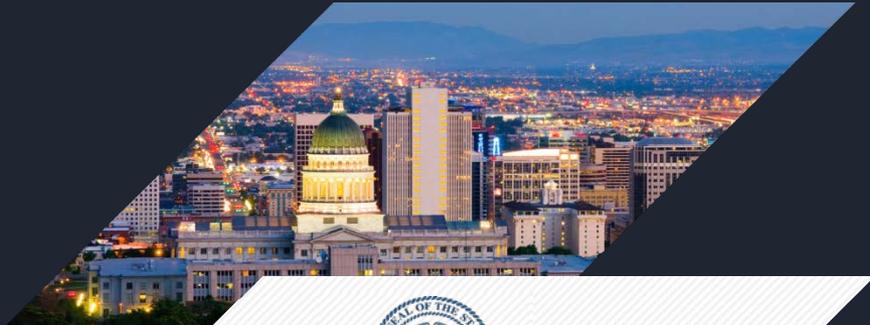


# Economic Development Workforce Committee

**Val Hale**

Executive Director

Utah Governor's Office of Economic Development



LIFE  
**UTAH**  
ELEVATED



Utah Governor's Office of  
Economic Development

BUSINESS • TOURISM • FILM

November 19, 2014

# Recent Accolades

**Pollina**  
Corporate Real Estate, Inc.

**#1** Top Pro-Business State

**Pollina**  
Corporate Real Estate, Inc.

**“Top 10”** – Best Economic  
Development Offices

**Forbes**

**#1** Top State for Business  
and Careers

# What Utah Voters Want From Their Legislature

Source: [utahdatapoints.com](http://utahdatapoints.com), BYU Center for the Study of Elections and Democracy  
October 2014

Policy proposal	Support
Reducing corruption among elected officials	88%
Improving the air quality of Utah	81%
Increasing spending on K-12 public education	74%
Developing tax incentives to encourage businesses to relocate to Utah	69%

**#4 “Developing tax incentives to encourage businesses to relocate to Utah”**

**69%**

# HB 380 Directive

*(b) An audit under Subsection (4)(a)(i) shall include an evaluation of:*

*(i) the cost of the tax credits;*

*(ii) the purposes and effectiveness of the tax credits; and*

*(iii) the extent to which the state benefits from the tax credits.*

# EDTIF's Purpose

Attract **new commercial projects** to address the loss of the following to competing states:

- High paying jobs
  - Incremental new state and local revenue
  - Economic growth
- See UCA 63M-1-2401



EDTIF = Economic Development Tax Increment Finance incentive

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# EDTIF's Success Since 2006:

- **130** incented companies
- **12,763** new jobs
- **\$120+ mm** in new taxes

The logo for Procter & Gamble, featuring the letters 'P&G' in a bold, blue, sans-serif font.The logo for Goldman Sachs, consisting of the words 'Goldman Sachs' in a white, serif font inside a blue square.The logo for Flash Technologies, featuring the lowercase letters 'im' in a white, italicized serif font inside a blue circle.

FLASH  
TECHNOLOGIES  
an intel, micron venture

The logo for Edwards, featuring a large, stylized letter 'E' in a white serif font inside a grey square with a grid pattern.

