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RURAL ECONOMIC MAPPING AND PARTNERSHIP

2014 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Stuart C. Reid

House Sponsor: _____

LONG TITLE

General Description:

This bill modifies provisions related to economic development in rural counties and the duties of the Office of Rural Development.

Highlighted Provisions:

This bill:

- defines terms;
- modifies programs that provide economic development assistance related to rural counties, including:
  - enterprise zones;
  - the Industrial Assistance Account; and
  - the Rural Fast Track Program;
- modifies the duties of the Office of Rural Development by requiring that it assist participating rural counties in creating a written strategic plan that maps economic development targets and strategies for the county; and
- makes technical changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

S.B. 76

AMENDS:

63M-1-404, as last amended by Laws of Utah 2013, Chapter 358

63M-1-406, as last amended by Laws of Utah 2011, Chapter 84

63M-1-903, as last amended by Laws of Utah 2012, Chapters 18 and 208

63M-1-904, as last amended by Laws of Utah 2012, Chapters 18 and 246

63M-1-906, as last amended by Laws of Utah 2012, Chapter 208

63M-1-910, as last amended by Laws of Utah 2013, Chapter 310

63M-1-1601, as renumbered and amended by Laws of Utah 2008, Chapter 382

ENACTS:

63M-1-1607, Utah Code Annotated 1953

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

Section 1. Section **63M-1-404** is amended to read:

63M-1-404. Criteria for designation of enterprise zones -- Application.

(1) A county applicant seeking designation as an enterprise zone shall file an application with the office that, in addition to complying with the other requirements of this part:

(a) verifies that the county has a population of not more than [~~50,000~~] 75,000; and

(b) provides clear evidence of the need for development in the county.

(2) A municipal applicant seeking designation as an enterprise zone shall file an application with the office that provides clear evidence of the need for development in the municipality, and, in addition to complying with other requirements of this part:

(a) verifies that the municipality is within a county that has:

(i) created a strategic plan with the assistance of the Office of Rural Development as described in Section 63M-1-1607; and

(ii) a population of not more than 75,000; or

[~~(a)~~] (b) verifies that the municipality:

(i) has a population [~~that does not exceed~~] of not more than 15,000; and

[~~(b) verifies that the municipality~~] (ii) is within a county that has a population of not more than 50,000[~~; and~~].

[~~(c) provides clear evidence of the need for development in the municipality.~~]

(3) An application filed under Subsection (1) or (2) shall be in a form and in accordance with procedures approved by the office, and shall include the following information:

(a) a plan developed by the county applicant or municipal applicant that identifies local contributions meeting the requirements of Section 63M-1-405;

(b) the county applicant or municipal applicant has a development plan that outlines:

(i) the types of investment and development within the zone that the county applicant or municipal applicant expects to take place if the incentives specified in this part are provided;

(ii) the specific investment or development reasonably expected to take place;

(iii) any commitments obtained from businesses;

(iv) the projected number of jobs that will be created and the anticipated wage level of those jobs;

(v) any proposed emphasis on the type of jobs created, including any affirmative action plans; and

(vi) a copy of the county applicant's or municipal applicant's economic development plan to demonstrate coordination between the zone and overall county or municipal goals;

(c) the county applicant's or municipal applicant's proposed means of assessing the effectiveness of the development plan or other programs within the zone once they have been implemented within the zone;

(d) any additional information required by the office; and

(e) any additional information the county applicant or municipal applicant considers relevant to its designation as an enterprise zone.

Section 2. Section **63M-1-406** is amended to read:

63M-1-406. Eligibility review.

(1) The office shall:

(a) review and evaluate the applications submitted under Section 63M-1-404; and

(b) determine whether each county applicant or municipal applicant is eligible for designation as an enterprise zone.

(2) (a) The office shall designate enterprise zones.

(b) The office shall consider and evaluate an application using the following criteria:

(i) the pervasiveness of poverty, unemployment, and general distress in the proposed

zone;

(ii) the extent of chronic abandonment, deterioration, or reduction in value of commercial, industrial, or residential structures in the proposed zone, and the extent of property tax arrearages in the proposed zone;

(iii) the potential for new investment and economic development in the proposed zone;

(iv) whether the proposed zone is in a county where the county has created a strategic plan with the assistance of the Office of Rural Development as described in Section 63M-1-1607 and the extent to which planned investment and economic development in the proposed zone meets the economic development targets and strategies of the plan;

[~~(iv)~~] (v) the county applicant's or municipal applicant's proposed use of other state and federal development funds or programs to increase the probability of new investment and development occurring;

[~~(v)~~] (vi) the extent to which the projected development in the zone will provide employment to residents of the county and particularly individuals who are unemployed or who are economically disadvantaged;

[~~(vi)~~] (vii) the degree to which the county applicant's or municipal applicant's application promotes innovative solutions to economic development problems and demonstrates local initiative; and

[~~(vii)~~] (viii) other relevant factors that the office specifies in its recommendation.

