
IN DEPTH BUDGET REVIEW
FOR THE
DIVISION OF BUSINESS AND ECONOMIC DEVELOPMENT
A REPORT TO THE EXECUTIVE APPROPRIATIONS COMMITTEE

OFFICE OF THE LEGISLATIVE FISCAL ANALYST
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EXECUTIVE APPROPRIATIONS COMMITTEE 2004 INTERIM

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CHAPTER 1 INTRODUCTION

Economic development programs, which include tax incentives, programs that offset tax disincentives and other non-tax economic development incentives, are used to encourage business retention, expansion and relocation within a state. The goal of economic development programs is to promote economic growth and competitiveness by preserving and upgrading existing jobs, creating new jobs, retaining current businesses, attracting new businesses and encouraging business investment.

The mission of the Division of Business and Economic Development (DBED) is to facilitate the growth of quality jobs, promote Utah business, develop economic prosperity and enhance the quality of life for the citizens of Utah.

The statutory authority for the Division of Business Development is found in Utah Code Annotated 9-2. The statute creates the Business Development Board in addition to setting up the responsibilities for the Division. The primary responsibilities of the division are identified below:

The division shall:

1. be the industrial promotion authority of the state;
2. promote and encourage the economic, commercial, financial, industrial, agricultural, and civic welfare of the state;
3. do all lawful acts to create, develop, attract, and retain business, industry, and commerce within the state;
4. and do other acts that enhance the economy of the state.

The mission of the Utah DBED, as defined by legislation is to: "Promote and encourage the economic, financial, industrial, agricultural, and civic welfare of the state...for the development, attraction and retention of business, industries, and commerce within the state."

According to the division, this mission is accomplished by involvement in or sponsorship of activities that fall into three primary categories:

- Expansion and retention of existing Utah businesses
- Creation of new businesses
- Attraction of new businesses that meet the specific needs of Utah's growing economy and the skills of one of the most dedicated workforces in the United States

The statute also gives DBED responsibility for Enterprise Zones, Centers of Excellence, the Industrial Assistance Fund, the State Advisory Council on Science and Technology, the Community Economic Development Project Fund, Recycling Market Development Zones, The Fund of Funds, and Aerospace and Aviation Development Zones.

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Programs established by the Division to fulfill their mission include:

- Administration
- Film Commission
- International Development
- Business Development: Incentive Funds Program, Business Expansion and Retention, and National Development
- Technology and Science.

Pass through entities receiving funding from DBED include:

- Utah Sports Commission (Administration Budget)
- Utah Summer Games (Administration Budget)
- Defense Alliance (Administration Budget)
- Manufacturer's Extension Partnership (Science and Technology Budget)

The Board of Business and Economic Development (DBED Board) consists of 15 members appointed to four-year terms by the Governor with the advice and consent of the Senate. Not more than eight members are from one political party and the membership represents all areas of the state.

The state of Utah offers a variety of incentives to companies either expanding within the state or companies looking to move into Utah. Available incentives range from post-performance grants based on jobs created, to tax credits, to training help. Incentives may be available statewide or through a local municipality.

Specific incentives that are utilized by the Division of Business and Economic Development are listed below:

- Film Equipment Tax Exemption
- Industrial Assistance Fund
- Aerospace and Aviation Development Zone
- Private Activity Bonds
- Custom Fit Training
- Utah Fund of Funds
- Community Development Project Fund
- Centers of Excellence
- Recycling Market Development Zones
- Enterprise Zones

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DBED is faced with striking a balance between marketing the state and having the tools to help businesses. Very often these tend to be competing interests. Project related economic development adapts to the cyclical nature of the economy. However, the business service side of economic development needs to run on an even keel.

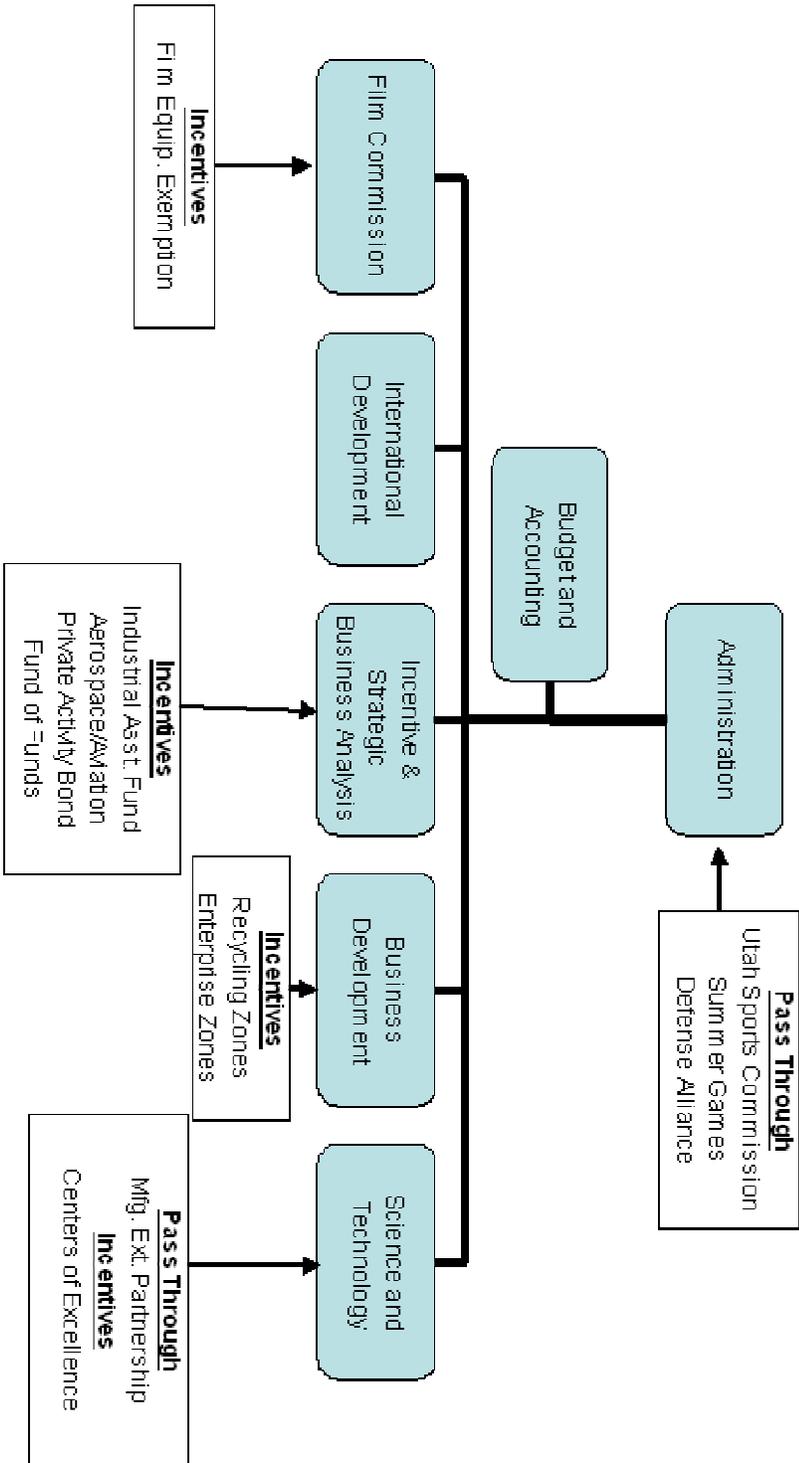
Division of Business Development Budget

| | 2001 | 2002 | 2003 | 2004 | 2005 |
|-----------------------------|---------------------|---------------------|--------------------|---------------------|--------------------|
| | Actual | Actual | Actual | Estimated* | Analyst |
| Financing | | | | | |
| General Fund | 9,262,800 | 10,044,000 | 9,353,500 | 7,417,600 | 7,417,600 |
| General Fund, One-time | | | | 584,700 | |
| Federal Funds | 403,300 | 449,700 | 759,100 | 400,000 | 400,000 |
| Dedicated Credits Revenue | 16,300 | 4,100 | | 90,100 | 90,100 |
| GFR - Industrial Assistance | 300,000 | | 99,700 | | |
| Olympic Special Revenue | 500,000 | | | | |
| Transfers | | | 67,000 | | |
| Beginning Nonlapsing | 3,139,900 | 3,480,200 | 861,700 | 2,417,800 | |
| Closing Nonlapsing | (3,480,200) | (861,600) | (2,417,800) | | |
| Lapsing Balance | | | (80,400) | | |
| Total | \$10,142,100 | \$13,116,400 | \$8,642,800 | \$10,910,200 | \$7,907,700 |
| Programs | | | | | |
| Administration | 2,062,700 | 3,403,900 | 884,700 | 2,445,500 | 1,070,500 |
| Local Initiatives | 56,300 | | | | |
| Film Commission | 721,600 | 705,800 | 614,400 | 731,500 | 654,900 |
| International Development | 1,488,900 | 1,222,300 | 843,900 | 1,157,400 | 1,088,600 |
| Business Development | 3,017,000 | 3,962,500 | 3,225,700 | 2,978,900 | 2,438,200 |
| Special Opportunities | 68,000 | 106,200 | | | |
| Science and Technology | 2,727,600 | 3,715,700 | 3,074,100 | 3,596,900 | 2,655,500 |
| Total | \$10,142,100 | \$13,116,400 | \$8,642,800 | \$10,910,200 | \$7,907,700 |
| Expenditures | | | | | |
| Personal Services | 3,316,200 | 3,404,200 | 2,963,400 | 2,807,100 | 2,796,500 |
| In-State Travel | 89,800 | 80,300 | 45,600 | 51,800 | 47,000 |
| Out of State Travel | 212,000 | 225,300 | 111,300 | 365,400 | 120,100 |
| Current Expense | 3,250,000 | 2,928,300 | 1,376,100 | 3,161,200 | 1,154,300 |
| DP Current Expense | 113,800 | 308,900 | 377,800 | 268,100 | 150,600 |
| DP Capital Outlay | | 7,800 | 5,900 | 6,000 | 6,000 |
| Capital Outlay | | 20,500 | | | |
| Other Charges/Pass Thru | 3,144,800 | 6,141,100 | 3,762,700 | 4,250,600 | 3,633,200 |
| Operating Transfers | 15,500 | | | | |
| Total | \$10,142,100 | \$13,116,400 | \$8,642,800 | \$10,910,200 | \$7,907,700 |
| FTE/Other | | | | | |
| Total FTE | 48 | 46 | 39 | 37 | 37 |

*Non-state funds as estimated by agency.

Division of Business and Economic Development Organization Chart

Department of Community and Economic Development Division of Business and Economic Development



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CHAPTER 2 ADMINISTRATION

The Administration program coordinates the functions of the division including fiscal guidance and administrative support. Administration also coordinates funding several pass through entities including the Defense Alliance, the Utah Sports Commission, and the Summer Games. Summaries of the pass through entities functions and funding uses are listed below.

THE UTAH SPORTS COMMISSION

The Utah Sports Commission is a not-for-profit, 501c3 charitable organization created to foster national and international sports competitions to be held in the state of Utah.

With Utah's rich array of sports venues and adventures, the Sports Commission works to augment and facilitate Utah sports promotion and development activities worldwide. As an information and networking resource, the Sports Commission assists in coordinating strategic alliances in an attempt to enable entities throughout the state to enhance and expand their efforts to attract, develop, and host sports events, programs, and organizations.

The Division will pass through \$750,000 to the Sports Commission on a one-time basis in FY 2005. They also have an ongoing pass through of \$238,000. State funding is utilized with other funding to secure sporting events for the state.

SUMMER GAMES

The Utah Summer Games is an Olympic-style sports festival for athletes of all ages and abilities open to residents of the state of Utah.

The division passes through \$50,000 on an ongoing basis to the Utah Summer games.

DEFENSE ALLIANCE

Funding for the Utah Defense Alliance has covered 2 separate BRAC periods. BRAC 1995 and BRAC 2005 coming next year. Each year DBED has entered into a very specific contract with the Utah Defense Alliance to perform functions that are in the interest of protecting our Utah Military installations from potential closure and the devastating economic impact such closures would have on the state. For FY 2005 additional funding of \$2,000,000 was provided by the legislature for the purchase of easements from private property owners to protect further encroachment on Noise and Fly Zones around Hill Air Force Base. It is estimated that approximately \$400,000 of this funding may be available for the Utah Defense Alliance to use as 2005 BRAC approaches. A history of previous funding is identified below.

