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AN OVERVIEW OF ECONOMIC DEVELOPMENT INCENTIVES

A REPORT TO THE  
EXECUTIVE APPROPRIATIONS COMMITTEE

OFFICE OF THE LEGISLATIVE FISCAL ANALYST  
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**EXECUTIVE APPROPRIATIONS COMMITTEE      2006 INTERIM**

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**SUMMARY**

Following the 2006 General Session, the Executive Appropriations Committee chairs asked the Office of the Legislative Fiscal Analyst to complete an interim report addressing the availability, coordination, and use of economic incentives in Utah. In response to the EAC chairs' request, this report reviews the nine incentives administered by the Governor's Office of Economic Development, four other State economic incentive programs, and three pass-through entities promoting economic development. This report cannot conclusively state whether incentive programs alone add jobs to the Utah economy. The report recommends a number of improvements in measurement and reporting so that an incentive programs impact can be better assessed in the future.

**BACKGROUND**

State and local governments offer incentives to businesses to enhance their economies and to be regionally competitive. Incentives may be in the form of direct financial assistance or improved business climate conditions; the ultimate goal of most business incentives is to encourage economic growth by attracting and retaining businesses that provide high-wage job opportunities. For example, a state may offer a tax credit to new or relocated businesses that offer jobs with wages greater than median income. Many incentive programs have clawback provisions to ensure that foregone revenues and expenditures are recaptured if participating entities fail to contribute to economic growth. Therefore, the identification and tracking of tangible performance measures of growth, such as enhancements to income and job creation, are a critical component of incentive programs.

The office responsible for most Utah economic incentive programs is the Governor's Office of Economic Development (GOED). GOED manages most of Utah's incentive programs and passes through funding to three other economic development entities. Four State incentives are administered outside of GOED. Among GOED's top priorities is the promotion of job and revenue growth through the development, attraction, and retention of business, industry, and commerce within the state.

To fulfill its responsibility, GOED administers a number of incentive programs ranging from the Industrial Assistance Fund, a post-performance disbursement grant program, to the Motion Picture Incentive Fund, which offers post-performance rebates. These economic incentives in Utah fall into three categories: job training, tax credits, and performance grants. Most of the entities receiving pass through funding provide job and efficiency training. This training is used to meet the specialized training requirements of companies moving into the state or companies currently located in the state. In the case of EDCUtah the pass through is used to fund recruitment efforts. Tax credits are essentially offsets against current tax liabilities subject to statutory limitations. In the case of a performance grants a company agrees to provide a certain number of jobs at a median wage in order to receive state

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funds. A list of incentives programs and the category they fall into is listed below.

	<b>Estimated State Funding or Tax Credit</b>	<b>Classification</b>
<b><u>GOED Incentives</u></b>		
Industrial Assistance Fund	1,408,600	Post-Performance Grant
Tax Increment Financing & Aerospace and Aviation Development Zones	1,528,000	Post-Performance Grant
Procurement Technical Assistance	400,000	State Appropriation
Enterprise Zones	2,773,325	Tax Credit
Recycling Zones	1,509,689	Tax Credit
Centers of Excellence	2,500,000	State Appropriation
Tourism Marketing Performance Fund	11,000,000	State Appropriation
Motion Picture Incentive Fund	1,000,000	State Appropriation
<b>GOED Incentives Total</b>	<b>\$22,119,614</b>	
<b><u>Non-GOED Initiatives</u></b>		
Jobs Now	1,000,000	State Appropriation
Custom Fit	3,108,100	State Appropriation
USTAR**	19,250,000	
Fund of Funds*		Contingent Tax Credit
<b>Non-GOED Initiatives Total</b>	<b>\$23,358,100</b>	
<b><u>Pass Through Entities</u></b>		
Small Business Development Centers	349,000	Pass Through
Utah Manufacturing Extension Partnership	940,000	Pass Through
EDCUtah	489,400	Pass Through
Pass Through Entities Total	<b>\$1,778,400</b>	
<b>Total</b>	<b>\$47,256,114</b>	
* Up to \$100,000,000 in contingent tax credits authorized.		
** Ongoing USTAR appropriation. There was also \$50,000,000 one-time provided plus \$111.1 million in bonding authority.		

