

Budget Brief – Business Development

NUMBER 11-08

SUMMARY

The mission of Business Development is to create jobs that will raise the standard of living of Utah’s citizens by enabling companies to be successful. To accomplish this mission Business Development is focused on driving Business Creation, Business Growth, and Business Recruitment.

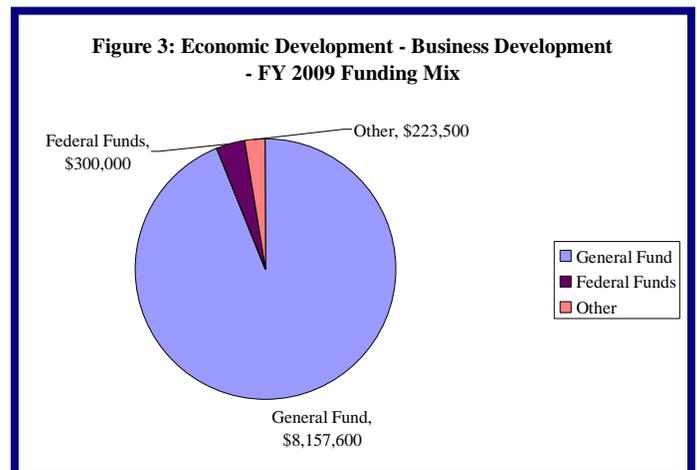
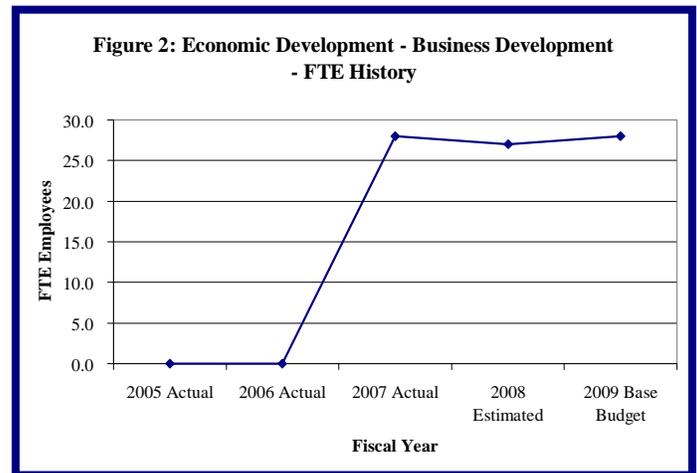
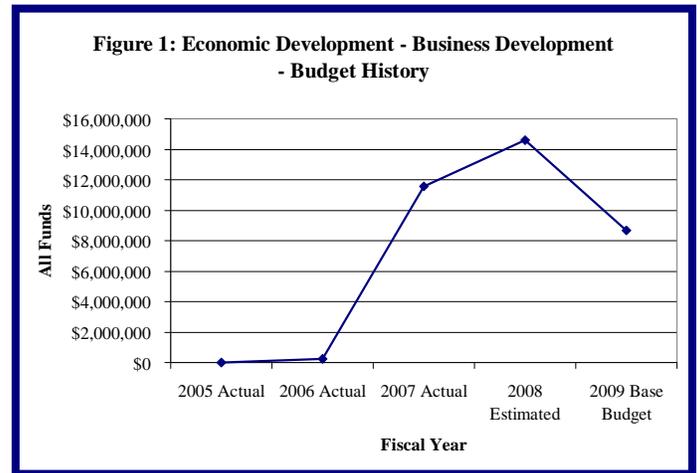
ISSUES AND RECOMMENDATIONS

Tax Increment Financing

The Economic Development Tax Increment Financing program allows local governments to create “economic development zones” to encourage job creation and capital investment. New or existing employers that create new jobs or provide significant capital investment within these zones may apply for a partial rebate of taxes paid to the state. The repayment is committed by the GOED Board and diverted by the Division of Finance. The repayment amount committed by the Board for FY 2008 is \$4,400,000 and the amount committed for FY 2009 is \$15,480,000. Any funding diversions should be treated by the Legislature as building block requests and prioritized as such.

Industrial Assistance Fund (IAF)

The Industrial Assistance Fund is a job-creation incentive fund available to companies which relocate or expand operations in Utah. The IAF provides grants for the creation of jobs paying higher than prevailing wages within the community. Grant disbursements are made on a post-performance basis after jobs have been created and retained. The fund is replenished based on the grants released in any given year. The replenishment amount for the Industrial Assistance Fund for FY 2007 is \$1,513,000. The Legislature should consider appropriating this amount in FY 2008. Funds have been set aside from FY 2007 surplus revenues.



