

Budget Brief – Governor’s Office of Economic Development

NUMBER 2-06

SUMMARY

House Bill 318 passed in the 2005 General Session divided the former Department of Community and Economic Development into two new agencies: The Department of Community and Culture (DCC) and the Governor’s Office of Economic Development (GOED). The Governor’s Office of Economic Development was created from the former Division of Business Development and the Division of Travel Development. The goal of the office is to facilitate the growth of quality jobs in Utah. The Office has kept the distinction between Economic and Tourism development.

ISSUES AND RECOMMENDATIONS

Realignment of Programs - To more closely align the Office with the goals they have established, the Analyst recommends restructuring the line items and programs within the office. Detailed recommendations will follow in an issue brief.

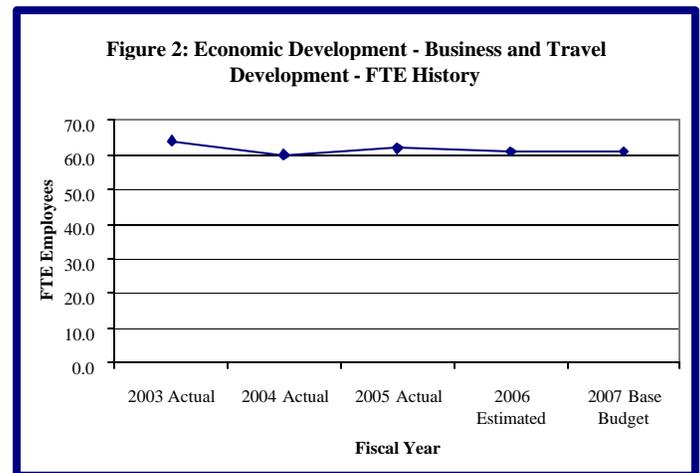
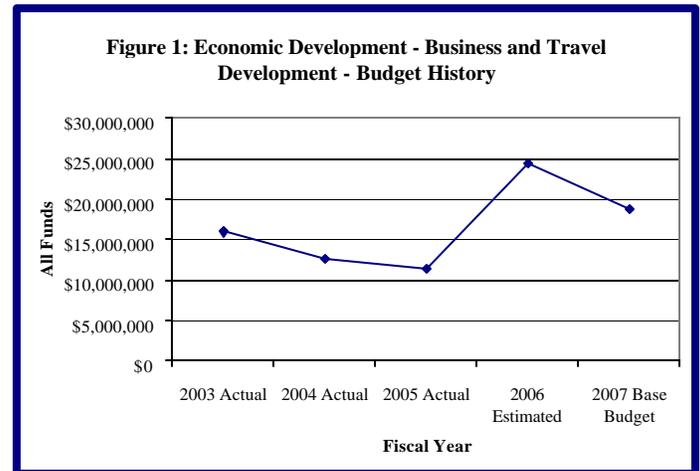
Separate Line Items - The Analyst recommends making the Office of Tourism and Business Development separate line items beginning in FY 2007. By making the programs separate line items the committee will have more insight into the success of the new programs implemented by each office.

Tourism Funding - Funding of \$14,000,000 was provided in SB 1002 to authorize GOED to create a tourism program. An additional \$4,000,000 was authorized subject to their being a surplus. The Office of Tourism has spent a great deal of time implementing the provisions of the bill and will continue to utilize funding in the FY 2007 year.

Tax Increment Financing -HB 11 passed in the 2005 General Session provided for tax increment financing incentives. The amount authorized for FY 2006 is \$1,528,000. The Legislature will need to appropriate funding from the General Fund to cover this authorization.

Industrial Assistance Fund - The replenishment amount for the Industrial Assistance Fund is \$3,479,400. The Legislature will need to consider appropriating this amount in FY 2006.

Economist Oversight -The Analyst recommends shifting \$50,000 to the Office of Planning and Budget to hire an economist to provide oversight of the Tax Increment Financing commitments.



Centers of Excellence -The Analyst recommends that the committee consider placing Centers of Excellence on the priority list for funding consideration.

Limited Scope Audit - The Legislature authorized a limited scope audit of the Governor's Office of Economic Development. The Analyst recommends that the committee hear from the Auditor General the results of the audit.

Disadvantage Rural Communities – The Analyst recommends that the committee prioritize ongoing funding for the Disadvantaged Rural Communities program.