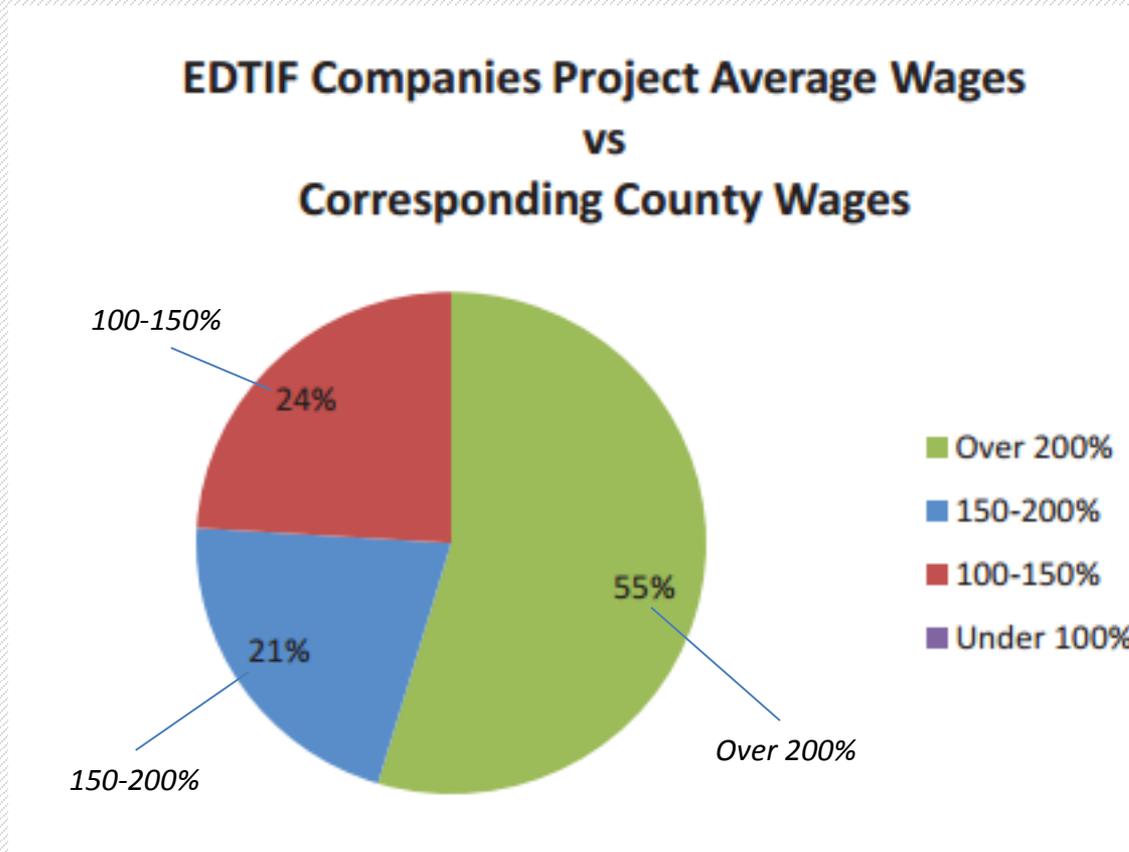
Edwards

The logo for eBay, featuring the word 'eBay' in a multi-colored, lowercase, sans-serif font.

EDTIF has helped the State attract dozens of competitive new commercial projects

# EDTIF Project Average Wages

- Of 183 tax credits issued through 2013:



Since 2006:

- **130** incented companies
- **12,763** new jobs
- **\$120+ mm** in new taxes

The logo for Procter & Gamble, featuring the letters "P&G" in a blue, italicized serif font.The logo for Goldman Sachs, consisting of the words "Goldman Sachs" in white serif font on a blue square background.The logo for Flash Technologies, featuring a stylized "im" in a circle above the text "FLASH TECHNOLOGIES" and "an intel, micron venture" in smaller text below.The logo for Edwards, featuring a large stylized "E" inside a square with a grid pattern.

Edwards

The logo for eBay, featuring the word "eBay" in its characteristic multi-colored font.

EDTIF has helped the State attract dozens of competitive new commercial projects

# Audit Recommendations

Recommendation  
Category

Addressed by  
Formal Rules,  
Policies & Procedures

Process



Yes

Differences of  
interpretation



Yes

Legislative



Several

# EDTIF Process Overview

## Application Process

- Forecast creation of **50 or more** new jobs (urban)
- Pay at least **125%** of urban county ave. wage or **100%** of rural county ave. wage (including health benefits)
- Company **stability** and **profitability**
- Commitment for **local incentive**
- **Competition** with other locations
- GOED agreement specifies **performance milestones**