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Defense Alliance Funding

| Fiscal Year | Amount |
|-------------|-----------|
| FY 1996 | 1,000,000 |
| FY 1997 | 200,000 |
| FY 1998 | 250,000 |
| FY 1999 | 250,000 |
| FY 2000 | 250,000 |
| FY 2001 | 250,000 |
| FY 2002 | 250,000 |
| FY 2003 | 150,000 |
| FY 2004 | 350,000 |
| FY 2005 | 350,000 |

The largest portion of the Administrative budget is used for pass through or contractual obligations.

Budget History Administration

| | 2001 | 2002 | 2003 | 2004 | 2005 |
|--|--------------------|--------------------|------------------|--------------------|---------------------|
| Financing | Actual | Actual | Actual | Estimated* | Appropriated |
| General Fund | 2,152,100 | 1,923,100 | 2,131,800 | 1,070,500 | 1,079,500 |
| General Fund, One-time | | | | 26,600 | 752,100 |
| Olympic Special Revenue | 500,000 | | | | |
| Beginning Nonlapsing | 903,900 | 1,493,300 | 156,700 | 1,348,400 | |
| Closing Nonlapsing | (1,493,300) | (12,500) | (1,348,400) | | |
| Lapsing Balance | | | (55,400) | | |
| Total | \$2,062,700 | \$3,403,900 | \$884,700 | \$2,445,500 | \$1,831,600 |
| Expenditures | | | | | |
| Personal Services | 584,700 | 517,200 | 313,500 | 317,300 | 327,100 |
| In-State Travel | 8,000 | 22,800 | 6,600 | 7,200 | 6,400 |
| Out of State Travel | 32,400 | 53,200 | 35,000 | 249,800 | 16,000 |
| Current Expense | 1,507,500 | 376,900 | 207,700 | 1,184,300 | 76,400 |
| DP Current Expense | 9,600 | 18,400 | 34,200 | 21,700 | 15,500 |
| DP Capital Outlay | | | | | |
| Other Charges/Pass Thru | (95,000) | 2,415,400 | 287,700 | 665,200 | 1,390,200 |
| Operating Transfers | 15,500 | | | | |
| Total | \$2,062,700 | \$3,403,900 | \$884,700 | \$2,445,500 | \$1,831,600 |
| FTE/Other | | | | | |
| Total FTE | 7 | 6 | 4 | 4 | 4 |
| *Non-State funds as estimated by agency. | | | | | |

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CHAPTER 3 FILM COMMISSION

The Film Commission has no specific statutory authority however, they promote the statutory mission of DBED by working to attract film production to the state. They promote the utilization of local resources as much as possible.

The mission of the Film Commission is “To market the entire state as a location for film, television, commercial and digital production and to promote the use of Utah Support service, talent and professionals in the making of such productions.”

The success of the program is measured by the following criteria:

1. Total fiscal dollars spent in the state on production
2. Total number of production projects
3. Total number of production days

Results are run through a Department adopted fiscal impact model.

Performance Measure Indicators Film Commission

| Year | Production Days | Fiscal Impact Millions |
|------|-----------------|------------------------|
| 1999 | 2,388 | 146.50 |
| 2000 | 2,806 | 116.60 |
| 2001 | 1,208 | 117.00 |
| 2002 | 1,249 | 141.60 |
| 2003 | 1,191 | 135.60 |
| 2004 | 1,148 | 84.70 |

In addition to the production dollars/days that reflect the relationship between expenditures and performance, the Utah Film Commission has several goals that are part of the work plan to encourage greater industry performance. Currently more than 2,000 people are employed by the film industry in Utah. The goals identified below help the Commission keep these jobs in the state.

1. Promote pro-business environment in Utah.
2. Promote Utah brand globally.
3. Develop partnerships and alliances.
4. Develop and promote Utah digital/post Production technical strengths.
5. Develop rural economic growth through film.
6. Encourage financial resource availability.

The number of production days in Utah has been decreasing as a result of new incentives offered by other states and countries. Production days are also being impacted by changes in programming on the network and cable levels. Currently, the Legislature has established a task force to look at potential incentives and legislative changes to help keep film jobs and expenditures in state. They will report their findings during the next legislative session.

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Program funding is utilized to address the requests of the following customers.

1. Out of state filmmakers.
2. In state filmmakers.
3. Support services, talent and crews.
4. In state film commissions and local jurisdictions.
5. Student filmmakers.
6. Partners, alliances and related organizations, i.e. Screen Actor's guild, Director's Guild etc.

Expenditures of the Utah Film Commission provide for the following products and services to the motion picture industry:

1. Statewide location scouting with in-state and out-of-state companies.
2. Continuously updated statewide photo location library.
3. Hard copy professional support services and crew resource directories produced in house as well as 24/7 on-line resource directory and filming in Utah web site information.
4. Film liaison services provided with private homeowners, land owners, local, state and federal agencies for filming requests on location.
5. Quarterly newsletter produced for local and out of state industry clients on filming activities, new services, trends in the industry, etc. as well as quarterly film industry luncheons held with out of state guest speakers, panels and topics of interest to the motion picture industry. "Filmed In Utah" brochure and marketing materials showing locations throughout the state.
6. Support of film related events to showcase the Utah industry and develop industry statewide including Sundance Film Festival, Sundance Filmmakers lab, Kanab's Western Legends etc.
7. Trade shows, bi-monthly marketing trips and familiarization tours to promote additional filming in the state as well as an advertising and promotion component to the program.

The Utah Film Commission promotes Utah as an attractive and viable on-location production center to the expanding global visual industry. The Commission facilitates and maintains business development by promoting the creation of jobs for local Utah support services and professionals in the motion picture, television, commercial, corporate and print advertising/production industries. Additionally, UFC is working with the Digital Media Ecosystem to encourage the expansion of the digital technology, digital production and post production industries in the state. UFC is also working with local colleges and film educational programs such as SpyHop, Sundance Lab, SLCC and UVCC to support their efforts in job training for the motion picture and digital industries and encourage new film makers in the State.

The Film Commission meets division goals and objectives by:

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- Promoting a pro-business environment through bi-monthly marketing trips to New York and Los Angeles and global commercial production companies, television and feature companies, cable channel producers to market the state's locations, support services and production crews. The effectiveness of this goal is measured by the number of projects shot in the state, the number of repeat customers to the state, production days and the percentage of local hires on a project.
- Increasing investment in Utah through the production of a Resource Guide (in print and on-line) and photo location library to showcase the diversity of looks throughout the state and encourage urban and rural production. The effectiveness of this goal is measured by the percentage of local hires on productions, increase in support service listings and crew base increase. The Commission can also track the effectiveness of their photo library by the number of pictorial presentations created (hard copy and on-line) and productions that use the state that were not set (scenically/location) in the state.
- Developing rural economic growth by introducing the production community to rural locations around the state and encouraging filming in areas off the Wasatch Front. The program measures effectiveness in encouraging rural economic growth by the use of rural locations. UFC ad campaigns showcasing Southern/rural Utah have been internationally recognized and the "Filmed In Utah" brochure has been used by local and regional travel agencies as well as state and federal land agencies to promote filming as well as production scouting and tourism visits.
- Develop partnerships and alliances with private entities, statewide public agencies, federal agencies, film, and production centers to facilitate a film friendly reputation. Effectiveness is measured by the number of film related events and film production activities in the state yearly.
- Develop Utah's technical strengths by participation in the Sundance Digital Media Center, Governor's Trade Missions, participating with film educational programs in the state. Success is measured by the number of film related programs, events, and new businesses being held or created in the state each year.

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Budget History Film Commission

| | 2001 | 2002 | 2003 | 2004 | 2005 |
|---------------------------|------------------|------------------|------------------|-------------------|---------------------|
| Financing | Actual | Actual | Actual | Estimated* | Appropriated |
| General Fund | 724,800 | 737,300 | 639,800 | 649,900 | 657,800 |
| General Fund, One-time | | | | 1,200 | 3,100 |
| Dedicated Credits Revenue | 800 | | | 5,000 | 5,000 |
| Beginning Nonlapsing | 98,900 | 102,900 | | 75,400 | |
| Closing Nonlapsing | (102,900) | (134,400) | (25,400) | | |
| Total | \$721,600 | \$705,800 | \$614,400 | \$731,500 | \$665,900 |
| Expenditures | | | | | |
| Personal Services | 373,600 | 386,800 | 352,900 | 363,600 | 372,100 |
| In-State Travel | 11,600 | 8,400 | 11,300 | 9,600 | 9,600 |
| Out of State Travel | 25,600 | 14,800 | 14,700 | 27,500 | 27,500 |
| Current Expense | 250,900 | 218,300 | 165,200 | 260,500 | 186,400 |
| DP Current Expense | 7,400 | 7,300 | 5,400 | 5,400 | 5,400 |
| Other Charges/Pass Thru | 52,500 | 70,200 | 64,900 | 64,900 | 64,900 |
| Total | \$721,600 | \$705,800 | \$614,400 | \$731,500 | \$665,900 |
| FTE/Other | | | | | |
| Total FTE | 7 | 7 | 7 | 6 | 6 |

*Non-State funds as estimated by agency.

CHAPTER 4 INTERNATIONAL DEVELOPMENT

Since 1982, the International Business Development Office has assisted Utah companies to develop markets for their products and services in foreign countries. The Mission of International Development is to build Utah's global economy and international presence. The International Development Program operates under the general authority granted to DBED. It promotes the authority of the division by encouraging and facilitating international business expansion by Utah businesses and soliciting international investment.

The office builds upon the strong international connections in Utah to increase Utah businesses that actively explore international trade; identify receptive markets for Utah goods and services; open markets and increase market share for existing Utah exporters; cultivate an innovative, global-savvy business image; and strengthen the Utah brand for international audiences. They also work to improve the quality of the Utah experience for incoming foreign dignitaries and investors; develop international relationships that foster trade; and develop an informed leadership and constituency for international trade in Utah.

Many of the functions of the office are diplomatic in nature and as such are difficult to quantify. The office opens doors through diplomatic contacts that help develop and expand foreign markets for Utah goods and services and increase Utah exports. They work with incoming international officials, delegations, trade missions, businesses, dignitaries, and individuals that are involved in international business and connect them to Utah businesses with interests in their countries. They arrange cooperation agreements between Utah and foreign government to facilitate trade.

The International Office leverages an in-house team of trade experts and an international network of 11 trade representatives and 6 honorary trade representatives to prepare and introduce Utah companies to foreign marketplaces. Utah's Foreign Trade Representatives work with Utah companies to introduce them to contacts and resources in their country, and provide industry-specific reports and information for the International Office and Utah companies, identify potential sources of investment for Utah, and represent Utah in their countries. Foreign Trade Representatives are under contract for specifically assigned activities and projects. Assistance requests to this network are directed to and managed by the International Office Trade Executives in charge of each representative. The office also houses international trade executives from Korea and Japan.

Within the state, the International Office works with businesses that are involved in international business and those that are interested in and/or capable of being involved in international business, and with associations, organization, municipalities, educational institutions, agencies and individuals in Utah that have international agendas.

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The program focuses on the activities listed below:

- Increased international trade to expand jobs - The program achieves this by conducting seminars and educational events on international business; business visits and consultations; they provide export assistance; they hold an International Week; they host international trade executives; they maintain a network of 12 international trade representatives; and they are creating an export directory and newsletter.
- Increase trade opportunities by establishing the Utah! Brand globally – To broaden Utah’s trade opportunities, the program brands all collateral materials; they send Utah promotional materials throughout the world; they distribute branded small gifts to international dignitaries; they showcase Utah branding on their website; they work with the international media.
- Create trade opportunities for Utah Business by developing partnerships and alliances with international governments – To remove trade barriers and improve trade relations internationally and seek opportunities for Utah businesses, the program works with incoming dignitaries; they partner with Utah organizations and educational institutions; they coordinate with foreign embassies and consulates, honorary consuls and agencies of the U.S. Department of Commerce; they provide business opportunities by conducting Trade Missions.
- Promoting Utah’s technical strengths increases trade opportunities – To promote corporate expansion into Utah the program maintains an interactive website; they target seminars, trade mission events and international partnering to Utah’s technical ecosystems.
- Develop rural economic growth - To expand trade opportunities to rural areas of the State the program conducts rural seminars; they include rural businesses in their website directory; they serve as an international information resource for the entire state; they partner with rural organizations.

