

Senator Peter C. Knudson proposes the following substitute bill:

**AMENDMENTS TO DEPARTMENT OF
COMMUNITY AND ECONOMIC DEVELOPMENT**

2005 GENERAL SESSION

STATE OF UTAH

Sponsor: Peter C. Knudson

LONG TITLE

General Description:

This bill modifies provisions related to the Industrial Assistance Fund within the Department of Community and Economic Development.

Highlighted Provisions:

This bill:

► provides that the Division of Finance shall transfer from the General Fund to the Industrial Assistance Fund each fiscal year sufficient money to offset earned credits.

Monies Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

9-2-1204, as last amended by Chapter 182, Laws of Utah 2004

Be it enacted by the Legislature of the state of Utah:

Section 1. Section **9-2-1204** is amended to read:

9-2-1204. Loans, grants, and assistance -- Repayment -- Earned credits.



26 (1) (a) A company that qualifies under Section 9-2-1205 may receive loans, grants, or
27 other financial assistance from the fund for expenses related to establishment, relocation, or
28 development of industry in Utah.

29 (b) A company creating an economic impediment that qualifies under Section
30 9-2-1205.5 may in accordance with this part receive loans, grants, or other financial assistance
31 from the fund for the expenses of the company creating an economic impediment related to:

32 (i) relocation to a rural area in Utah of the company creating an economic impediment;
33 and

34 (ii) the siting of a replacement company.

35 (c) An entity offering an economic opportunity that qualifies under Section 9-2-1205.8
36 may:

37 (i) receive loans, grants, or other financial assistance from the fund for expenses related
38 to the establishment, relocation, retention, or development of industry in the state; and

39 (ii) include infrastructure or other economic development precursor activities that act
40 as a catalyst and stimulus for economic activity likely to lead to the maintenance or
41 enlargement of the state's tax base.

42 (2) (a) Subject to Subsection (2)(b), the administrator has authority to determine the
43 structure, amount, and nature of any loan, grant, or other financial assistance from the fund.

44 (b) Loans made under Subsection (2)(a) shall be structured so the intended repayment
45 or return to the state, including cash or credit, equals at least the amount of the assistance
46 together with an annual interest charge as negotiated by the administrator.

47 (c) Payments resulting from grants awarded from the fund shall be made only after the
48 administrator has determined that the company has satisfied the conditions upon which the
49 payment or earned credit was based.

50 (3) (a) (i) Except as provided in Subsection (3)(b), the administrator may provide for a
51 system of earned credits that may be used to support grant payments or in lieu of cash
52 repayment of a fund loan obligation.

53 (ii) The value of the credits described in Subsection (3)(a)(i) shall be based on factors
54 determined by the administrator, including:

55 (A) the number of Utah jobs created;

56 (B) the increased economic activity in Utah; or

57 (C) other events and activities that occur as a result of the fund assistance.

58 (b) (i) The administrator shall provide for a system of credits to be used to support
59 grant payments or in lieu of cash repayment of a fund loan when loans are made to a company
60 creating an economic impediment.

61 (ii) The value of the credits described in Subsection (3)(b)(i) shall be based on factors
62 determined by the administrator, including:

63 (A) the number of Utah jobs created;

64 (B) the increased economic activity in Utah; or

65 (C) other events and activities that occur as a result of the fund assistance.

66 (4) (a) A cash loan repayment or other cash recovery from a company receiving
67 assistance under this section, including interest, shall be deposited into the fund.

68 (b) The administrator and the Division of Finance shall determine the manner of
69 recognizing and accounting for the earned credits used in lieu of loan repayments or to support
70 grant payments as provided in Subsection (3).

71 (5) ~~[(a) At the end of]~~ The Division of Finance shall transfer each fiscal year ~~[, after the~~
72 ~~transfer of surplus General Fund revenues has been made to the General Fund Budget Reserve~~
73 ~~Account as provided in Section 63-38-2.5, any additional unrestricted, undesignated]~~ from the
74 General Fund ~~[balance shall be earmarked]~~ to the Industrial Assistance Fund ~~[in]~~ an amount
75 equal to any credit that has accrued under this part.

76 ~~[(b) These credit amounts may not be used for purposes of the fund as provided in this~~
77 ~~part until appropriated by the Legislature.]~~

Fiscal Note

Amendments to Department of Community and Economic Development

23-Feb-05

Bill Number SB0234s0110:26 AM

State Impact

Passage of this bill requires a transfer from the General Fund to the Industrial Assistance Fund (IAF) for earned credits at the end of each fiscal year. The bill removes the requirement that the Legislature appropriates the replenishment to the IAF. This could potentially increase the diversion from General Fund surplus over time. The Budgetary Reserve Account (Rainy Day Fund) transfer would become subordinate to the transfer of any surplus into the IAF which could reduce the amount transferred into the Budgetary Reserve Account.

Individual and Business Impact

No fiscal impact.

Office of the Legislative Fiscal Analyst