# EDTIF Process Overview



# GOED Board



**Mel Lavitt**  
Needham & Co.



**Jerry Oldroyd**  
Ballard Spahr



**Jake Boyer**  
Boyer Company



**Lorena Riffo-Jensen**  
VOX Creative



**Clifford D. White**  
Capital Consultants



**Josh Romney**  
The Romney Group



**Bob Frankenberg**  
NetVentures



**Margaret Lasecke-Jacobs**  
Sundance Institute UAB



**Christopher M. Conabee**  
Developer



**Brent Brown**  
Brent Brown Auto



**Sam Granato**  
Granato Importing

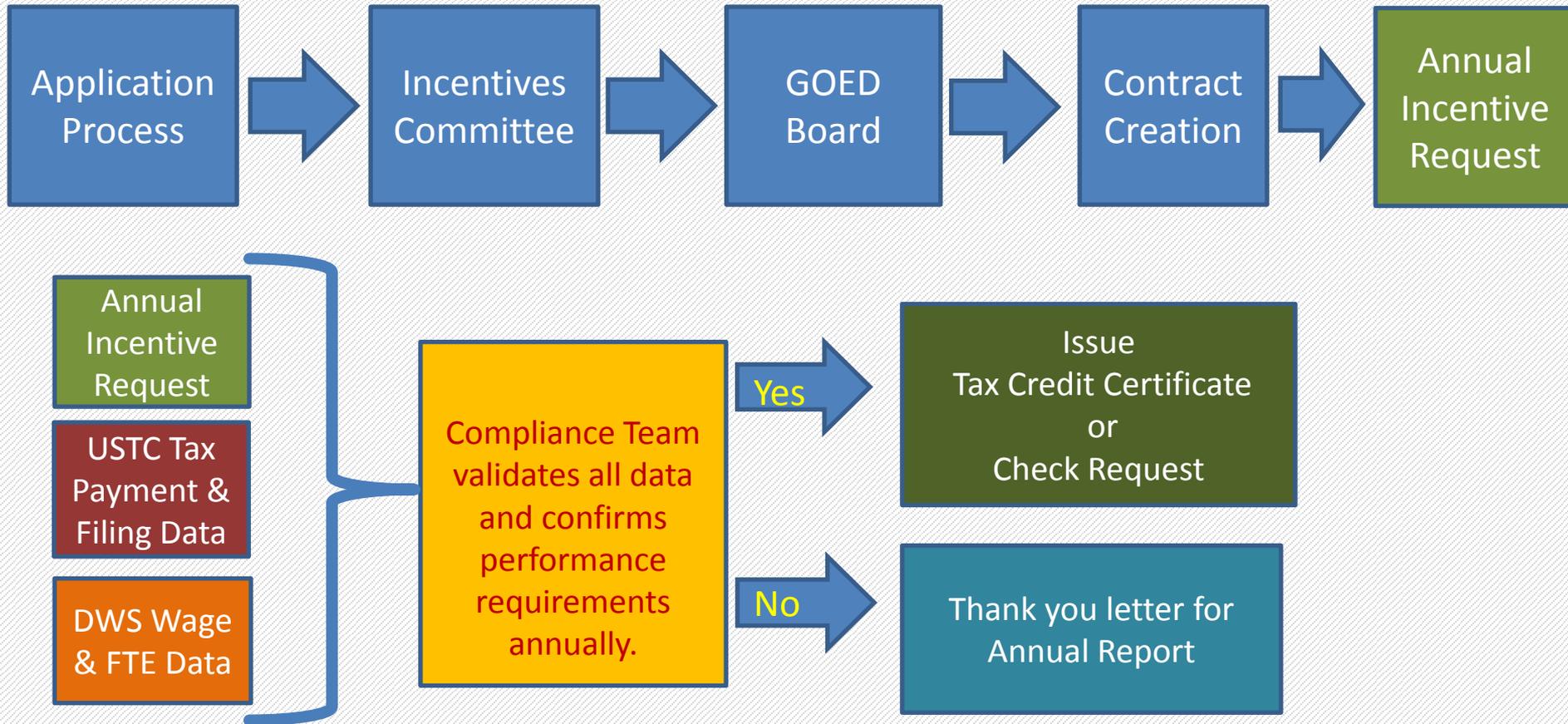


**Winston Wilkinson**  
Wilkinson & Assoc.



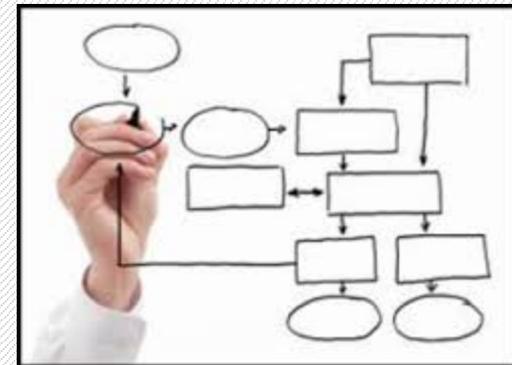
**Peter Mouskondis**  
Nicolas Company

# EDTIF Process Overview



# What Did We Learn?

- Identified needs:
  - **Additional compliance staff**
  - Expand **Administrative Rules**
  - Formalize historical practices into **Policies and Procedures**
  - Revise EDTIF **Contracts**
  - Revise **Media Releases**



# Statutory Interpretation

## What Did We Learn?

- Three key themes can be addressed by GOED's expanded Administrative Rules and formalized Policies & Procedures:

**1. Leased employees**

**2. High-paying jobs vs. incremental jobs**

**3. Benefits**

# 1. Leased Employees

- Statute permits leased employees:
  - Allows rebate on individual income taxes “by employees of a new or expanded industrial, manufacturing, distribution, or business service within a **new commercial project.**”
- Temps, contractors, or 1099 employees **do not** count toward a company’s job creation
- **GOED is addressing through expanded Administrative Rules and formalized Policies & Procedures**

# 2. High-paying Jobs

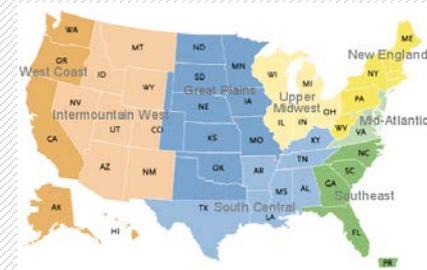
- From page 41 – State Audit