The success of the International Program is measured by:

- The number of business seminars and attendance
- Participation in trade missions and trade shows (see Appendices A,B and C)
- Participation in International Week and the number of International Week activities
- The number of trade agreements
- The size of the international database (both Utah and Foreign)
- The number of working international partners and

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➤ The number of incoming dignitaries and delegations

These measures have been recently developed and therefore there is no history. We should start seeing results going forward. Results for the FY 2004 year are shown below:

International Performance Indicators

| Performance Measure | FY 2004 |
|---|---------|
| International Business Seminars | 14 |
| International Trade Missions and Trade Shows | 9 |
| International Week Activities | 16 |
| International Trade Agreements | 8 |
| International Database | 2,500 |
| International Partners within the State of Utah | 128 |
| Incoming International Dignitaries and Trade Missions | 87 |

Budget History International Development

| | 2001 | 2002 | 2003 | 2004 | 2005 |
|--|-------------|-------------|-----------|-------------|--------------|
| | Actual | Actual | Actual | Estimated* | Appropriated |
| Financing | | | | | |
| General Fund | 1,201,100 | 1,221,300 | 910,900 | 1,078,600 | 1,089,000 |
| General Fund, One-time | | | | 1,800 | 3,600 |
| Dedicated Credits Revenue | | | | 10,000 | 10,000 |
| Beginning Nonlapsing | 305,100 | 17,300 | | 67,000 | |
| Closing Nonlapsing | (17,300) | (16,300) | (67,000) | | |
| Total | \$1,488,900 | \$1,222,300 | \$843,900 | \$1,157,400 | \$1,102,600 |
| Expenditures | | | | | |
| Personal Services | 600,800 | 709,500 | 529,400 | 561,600 | 573,500 |
| In-State Travel | 29,000 | 17,700 | 2,600 | 6,000 | 6,000 |
| Out of State Travel | 54,700 | 34,700 | 12,900 | 30,000 | 30,000 |
| Current Expense | 781,800 | 365,200 | 289,900 | 545,800 | 478,900 |
| DP Current Expense | 32,600 | 29,300 | 7,100 | 12,000 | 12,200 |
| DP Capital Outlay | | | | | |
| Other Charges/Pass Thru | (10,000) | 65,900 | 2,000 | 2,000 | 2,000 |
| Total | \$1,488,900 | \$1,222,300 | \$843,900 | \$1,157,400 | \$1,102,600 |
| FTE/Other | | | | | |
| Total FTE | 9 | 9 | 7 | 7 | 7 |
| *Non-State funds as estimated by agency. | | | | | |

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CHAPTER 5 INCENTIVE FUNDS PROGRAM

The Utah Incentive Funds program administers statutory programs created by the legislature to induce economic activity in Utah. These programs include the Industrial Assistance Fund, Private Activity Bond Authority, Aerospace/Aviation Development Zones, DCED Targeted Custom Fit Training, and the Venture Capital Fund of Funds. Details of these programs are listed below.

INDUSTRIAL ASSISTANCE FUND

The Industrial Assistance Fund was created in 1991 to encourage the creation of quality jobs in the State of Utah. The funds current portfolio is assisting over 50 companies to create over 9,000 new jobs in Utah (see Appendix D).

If a company is relocating or expanding in an urban area they must meet the following criteria.

- The Urban counties as defined by the DBED Board for purposes of the IAF are: Davis, Weber, Salt Lake, Utah counties.
- All new jobs, for which a company expects an incentive, must pay 25% above the county median salary.
- Companies must project employee growth for at least 50 new employees meeting the salary level 25% above the county median.

and

Companies must be in one of the following Target Industries:

- Corporate Headquarters,
- Biotechnology,
- Medical Devices,
- Aerospace including General Aviation and Composite Materials,
- Bio Informatics,
- Digital Media,
- Web Services and
- Information Technology

or

Companies must be a Corporate client which is any company which meets the policy criteria and does not fit in the Rural or Target incentive programs.

- Companies must have a 2 to 1 Utah Purchases ratio for every dollar received from IAF the company needs to spend \$2 with Utah business, vendors, and/or subcontracts.

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If a company is relocating or expanding in a rural area they must meet the following criteria.

- The rural counties as defined by the DBED Board for purposes of the IAF are all counties except: Davis, Weber, Salt Lake, and Utah counties.
- Jobs must pay above the county median salary level.
- Companies must project employee growth for new employees.

In the 2004 General Session the statute was changed to allow up to 20 percent of the fund to be used for “economic opportunities”. Economic opportunity as defined by the statute is “a unique business situation or community circumstance which lends itself to the furtherance of the economic interests of Utah by providing a catalyst or stimulus to the growth, retention, or both , of commerce and industry.” Examples of current applicants include the film industry to increase film production days in the state, the Salt Lake Visitors and Convention Bureau for retention of the Outdoor Retailers convention, and the University of Utah, Office of Research for the development of three world class astrophysics projects. The Film Commission and Incentive Funds Staff are currently working with the Legislature’s Motion Picture Task Force to develop firm recommendations for the 2005 Legislative Session.

IAF FUND SCREENING PROCESS

Incentives are screened in a number of ways. Nonconforming applications for assistance are screened out by staff and are forwarded to the Incentives Committee of the Board of Business and Economic Development without recommendation by the Department. If the Incentive Committee concurs, then the application is not forwarded to the full Board. A nonconforming application means one that does not meet the Board’s threshold requirements.

INCENTIVE FUND TRACKING

If a company’s application does meet threshold requirements and the Board does provide an incentive commitment to the company and subsequently the company fails to meet the minimum requirements of the incentive commitment then the company is not entitled to receive the incentive. Such incentive commitments are revoked. Prior to 2000, the IAF made up front loans to companies. When a company failed to perform they sought repayment of the loan in cash. Since 2000 the IAF makes loans post performance so when a company fails to perform according to the terms of the contract, then no payments are made to the company. During 2004, the IAF staff revoked incentive commitments made in 2001 to companies that failed to perform or failed to execute contractual agreements. When companies fail to repay loans the loans are referred to the Office of Debt Collection.

Contractual agreements contain the elements of the incentive commitment and require companies to make periodic reports which act as claims for earned credits. IAF staff performs desk audits of the detail and summary reports

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submitted and also query an administrative database provided by the Department of Workforce Services to cross check against an independent source of information to substantiate the company's claim for earned credits. If the claims are substantiated then post performance grants are awarded to the company. If the claims are not substantiated then DCED can send an internal auditor to further research the claim. Contractual agreements also include default and clawback provisions to ensure companies are held accountable for performance.

Performance Indicators Industrial Assistance Fund

| Year | Companies | New Jobs | Incentive Funds | New Tax Revenue | ROI Multiple |
|-------|-----------|----------|-----------------|-----------------|--------------|
| 2000 | 3 | 1,625 | \$2,900,000 | \$56,602,000 | 19.50 |
| 2001 | 11 | 1,809 | 6,061,200 | 73,331,000 | 12.10 |
| 2002 | 7 | 1,723 | 2,352,000 | 8,396,000 | 3.60 |
| 2003 | 8 | 1,556 | 2,896,100 | 26,475,900 | 9.10 |
| *2004 | 12 | 2,491 | 7,825,400 | 100,149,300 | 12.80 |
| Total | 41 | 9,204 | 22,034,700 | 264,954,200 | * to date |

RECOMMENDATION

The Analyst recommends that the Legislature continue to work with the Film Commission and the Incentive Fund Staff and the Motion Picture Task Force to develop recommendations for the most suitable, stand alone economic development incentive for the film industry.

AEROSPACE/AVIATION DEVELOPMENT ZONES

The Aerospace/Aviation Development Zone is the first tax increment financing (TIF) tool available to state economic development officials as authorized by HB 316 (2003 General Session). It is intended as a demonstration program to assist Utah in competing for large scale development projects. The State's tax increment incentive may be combined with local incentives to provide a comprehensive incentive package to prospective companies.

The incentive is narrowly focused on the aerospace and aviation industry within development zones at three qualifying airports: SLC International, Ogden Hinckley Field, and Hill Air Force Base,

After January 1, 2006 all Utah airports with developable land will be eligible to qualify as development zones. Currently the Ogden Hinckley Field is the only development zone that has been established.

Partial rebates of state taxes are limited to 30 percent of the new incremental state revenues over the life of the project, not to exceed 20 years. Partial rebates can be up to 50 percent in any given year, thus allowing the state to

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“front load” some of the incentive to help offset development costs. Eligible taxes include:

1. Corporate franchise and income taxes
2. Personal income taxes from payroll withholding
3. State’s portion of sales taxes paid to Utah vendors and suppliers as well as sales taxes collected by the company from taxable sales.

CURRENT AEROSPACE APPLICATIONS

Currently two portfolio companies have applied for the increment, Adam Aircraft, and Williams International. If contracted, it is expected that the two companies will create 700 new jobs in the state with a fiscal impact of \$156 million in new state revenues.

AEROSPACE INCENTIVE TRACKING

Incentive commitments are made to companies that will create new jobs and make substantial capital investment within the zone. Companies make applications for assistance and if qualified receive incentive commitments from the Board of Business and Economic Development. State statute requires companies to make periodic claims of partial rebates which demonstrative tax payments made directly to the Utah State Tax Commission as well as sales taxes paid to Utah vendors. To ensure that the statutory requirement is met, companies receiving tax increment finance incentives are required to enter into contractual agreements. The contract stipulates that companies provide periodic reports which act as claims for partial rebates. Similar to the IAF audit process, staff will perform desk audits of the claims and if such claims are substantiated then payments representing partial rebates of state taxes will be made to the company. A new contractual agreement has been developed in cooperation with the Division’s Attorney General representative which contains the elements of the incentive, the process for reporting claims of partial rebates etc.

PRIVATE ACTIVITY BOND

The Private Activity Bond (PAB) is Utah's tax-exempt bonding authority creating a lower cost, long-term source of capital under the Federal Tax Act of 1986.

As a result, the federal government allocates \$24 billion per year to states on a per capita basis, with Utah receiving \$233,795,000 in 2004 (see appendix F). Each state establishes its usage priorities by statute. The Utah Legislature has established its priorities for this important funding in the following four accounts:

Small Issue Account

Volume Cap Amount: \$56,110,800

Percent of Total Volume Cap: 24%

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Users: Multi-family Affordable Housing (apartments) and Manufacturing Facilities (credit worthy with higher paying jobs; to build or buy a new building, equipment, and/or land)

The Small Issue Account attempts to allocate this "Volume Cap" to meet two critical state needs: build essential multi-family housing and create high paying jobs that will support a family. Through use of Multi-family Housing Bonds and Manufacturing Facility Bonds (i.e. Industrial Development Bonds or IDBs), long-term capital is made available 1 to 3 percentage points less than market rates for periods of 20 to 40 years.

Single Family Account

Volume Cap Amount: \$98,193,900

Percent of Total Volume Cap: 42%

Users: Utah Housing Corporation for first-time single family homeowners

Student Loan Account

Volume Cap Amount: \$77,152,350

Percent of Total Volume Cap: 33%

Users: Board of Regents for university and college students

Exempt Facility Account

Volume Cap Amount: \$2,337,950

Percent of Total Volume Cap: 1%

Users: Pollution and Waste Control Projects

The Single Family Mortgage and Student Loan Programs lower thousands of Utahns' long-term costs annually for their first home mortgages or college student loans.

CUSTOM FIT TRAINING FOR TARGETED BUSINESS

Custom Fit training money is used to help targeted industries train their employees.

- At present DCED does not have funding to augment funding provided to the Utah College of Applied Technology (approx. \$3.5 million annually)
- UCAT funding is allocated on a regional funding formula basis thereby eliminating discretionary funding to targeted business.

UTAH FUND OF FUNDS

The Utah Fund of Funds (HB 240 Venture Capital Enhancement Act) was created during the 2003 legislative session. Implementation of the initiative is under the direction of the Executive Director of DCED. The creation of the

fund was a recommendation from the Capital Enhancement Task Group organized as part of the Utah Technology Alliance and was passed with the cooperative assistance of a large number of industry and business supporters. Staff from the Office of Technology and Science is heavily involved in the implementation of the Fund of Funds initiative. Key factors in the Legislation are listed below:

1. Creates a \$100 million fund to be invested with Venture Capital firms interested in Utah deals.
2. Dollars in the fund are placed there by conservative investors looking for low-risk, money market rates of return. No state dollars are invested.
3. Rates of return underwritten with Utah contingent tax credits.
4. Intended to leverage new venture capital investment dollars in Utah with a wider range of investment specialties.

The Venture Capital Enhancement Act is intended to accelerate the formation of venture capital within the state. The bill uses contingent tax credits to induce the flow of investment capital to venture capital firms that make a commitment to establish a presence in Utah. The Utah Fund of Funds creates an incentive for venture capital firms to invest in Utah start-up and growth companies.

