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Colorado legislators completed the 2010 session on May 11th and returned to their districts having left a significant mark on state policy. Whether these major legislative shifts are positive state reforms is a matter of debate.

When the Colorado legislature convened in January, it appeared that the 2010 session would be bogged down by a hotly contested upcoming election cycle, an outgoing "lame duck" Governor, and a state budget deficit that required primary attention. While the budget remained a focus throughout the session and partisan politics reached a boiling point on several bills, major pieces of legislation were passed. These bills will impact most Colorado businesses.

The following is a summary of the most significant bills that were passed during the 2010 Colorado legislative session:

**Elimination of Tax Exemptions** - The legislature passed a package of bills that eliminated business tax credits and exemptions. The collection of bills eliminated tax-exemptions on sales of candy, soft drinks, downloaded software, online retail sales, agricultural compounds, energy used in the industrial process, direct mail materials and "nonessential" food items like plastic forks and paper napkins. The most broad and controversial tax-related bill restricts the amount of operating losses a company could carry forward from year-to-year on its state taxes. These bills were the subject of intense partisan debate with Republicans classifying the bills as "tax hikes" during a recession, while Democrats maintained that the bills eliminated "special-interest tax loopholes" that were necessary to close the budget deficit.

**Converting Coal to Natural Gas** - House Bill 1365 effectively requires Xcel Energy to convert three front range coal-burning power plants to natural gas-burning power plants. Supporters of the bill, including natural gas companies, Xcel Energy, and environmental groups maintained that this conversion would create jobs and improve metro area air quality. The primary opposition was the coal industry and affordable energy groups which argued that this was a government mandate that would kill jobs, increase energy costs and provide a preference to one market participant over another.

**Renewable Energy Standard Increase** - House Bill 1001, passed by Democrats on a party line vote, increased the amount of electricity required to come from renewable sources from 20 percent to 30 percent by 2020. Supporters promoted the bill as an extension of the successful renewable energy standard already in place in Colorado. Opposition

claimed that the increase is too aggressive, especially in light of other states struggling to meet similar higher standards.

**Teacher Tenure** - Senate Bill 191 ties student performance to teachers pay and teacher tenure status. Teachers could lose tenure if their students don't show measurable academic progress for two consecutive years. The teachers' union aggressively opposed this bill but the bill passed with broad bi-partisan support.

Several major issues were not addressed and will likely be a priority when the legislature reconvenes in January 2011. Most significantly, the current budget was balanced using a stable of federal funds that will not be available next year and alternative means to meet the projected budget shortfall will likely be necessary; meanwhile the current patchwork of higher education funding is not sustainable and will likely be a top priority in 2011.

Of course, predictions about priorities in the 2011 legislative session are premature because the Colorado House, Senate and Governor's seat, which are all held by Democrats, are up for grabs in the upcoming November elections. Democrats currently hold an 11-seat edge in House and a 7-seat advantage in the Senate. Political observers anticipate that either chamber could switch into Republican control. With Governor Ritter stepping down after one term, Denver Mayor John Hickenlooper and former Congressman Scott McInnis appear to be headed for a showdown for the open seat. Most polls show the two popular candidates running within a few percentage points of one another and it will likely be a close margin of victory for Colorado's next Governor.

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