ACCOUNTABILITY MEASURES

The Office of Business Development has a vision and mission statement in place and has even gone so far as to identify certain goals and objectives. However, for most programs there is not adequate performance measure data.

One area where outcomes have been established is the Manufacturers Extension Partnership. Under federal criteria the success of the program must be shown in order to continue to receive federal funding.

Another area of the budget which has focused on a results oriented approach is the Procurement Technical Assistance Program. It has set three goals for FY 2008: 1) create 2,250 jobs for small businesses, 2) add active clients to the database to reach 1,200 companies, 3) generate a minimum of \$180,000,000 new contract opportunities for Utah companies. The history of performance related to these measures is shown below.

Utah Procurement Technical Center Program			
Year	Businesses Registered	Value Of Contracts	Job Impact Of Contracts
1999	925	123 Million	3,000
2000	950	174 Million	4,350
2001	1,000	170 Million	4,250
2002	1,050	213 Million	5,325
2003	490	127 Million	3,740
2004	352	91 Million	4,445
2005	1,200	348 Million	9,550
2006	1,050	101 Million	2,719
2007	1,200	136 Million	2,719

Source: Governor's Office of Economic Development

The recruitment program has attempted to identify the number of jobs brought into the state through the incentives program and the new state revenue and capital investment resulting from these jobs. The detail is provided in the table below.

Incentive Programs Economic Performance			
Year	Jobs	New Revenue	Capital Investment
2005	635	25,872,000	32,500,000
2006	5,239	238,398,200	1,767,600,000
2007	4,224	224,784,000	916,264,000
2008 Est.	4,500	250,000,000	1,000,000,000
2009 Target	4,500	250,000,000	1,000,000,000

The Centers of Excellence Program has also implemented worthwhile performance measures. In the previous fiscal year 126 spinouts were created from Centers of Excellence spinout companies. Of these spinouts 55 are currently viable in Utah. Additionally, 2,035 jobs have been created by these companies with an average salary of \$65,000.

BUDGET DETAIL

Funding for the Administration is appropriated from the General Fund. Most of the funding is used for staff support.

Budget Recommendation for FY 2009

The Analyst recommends a base appropriation of \$8,681,100 for the Governor's Office of Economic Development Administration.

BUDGET DETAIL TABLES

Economic Development - Business Development						
Sources of Finance	FY 2007 Actual	FY 2008 Appropriated	Changes	FY 2008 Revised	Changes	FY 2009* Base Budget
General Fund	8,767,900	8,157,600	0	8,157,600	0	8,157,600
General Fund, One-time	35,000	2,115,000	0	2,115,000	(2,115,000)	0
Federal Funds	300,000	300,000	0	300,000	0	300,000
GFR - Industrial Assistance	1,736,500	223,500	0	223,500	0	223,500
GFR - Rural Broadband Service Fund	0	1,000,000	0	1,000,000	(1,000,000)	0
Beginning Nonlapsing	3,548,700	0	2,824,100	2,824,100	(2,824,100)	0
Closing Nonlapsing	(2,824,100)	0	0	0	0	0
Total	\$11,564,000	\$11,796,100	\$2,824,100	\$14,620,200	(\$5,939,100)	\$8,681,100
Programs						
Administration	926,500	0	0	0	0	0
Business Creation	3,552,500	3,924,100	1,314,900	5,239,000	(1,159,900)	4,079,100
Business Growth	4,299,000	6,664,500	1,468,700	8,133,200	(4,543,700)	3,589,500
Business Recruitment	2,786,000	1,207,500	40,500	1,248,000	(235,500)	1,012,500
Total	\$11,564,000	\$11,796,100	\$2,824,100	\$14,620,200	(\$5,939,100)	\$8,681,100
Categories of Expenditure						
Personal Services	3,147,000	2,790,600	114,800	2,905,400	61,000	2,966,400
In-State Travel	55,900	50,300	9,700	60,000	(700)	59,300
Out of State Travel	138,300	79,200	24,900	104,100	(4,800)	99,300
Current Expense	1,628,700	1,376,800	1,946,700	3,323,500	(766,500)	2,557,000
DP Current Expense	101,900	70,300	9,400	79,700	(41,500)	38,200
DP Capital Outlay	10,900	0	0	0	0	0
Other Charges/Pass Thru	6,481,300	7,428,900	718,600	8,147,500	(5,186,600)	2,960,900
Total	\$11,564,000	\$11,796,100	\$2,824,100	\$14,620,200	(\$5,939,100)	\$8,681,100
Other Data						
Budgeted FTE	28.0	38.0	(11.0)	27.0	1.0	28.0
Vehicles	2.0	0.0	2.0	2.0	0.0	2.0

*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.