**Table 1**

**FINDINGS**

Measuring success and return on investment of Utah business incentives is difficult. In many cases, reliable baselines are yet to be established due to unsupportable methodologies or lack of data due to confidentiality issues. Further, evaluation is currently based on un-audited data reported by participating companies. Finally, no accurate measure exists to assess whether or not a company would form in or relocate to Utah absent incentives (if a business would relocate absent an incentive program, jobs created may not be counted towards economic growth due to the program).

**RECOMMENDATIONS**

The Analyst makes the following recommendations throughout the body of the report.

1. The median wage being used by GOED should be updated to reflect an accurate and supportable measure. GOED should review this measure annually with the Economic Development and Revenue Appropriations Subcommittee.
2. The dynamic analysis used to measure the impact of the Aerospace and Aviation development zones should be updated annually to account for changes in the initial assumptions of wage and job creation. Further, GOED should report annually to the Economic Development and Revenue Appropriations Subcommittee the results of this analysis.
3. The Legislature may want to consider limiting the annual credits authorized under the Tax Increment Financing program and the Aerospace and Aviation Development Zone program.
4. A Memorandum of Understanding between the Tax Commission and the Governor's Office of Economic Development should be established for the Enterprise Zones and Recycling Zones pending review of potential requirements of statutory changes. In lieu of a Memorandum of Understanding one of the entities should fully administer the programs to insure proper data collection.
5. Tourism funding performance measures need to evolve to be outcome oriented. They currently have a comprehensive collection of output measures which could be easily adapted to outcomes.
6. Coordination between GOED and the newer incentive programs outside their purview will be essential. This is particularly important in the USTAR initiative and the Jobs Now program.

Specific Analyst recommendations are included after each incentive review and listed in the conclusion of this report.

### **THE GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT STRUCTURE**

#### **Statutory Authority**

The Governor's Office of Economic Development was restructured in the 2005 General Session at the request of the Governor. Statutory authority for the Governor's Office of Economic Development is provided in UCA 63-38f. GOED shall:

- Be the industrial promotion authority of the state;
- Promote and encourage the economic, commercial, financial, industrial, agricultural, and civic welfare of the state;
- Do all lawful acts to create, develop, attract, and retain business, industry, and commerce within the state; and
- Do other acts that enhance the economy of the state.

#### **Office Structure**

GOED is separated into three line items, Administration, The Office of Tourism, and Business Development. Each line item has a different focus. The primary focus of the Office of Tourism is to improve the contribution of tourism in the economy. The focus of Business Development is essentially

job creation, job growth, job recruitment, encouraging capital investment and conversing with Utah companies about their needs. The overall focus of the Governor's Office of Economic Development is job and revenue growth. An organization chart is attached as Appendix 1 to visually show the breakout of GOED. The incentives provided to GOED help them fulfill their statutory mission.

**INCENTIVES AUTHORIZED BY GOED**

**INDUSTRIAL ASSISTANCE FUND (IAF)**

The Industrial Assistance Fund (IAF) was established in 1991 to encourage quality job creation in the state<sup>1</sup>. The IAF is a post-performance disbursement grant program. The source of funding for the IAF is a priority appropriation set aside from surplus General Fund revenue. This set aside is equal to the amount of earned credits for the year. The amount set aside for FY 2007 for earned credits is \$1,408,600.

The IAF by rule provides grants for the creation of jobs paying higher than prevailing wages within the community. Grant disbursements are made on a post-performance basis after jobs have been created and retained. Companies can be eligible under various criteria: corporate, target, rural economic impediment, and economic opportunities. The IAF is set up to benefit both urban and rural areas of the state. Urban counties include Salt Lake County, Utah County, Weber County and Davis County. To be eligible for industrial assistance funds in one of these counties a company must provide jobs that are at least 125 percent of the county median wage and they must create at least 50 jobs. The jobs may be targeted to certain industries including biomedical, finance, technology, aerospace, or corporate relocations. To be eligible under the rural designation a company must provide jobs that are at the median wage of the county. A history of the program commitments is found in Appendix 2.

In the 2006 General Session a restriction against a company receiving both Industrial Assistance Fund and tax increment financing funds (discussed later) was repealed. Companies are now eligible for incentives under both funds. Theoretically a company is not supposed to receive any more funding than they would have with the restriction in place.