Currently, the Utah Capital Investment Corporation is seeking proposals from interested consulting and management groups to administer the fund.

The Fund of Funds is a state-backed \$100 million venture capital fund. The fund will be financed by private sources like Utah banks and utilities, but the state will protect institutional investors from losses by issuing contingent tax credits that will go into effect if investors do not receive an agreed upon minimum return on their investment. As currently in the statute, credits are non-refundable.

COMMUNITY ECONOMIC DEVELOPMENT PROJECT FUND

The Community Economic Development Project Fund is established in UCA 9-2-15. Although presently not funded, the purpose of the fund is to encourage “local government and nonprofit economic development organizations to develop projects that enhance the economic strengths of their communities and the development of small business and Utah.” Issues related to the fund are identified below:

- Loans and grants to local government and nonprofit economic development organizations and small businesses
- Recent IAF Economic Opportunities legislation enables local governments and nonprofit economic development organizations to receive funding from the Industrial Assistance Fund.

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CHAPTER 6 BUSINESS DEVELOPMENT

The Business Development programs are responsible for assisting state-wide businesses in their expansion efforts and recruiting quality businesses to the state. They place particular emphasis on areas that are experiencing economic difficulties.

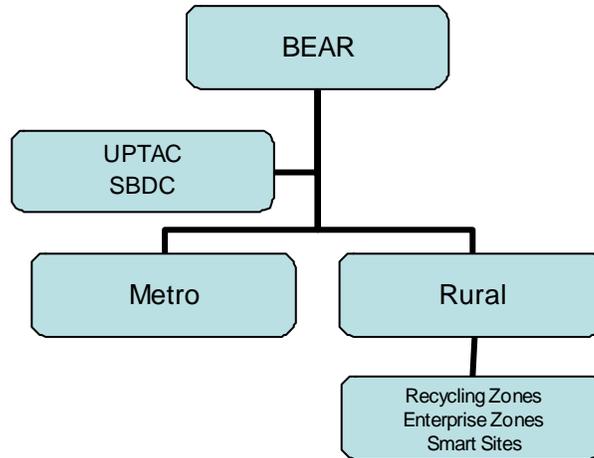
BUSINESS EXPANSION AND RETENTION

Business Expansion and Retention is charged with promoting the vitality, expansion and retention of existing Utah businesses. Existing businesses create 75 percent of the jobs that are created every year. Helping existing businesses is vital to Utah economic viability and well being. The Office function is to ensure that economic benefits spread statewide.

Statutory responsibilities include: Enterprise Zone Administration; Recycling Zone Administration; Pioneer Community/Main Street Program Administration; and the Office of Rural Development (SB 50).

BEAR insures statewide coverage, oversight, and implementation of programs to help existing businesses. Metro Business Development is responsible for existing business assistance in 4 metro counties. They conduct business visitation and surveys. They also make contact visits and survey key industry leaders. The goal is to insure key businesses are involved in State programs that can assist projects and job creation. The Small Business Development Centers (SBDC's) goal is to provide counseling and education to entrepreneurs and existing business owners to improve the business climate in Utah. This is accomplished through a partnership with SBA and local colleges and universities. Enterprise Zone administration provides State tax credits for investment and job creation. Enterprise Zones encourage job creation in rural Utah. Recycling Zones encourage businesses that are involved in recycling. Rural Business Development develops and promotes the Governor's Smart Site program. The goal is to create technology outsourcing type jobs in rural Utah. The Utah Procurement Technical Assistance Center (UPTAC) is a partnership between BEAR and the Department of Defense to provide Utah Small Businesses the counseling, technical assistance, and resources to successfully bid for government contracts. The goal is to assist Utah companies to gain access to federal and state contracts and to create and retain jobs for Utah companies.

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The success of BEAR is measured by the following

Smart Site Program – "Utah Smart Site" is a designation awarded by the Governor's Rural Partnership to small communities prepared to welcome companies that employ workers who use computers and the Internet to perform tasks for clients anywhere in the world. The program goal was a Smart Site in every rural county by December 2004 (see Appendix E). The program was initially funded by the Legislature in July 2001. To date results are as follows:

Smart Site Performance Indicators

| Year | Smart Sites Created | Smart Site Jobs Created |
|--------------|---------------------|-------------------------|
| 1999 | 0 | 0 |
| 2000 | 0 | 0 |
| 2001 | 15 | 198 |
| 2002 | 13 | 568 |
| 2003 | 12 | 216 |
| 2004 | 8 | 159 |
| Total | 48 | 1,141 |

Small business Development Centers – The Utah Small Business Development Centers were established to provide small business owners with one-on-one counseling, business skills training, and loan counseling. The investment in SBDC program of \$349,000 per year by the Legislature helps fund a partnership with the SBA and local Colleges and Universities in Utah. Measures include counseling sessions, seminars, and training sessions. Services are provided to help small businesses assess opportunities and challenges. Success is measured by the statistics identified below:

- Number of business owners receiving counseling
- Number of hours spent counseling businesses

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- Number of business seminars conducted
- Number of SBDC centers statewide

Results are identified below:

Small Business Development Center Performance Indicators

| Year | Business Owners Receiving Counseling | Hours Spent Counseling Business | Business Seminars Conducted | SBDC Centers Statewide |
|------|---|------------------------------------|--------------------------------|---------------------------|
| 1999 | 2,199 | 9,945 | 344 | 12 |
| 2000 | 2,419 | 9,732 | 328 | 12 |
| 2001 | 2,282 | 8,737 | 364 | 12 |
| 2002 | 2,602 | 10,651 | 372 | 12 |
| 2003 | 2,569 | 10,903 | 370 | 11 |
| 2004 | 2,625 | 11,302 | 384 | 11 |

PROCUREMENT TECHNICAL ASSISTANCE

The Utah Procurement Technical Assistance Center (UPTAC) was established to provide information and assistance to Utah businesses interested in selling their products and/or services to federal, state and local governments. Procurement Technical Assistance receives a federal grant to provide staff with expertise in Federal Procurement issues. The program conducts workshops and resources throughout the state. Expertise is available statewide.

In the case of federal procurement the clout of the state helps in receiving federal contracts. For example, the process for receiving federal 8A status is expensive and highly detailed. The state has resources which simplify the process for many businesses.

Success is measured as follows:

- by number of Utah business concerns registered to receive service
- Number of Federal contracts awarded to UPTAC companies
- Value of contracts
- Job impact of contracts awarded
- Number of conferences and training workshops provided to Utah companies

Program performance follows:

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Utah Procurement Technical Assistance Performance Indicators

| UPTAC | | | | | |
|-------|-----------------------|-------------------|--------------------|-------------------------|--------------------------------|
| Year | Businesses Registered | Contracts Awarded | Value Of Contracts | Job Impact Of Contracts | Business Conferences Conducted |
| 1999 | 925 | 590 | 123 Million | 3,000 | 28 |
| 2000 | 950 | 870 | 174 Million | 4,350 | 32 |
| 2001 | 1,000 | 1,052 | 170 Million | 4,250 | 29 |
| 2002 | 1,050 | 890 | 213 Million | 5,325 | 37 |
| 2003 | 1,100 | 600 | 200 Million | 5,000 | 40 |
| 2004 | 1,550 | 1,021 | 352 Million | 8,800 | 42 |

RURAL ECONOMIC DEVELOPMENT:

SB 50 (2004 General Session) created a formalized Rural Office and set up a rural board. The bill created a structure for Rural Utah to have its voice heard. The Smart Site program and Enterprise Zones are administered through the rural office.

RECYCLING MARKET DEVELOPMENT ZONE

In 1996, the Utah Legislature created the Utah Recycling Market Development Zone Program which focuses on recycling as an economic development tool. This will assist businesses that collect, process, distribute or use recycled materials in their manufacturing operations, or compost. Eligible recycling businesses that are located in designated Recycling Market Development Zones qualify for:

- 5% state tax credit on machinery and equipment;
- 20% state tax credit (up to \$2,000) on eligible operating expenses;
- technical assistance from state recycling economic development professionals; and
- various local incentives.

In order to receive the Recycling Market Development Zone designation, communities and counties must offer businesses within the zone some incentives which could include but are not limited to:

- financing, such as loans or grants
- expedited permitting assistance
- infrastructure assistance
- competitive utility rates
- reduced business license fees
- zoning assistance

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Applications to receive Recycling Market Development Zone designation must include:

- identification of local incentive;
- summary of local recycling program(s);
- support from local elected officials; and
- recycling market development plan

A history of credits claimed is shown below:

Recycling Zone Credits Claimed

| Year | Total Credits |
|--------------|----------------------|
| 1998 | \$800,000 |
| 1999 | 550,000 |
| 2000 | 440,000 |
| 2001 | 599,000 |
| 2002 | 598,000 |
| Total | 2,987,000 |

The Division has no way of auditing the data submitted because of proprietary restrictions in place at the Tax Commission. The Analyst recommends that the Division work with the Tax Commission to develop a reporting mechanism for these claimed credits.

ENTERPRISE ZONES

The Utah Enterprise Zone Program was established in 1988. An enterprise zone comprises an area identified by local elected and economic development officials and designated by the state. Under the program, certain types of businesses locating to, or expanding in a designated zone may claim tax credits provided in the law. In 1996, Senate Bill 239 significantly revised and expanded the existing Utah Enterprise Zone Program. New tax credits were added and eligible municipalities, as well as counties, may now apply for enterprise zone designations. The Enterprise Zone Act is found in Utah Code 9-2-401 through 415.

Any area of the state of Utah which is not part of a U.S. Census Bureau Metropolitan Statistical Area (MSA) located wholly within the state may be eligible for enterprise zone designation. Application for designation must be made by a city with 10,000 or less population located in a county with 50,000 or less population and not part of an MSA as previously stated, a county with 50,000 or less population and not part of an MSA, or an Indian Tribe for tribal lands. Applications will be reviewed and approved on the basis of economic development need, its quality, and other considerations based on a variety of economic distress factors, local planning, etc. The items below are part of the criteria considered in developing an enterprise zone.

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1. Pervasiveness of poverty, unemployment, and general distress in the proposed zone.
2. Extent of chronic abandonment, deterioration, or reduction in value of commercial property in the proposed zone.
3. Potential for new investment and economic development in the proposed zone.
4. Applicant's proposed use of other state and federal development funds or programs to increase probability of new investment and development occurring in proposed zone.
5. Extent projected development in the zone will provide employment to residents in the zone, and particularly, individuals who are unemployed or economically disadvantaged.
6. The degree to which the zone applicant's application promotes innovative solutions to economic development problems and demonstrates local initiative.
7. Other relevant factors which DCED specifies. Essentially, only Salt Lake, Utah, Davis, Weber, Cache, and Washington counties and the cities within those counties are ineligible to apply for designations. Tribal applications are eligible regardless of MSA status and population.

Designations are for limited areas identified locally. Most designations cover specific areas zoned locally for manufacturing or commercial use.

Tax credits are available to eligible businesses in designated enterprise zones from the start of the tax year in which the designation is made. For example, if designation is made in August 1999, an eligible business may claim tax credits for the entire tax year beginning January 1, 1999.

The full amount of the tax credit may be carried over for three years. Businesses closing operations in one rural area to locate in another rural area may not claim tax credits under this program. Construction jobs are not eligible for tax credits. Retail businesses and public utilities are not eligible to claim tax credits. A history of the credits claimed is listed below. The Division has no way of auditing the data submitted because of proprietary restrictions in place at the Tax Commission. The Analyst recommends that the Division work with the Tax Commission to develop a reporting mechanism for these claimed credits.

