win for States

July 2, 2012

By Lou Hutchison

The recent decision by the Supreme Court of the United States to uphold the individual mandate has received an overwhelming share of attention from the press and pundits as it has been by far the most debated feature of President Obama's health care law. The clash over the individual mandate and its lasting impact on America going forward will undoubtedly continue throughout November's election and beyond.

The other major ruling within the decision, that received support from seven of the nine Justices, is an important win for cash strapped states. The federal government currently matches state dollars at varying levels to fund Medicaid so long as the states meet federal guidelines. As crafted, the health care law would have required states to expand eligibility levels for Medicaid, a joint state-federal program that offers care for lower income and disabled people, beyond current requirements. The ruling makes the decision to expand state Medicaid eligibility, and thus expenditures, optional.



The Colorado Observer

Colorado News, Analysis and Commentary from a Fresh Perspective

Guest Commentary: Don't Stifle Economic Growth with Local Red Tape

June 21, 2012

By Jack Hays and T. Scott Martin

The continuing sluggish job numbers are a sober reminder that a full economic recovery is still well beyond the horizon. As weary job creators search for solutions and opportunities to kick start their businesses, we have repeatedly heard their pleas to state and federal lawmakers to ease onerous regulations, reduce tax burdens and for them to stop mandating higher costs of doing business. Increasingly, this same message also needs to be directed to our local officials including county and municipal leaders.

2012 FINANCIALS

REVENUES

Board Dues.....	\$150,000
Cash on Hand.....	\$42,100
Contributions.....	\$8,600

Total Revenue 2012..... \$200,700

EXPENSES

Internal Research.....	\$69,000
Overhead.....	\$69,000
External Research.....	\$8,000
Education.....	\$7,308
Print Materials.....	\$5,730
Legal.....	\$3,824
Supplies.....	\$2,058
Accounting.....	\$1,958
Website.....	\$99

Total Expense..... \$166,977

Net Income..... \$33,737

ACHIEVEMENTS

CSPR 2012 SYMPOSIUM

Over 100 business, industry, and elected leaders attended the third annual symposium, where progress regarding the creation of a dynamic model was highlighted. We had Adam Fulton with REMI attend the Symposium and answer questions regarding dynamic modeling. The Trust Taxation Study was also released and discussed in detail.

In addition, research publications on modeling, energy and fracing, Medicaid and the Trust Tax and how they impact job creation were released.

CSPR 2012 LEGISLATIVE SURVEY

CSPR developed and released our first-ever legislative candidate business survey. Over **fourteen candidates** completed the survey and results were posted on our website, facebook and sent to our members as an educational resource for voters. Questions ranging from Medicaid to fracing and overall ideas on business growth and job creation were asked. Results were also published at our Annual Symposium.

CSPR 2012 CANDIDATE FORUM

CSPR was pleased to host the first-ever business candidate forum in partnership with the **Denver Business Journal**, **Denver South Economic Development Partnership**, and **South Metro Denver Chamber** in September. The Colorado Jobs & Economy Forum featured Senate District 26 Candidates: Senator Linda Newell (D) and Dave Kerber (R) and House District 3 Candidates Representative Daniel Kagan (D) and Brian Watson (R). The Forum was extremely well received and we look forward to hosting more forums across the state in 2014.

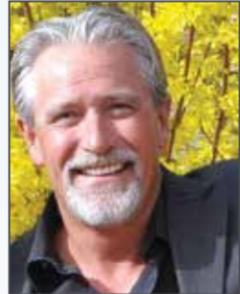


DENVER BUSINESS JOURNAL

Kagan, Watson battle for Colorado's District 3 state House seat October 5, 2012

State Rep. Daniel Kagan, D-Cherry Hills Village, and his Republican challenger, Brian Watson, came about their businesses in different ways. That's also true about how they approach the state government's relationship with the business community.

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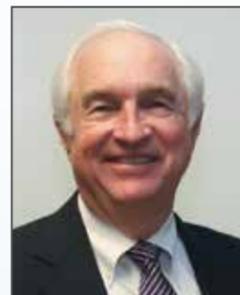
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Terry Stevinson
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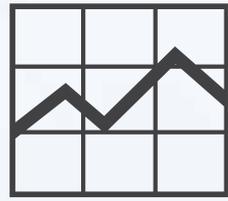
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