**FINDINGS AND RECOMMENDATIONS**

The median wage data used by the office is based on an old methodology and appears to use the combined part time/full time wage measure. However, the agency cannot recreate the data. A more accurate measure would be the Full Time Median wage based on the U.S. Census Bureau Data. The data would have to be updated annually to account for inflation. Another measure would be the Quarterly Census of Employment and Wages computed by the Office of Employment Security. However, utilizing this data would require a statute change to move from a median to an average wage. The Analyst recommends that the division develop a new measure for median wages based on data and from a credible source such as the Workforce Services or the Federal Bureau

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<sup>1</sup> Utah Code Annotated 63-38f

of Labor Statistics. The Analyst further recommends that the median wage measure for full time employees be used. A comparison of these measures is found in Appendix 4.

#### **AEROSPACE AVIATION TAX INCREMENT FINANCING**

The Aerospace Aviation Tax Increment Fund was created by the Legislature in 2003 to encourage the development of the Aerospace Cluster. Funding is rebated back on a post performance basis. Up to 30 percent of the estimated incremental revenue induced by the project is allowed as a rebate. Eligible projects must be at or around airports and have land available for commercial development. Statute allows a rebate of direct, indirect, and induced incremental revenues. Currently two companies are eligible under this legislation with total rebates authorized of up to \$36,595,800 over a 20 year period.

#### **FINDINGS AND RECOMMENDATIONS**

The Aerospace and Aviation Tax program utilizes direct, indirect, and induced revenues provided by the companies applying for the rebates. Although most the funding comes from payroll and corporate taxes the rebate is appropriated from the General Fund. This procedure creates a structural deficit in the appropriations for this program.

The direct, indirect and induced impacts are the product of a dynamic model which has not been updated for two years. The Analyst recommends that the Governor's Office of Economic Development update the model annually based on actual revenues in order to more accurately reflect the revenue generated. In spite of the fact that most of the revenue generated is going to the Uniform School fund there is no mechanism in place to appropriate Uniform School fund to GOED. This is because of constitutional limitations on how these funds may be spent.

#### **ECONOMIC DEVELOPMENT ZONE INCENTIVES ACT**

The Economic Development Tax Increment Fund was created by the Legislature in 2005 to encourage job creation and capital investment. Companies which create jobs, provide significant capital investment or significant purchases from Utah vendors in an economic development zone may be eligible for a partial rebate of taxes owed to the state. The program was an extension of the Aerospace and Aviation Development Zone Act. Rebates are provided on new income tax revenue generated by the job, payroll taxes of new employees, corporate taxes, and/or sales taxes. Jobs created must be at the median county wage. Jobs shifted from other areas of the state will not be eligible.

Wage and job estimates are provided by the companies intending to apply for the rebate. The company submissions are reviewed and approved by the Board of Business and Economic Development. Appropriations to the Economic Incentive Restricted Account are based on the application of the company but are rebated back post performance. The current request for tax increment funding is \$1,719,000. Information related to the companies who

have been approved for tax increment financing funding is found in Appendix 3.

The GOED Board has established criteria companies must meet to be eligible for Tax Increment Financing consideration.

- The program can only be used as incentive for projects in specific targeted industries in urban areas and projects of companies with wages above the county median and benefits for rural areas.
- Incentives may not last more than 10 years.
- Incentives may not be used for retail projects.
- New or existing employers create new jobs or provide significant capital investment or significant purchases from Utah Vendors.

### **Statutory Criteria for Establishing Economic Development Zone<sup>2</sup>**

The information below details the statutory criteria for receiving Economic Development Zone funding.

- Local governments establish the Economic Development Zones based on criteria established in statute.
- Only 30 percent of the projected increment may be rebated to the company over the life of the project.
- Companies may not receive more than 50 percent of the total state incremental revenue generated in a year.
- Qualifying companies must create new jobs that compare favorably to the median county average wage, create significant capital investment or have significant purchases from Utah vendors.
- Jobs moving from other sectors or parts of the state will not be eligible.
- Jobs must be in addition to company jobs currently in the state
- Rebates are applied to new state income generated by the job growth or capital investment, including the payroll tax of the new employees, corporate income taxes, and sales tax. Information related to these taxes is provided by the company applying for the rebate.
- Funding is provided based on the company input however rebates are not released until the company has performed as determined by the Governor's Office of Planning and Budget.