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Enterprise Zone Credits Claimed

| Individual Returns | | | |
|---------------------------|--------------------------|----------------------|----------------|
| Fiscal Year | Number of Returns | Total Dollars | Average |
| 1998 | 29 | \$196,518 | \$6,776 |
| 1999 | 62 | 210,763 | 3,399 |
| 2000 | 479 | 204,844 | 2,593 |
| 2001 | 95 | 483,575 | 5,090 |
| 2002 | 109 | 715,133 | 6,561 |
| Total | 774 | 1,810,833 | 24,419 |

| Corporate Returns | | | |
|--------------------------|--------------------------|----------------------|----------------|
| Fiscal Year | Number of Returns | Total Dollars | Average |
| 1998 | 13 | \$104,214 | \$8,016 |
| 1999 | 20 | 278,957 | 13,948 |
| 2000 | 25 | 423,082 | 16,923 |
| 2001 | 26 | 455,501 | 17,519 |
| 2002 | 21 | 278,871 | 13,280 |
| Total | 105 | 1,540,625 | 69,686 |

| Total Returns | | | |
|----------------------|--------------------------|----------------------|----------------|
| Fiscal Year | Number of Returns | Total Dollars | Average |
| 1998 | 42 | \$300,732 | \$7,160 |
| 1999 | 82 | 489,720 | 5,972 |
| 2000 | 104 | 627,926 | 6,038 |
| 2001 | 121 | 939,076 | 7,761 |
| 2002 | 130 | 994,004 | 7,646 |
| Total | 479 | 3,351,458 | 34,577 |

NATIONAL BUSINESS DEVELOPMENT

The mission of National Business Development is to create quality jobs by proactively recruiting new or expanding companies to the state. In the past 5 years they assisted in creating 11,000 jobs bringing over 100 expanding companies including Cadence, Siebel Systems and E-bay. Techniques include National Advertising, Trade Shows and Conferences, and Domestic Trade Missions. They also conduct Utah Familiarization Tours and help promote ecosystem development.

National Business Development coordinates state and local economic development resources for the purpose of recruiting companies outside Utah that will create jobs with above average wages and benefits.

The National Business Development program measures results by the number of companies assisted to relocate or expand in Utah. They also measure the number of jobs these companies create.

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A history of this measure is identified below:

Performance Indicators National Development

| Year | Companies Assisted To Locate in Utah | Jobs Announced |
|-------------|---|---------------------------|
| 1999 | 10 | 2,792 |
| 2000 | 7 | 2,175 |
| 2001 | 15 | 1,745 |
| 2002 | 8 | 1,861 |
| 2003 | 6 | 2,410 |
| 2004 | 10 | 3,000 |

The National Program also takes the lead in developing marketing strategies and materials for other programs within the division. National is the primary contact with the advertising agency and works with other programs to develop advertising, promotional materials and brochures.

Specific services provided by national development include.

- Run cost models for doing business in Utah vs. other locations.
- Identify potential sites and personally plan and conduct company site visit to Utah. In FY 2003 they conducted 33 site visits and in FY 2004 they conducted 21 site visits.
- Provide companies with information on the state's incentives and advantages.
- Provide companies with the connections to create and run training programs tailored for the specific needs of their company.
- Provide companies with the connections in local government agencies.

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Budget History Business Development (BEAR and National Development)

| | 2001 | 2002 | 2003 | 2004 | 2005 |
|--|-------------|-------------|-------------|-------------|--------------|
| | Actual | Actual | Actual | Estimated* | Appropriated |
| Financing | | | | | |
| General Fund | 2,679,300 | 3,077,800 | 2,547,800 | 2,028,200 | 2,059,300 |
| General Fund, One-time | | | | 5,400 | 213,700 |
| Federal Funds | 403,300 | 449,700 | 759,100 | 400,000 | 400,000 |
| Dedicated Credits Revenue | 15,500 | 4,100 | | 10,000 | 10,000 |
| Beginning Nonlapsing | 494,300 | 714,300 | 304,100 | 535,300 | |
| Closing Nonlapsing | (575,400) | (283,400) | (385,300) | | |
| Total | \$3,017,000 | \$3,962,500 | \$3,225,700 | \$2,978,900 | \$2,683,000 |
| Expenditures | | | | | |
| Personal Services | 1,414,500 | 1,352,700 | 1,364,100 | 1,203,400 | 1,237,800 |
| In-State Travel | 35,500 | 26,100 | 21,300 | 21,600 | 21,600 |
| Out of State Travel | 79,000 | 64,800 | 39,000 | 38,000 | 38,000 |
| Current Expense | 659,500 | 1,189,400 | 607,100 | 653,200 | 583,700 |
| DP Current Expense | 42,600 | 228,300 | 328,700 | 222,800 | 115,200 |
| DP Capital Outlay | | 7,800 | 5,900 | 6,000 | 6,000 |
| Capital Outlay | | 20,500 | | | |
| Other Charges/Pass Thru | 785,900 | 1,072,900 | 859,600 | 833,900 | 680,700 |
| Total | \$3,017,000 | \$3,962,500 | \$3,225,700 | \$2,978,900 | \$2,683,000 |
| FTE/Other | | | | | |
| Total FTE | 20 | 19 | 15 | 15 | 15 |
| *Non-State funds as estimated by agency. | | | | | |

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CHAPTER 7 OFFICE OF TECHNOLOGY AND SCIENCE

Technology and Science is given statutory authority in UCA 9-2. The program is responsibly for all statewide initiatives related to technology and science.

The Office of Technology and Science (OTS) has responsibility for technology based economic development initiatives within DBED. The stated mission of the office is “to accelerate Utah’s emergence as a center for technology investment, employment and entrepreneurship.” The following information documents the various activities, initiatives and programs that make up the work effort of the office.

UTAH TECHNOLOGY ALLIANCE

The Utah Technology Alliance was created by Governor Leavitt for the purpose of creating and implementing a technology based economic development strategy for the State. The strategy of the Utah Technology Alliance has been to nurture and grow Utah’s economic ecosystems by strengthening the nutrients required to grow innovative Utah technology companies. The initial strategy included these activities.

- The development of Utah’s brand to attract capital, anchor companies, and experienced management for Utah technology companies. This activity resulted in a significant new branding campaign including the tag line “Utah Where Ideas Connect”.
- The development and strengthening of Economic Ecosystems through recommendations from various Task Groups for new initiatives and policy changes. The HB 240 Fund of Funds and the Governor’s Engineering Initiative both had there genesis in these working Task groups.
- The establishment of a mechanism to provide specific direction and recommendations to the legislature on issues related to technology businesses. This effort later became the Utah Technology Industry Council (UTIC).

ECOSYSTEMS

The economic development objectives of the Utah Technology Alliance have now been integrated into the work scope of the OTS with a focus on economic ecosystems.

Utah’s technology landscape is characterized by many “ecosystems”. These are economic clusters that form around a core group of technologies. As ecosystems grow, they connect with and support other ecosystems fostering technological advancement and economic opportunities. Utah’s current ecosystems are: Biotechnology, Digital Media, Medical Devices, Web Services, Aerospace, Wealth Management, and Nutritional Products.

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CENTERS OF EXCELLENCE

The Centers of Excellence Program provides funding to Universities within the State to identify marketable technologies, transfer those technologies to Utah businesses, and capitalize on those technologies to produce new, high paying jobs. The Centers of Excellence program was created in statute in 1986. Key issues for the program are listed below:

- Grant money supports activities to bring technologies to the market place.
- Professional business consulting services are also provided.
- Matching funds from non-state sources are required (i.e. federal and private sources).
- Funded centers receive an average of \$125,000 per year.
- Centers are normally funded for five years with annual reporting and funding approval.
- Over \$35 million has been invested by the State since 1986.
- Over \$380 million in matching funds has been received.
- New companies spun out 150
- License agreements signed: 204
- Number of patents issued or pending: 179

The primary objective of the Centers of Excellence Program from its inception has been to encourage the commercialization of leading edge technologies developed at Utah's universities and colleges. The commercialization, accomplished through licensing patented technologies and by creating new companies, impacts Utah's economic base, and the leveraged use of matching fund dollars to strengthen research and development at Utah's institutions of higher learning.

In the 2003-2004 funding cycle the office received centers proposals totaling \$4 million in requests compared to \$2 million in funding. Of the \$2 million in funding \$150,000 is used for planning grants and for the Commercialization Consulting Program. The remainder funds the centers (see Appendix G). Funding for Centers of Excellence is approximately 56 percent of the total Technology and Science budget.

Generally centers can be funded upon an annual review for a period of five years. In the first 1 to 2 years of funding, awards are granted based on the commercial potential perceived in each center. In later, years, subsequent review and approval of funding becomes increasingly competitive and depends on the specific accomplishment of milestones and deliverables.

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Proposals for Centers of Excellence funding are reviewed by the Centers of Excellence Advisory Council. Centers selection is based on a ranking established through the review process.

The Centers Program funds a consulting program which helps the centers determine strategies for commercialization. Research is conducted to determine which market segments are most promising.

The Advisory Council tracks matching funds, licenses, patents, sponsored research projects from potential customers/licensees and spinout companies. These are all self reported but can be confirmed via the Technology Transfer Offices/Sponsored Projects Offices at the Universities. The progress of each Center against the development program and milestones described in their annual report/proposal is also tracked by professional business consultants throughout the year, and by the Council annually.

A specific example of a company which received funding from Centers of Excellence is Myriad Genetics which began as the Center for Cancer Genetic Epidemiology and its spinoffs, Sonic Innovations, and Echelon Research.

STATE SCIENCE ADVISOR

The State Science Advisor represents the interests of both Utah citizens and the State government on over 20 boards, commissions and councils ranging in scope from the destruction of chemical weapons to seismic safety, as well as directing the activities of the State Science Advisory Council, providing counsel to the Governor, Legislature and State agencies on matters with technical aspects, and advising Universities, municipalities and business throughout the state on issues of science education and technology-based economic development. The State Science advisor is appointed directly by the Governor under statutory authority. Responsibilities are listed below:

- Direct Centers of Excellence Program
- State Military Advisor
- Dugway and Tooele Liaison; CAC
- Direct the Science Advisory Council (SAC)
- White papers, forums, Governor's Medal
- 20+ Boards/Commissions/Councils
- Constituent Requests
- Keynotes, Science Fairs, etc.
- Recommend Graduation Requirements to Board of Education

THE ENGINEERING INITIATIVE

The engineering initiative is the result of recommendations from the Education Task Group of Utah of the Utah Technology Alliance. Legislative

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support over three years has resulted in significant increases in engineering/science program graduates and is a key part of the state's strategy for tech-based economic development. The director of the OTS serves on the Industrial Advisory Board of the University of Utah, College of Engineering and on the Board of Trustees of the Utah State University Research Foundation. In these roles he is involved in monitoring the progress of the engineering initiative and assuring that results are reported to the legislature.

THE UTAH TECHNOLOGY INDUSTRY COUNCIL

The Utah Technology Industry Council was created in the 2003 Legislative Session. Council membership is made up of business executives representing key Utah ecosystems. The Director of the OTS serves on the steering committee of the council. The role of the council is:

- To provide advice and council on tech-based economic development issues
- Recommend legislative initiatives, policy changes, tax incentives, etc.

TECHNOLOGY@BREAKFAST

The Technology@Breakfast lecture series consists of monthly breakfast meetings to provide networking opportunities for business, academic, and governmental leaders. Presentations on topics of general interest relating to science and technology issues are scheduled each month. The series has no specific statutory authority but is utilized to address the mission of the Office.

UTAH MANUFACTURING EXTENSION PARTNERSHIP

The Office of Technology Services manages the state contract with the Utah Manufacturing Extension Partnership (UMEP) and passes thru the \$600,000 appropriation to the UMEP. The director of the Office serves on the Technical Advisory Board of UMEP. UMEP provides counseling and support services to Utah's small manufacturing community. The UMEP is funded by federal appropriation from the Department of Commerce (NIST), the State of Utah, and from fee for service activities.

MEP is focused on helping small manufacturers in Utah improve the efficiency and profitability of their business.

The Manufacturing Extension Partnership (MEP) is a nationwide network of not-for profit centers in over 400 locations nationwide, whose purpose is to provide small and medium sized manufacturers with the help. The centers are funded by federal, state, local and private resources to serve manufacturers. The goal is to make it possible for even the smallest firms to tap into the expertise of knowledgeable manufacturing and business specialists all over the United States. These specialists are people who have had experience on manufacturing floors and in plant operations.

Each center works directly with area manufacturers to provide expertise and services tailored to their most critical needs. Solutions are offered through a

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combination of direct assistance from center staff and outside consultants. Centers often help small firms overcome barriers in locating and obtaining private sector resources.

- The Manufacturing Extension Partnership ranked number 1 in the nation in customer satisfaction for project activities through December 2003.
- Utah has assisted 1,200 manufacturers during the past 8 year.