Section 3. Section **63M-1-903** is amended to read:

63M-1-903. Industrial Assistance Account created -- Uses -- Administrator duties -- Costs.

(1) There is created a restricted account within the General Fund known as the "Industrial Assistance Account" of which:

(a) up to 50% may be used in economically disadvantaged rural areas located in any county that has created a strategic plan with the assistance of the Office of Rural Development as described in Section 63M-1-1607;

(b) up to 25% may be used to take timely advantage of economic opportunities as they arise;

(c) up to 4% may be used to promote business and economic development in rural areas of the state with the Business Expansion and Retention Initiative; and

(d) up to $3,000,000 one-time shall be used for the purpose of incubating technology solutions related to economic and workforce development.

(2) The administrator shall administer:

(a) the restricted account created under Subsection (1), under the policy direction of the board; and

(b) the Business Expansion and Retention Initiative for the rural areas of the state.

(3) The administrator may hire appropriate support staff to perform the duties required under this section.

(4) The cost of administering the restricted account shall be paid from money in the restricted account.

(5) Interest accrued from investment of money in the restricted account shall remain in the restricted account.

Section 4. Section **63M-1-904** is amended to read:

63M-1-904. Rural Fast Track Program -- Creation -- Funding -- Qualifications for program participation -- Awards -- Reports.

(1) (a) There is created the Rural Fast Track Program.

(b) The program is a funded component of the economically disadvantaged rural areas designation in Subsection 63M-1-903(1)(a).

(2) The purpose of the program is to provide an efficient way for small companies in rural areas of the state and companies expanding to rural areas of the state to receive incentives for creating high paying jobs in those areas of the state.

(3) (a) Twenty percent of the unencumbered amount in the Industrial Assistance Account created in Subsection 63M-1-903(1) at the beginning of each fiscal year shall be used to fund the program.

(b) The 20% referred to in Subsection (3)(a) is not in addition to but is a part of the up to 50% designation for economically disadvantaged rural areas referred to in Subsection 63M-1-903(1)(a).

(c) If any of the 20% allocation referred to in Subsection (3)(a) has not been used in the program by the end of the third quarter of each fiscal year, that money may be used for any other loan, grant, or assistance program offered through the Industrial Assistance Account during the fiscal year.

(4) [~~(a)~~] To qualify for participation in the program a company shall:

[~~(i)~~] (a) complete and file with the office an application for participation in the program, signed by an officer of the company;

[~~(ii)~~] (b) be located and conduct its business operations in a county in the state that has:

(i) created a strategic plan with the assistance of the Office of Rural Development as described in Section 63M-1-1607; or

(ii) (A) a population of less than 30,000; and

(B) an average household income of less than $60,000 as reflected in the most recently available data collected and reported by the United States Census Bureau;

[~~(iii)~~] (c) have been in business in the state for at least two years; and

[~~(iv)~~] (d) have at least two employees.

[~~(b) (i)~~] (5) (a) The office shall verify an applicant's qualifications under Subsection (4)[~~(a)~~].

[~~(ii)~~] (b) The application must be approved by the administrator in order for a company to receive an incentive or other assistance under this section.

(c) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the administrator may make rules governing:

(i) the content of the application form referred to in Subsection (4)(a)[~~(i)~~];

(ii) who qualifies as an employee under Subsection (4)[~~(a)(iv)~~](d); and

(iii) the verification procedure referred to in Subsection [~~(4)(b)~~] (5)(a).

[~~(5)~~] (6) (a) The administrator shall make incentive cash awards to small companies under this section based on the following criteria:

(i) $1,000 for each new incremental job that pays over 110% of the county's average annual wage;

(ii) $1,250 for each incremental job that pays over 115% of the county's average annual wage; and

(iii) $1,500 for each incremental job that pays over 125% of the county's average annual wage.

(b) The administrator shall make a cash award under Subsection [~~(5)~~] (6)(a) when a new incremental job has been in place for at least 12 months.

(c) The creation of a new incremental job by a company is based on the number of

employees at the company during the previous 24 months.

(d) (i) A small company may also apply for grants, loans, or other financial assistance under the program to help develop its business in rural Utah and may receive up to $50,000 under the program if approved by the administrator.

(ii) The board must approve a distribution that exceeds the $50,000 cap under Subsection [~~(5)~~] (6)(d)(i).

[~~(6)~~] (7) The administrator shall make a quarterly report to the board of the awards made by the administrator under this section and submit an annual written report to the Economic Development and Workforce Services Interim Committee before November 1 on the awards and their impact on economic development in the state's rural areas.

Section 5. Section **63M-1-906** is amended to read:

63M-1-906. Qualification for assistance.

(1) (a) Except as provided in Section 63M-1-908, 63M-1-909, or 63M-1-909.5, the administrator shall determine which industries, companies, and individuals qualify to receive money from the Industrial Assistance Account.