### **Findings and Recommendations**

As with the IAF the median wage measure being used by the Governor's Office of Economic Development in administering the TIF is based on data

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<sup>2</sup> Utah Code Annotated 63-38f-1703 and 1705

that cannot be replicated. The Analyst recommends that the office utilize a median wage that comes from a credible and easily replicated source. The Analyst also recommends that median wage be updated annually. Appendix 4 shows some possible options for this measure. If GOED chooses to move towards an average wage measure through the Office of Employment Security it would require a change in statute.

New state revenues identified are mostly corporate and payroll taxes however, the funding requirement is committed from the General Fund creating a structural deficit in the General Fund although rebates are not released until the company has performed.

Funds are appropriated based on company input pre-performance. However, we will not know whether or not the company meets the criteria for at least 12 to 18 months. There is no cap on the dollar amount of incentives that can be authorized in any given year which creates a problem as General Fund is appropriated. The agency is entering into legally binding commitments and relying on the Legislature to fund the commitments they have approved. The Legislature may want to consider limiting the commitments authorized annually.

#### **PROCUREMENT TECHNICAL ASSISTANCE (PTAC)**

The Procurement Technical Assistance Center program was established to assist Utah businesses interested in selling their products and/or services to federal, state and local governments. The Program receives a federal grant to provide staff with expertise in federal procurement issues and conducts workshops and provides resources throughout the state. Expertise is available in 8 locations statewide and online. The state provides \$400,000 in funding which is matched with \$300,000 from the Department of Defense.

In the case of federal procurement the influence of the state helps companies 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. The state also provides interested companies daily notice of government contracts ready for bid.

Services provided by the program include training, bid preparation, bid notification assistance, counseling, and marketing events. The program also provides historical data to companies so they can compare past history to their applications. A history of performance measures through 2006 is shown in Table 2.

Utah Procurement Technical Center Program					
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	490	563	127 Million	3,740	44
2004	352	353	91 Million	4,445	43
2005	1,200	491	348 Million	9,550	38
2006	1,050	781	101 Million	2,719	51

Source: Governor's Office of Economic Development

Table 2

**ENTERPRISE ZONES**

The Enterprise Zone program was established in 1988. The program provides tax credits for job creation and capital investment in areas designated as enterprise zones. Enterprise zones are designated based on need for development and are available to both cities and counties. All Indian tribal land is eligible for enterprise zone status. Zone designations last five years and then they must be reviewed for renewal. Data related to the Enterprise Zone Incentive is limited due to the confidentiality of reporting requirements at the Tax Commission. Local governments have a limited ability to collect information from companies which also limits data collection. The only businesses excluded from Enterprise Zone credit eligibility are retail, construction and public utilities.

Eligible businesses may claim the following credits which may be carried forward for up to three years<sup>3</sup>:

1. A \$750 credit for each new full time position filled for at least six months of a year.
1. An additional \$500 credit if the new position pays at least 125 percent of the county average monthly wage as determined by the Department of Workforce Services.
2. An additional \$750 credit if the new position is in a business that adds value to agricultural commodities through manufacturing or processing.
3. An additional \$200 credit, for two consecutive years, for each employee who is insured under an employer sponsored program if the employer pays at least 50 percent of the premium
4. A tax credit not to exceed \$100,000 or 50 percent of the value of a cash contribution to a non-profit corporation engaged primarily community and economic development and certified by the Utah Rural Development Committee.
5. A tax credit of 25 percent of the first \$200,000 spent on building rehabilitation if the building is located in the enterprise zone. The building must be vacant for at least two years.
6. An annual investment tax credit of 10 percent of the first \$250,000 investment in qualifying investment in plant, equipment and other

<sup>3</sup> Utah Code Annotated 63-38f-413

depreciable property. There is a 5 percent credit for the next \$1,000,000 in qualifying purchases.

The Legislature added the Targeted Business Income Tax Credit to the program in 2002. The goal was to help the most economically depressed areas of the state. Companies that used the Targeted Income Tax Credit program may not use the regular Enterprise Zone designation. The total Targeted Business program is capped at \$300,000 in total authorized credits. Companies may claim up to \$100,000. However, no more than 50 percent may be claimed in a year. A history of credits claimed under both the Individual Income Tax and Corporate Tax programs are identified below. The current Enterprise Zone designations are found in Appendix 5.