BUSINESS ACCELERATOR SUPPORT

The OTS provides financial and staff support to a number of “Business Accelerators” operating in Utah. Business accelerators are typically non-profit entities that provide services to Utah technology companies. A sample of those organizations supported by OTS include:

- The Wayne Brown Institute
- The Utah Information Technology Association (UITA)
- The Utah Life Sciences Association (ULSA)
- The Mountain West Venture Group
- Envision Utah
- Technology to Market (T2M)
- University of Utah Student Venture Fund

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Budget History Technology and Science

| | 2001 | 2002 | 2003 | 2004 | 2005 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| | Actual | Actual | Actual | Estimated* | Appropriated |
| Financing | | | | | |
| General Fund | 2,455,500 | 3,034,500 | 3,123,200 | 2,590,400 | 3,234,800 |
| General Fund, One-time | | | | 549,700 | 252,600 |
| Dedicated Credits Revenue | | | | 65,100 | 65,100 |
| GFR - Industrial Assistance | 300,000 | | 99,700 | | |
| Beginning Nonlapsing | 1,068,300 | 1,096,200 | 400,900 | 391,700 | |
| Closing Nonlapsing | (1,096,200) | (415,000) | (591,700) | | |
| Transfers | | | 67,000 | | |
| Lapsing Balance | | | (25,000) | | |
| Total | \$2,727,600 | \$3,715,700 | \$3,074,100 | \$3,596,900 | \$3,552,500 |
| Expenditures | | | | | |
| Personal Services | 342,600 | 438,000 | 403,500 | 361,200 | 371,900 |
| In-State Travel | 5,700 | 5,300 | 3,800 | 7,400 | 3,400 |
| Out of State Travel | 20,300 | 56,300 | 9,700 | 20,100 | 8,600 |
| Current Expense | 50,300 | 678,800 | 106,200 | 517,400 | 285,700 |
| DP Current Expense | 11,100 | 25,600 | 2,400 | 6,200 | 2,500 |
| Other Charges/Pass Thru | 2,297,600 | 2,511,700 | 2,548,500 | 2,684,600 | 2,880,400 |
| Total | \$2,727,600 | \$3,715,700 | \$3,074,100 | \$3,596,900 | \$3,552,500 |
| FTE/Other | | | | | |
| Total FTE | 5 | 5 | 6 | 5 | 5 |
| *Non-State funds as estimated by agency. | | | | | |

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CHAPTER 8 CONCLUSIONS AND RECOMMENDATIONS

The Division of Business and Economic Development utilizes the approximately \$8.5 million appropriated to fulfill its statutory mission. Overall the Division has focused limited resources to those areas of economic development that will benefit the state of Utah most effectively. They have also made an effort to address the initiatives developed by the Governor and the Legislature within existing budgets as much as possible.

The Analyst recommends that the Legislature continue to work with the Film Commission and the Incentive Fund Staff and the Motion Picture Task Force to develop recommendations for the most suitable, stand alone economic development incentive for the film industry. Results should be reported to the Executive Appropriations Subcommittee and the Appropriations Subcommittee for Economic Development and Human Resources.

The Analyst recommends that DBED report progress on implementation of the Fund of Funds Legislation to the Executive Appropriations Committee in the July 2005, Executive Appropriations Committee Meeting including any fund balances and investments.

The Analyst recommends that the Division work with the Tax Commission to develop a reporting mechanism for claimed credits in both recycling and enterprise zones.

The Analyst recommends that DBED report progress on implementation of the Aerospace/Aviation Development Zone to the Executive Appropriations Committee in the November 2005, Executive Appropriations Committee Meeting including the incremental tax credits claimed.

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APPENDIX A: TRADE REPRESENTATIVES

AMERICAS

| | |
|---------------------|------------------------|
| Mexico City, Mexico | Guadalupe De Escalante |
| Santiago, Chile | Maria Ester Laso |
| Sao Paulo, Brazil | Clovis Lemes |

ASIA

| | |
|--------------------|-------------------------|
| Beijing, China | Shawn Hu |
| Seoul, South Korea | I.K. Kim |
| Singapore | Osith Ramanathan |
| Tokyo, Japan | Yoshitake, Fujikawa |
| Najin, China | Michael Chen (Honorary) |

EUROPE

| | |
|-------------------|-----------------------------|
| Dortmund, Germany | Jorg Lennardt |
| Brussels, Belgium | Frederick De Pryck |
| Stockholm, Sweden | Ingvar Kvernes |
| London, U.K. | Tim Church |
| Torino, Italy | Chris Bowler |
| Graz, Austria | Christian Husak (Honorary) |
| Goteborg, Sweden | Claes Nilsson (Honorary) |
| Oslo, Norway | Andre Forsberg (Honorary) |
| Helsinki, Finland | Jussi Kemppainen (Honorary) |
| Scotland, U.K. | Bill Landell (Honorary) |

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APPENDIX B: GOVERNORS TRADE MISSIONS ATTENDEES

Mexico City, Mexico - February 2003

State Employees

Governor Michael Leavitt – Governor’s Office

Bridget Fare – Governor’s Office, Public Information

Jeff Gochnour – Division of Business and Economic Development

Tina Stahlke Lewis - International Business Development Office

Henrique DeAgostini – International Business Development Office

Edgar Gomez - International Business Development Office

Lane Beattie – State Olympic Office

Sylvia Haro – State Olympic Office

Cary Peterson – Department of Agriculture and Food

Businesses

Joel Bradford – Utah Valley State College

Tim Campbell – Salt Lake City Department of Airports

Barbara Gann – Salt Lake City Departments of Airports

Jack Payne – Utah State University

Mike Petersen – University of Utah

Dave Anderton – Deseret News

Brent Bishop – GreenBacks All-A-Dollar

David Bishop – GreenBacks All-A-Dollar

Lee Brower – Empowered Wealth

Mike Cameron – Christopherson Travel Group

Steve Cochrane – AeroMexico

Jonathan Coon – 1-800-Contacts

Kirsten Coon – 1-800-Contacts

Stuart Dye – US-Mexico Chamber of Commerce

Mac Epps – Zion’s Bank

Gloria Garcia de Faulkner – Chapman-Richards & Associates

Joel Faulkner – International Manufacturing Service Inc.

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Doug Fogg – Sorenson Genomics
Shelli Gardner – Stampin’ Up
Sterling Gardner – Stampin’ Up
Kim Hood – Oquirrh Institute
Taylor Leavitt – Oquirrh Institute
Neil Jacobsen – Christopherson Travel Group
Ken Jones – AeroMexico
Francisco Kjolseth – Salt Lake Tribune
Tod Schulthess – Sorenson Molecular Genealogy Foundation
Tom Stockham – MyFamily.com
Tim Sullivan – Salt Lake Tribune
Martin Torres – Mexico Consulate
Cederic Whetten – Import Sports
Bill Whitney – RISUN Technologies
Clark Woodger – Nomen Global Language Center
Damon Murray – I & A
Darren Murray – I & A

Sao Paulo, Brazil - June 2003

State Employees

Henrique DeAgostini – International Business Development Office

Businesses

Brett Horstmann – Lifetime Products
Clark Roundy – Linux Network
Orville Lund – Wasatch Summit Development
Whitney Lund Jr - Wasatch Summit Development
Whitney Lund Sr - Wasatch Summit Development
Frederick Sumsion – Wasatch Summit Development
Jared Christensen – Sorenson Genomics
Joel Faulkner – International Manufacturing Service Inc.
Karl Leavitt – Grubb & Ellis
Stanley Howell – Stephens International

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Wendy Burton – World Tree

Wade Nichols – World Tree

Doha, Qatar – October 2003

State Employees

Chris Bowler – International Business Development Office

Businesses

Aaron Bloodworth - Modern Display

David Tubbs – SAIC

Andrew Gettig – Sport Court

Vancouver, BC, Canada – March/April 2004

State Employees

Governor Olene S. Walker – Governor’s Office

Leo Memmott – Governor’s Office, Policy

Amanda Covington – Governor’s Office, Communications

Jeff Gochnour – Division of Business and Economic Development

Tina Stahlke Lewis – International Business Development Office

Henrique DeAgostini – International Business Development Office

Edgar Gomez – International Business Development Office

Tracie Cayford – DCED, Public Information Officer

Businesses

Karen Gudmundson – Power Innovations

Bob Mount – Power Innovations

Lane Beattie – Salt Lake Chamber of Commerce

Larry Bond – TRASKBRITT

Dennis McDowell – Great American Minerals

Bill Barnhart – University of Utah

John Stillings – Zion’s Bank

Joel Faulkner – International Manufacturing Service Inc.

David Little – Resyc

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Beijing and Shanghai, China – April 2004

State Employees

Jeff Gochmour – Division of Business and Economic Development

Matthew McConkie – International Business Development Office

Edgar Gomez – International Business Development Office

Tracie Cayford – DCED, Public Information/Communications

Dean Reeder – Utah Travel Council

Jana Farr – Utah Arts Council

Doris Hui – Translator

Emily Sang – Translator

Businesses

Stephen Baughman – Cytozyme

Kerry Cassaday – MEP Utah

Derek Dahlstrom – Dahlstrom & Dahlstrom

Franco Dsouza – Seaich Card

Lisa Eccles – Eccles Foundation

Tom Etzel – Zion's Bank

Chris Fawson – Utah State University

Tracy Hanson – Maaron Corp

PC Hui – Seimens

Alan Manwaring – Maaron Corp

Randy Harmsen – CEntry

Richard Hartvigson – NuSkin

Sonny Kuang – Kuang's LLC

Scott Ogden – CargoLink

Clark Roundy – Linux Networx Inc

David Workman, MD – Academy of Nursing

Rong Xue – USANA

Jordan Yu – Sequence SDI Intl

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Veracruz, Mexico – August 2004

State Employees

Governor Olene S. Walker – Governor’s Office

Leo Memmott – Governor’s Office, Policy

Amanda Covington – Governor’s Office, Communications

Tina Stahlke Lewis – International Business Development Office

Edgar Gomez – International Business Development Office

Dwight Rimmasch – Utah Travel Council

Businesses

Mayor Dennis Nordfelt – West Valley City

Bob Buchanan – West Valley City

Paul Isaac – West Valley City

Ross Olsen – West Valley City Cultural Celebration Center

C. Lars Mouritsen – Sorenson Genomics

Ugo Perego – Sorenson Molecular Genealogy Foundation

Paul Maki – USANA

Terry Chen – USANA

Nicholas Soto – USANA

Fernando Delgado – Secure Disc

Upcoming Trade Missions

Santiago, Chile/Sao Paulo, Brazil – September 2004

State Employees

Governor Olene S. Walker – Governor’s Office

Gary Doxey – Governor’s Office Chief of Staff

Leo Memmott – Governor’s Office Policy

Jeff Gochnour – Division of Business and Economic Development

Tina Stahlke Lewis – International Business Development Office

Henrique DeAgostini – International Business Development Office

Edgar Gomez – International Business Development Office

Tracie Cayford – DCED, Public Information Officer

Dwight Rimmasch – Utah Travel Council

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Businesses

Clark Roundy – Linux Networx Inc
Brad Bonham – GIAB
Larry Bond – TRASKBRITT
Patricia Denny – Utah Travel Connection
Raelene Davis – SkiUtah
Wendy Rivas – Park City Chamber of Commerce
Jeff Graham – Connect2
Clark Woodger – Nomen Global Language
Russ Moody – InnoMark
Mac Epps – Zion’s Bank
Wayne Barlow - Wescor

Moscow, Russia – October 2004

State Employees

Lt. Governor Gayle McKeachnie – Governor’s Office
Jeff Gochnour – Division of Business and Economic Development
Tina Stahlke Lewis – International Business Development Office
Edgar Gomez – International Business Development Office

Businesses

Andrew Gettig – Sport Court
Jeff Robbins – Utah Sports Commission
Jason Golly – Neways
George Hoffman – Zion’s Bank
Dr. Sergei Chernyshev – Evans and Sutherland
Dr. William Sederburg – Utah Valley State College
Dr. Ross Butler – Utah Valley State College

Taipei, Taiwan/Hong Kong – October 2004

State Employees

Governor Olene S. Walker – Governor’s Office
Brian Farr – Governor’s Office
Jeff Gochnour – Division of Business and Economic Development

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Tina Stahlke Lewis – International Business Development Office

Matthew McConkie – International Business Development Office

Edgar Gomez – International Business Development Office

Tracie Cayford – DCED, Public Information Officer

Businesses

Bruce Ashcroft – Zion’s Bank

Ty Brown – O.C. Tanner

Dave Petersen – O.C. Tanner

Russell Margetts – Lynrun Aluminum Products

Tracy Gibbs – NutraNomics Inc

Glenn Jankins – Ensign Group International

Greg Moffat – Ensign Group International

Jason Christensen – ACT Company

Jennifer Hwu – Innosys

Larry Sadwick – Innosys

Karl Wild – Evans & Sutherland

Clark Roundy – Linux Networx Inc

Stephen Baughman – Cytozyme Laboratories Inc

Bart Kennington – Candle Warmers Inc

Hector Morazan – LiteTouch Inc

Ugo Perego – Sorenson Molecular Genealogy Foundation

Thomas Yang – Sorenson Molecular Genealogy Foundation

Sonny Kuang – Kuang’s LLC

Saarbrücken, Germany/Belgium, Brussels – October 2004

State Employees

Tina Stahlke Lewis – International Business Development Office

Franz Kolb – International Business Development Office

Rod Linton – Division of Business and Economic Development

Dr. Michael Keene - State Science Advisor

Businesses

Rajiv Kulkarni – University of Utah

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J. Chris Brimley – Bullfrog Spas

