

Office of the
Legislative Fiscal Analyst

FY 2005 Budget Recommendations

Joint Appropriations Subcommittee for
Economic Development and Human Resources

Incentive Funds

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1.0 Summary: Industrial Assistance Fund

Summary

The Industrial Assistance Fund was established by the 1991 Legislature as an incentive for extraordinary economic growth within the State. Since then the fund has been amended to provide rural communities broader access to the fund. The fund provides performance based grants that earn credits. Credits can be earned in three programs: the Rural Loan Program, the Targeted Industry Loan Program or the Corporate Loan Program. The Aerospace/Aviation Development Zones created in the last general session has been added to the responsibilities of this program.

The program also manages the State’s tax exempt bonding authority called Private Activity Bond Authority, and the Community and Economic Development Project Fund.

	Analyst FY 2005 Base	Analyst FY 2005 Changes	Analyst FY 2005 Total
Financing			
Dedicated Credits Revenue	160,000		160,000
GFR - Industrial Assistance	186,600		186,600
Total	\$346,600	\$0	\$346,600
Programs			
Incentive Funds	346,600		346,600
Total	\$346,600	\$0	\$346,600
FTE/Other			
Total FTE	3		3

2.0 Issues: Incentive Funds

2.1 Industrial Assistance Fund Intent

In the 2003 General Session the Legislature passed the following intent:

It is the intent of the Legislature that any proceeds in excess of a total of \$4,000,000 paid to the state from the liquidation of the Utah Technology Finance Corporation whether these proceeds come from cash, sale of real property, or collection of accounts receivable shall be deposited into the Industrial Assistance Fund.

The Analyst recommends continuing this intent for FY 2005.

The Analyst also recommends the following intent:

It is the intent of the Legislature that funding for Incentive Funds be non-lapsing subject to the provisions of UCA 63-38-8.1.

Funds encumbered to pay contractual obligations issued prior to May 1 shall also be considered non-lapsing.

3.0 Programs: Industrial Assistance Fund

3.1 Administration

Recommendation The Analyst recommends a budget of \$346,600.

	2003	2004	2005	Est/Analyst
	Actual	Estimated*	Analyst	Difference
Financing				
Dedicated Credits Revenue	194,600	160,000	160,000	
GFR - Industrial Assistance	286,600	186,600	186,600	
Lapsing Balance	(107,100)			
Total	<u>\$374,100</u>	<u>\$346,600</u>	<u>\$346,600</u>	<u>\$0</u>
Expenditures				
Personal Services	203,600	195,700	195,200	(500)
In-State Travel	3,000	4,500	4,500	
Out of State Travel	500	4,000	4,000	
Current Expense	165,800	141,200	141,700	500
DP Current Expense	1,200	1,200	1,200	
Total	<u>\$374,100</u>	<u>\$346,600</u>	<u>\$346,600</u>	<u>\$0</u>
FTE/Other				
Total FTE	3	3	3	0

*Non-state funds as estimated by agency

Purpose

The Industrial Assistance Fund provides “loans and other financial assistance related to the establishment, relocation of development of industry in Utah” emphasizing high paying jobs. The program serves financially strong companies with proven track records that can generate high paying jobs guaranteed for five years. The statute slackens requirements for companies that locate in “economically disadvantaged rural areas” which include 23 of Utah’s 29 counties.

Loans must be paid back in cash or credits. Credits are based on factors determined by the administrator and can include the number of Utah jobs created, increased economic activity in Utah, or other events and activities that occur as a result of the loan.

At the end of the fiscal year, after transferring the General Fund surplus to the Budget Reserve Account as provided in Section 63-38-2.5, any additional unrestricted, undesignated General Fund balance, is intended to be earmarked to the Industrial Assistance Fund in an amount equal to the credits accrued. These credits are not available until appropriated by the Legislature. The current amount set aside for appropriation is \$5,182,500.

Intent Language The Analyst recommends continuation of the intent language identified below.

The Legislature intends to deposit into the Industrial Assistance Fund any proceeds in excess of \$4,000,000 paid to the state from the liquidation of the Utah Technology Finance Corporation whether these proceeds come from cash, sale of real property, or collection of accounts receivable.

Activity

Industrial Assistance Fund Portfolio in Recent Years			
	2000	2001	2002
Companies	3	12	10
New Jobs	1,625	2,805	1,421
Incentive Funds	\$2,900,000	\$6,275,000	\$2,366,500
New Tax Revenue	\$56,602,000	\$108,215,000	\$13,019,100

4.0 Additional Information

4.1 Funding History

	2001	2002	2003	2004	2005
	Actual	Actual	Actual	Estimated*	Analyst
Financing					
General Fund, One-time	1,750,000				
Dedicated Credits Revenue	108,800	167,300	194,600	160,000	160,000
GFR - Industrial Assistance	220,800	230,900	286,600	186,600	186,600
Capital Access	326,000				
Closing Nonlapsing	(1,366,600)				
Lapsing Balance	(43,700)	(3,800)	(107,100)		
Total	\$995,300	\$394,400	\$374,100	\$346,600	\$346,600
Programs					
Incentive Funds	285,900	394,400	374,100	346,600	346,600
Total	\$995,300	\$394,400	\$374,100	\$346,600	\$346,600
Expenditures					
Personal Services	195,700	234,300	203,600	195,700	195,200
In-State Travel	3,100	1,500	3,000	4,500	4,500
Out of State Travel	5,500	4,600	500	4,000	4,000
Current Expense	40,100	107,200	165,800	141,200	141,700
DP Current Expense	3,500	1,800	1,200	1,200	1,200
Total	\$995,300	\$394,400	\$374,100	\$346,600	\$346,600
FTE/Other					
Total FTE	4	4	3	3	3

*Non-state funds as estimated by agency.