<b>Enterprise Zone Individual Tax Credits</b>			
<b>Year</b>	<b>Claimants</b>	<b>Total</b>	
1996	10	\$76,766	
1997	13	\$70,182	
1998	29	\$196,518	
1999	62	\$210,763	
2000	79	\$204,844	
2001	95	\$483,575	
2002	139	\$780,155	
2003	191	\$848,690	
2004	321	\$1,734,119	

**Source: Utah State Tax Commission, Governor's Office of Economic Development**

**Table 3**

<b>Enterprise Zone Corporate Tax Credits</b>			
<b>Year</b>	<b>Claimants</b>	<b>Amount</b>	
1991	11	\$1,919,507	
1992	8	\$200,000	
1993	13	\$2,387,157	
1994	12	\$2,430,626	
1995	14	\$1,512,411	
1996	8	\$250,000	
1997	14	\$287,476	
1998	11	\$320,654	
1999	21	\$800,222	
2000	17	\$454,562	
2001	26	\$565,232	
2002	21	\$357,684	
2003	21	\$1,467,612	
2004	24	\$1,039,206	

**Source: Utah State Tax Commission, Governor's Office of Economic Development**

**Table 4**

**FINDINGS AND RECOMMENDATIONS**

Under the current system the local governments designate the Enterprise Zone the Governor’s Office of Economic Development signs the application by the company which is then submitted to the Tax Commission to process the credits. GOED does not have authority to review the credits taken by companies because of confidentiality issues. The Tax Commission does not require the claimant to submit the GOED signed form with their tax return. They are however, required to keep the form with their records. This leads to

a potential abuse in the program. The Analyst recommends that a reporting requirement be established where the company reports annually to GOED or the Tax Commission on the number of jobs created, the annual average wage of the jobs and the amount of credits claimed. The office could then aggregate and report this information. Another possibility is to require the entities to enter into a memorandum of understanding with each other to share information.

**RECYCLING ZONES**

Businesses that collect, process, distribute, or use recycled materials in the manufacturing process can earn tax credits or be provided with assistance if they locate in a recycling zone.

The credits authorized in statute are listed below<sup>4</sup>:

1. A non-refundable tax credit of up to 5 percent of the purchase prices paid for machinery and equipment used directly in composting, recycling, or reusing processes.
2. A 20 percent credit up to a maximum of \$10,000 to third parties for rent, wages, supplies, tools, test inventory and utilities. The annual amount of the credit may not exceed \$2,000.
3. Credits may not be carried forward more than three years and the annual credit may not exceed 40 percent of the Utah income tax liability.

A history of program credits claimed for both Individual Income and Corporate Taxes is shown in Tables 5 and 6. The number of credits authorized under the corporate tax is also provided including the investments of the companies.

Recycling Zone Individual Tax Credits		
Year	Claimants	Total
1999	13	\$40,821
2000	11	\$93,542
2001	62	\$100,677
2002	82	\$106,924
2003	81	\$166,183
2004	86	\$209,689

Source: Utah State Tax Commission, Governor's Office of Economic Development

**Table 5**

Recycling Zone Corporate Tax Credits				
Year	Claimants	Total	Investment	Companies with Credits
1998	1	\$800,000	\$24,015,799	5
1999	4	\$550,000	\$20,430,980	10
2000	6	\$37,500	\$18,301,627	15
2001	7	\$250,000	\$17,041,215	15
2002	7	\$225,000	\$16,365,570	13
2003	5	\$100,000	\$17,744,785	15
2004	6	\$1,300,000	\$18,084,627	13

Source: Utah State Tax Commission, Governor's Office of Economic Development

**Table 6**

<sup>4</sup> Utah Code Annotated 59-10-1007

**FINDINGS AND RECOMMENDATIONS**

The Analyst recommends that a reporting requirement be established where the company reports annually to GOED or the Tax Commission on the number of jobs created, the annual average wage of the jobs and the amount of credits claimed. The office could then aggregate and report this information to the Legislature and other interested parties.