Marlon Berrett – Dental Cooperative

Kent Millington – Utah Valley State College

Theresa McKnight – Utah State University Innovation Campus

Geoffrey Brugger – Salt Lake Community College

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APPENDIX C: UTAH TRADE MISSION BUDGET

BUSINESS & ECONOMIC DEVELOPMENT
GOVERNOR'S TRADE MISSIONS
PROGRAM SUMMARY
JULY 1, 2002 THROUGH JUNE 30, 2004

SOURCES

| | | |
|----------------------------------|-----------|------------------|
| DBED Reallocations from One-Time | \$300,367 | |
| DBED Reallocations from Ongoing | \$131,000 | |
| Prior Year Olympic Carryin | \$110,461 | |
| TOTAL | | \$541,828 |

EXPENDITURES

| | | |
|--------------------------------|-----------|------------------|
| Out of State Travel DCED Staff | \$89,464 | |
| Trade Mission Travel | \$113,122 | |
| Telephone | \$4,724 | |
| Postage | \$2,679 | |
| Client Conferences | \$31,042 | |
| Office Supplies | \$491 | |
| Printing/Binding | \$7,489 | |
| Advertising/Promotion | \$98,954 | |
| Photographic | \$1,623 | |
| Books | \$372 | |
| Data Processing/Software | \$17,431 | |
| Other | \$3,110 | |
| TOTAL | | \$370,501 |

BALANCE AVAILABLE FOR FY2005

\$171,327

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APPENDIX D: EARNED CREDITS INDUSTRIAL ASSISTANCE FUND

Earned Credits Due to Industrial Assistance Fund

| Industrial Assistance Loans/Grants | Status | Actual | Actual | Actual | Actual | Actual | Actual | Projected | Cumulative |
|------------------------------------|---------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|----------------------------|---------------------|
| | | Earned Credits FY 1999 | Earned Credits FY 2000 | Earned Credits FY 2001 | Earned Credits FY 2002 | Earned Credits FY 2003 | Earned Credits FY 2004 | Earned Credits FY 2005* | |
| Accu-Form Plastics (grant) | closed | \$0 | \$21,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$21,000 |
| Albertsons/American Stores | closed | \$57,800 | \$60,524 | \$0 | \$0 | \$0 | \$0 | \$0 | \$118,324 |
| American Timbercraft Homes | closed | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Detroit Diesel Remanufacturing | closed | \$272,400 | \$25,482 | \$42,789 | \$302,992 | \$0 | \$0 | \$0 | \$643,663 |
| DOD Electronics/Harman Int'l | closed | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Gateway 2000 (grant) | closed | \$0 | \$200,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$200,000 |
| Horizon Metals | closed | \$16,789 | \$19,926 | \$16,974 | \$19,926 | \$0 | \$0 | \$0 | \$73,615 |
| Intertape Polymer | closed | \$158,400 | \$9,900 | \$0 | \$0 | \$0 | \$0 | \$0 | \$168,300 |
| McDonnell Douglas Corp | closed | \$665,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$665,000 |
| Parker Hannifin Corp | closed | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Red Rock Industries | closed | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Sandstar Entertainment (grant) | closed | \$0 | \$18,750 | \$0 | \$0 | \$0 | \$0 | \$0 | \$18,750 |
| Satterwhite Log Homes | closed | \$43,700 | \$11,681 | \$0 | \$0 | \$0 | \$0 | \$0 | \$55,381 |
| Intel | closed | \$0 | \$100,000 | \$236,634 | \$75,000 | \$0 | \$0 | \$0 | \$411,634 |
| Bucyrus Blades | closed | \$0 | \$17,400 | \$10,150 | \$7,250 | \$0 | \$0 | \$0 | \$34,800 |
| Mikohn Gaming Corp | closed | \$0 | \$27,024 | \$42,100 | \$46,423 | \$39,468 | \$37,812 | \$0 | \$192,827 |
| Moroni Feed Company | open | \$0 | \$0 | \$17,400 | \$10,150 | \$39,375 | \$0 | \$0 | \$66,925 |
| Ingenix (grant) | open | \$0 | \$0 | \$0 | \$289,500 | \$289,500 | \$0 | \$51,000 | \$630,000 |
| Great Lakes Cheese (grant) | open | \$0 | \$0 | \$0 | \$0 | \$130,000 | \$98,000 | \$30,000 | \$258,000 |
| Fresenius Medical (grant) | open | \$0 | \$0 | \$0 | \$588,001 | \$206,889 | \$160,223 | \$155,600 | \$1,110,713 |
| Alphagraphics | open | \$0 | \$0 | \$300,000 | \$15,000 | \$69,725 | \$24,000 | \$25,000 | \$433,725 |
| Verizon (grant) | open | \$0 | \$0 | \$0 | \$0 | \$200,000 | \$300,000 | \$200,000 | \$700,000 |
| Scientific Tech (grant) | open | \$0 | \$0 | \$0 | \$0 | \$13,440 | \$2,688 | \$19,000 | \$35,128 |
| Classy Closets (grant) | open | \$0 | \$0 | \$0 | \$0 | \$0 | \$6,000 | \$7,500 | \$13,500 |
| Cedar Woods AMC (grant) | closed | \$0 | \$0 | \$0 | \$0 | \$4,000 | \$0 | \$0 | \$4,000 |
| American Skiing Company (grant) | open | \$0 | \$0 | \$0 | \$0 | \$250,000 | \$75,000 | \$40,000 | \$365,000 |
| Unysis (grant) | open | \$0 | \$0 | \$0 | \$0 | \$23,000 | \$83,000 | \$123,000 | \$229,000 |
| Wells Dairy (grant) | open | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$87,000 | \$87,000 |
| Goldman Sachs (grant) | open | \$0 | \$0 | \$0 | \$0 | \$0 | \$91,500 | \$0 | \$91,500 |
| Cadence (grant) | open | \$0 | \$0 | \$0 | \$0 | \$0 | \$82,000 | \$60,000 | \$142,000 |
| Williams International (grant) | open | \$0 | \$0 | \$0 | \$0 | \$4,650 | \$60,450 | \$0 | \$65,100 |
| Khuni's Rendering Plant | open | \$0 | \$0 | \$0 | \$0 | \$378,762 | \$1,079,743 | \$341,495 | \$1,800,000 |
| Skyline Sawmill (grant) | open | \$0 | \$0 | \$0 | \$0 | \$64,500 | \$22,500 | \$15,000 | \$102,000 |
| Bomatic (grant) | pending | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$111,100 | \$111,100 |
| Wal-Mart (grant) | open | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$600,000 | \$600,000 |
| NAMPAC (grant) | pending | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$200,000 | \$200,000 |
| Steton Technology (grant) | open | \$0 | \$0 | \$0 | \$0 | \$0 | \$18,750 | \$31,250 | \$50,000 |
| Twinlab (grant) | pending | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Gendata (grant) | open | \$0 | \$0 | \$0 | \$0 | \$223,800 | \$0 | \$1,492,000 | \$1,715,800 |
| Ogden High Tech Center (grant) | open | \$0 | \$0 | \$0 | \$0 | \$0 | \$900,000 | \$0 | \$900,000 |
| Cascades (grant) | pending | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Zions Bank Corp (grant) | pending | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$30,000 | \$30,000 |
| Lozier Corporation | open | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$100,000 | \$100,000 |
| Schrieber Foods | open | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$200,000 | \$200,000 |
| Malt-O-Meal | open | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$175,000 | \$175,000 |
| Qwest | pending | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$200,000 | \$200,000 |
| Working Rx | pending | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Orgill Inc | pending | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| WL Plastics | pending | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Triumph Group | pending | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Cephalon | pending | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Tarter Gate | pending | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| BD Medical | pending | | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Hexcel | pending | | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Qwest Bilingual | pending | | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| National Vinyl | pending | | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Carlisle | pending | | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| L3 Communication | pending | | | | | \$0 | \$0 | \$0 | \$0 |
| UCIC | pending | | | | | \$0 | \$0 | \$0 | \$0 |
| | | \$1,214,089 | \$511,687 | \$666,047 | \$1,354,242 | \$1,937,109 | \$3,041,666 | \$4,293,945 | \$13,018,785 |

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APPENDIX E: SMART SITE JOBS AND LOCATIONS

Smart site job announcements by quarter

| Smart Sites | Total | | | | | | | | | | | | | Page 1 | | | | |
|-------------------------|------------|-------|-----|-----|-------|-----|-----|-------|-----|-----|-------|-----|-----|--------|-----|-----|--|--|
| | | '2001 | | | '2002 | | | '2003 | | | '2004 | | | | | | | |
| | | 2nd | 3rd | 4th | 1st | 2nd | 3rd | 4th | 1st | 2nd | 3rd | 4th | 1st | 2nd | 3rd | 4th | | |
| Total Jobs | 1140 | | | | | | | | | | | | | | | | | |
| Metro companies | | | | | | | | | | | | | | | | | | |
| Avia Code (Telework) | 100 | | | | | | 100 | | | | | | | | | | | |
| Medquist (Telework) | 100 | | | | | | 100 | | | | | | | | | | | |
| UINTAH BASIN AOG | 206 | | | | | | | | | | | | | | | | | |
| Roosevelt | | | | | | | | | | | | | | | | | | |
| UBTA | 130 | 40 | 5 | | 5 | | 10 | 10 | 20 | 30 | | | 10 | | | | | |
| UBET Building | | | | | | | | | | | | | | | | | | |
| Ft Duchesne | | | | | | | | | | | | | | | | | | |
| Unitah River Tech | 65 | 48 | 17 | | | | | | | | | | | | | | | |
| Vernal | | | | | | | | | | | | | | | | | | |
| Netvantix | 10 | | | | | 3 | | 7 | | | | | | | | | | |
| Walton Web Design | 1 | | | | | | | | | | | | 1 | | | | | |

| Smart Sites | Total | | | | | | | | | | | | | | | | | |
|--------------------------|------------|---|---|----|----|----|----|----|----|---|--|--|---|---|---|---|---|--|
| | | | | | | | | | | | | | | | | | | |
| BEAR RIVER AOG | 341 | | | | | | | | | | | | | | | | | |
| North Logan | | | | | | | | | | | | | | | | | | |
| Information Alliance | 320 | 0 | 5 | 51 | 30 | 54 | 70 | 70 | 40 | | | | | | | | | |
| InformationConnection | 6 | 0 | 6 | | | | | | | | | | | | | | | |
| Brigham City | | | | | | | | | | | | | | | | | | |
| Flying J site | | | | | | | | | | | | | | | | | | |
| NWB Shononi Technologies | 6 | | | | | | | | 1 | | | | 1 | 2 | 2 | | | |
| Davasi Consulting | 6 | | | | | | | | 2 | 1 | | | | 3 | | | | |
| Bess Tech | 2 | | | | | | | | | 2 | | | | | | | | |
| Web Connections | 1 | | | | | | | | | 1 | | | | | | | | |
| SIX COUNTY AOG | 29 | | | | | | | | | | | | | | | | | |
| Mt Pleasant | | | | | | | | | | | | | | | | | | |
| Data Discovery | 1 | | | | | 1 | | | | | | | | | | | | |
| Illusions Acedemy | 5 | | | | | 2 | 2 | 1 | | | | | | | | | | |
| SkyLine Technology | 4 | | | | | | | | 1 | 3 | | | | | | | | |
| Voice2Inside | 3 | | | | | | | | | 3 | | | | | | | | |
| Richfield | | | | | | | | | | | | | | | | | | |
| S3 | 2 | | | | | | 1 | | | | | | | | | 1 | | |
| Arcitects NW | 10 | | | | | | | | | | | | | | | 2 | 8 | |
| Loa | | | | | | | | | | | | | | | | | | |
| Snap shot | 4 | | | | | | | | | | | | | | | 4 | | |