The *Economic Development Incentives Act* (Act) requires that, in accordance with the *Utah Administrative Rulemaking Act*, GOED “make rules establishing the conditions that a business entity . . . shall meet to qualify for a tax credit.”<sup>32</sup> At a minimum, GOED must ensure that these rules include the following requirements:

- “the new commercial project must be within [an economic] development zone;<sup>33</sup>
- the new commercial project includes direct investment within the geographic boundaries of the development zone;
- the new commercial project brings new incremental jobs to Utah;
- the new commercial project includes significant capital investment, the creation of high paying jobs, or significant purchases from Utah vendors and providers, or any combination of these three economic factors;
- the new commercial project generates new state revenues;” and
- the business entity meets the requirements of the post-performance review and verification process, as outlined in Section 63M-1-2405.<sup>34</sup>

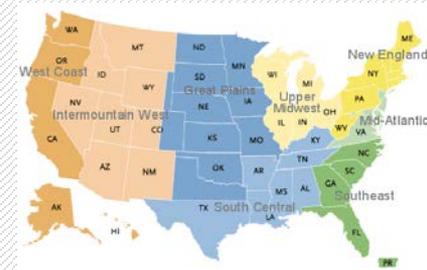
# 2. High-Paying Jobs

- Statute only requires creation of new incremental jobs (not high-paying)
  - “High-Paying Jobs” = “the **annual wages of employment positions** in a business entity that **compare favorably** against the average wage of a community in which the employment positions will exist.”
- GOED aggregate average wage requirement of 100% (rural) or 125% (urban) vs. other states’ “per-job” or “set rebate/credit for each job” approach
  - Arizona offers three-year, \$3,000 per employee per year incentive for total of \$9,000 per qualifying employee hired
  - New Mexico offers incentive of 10% of wages + **benefits** per each qualified employee hired