(b) Except as provided by Subsection (2), to qualify for financial assistance from the restricted account, an applicant shall:

[~~(a)~~] (i) demonstrate to the satisfaction of the administrator that the applicant will expend funds in Utah with employees, vendors, subcontractors, or other businesses in an amount proportional with money provided from the restricted account at a minimum ratio of 2 to 1 per year or other more stringent requirements as established from time to time by the board for a minimum period of five years beginning with the date the loan or grant was approved;

[~~(b)~~] (ii) demonstrate to the satisfaction of the administrator the applicant's ability to sustain economic activity in the state sufficient to repay, by means of cash or appropriate credits, the loan provided by the restricted account; and

[~~(c)~~] (iii) satisfy other criteria the administrator considers appropriate.

(2) (a) The administrator may exempt an applicant from any of the requirements of Subsection [~~(1)(a) or (b)~~] (1)(b) if:

(i) the financial assistance is provided to an applicant for the purpose of locating all or any portion of its operations to:

(A) a county that has created a strategic plan with the assistance of the Office of Rural

Development as described in Section 63M-1-1607; or

(B) an economically disadvantaged rural area;

(ii) the applicant is part of a targeted industry;

(iii) the applicant is a quasi-public corporation organized under Title 16, Chapter 6a, Utah Revised Nonprofit Corporation Act, or Title 63E, Chapter 2, Independent Corporations Act, and its operations, as demonstrated to the satisfaction of the administrator, will provide significant economic stimulus to the growth of commerce and industry in the state; or

(iv) the applicant is an entity offering an economic opportunity under Section 63M-1-909.

(b) The administrator may not exempt the applicant from the requirement under Subsection 63M-1-905(2)(b) that the loan be structured so that the repayment or return to the state equals at least the amount of the assistance together with an annual interest charge.

(3) The administrator shall:

(a) for applicants not described in Subsection (2)(a):

(i) make findings as to whether or not each applicant has satisfied each of the conditions set forth in Subsection (1); and

(ii) monitor the continued compliance by each applicant with each of the conditions set forth in Subsection (1) for five years;

(b) for applicants described in Subsection (2)(a), make findings as to whether the economic activities of each applicant has resulted in the creation of new jobs on a per capita basis in the economically disadvantaged rural area or targeted industry in which the applicant is located;

(c) monitor the compliance by each applicant with the provisions of any contract or agreement entered into between the applicant and the state as provided in Section 63M-1-907; and

(d) make funding decisions based upon appropriate findings and compliance.

Section 6. Section **63M-1-910** is amended to read:

63M-1-910. Annual policy considerations.

(1) The board shall determine annually which industries or groups of industries shall be targeted industries as defined in Section 63M-1-902.

(2) In designating an economically disadvantaged rural area, the board shall consider

the average agricultural and nonagricultural wage, personal income, unemployment, and employment in the area.

(3) In evaluating the economic impact of applications for assistance, the board shall use an econometric cost-benefit model or models adopted by the Governor's Office of Management and Budget.

(4) The board may establish:

(a) minimum interest rates to be applied to loans granted that reflect a fair social rate of return to the state comparable to prevailing market-based rates such as the prime rate, U.S. Government T-bill rate, or bond coupon rate as paid by the state, adjusted by social indicators such as the rate of unemployment; and

(b) minimum applicant expense ratios, as long as they are at least equal to those required under Subsection 63M-1-906(1)[~~(a)~~](b) or 63M-1-908(1)(b)(i)(A).

Section 7. Section **63M-1-1601** is amended to read:

63M-1-1601. Title -- Definitions.

(1) This part is known as the "Rural Development Act."

(2) As used in this part:

(a) "Office" means the Governor's Office of Economic Development.

(b) "Program" means the Rural Development Program.

(c) "Rural county" means a county of the state with a population of no more than 75,000.

Section 8. Section **63M-1-1607** is enacted to read:

63M-1-1607. Strategic mapping for rural counties.

(1) The Office of Rural Development shall assist each rural county that chooses to participate in creating a written strategic plan that identifies and maps economic development targets and strategies for the county.

(2) The written strategic plan shall:

(a) include specific 5 year and 10 year benchmarks for economic development targets and strategies;

(b) identify and map specific economic development needs, targets, and strategies for any combination of separate geographic areas or municipalities throughout the county;

(c) identify and map one or more key industries or economic clusters for each separate

geographic area or municipality throughout the county that, given its location, topography, population, and other relevant factors, are most likely to lead to economic growth, additional long-term jobs, and improved financial vitality of the county and its residents; and

(d) be updated at least every two years.

(3) The Office of Rural Development shall coordinate or provide professional economic development expertise to each participating rural county in the creation and maintenance of a written strategic plan under this section.

(4) In prioritizing economic development incentives and other incentives available to rural counties under this chapter, the Governor's Office of Economic Development and the Office of Rural Development:

(a) after July 1, 2015, shall give precedence to projects that are consistent with the written strategic plan of a participating county; and

(b) may identify and recruit business entities from urban counties of the state to expand into rural counties based on the needs and targets identified in the written strategic plan.

Legislative Review Note
as of 2-26-14 10:39 AM

Office of Legislative Research and General Counsel