Rural Partnership Board – The Analyst recommends that the committee prioritize ongoing funding for the Rural Partnership Board.

ACCOUNTABILITY DETAIL

The Governor's Office of Economic Development has been working on performance measures related to returns on investment. For many of the new and existing programs the databases will need to be developed in order to effectively measure success. The Analyst recommends that the Office report and provide data related to these measures beginning in the next General Session.

BUDGET DETAIL

Funding for the Governor's Office of Economic Development is used mainly for staff support and pass through funding.

BUDGET DETAIL TABLE

Economic Development - Business and Travel Development						
Sources of Finance	FY 2005 Actual	FY 2006 Appropriated	Changes	FY 2006 Revised	Changes	FY 2007* Base Budget
General Fund	17,433,300	13,669,100	0	13,669,100	353,200	14,022,300
General Fund, One-time	0	525,000	0	525,000	(525,000)	0
Transportation Fund	118,000	118,000	0	118,000	0	118,000
Federal Funds	421,700	400,100	0	400,100	(100,100)	300,000
Dedicated Credits Revenue	199,300	344,800	0	344,800	(90,100)	254,700
GFR - Business Development for Disadvantaged R	0	250,000	(250,000)	0	0	0
GFR - Motion Picture Incentive Fund	0	1,000,000	(1,000,000)	0	0	0
GFR - Tourism Marketing Performance	0	10,000,000	(10,000,000)	0	4,000,000	4,000,000
Beginning Nonlapsing	2,650,500	0	9,424,800	9,424,800	(9,424,800)	0
Closing Nonlapsing	(9,406,500)	0	0	0	0	0
Total	\$11,416,300	\$26,307,000	(\$1,825,200)	\$24,481,800	(\$5,786,800)	\$18,695,000
Programs						
Administration	2,047,500	3,382,000	4,740,100	8,122,100	(4,872,300)	3,249,800
Film Commission	633,300	1,672,000	(842,000)	830,000	(129,000)	701,000
International Development	777,500	1,110,400	(170,300)	940,100	(71,800)	868,300
Business Development	2,120,800	2,807,600	1,729,700	4,537,300	(1,104,000)	3,433,300
Science and Technology	3,724,400	4,626,000	1,961,600	6,587,600	(2,855,800)	3,731,800
Internal Development	1,339,700	1,636,500	597,400	2,233,900	(659,400)	1,574,500
External Development	564,500	854,200	63,800	918,000	0	918,000
Pioneer Communities	208,600	218,300	94,500	312,800	(94,500)	218,300
Advertising and Promotion	0	10,000,000	(10,000,000)	0	4,000,000	4,000,000
Total	\$11,416,300	\$26,307,000	(\$1,825,200)	\$24,481,800	(\$5,786,800)	\$18,695,000
Categories of Expenditure						
Personal Services	3,923,600	4,751,600	651,000	5,402,600	(475,100)	4,927,500
In-State Travel	53,100	76,700	13,300	90,000	(14,400)	75,600
Out of State Travel	166,700	179,500	(32,700)	146,800	(20,200)	126,600
Current Expense	1,818,500	3,333,300	7,851,500	11,184,800	(7,294,800)	3,890,000
DP Current Expense	140,500	132,000	90,000	222,000	(93,000)	129,000
DP Capital Outlay	0	1,258,800	(1,258,800)	0	0	0
Capital Outlay	0	0	125,000	125,000	(125,000)	0
Other Charges/Pass Thru	5,313,900	16,575,100	(9,264,500)	7,310,600	2,235,700	9,546,300
Total	\$11,416,300	\$26,307,000	(\$1,825,200)	\$24,481,800	(\$5,786,800)	\$18,695,000
Other Data						
Budgeted FTE	62.0	61.1	(0.1)	61.0	0.0	61.0
Vehicles	3	3	0	3	0	3

*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.

LEGISLATIVE ACTION

This section is a summary of which actions might be taken if the Legislature wishes to adopt the recommendations of this brief.

1. Adopt a base budget of \$18,695,000.
2. Restructure programs and line items within the Office.
3. Reallocate funding for an economist.
4. Prioritize funding for the Centers of Excellence.
5. Recommend approval of Industrial Assistance Fund and Tax Increment Financing allocations to Executive Appropriations Committee.
6. Prioritize funding for the Disadvantaged Rural Communities and the Rural Partnership Board.