Under the current system GOED signs the tax form which is used to detail eligibility. The Tax Commission does not require submission of the form with a tax return. The company is only required to keep a copy of the form with their records. There is not a solid audit process in place. This leads to the potential for a company to claim a credit when they may not actually have a signed form. By entering into a memorandum of understanding GOED and the Tax Commission could make sure that the program is not abused.

**CENTERS OF EXCELLENCE**

The Centers of Excellence Program (COEP) is a state-sponsored program that helps to fund the process of moving the most innovative research from Utah's universities into businesses. The program attempts to accelerate commercialization of promising technologies. Funding is used to help each Center develop a sound business plan and develop relationships with businesses that may be interested in the market potential of the specific centers technology. These technology areas include the life sciences (biomedical and biotechnology), information technology and electronics, agriculture, environment and natural resources and aerospace and advanced materials and processes.

Recent changes have been made to the program. The program has set a 4 year goal for product maturation compared to the previous 5 year funding allowance. To do this they have established management teams to provide support and expertise in product development whereby creating jobs and revenue sooner.

Success is measured by the number of spin-out companies created from these technologies and the number of jobs generated by these companies. Since the program started in 1986, 111 centers have been funded at a cost of \$52 million. Over 124 companies spun out from these centers and 62 of these companies are viable today. Another 418 companies have received some sort of benefit from the Centers of Excellence Program. The data listed in Table 7 identify some of the key success measures of this program. There is also a listing of current centers in Appendix 6.

<b>Centers of Excellence Performance</b>	
Current Employment from Viable Companies	1,966
Net Increase in jobs since 2003	895
Reported average annual salary	66,000
One year wage impact	\$130,000,000
Reported corporate revenues	\$176,700,000

**Source: Governor's Office of Economic Development, Centers of Excellence Program**

**Table 7**

**TOURISM MARKETING PERFORMANCE FUND**

The Tourism Marketing Performance Fund was established in the 2005 General Session. Initial funding was \$18 million one-time to be used over a two year period. Funding is provided through the General Fund appropriations and by earmarking the growth of certain sales tax revenues. If the sales tax from 21 tourism-related industries grows by at least three percent the fund receives half the growth up to three million dollars. Funding is allocated as identified below:

- 7.5 percent but not to exceed \$750,000 to a sports organization for advertising, branding, and promoting Utah.
- 20 percent to a Cooperative Marketing Program for use by cities, counties and non profit destination marketing organizations.
- The remainder is used for branding, advertising and promotion of the state.

Initial allocations of the marketing fund are shown in Table 8.

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County	FY 2006	FY 2006	FY 2007	FY 2007
	Amount Requested	Amount Allocated	Amount Requested	Amount Allocated
Beaver				
Box Elder	\$10,548	\$8,897	\$14,893	\$14,893
Cache	129,670	108,489	78,818	67,943
Carbon	8,963	4,482	28,370	28,370
Daggett	33,230	16,060	5,367	5,367
Davis	26,910	13,013	33,775	33,775
Duchesne			5,367	5,367
Emery	25,000	23,000	2,817	2,817
Garfield	162,778	84,084	5,000	5,000
Grand	125,007	125,007	280,179	86,817
Iron	206,122	70,061	99,325	99,325
Juab			3,750	3,750
Kane	30,000	15,000	Contributed to Sanpete's Application	
Millard				
Morgan				
Piute	20,000	20,000		
Rich	16,548	8,897	8,818	8,818
Salt Lake	1,662,885	962,317	564,760	374,500
San Juan	106,000		8,125	8,125
Sanpete	54,400	25,000	20,900	20,900
Sevier	25,000	18,750	10,000	10,000
Summit	335,233	188,239	714,667	464,667
Tooele				
Uintah	40,150	15,150	5,367	5,367
Utah	312,345	48,850	205,194	91,375
Wasatch	52,000	52,000	77,000	72,000
Washington	166,100	54,250	218,500	147,500
Wayne	10,705	8,029	11,360	11,360
Weber	119,265	25,074	306,285	293,785
Totals	<u>\$3,678,858</u>	<u>\$1,894,650</u>	<u>\$2,708,636</u>	<u>\$1,861,819</u>

Source: Governor's Office of Economic Development, Office of Tourism

Table 8

**FINDINGS AND RECOMMENDATIONS**

The Office of Tourism is still using a lot of output information to measure success. As the marketing program progresses the Office needs to continue to move toward outcome based measures. They have established baselines in certain areas including hotel occupancy rates, tourism tax revenue increases, skier days, national parks visits, state parks visits, and welcome center visits. Tourism is in the process of converting these baselines to outcome measures which they will report annually.