# 2. High-Paying Jobs

- GOED wage requirement is **more stringent** than statutory requirements of most of our intermountain counterparts
  - Colorado, Idaho, and Nevada set aggregate average wage requirement of 100%
- **GOED has included this 125% aggregate average wage requirement in expanded Administrative Rules**



# 3. Benefits

- In 2009, GOED began considering employer-contributed **health benefits** as part of wage criteria
  - In response to economic downturn and ACA
  - To promote new commercial projects that offered benefited positions
  - Internal “apples to apples” comparison between companies applying for incentives
- GOED’s practice of allowing company contributed health benefits to count toward a company’s EDTIF application is included in **expanded Administrative Rules**



Only one  
company  
actually used  
benefits to  
claim one  
year’s tax  
credit

# Auditor's Recommendations to Legislature

## Auditor Recommendation

## GOED Response

## How to Address

**Leased employees**

**Continue** to allow this practice

Admin Rules, P&Ps

**Minimum threshold**

**Different philosophy** (per job)

Would Require Total Revamp

**Key terms**

**Broad** vs. specific

Admin Rules, P&Ps

**Length of time “new job”**

**Tax increment** vs. per-job measurement

Would Require Total Revamp

**30%/20 years**

**Continue** to use very rarely

Admin Rules, P&Ps

# Auditor's Recommendations to Legislature

## Auditor Recommendation

## GOED Response

## How to Address

**Audit every three years**

**Support**

Staffing resource  
needed

**Annual independent review**

**Support**

Staffing resource  
needed

**Evaluate long-term fiscal  
commitment of program**

**Support**

Staffing resource  
needed

**Wage withholding**

**Oppose**

# Incentive Agreements – FY2014 and FY2015 to Date

**Airgas**

Goldman Sachs

**Oemeta**  
The Coolant Company

**VARIAN**  
medical systems



**ORACLE**



**Allstate**  
You're in good hands.

**CSM**  
Bakery Products

**overstock.com**



**OOCL**  
We take it personally

**CARDON OUTREACH**



**ENVIRONMENTAL STONEWORKS**

**consumer united**

**Cabela's**  
WORLD'S FOREMOST OUTFITTER



**Beijer**  
ELECTRONICS

**Wilson**  
Electronics, Inc.

**Exeter**  
finance corp

**PACTIV**

**Otto Pock**  
QUALITY FOR LIFE

**TRAEGER**  
WOOD PELLET GRILLS

**VIRACON**



**Indus Valley Partners**

**frontier**  
Communications

**tech media NETWORK**

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# Thank you

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# The New Mexico Telegram

## Commentary: New Mexico needs new ideas for job growth

October 16th, 2014 | Comments Off

By Fred Nathan, executive director of Think New Mexico

Prompted by a large decline in federal spending, New Mexicans are now engaged in a healthy and useful dialogue about how best to diversify our economy.

Think New Mexico would like to offer two ideas that we believe could propel private sector job growth in our state – and that gubernatorial and legislative candidates from both parties should be able to embrace.

Both ideas were advanced in Think New Mexico's 2013 policy



Source: nmtelegram.com

“Six years ago, Utah, which now ranks second in the nation for job growth, became the first state to move to an economic development strategy based on post-performance incentives.”

# The Denver Post

## Utah giving Colorado a run for the money

By Aldo Svaldi  
*The Denver Post*

POSTED: 10/19/2014 12:01:00 AM MDT  
UPDATED: 10/19/2014 12:08:24 AM MDT

5 COMMENTS

Colorado and Utah have long competed with each other for jobs and corporate relocations, along with things that are more fun, such as skier visits.

But since the 2007 recession, Utah has moved from the kind of challenger that state economic development officials had to turn their heads back to see to one that they hear coming up fast on the outside.

"Twelve years ago, we didn't see Utah as a competitor at all," says Tom Clark, CEO of the Metro Denver Economic Development Corp.



Ken Lund, head of the Colorado Office of Economic Development and International Trade, during a sneak peak of the state's new economic development plan at the World Trade Center in downtown Denver on July 19, 2011. (*Denver Post* file)

Source: denverpost.com

“When it comes to the central question of which economy is getting people back to work faster, Utah is clearly ahead.”