EXECUTIVE APPROPRIATIONS COMMITTEE 2004 INTERIM

| Smart Sites | Total | | | | | | | | | | | Page 3 | |
|-------------------------|--------------|-------|---|-------|--|-------|----|-------|--|---|--|--------|---|
| SOUTHEASTERN AOG | 130 | '2001 | | '2002 | | '2003 | | '2004 | | | | | |
| Price City | | | | | | | | | | | | | |
| Peczuh, Inc | 4 | | | | | | | | | | | 4 | |
| MedUSA | 7 | | | | | | | | | | | 1 1 | |
| Orangeville | | | | | | | | | | | | | |
| Emery TeleCo site | 18 | 13 | 0 | 2 | | | -1 | | | 4 | | | |
| Digital Mining | 8 | | | | | | | | | | | 3 3 | |
| CastleDale | | | | | | | | | | | | | |
| HealthAxis | 30 | | | | | | | | | | | 15 15 | |
| Voice2Insight | 2 | | | | | | | | | | | 2 | |
| Green River | | | | | | | | | | | | | |
| Wayoutwest Web Design | 1 | | | | | | | | | | | 0 1 | |
| Moab | | | | | | | | | | | | | |
| BFE | 1 | | | | | | | | | | | 1 | |
| Technica Pacifica | 1 | | | | | | | | | | | 1 | |
| Curcuit Riders LLC | 1 | | | | | | | | | | | 1 | |
| Footprints | 2 | 1 | | | | | | | | | | | 1 |
| Blanding | | | | | | | | | | | | | |
| Icommand | 1 | | | | | | | | | | | 1 | |
| Gaeaorama, Inc | 4 | | | | | | | | | | | 2 1 1 | |
| White Mesa Tech | 1 | | | | | | | | | | | 1 | |
| Frazier Technologies | 3 | | | | | | | | | | | 1 2 | |
| Eagle Rock Tech | 30 | | | | | | | | | | | 30 | |
| Apolo Communications | 15 | | | | | | | | | | | 15 | |
| Monticello | | | | | | | | | | | | | |
| isFirst Technology | 1 | | | | | | | | | | | 1 | |
| Getgo Imaging | | | | | | | | | | | | | |

EXECUTIVE APPROPRIATIONS COMMITTEE 2004 INTERIM

| Smart Sites | Total | Page 4 | | | | | | | | | | | | | | | |
|----------------------------|--------------|--------------|-----|-----|-----|--------------|-----|-----|-----|--------------|-----|-----|------|--------------|------|------|--|
| FIVE COUNTY AOG | 234 | '2001 | | | | '2002 | | | | '2003 | | | | '2004 | | | |
| Kanab | | | | | | | | | | | | | | | | | |
| ACS | 63 | | | | 63 | | | | | | | | | | | | |
| Zions | 70 | | | | | | | 20 | 10 | 5 | | | 5 | 30 | | | |
| FotoX | 3 | | | | | | | 1 | | | | | | | 2 | | |
| Cedar City | | | | | | | | | | | | | | | | | |
| AMC | 21 | 5 | 5 | | | | | 5 | 6 | | | | | | | | |
| Suh'dutsing | 3 | | | | | | | | | | | 2 | | 1 | | | |
| Tropic | | | | | | | | | | | | | | | | | |
| JCI | 4 | | | | 1 | | | 1 | | | | | 0 | 2 | | | |
| Smart Com | 3 | | | | | | 3 | | | | | | | | | | |
| Escalante | | | | | | | | | | | | 1 | | | | | |
| Escalante Data | 1 | | | | | | | | | | 1 | | | | | | |
| St George | | | | | | | | | | | | | | | | | |
| Tuachan Center | 2 | | | | 2 | | | | | | | | | | | | |
| LearnKey (120) | 17 | | | | | | 6 | | | | | | 10 | 1 | | | |
| FME, Inc | 0 | | | | | | | | | | | | | | | | |
| Elite (6) | 11 | | | | | | | | | | | 4 | 2 | 2 | 3 | | |
| EMC (0) | 6 | | | | | | | | | | | 3 | | 3 | | | |
| Santa Clara | | | | | | | | | | | | | | | | | |
| Steton Technologies(20) | 20 | | | | 5 | | | 3 | 2 | 5 | 3 | | 2 | | | | |
| Hurricane | | | | | | | | | | | | | | | | | |
| Xclusive Marketing | 3 | | | | | | | | | | | | | | 3 | | |
| Long Digital Solutions (1) | 6 | | | | | | | | | | | | 4 | 2 | | | |
| Possibility Forge (7) | 1 | | | | | | | | | | | | | 1 | | | |
| | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | |
| Total | 57 | 107 | 38 | 53 | 38 | 125 | 290 | 115 | 88 | 79 | 18 | 31 | 32 | 80 | 47 | 0 | |
| Grand Total | | 107 | 145 | 198 | 236 | 361 | 651 | 766 | 854 | 933 | 951 | 982 | 1014 | 1094 | 1141 | 1141 | |

EXECUTIVE APPROPRIATIONS COMMITTEE 2004 INTERIM

APPENDIX F: PRIVATE ACTIVITY BOND HISTORY

Private Activity Bond Summary - 5 year history

| | | 2003 | |
|--|--|--------------|---------------|
| Total Volume Cap | | | \$228,580,000 |
| Single Family Account - Utah Housing Corporation | | | \$96,003,600 |
| Student Loan Account - Utah Board of Regents | | | \$75,431,400 |
| Small Issue Account - Housing & Manufacturing | | | \$54,859,200 |
| | Spring Air Mountain West | \$4,455,000 | |
| | AlumaTek Pacific | \$2,410,000 | |
| | Derren Klein Tile & Granite | \$2,600,000 | |
| | Best Bio Fuels - EF/Manufacturing | \$8,705,000 | |
| | HACSL/Villa Charmant | \$2,325,000 | |
| | Morse Health & Housing/Laurelwood Apts | \$3,765,539 | |
| Exempt Facility Account | | | \$2,285,800 |
| | | 2002 | |
| Total Volume Cap | | | \$225,000,000 |
| Single Family Account - Utah Housing Corporation | | | \$94,500,000 |
| Student Loan Account - Utah Board of Regents | | | \$74,250,000 |
| Small Issue Account - Housing & Manufacturing | | | \$54,000,000 |
| | NAMPAC | \$4,000,000 | |
| | Encon United | \$3,275,000 | |
| | Intermountain Farmers Association | \$3,100,000 | |
| | Miller Development/Coppergate Apts | \$6,085,000 | |
| | IDG/Layton Pointe Apts | \$3,800,000 | |
| | Bridge Partners/Tanglewood Apts | \$9,000,000 | |
| | Center Street Partners/Foxboro Terrace | \$10,000,000 | |
| | Morse Health & Housing/Laurelwood Apts | \$34,461 | |
| Exempt Facility Account | | | \$2,250,000 |

EXECUTIVE APPROPRIATIONS COMMITTEE 2004 INTERIM

| 2001 | |
|--|---------------|
| Total Volume Cap | \$187,500,000 |
| <hr/> | |
| Single Family Account - Utah Housing Corporation | \$78,750,000 |
| Student Loan Account - Utah Board of Regents | \$61,875,000 |
| Small Issue Account - Housing & Manufacturing | \$45,000,000 |
| Tek Tool & Plastics | \$5,000,000 |
| Altaview Concrete | \$2,500,000 |
| Southwire Company | \$6,240,000 |
| Scientific Technology Inc. | \$2,100,000 |
| Municipal Bond Consulting/City Front Apts | \$7,020,000 |
| Paul Shupe/Canyon View Apts | \$3,700,000 |
| PSC Development/Sunset Ridge | \$10,500,000 |
| Miller Development/Coppergate Apts | \$3,915,000 |
| | |
| Exempt Facility Account | \$1,875,000 |

| 2000 | |
|---|---------------|
| Total Volume Cap | \$150,000,000 |
| <hr/> | |
| Single Family Account - Utah Housing Corporation | \$63,000,000 |
| Student Loan Account - Utah Board of Regents | \$49,500,000 |
| Small Issue Account - Housing & Manufacturing | \$36,000,000 |
| White Wave, Inc. | \$4,000,000 |
| Rocky Mountain/Mill Creek II Apts | \$315,000 |
| PSC Development/Rose Cove Apts | \$6,705,000 |
| PSC Development/Diamond Fork | \$3,525,000 |
| Utah Non-Profit Housing/Stonehedge, Holly Haven, Village Square | \$5,250,000 |
| PSC Development/Bluffs Apts | \$10,000,000 |
| Municipal Bond Consulting/City Front Apts | \$2,180,000 |
| | |
| Exempt Facility Account | \$1,500,000 |

| 1999 | |
|--|---------------|
| Total Volume Cap | \$150,000,000 |
| <hr/> | |
| Single Family Account - Utah Housing Corporation | \$63,000,000 |
| Student Loan Account - Utah Board of Regents | \$49,500,000 |
| Small Issue Account - Housing & Manufacturing | \$36,000,000 |
| Penco Products, Inc. | \$4,000,000 |
| Integrated System Engineering | \$3,385,000 |
| Rocky Mountain/Mill Creek II Apts | \$1,535,000 |
| Miller Development/Haven Pointe Apts | \$8,000,000 |
| IDG/Shaleh Meadows | \$6,600,000 |
| Paul Shupe/Tooele Gateway | \$3,263,000 |
| Mountainlands/Holiday Village | \$4,030,000 |
| Bertram/Riverview | \$3,687,000 |
| | |
| Exempt Facility Account | \$1,500,000 |

EXECUTIVE APPROPRIATIONS COMMITTEE 2004 INTERIM

APPENDIX G: CENTERS OF EXCELLENCE SELECTED FOR FUNDING 2003 - 2004

Acoustic Cooling Technology (U/U) - Developing novel miniature acoustic cooling devices without moving parts for application in computers and other electronics.

Advanced Imaging LADAR (USU) - Developing an airborne high-resolution, laser-based 3D color imaging platform for both military and civilian use.

Advanced Joining of Materials (BYU) - Developed new friction stir welding tools and materials capable of joining a wide range of metals, now being transferred to industry for aerospace, military and other manufacturing.

Advanced Structural Composites (BYU) - Developing manufacturing technology and commercial products based on the IsoTruss structures formed from lightweight composite materials.

Direct Machining And Control (BYU) - Developing method that allows a manufacturing machine controller to directly interpret CAD/CAM models, resulting in superior resolution for complex shapes.

Electronic Medical Education (U/U) - Authoring tools used to create medical education products, and selling them as a component based medical information management and processing system.

Global Knowledge Management (U/U) - Developing Knowledge Fusion and Dynamic Knowledge Refreshing software to enable next-generation data mining technology.

High-Speed Information Processing (USU) - Designing fast algorithms for Application Specific Integrated Circuits, which have value in most military and compact consumer electronic devices.

Homogeneous DNA Analysis (U/U) - Developing a simple and inexpensive method for genotyping DNA samples from patients or disease organisms right in a doctor's office.

In Situ Ozonator for Remediation (U/U) - Developing new equipment to integrate biological and chemical treatment processes for the detoxification and restoration of waterways contaminated by PCBs and other pollutants.

Petroleum Research (U/U) - Develops cost-effective solutions for liquid hydrocarbon production, handling and transportation. Optimizes petroleum recovery; process control and production automation in oil and gas fields.

Profitable Uses of Agricultural Byproducts (USU) - Develops cost-effective technologies to treat animal wastes, generating "biogas" that can be used to produce energy, and nutrients to be used in soil amendments.

CROMDI (U/U) - Developed new visualization technology that facilitates the rapid and accurate analysis of large quantities of complex and continuously changing data, with applications in medicine, finance etc.

Smart Sensors (USU) - Engaged in the development and commercialization of sensor-based products, such as an application for the detection of faults in aircraft wiring.

Titanium Boride Surface Hardening (U/U) - Developing harder, longer-lived components and devices for the aerospace, biomedical and industrial markets.

EXECUTIVE APPROPRIATIONS COMMITTEE 2004 INTERIM

APPENDIX H: SMALL BUSINESS DEVELOPMENT CENTERS

| | |
|-------------------------|-----------------------------|
| Salt Lake City | Salt Lake Community College |
| Cedar City | Southern Utah University |
| Ephraim | Snow College |
| Logan | Utah State University |
| Ogden | Weber State University |
| Orem/Provo | Utah Valley State College |
| Price | Southeastern Utah, ALG |
| St. George | Dixie College |
| Salt Lake/Tooele/Summit | Salt Lake Community College |
| San Juan County | College of Eastern Utah |
| Uintah Basin | Utah State University |

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APPENDIX I: STATE BUSINESS DEVELOPMENT INCENTIVES