**FILM INCENTIVES**

The Legislature established The Motion Picture Incentive in 2005 to provide incentives for in-state production of television series, made-for-television movies, and motion pictures. One-time funding of \$1,000,000 established the fund. The 2007 appropriation is \$500,000 ongoing and \$500,000 one-time. Qualifying companies receive funding through a post performance rebate.

Up to 10 percent of the money spent in Utah can be rebated back to the applicant in an amount not to exceed \$250,000. If a project is shot in rural

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Utah the applicant is eligible for another 2 percent however, the cap remains in place.

Projects requesting funding submit applications which are reviewed by the GOED board. The board approves projects which yield the highest return on investment.

The criteria established are shown below:

- Submission of a total production budget including total dollars left in the state.
- The script is reviewed to determine content ratings as defined by the Motion Picture Association of America (MPAA).
- The applicant must demonstrate that project financing and distributions plans are in place.
- There is also a Utah credit requirement. The applicant must include a Filmed in Utah credit and the Utah Film Commission logo in the final product.

Table 9 identifies productions which have received Film Incentive Funding. Table 10 provides some information as to the number of potential projects desiring incentives.

Fiscal Year	Production	Crew Jobs	Production Days	Incentive Amount	Economic Impact	Return on Investment
2005	The Worlds Fastest Indian	80	37	\$500,000.00	\$6,300,000.00	<b>\$12.60</b>
2005	Buffalo Dream	60	25	\$228,155.00	\$2,300,000.00	<b>\$10.08</b>
2005	Impossible Dream	64	24	\$48,000.00	\$489,813.00	<b>\$10.20</b>
2005	Mobsters and Mormons	50	18	\$39,957.00	\$500,000.00	<b>\$12.51</b>
2006	High School Musical	70	25	\$263,682.17	\$2,651,775.00	<b>\$10.06</b>
2006	Unearthed	60	32	\$216,531.00	\$2,500,000.00	<b>\$11.55</b>
2006	Hook	80	20	\$123,439.00	\$1,955,000.00	<b>\$15.84</b>
2006	Outlaw Trail	50	23	\$90,000.00	\$1,000,000.00	<b>\$11.11</b>
2006	Wild Mustangs	30	18	\$41,230.00	\$600,000.00	<b>\$14.55</b>
2006	Bonneville	85	28	\$243,770.00	\$2,550,000.00	<b>\$10.46</b>
2006	Unaccompanied Minors	210	48	\$500,000.00	\$16,000,000.00	<b>\$32.00</b>
2007	Forever Strong	275	55	\$250,000.00	\$3,500,000.00	<b>\$14.00</b>
2007	The Last Sin Eater	150	24	\$175,000.00	\$1,750,000.00	<b>\$10.00</b>
2007	American Pastime	55	25	\$152,000.00	\$1,900,000.00	<b>\$12.50</b>
2007	Weiners	60	30	\$200,000.00	\$2,625,510.00	<b>\$13.13</b>
2007	HalloweenTown 4	94	25	\$250,000.00	\$2,617,350.00	<b>\$10.47</b>
<b>TOTAL</b>		<b>1473</b>	<b>457</b>	<b>\$3,321,764.17</b>	<b>\$49,239,448.00</b>	<b>\$14.82</b>

Source: Governor's Office of Economic Development, Film Commission

**Table 9**

	FY 2005	FY 2006	FY 2007	
Applications	7	13	7	
Grants	4	7	5	
Projects that asked about incentives				468
Projects that asked but then were not made in Utah				327
Projects that asked then were made in Utah				60
Projects still in active development				81

Source: Governor's Office of Economic Development, Film Commission

**Table 10**

**NON-GOED ECONOMIC INCENTIVE PROGRAMS****USTAR**

During the 2005 General Session, the Legislature allocated funding to the University of Utah and Utah State University to recruit and hire research teams, purchase research equipment, and develop a high technology research and development initiative—later named the Utah Science, Technology, and Research (USTAR) Economic Development Initiative. In 2006, the Legislature passed SB 75 (USTAR Initiative), which greatly broadened the scope and funding of USTAR and established statutory authority in Utah Code Annotated 63-38g.

The USTAR program has three major components: construction of research buildings at the University of Utah and Utah State University, recruiting and hiring of top-notch research teams, and operation of a technology outreach program at 5 locations throughout Utah. The USTAR research teams are expected to bring new funding to the state through federal and commercial contracts and grants. The ultimate goal of the project is to generate more technology-based start-up firms and higher-paying job opportunities in Utah through the commercialization of USTAR technologies.

During FY 2006, the universities used monies appropriated in the 2005 General Session to develop an economic prospectus for the USTAR program, purchase equipment, and recruit and hire researchers. The University of Utah purchased and installed Magnetic Resonance Imaging (MRI) equipment and hired two research scientists—a fossil energy specialist and an information technology networks and memory specialist. Utah State University hired research scientists in the fields of advanced nutrition and semi-conductor chips and wireless sensors.

As of October, 2006, the nine-member USTAR Governing Authority has formed and selected an executive director, approved a framework for the technology outreach program, reviewed the universities' strategic team hiring plans, and initiated the request-for-proposal process with the Division of Facilities and Construction Management. The Governing Board and Executive Director are currently working to develop initiative objectives, meeting and reporting guidelines, and performance measures.

**JOBS NOW**

The Jobs Now Program provides occupationally specific intensive training for individuals in order to meet the needs of industry. Training programs are not to exceed 12 month. Funds are allocated based on competitive proposals by institutions of higher education that have a career and technical role. Two thirds of the funding is provided to Utah Centers for Applied Technology and the remaining third is utilized by the Utah System of Higher Education. Funding appears to be geared toward existing Utah companies. The criteria below detail program requirements.

- Training is to be conducted using existing facilities and equipment. Programs are initiated only after needs have been identified. Assessments make sure that jobs are available after course completion.
- Training programs will be based on existing market demands. As demand decreases training programs will be terminated.
- Training programs are one year or less.
- Literacy and basic educational skills will be provided.

Eligible programs are listed in Table 11.

Institutions	Jobs Now Training Program
Weber State University	Criminal Justice
Southern Utah University	Program under development
Snow College	Practical Nursing
Utah Valley State College	Welding, Hydraulics, & Electronics
Salt Lake Community College	Brick and Block Masons & Machinists
Utah College of Applied Technology	
Bridgerland	Practical Nursing, Machine Shop, & Electronics
Davis	Machine Tool Technology & Composites Materials Technology
Dixie	Welding and Manufacturing
Mountainland	Transportation
Ogden/Weber	Machine Shop, Welding, & Hill Air Force Base Training
Salt Lake/Tooele	Automotive Technology, Diesel Technology, & Medical Assisting
Southeast	Mining Technology
Southwest	CNC Machine Shop, Commercial Drivers Licensing, & Industrial Maintenance
Uintah Basin	Petroleum Technology, Energy Services Safety, Long Commercial Vehicle, Pipe Welding

Source: Utah College of Applied Technology

**Table 11**

**CUSTOM FIT**

The Custom Fit Program is used as an incentive for new and expanding businesses. The role of the Custom Fit program is to provide customized employee training. State funding is appropriated to the Utah College of Applied Technology and costs are shared by companies utilizing the services. There are eleven Custom Fit regions in the state. Unlike the Jobs Now program the program has historically been geared to helping recruit businesses to the state. The UCAT entities work in conjunction with GOED to determine the training needs of companies they are attempting to recruit to the state. Table 12 details the history of service of the Custom Fit Program.

<b>History of Service Provided by the Custom Fit Program</b>				
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Number of Companies Served	926	936	1,024	989
Type of Companies Served				
New	115	132	140	116
Expanding	115	177	216	209
Upgrade	696	627	655	664
Manufacturing	321	302	303	305
Service	605	634	721	684
Number of Trainees Served	18,517	17,553	18,959	19,003
Number of Hours of Training	250,480	255,219	263,081	317,409
State Expenditure	\$3,070,555	\$3,086,030	\$3,414,584	\$3,409,356
Company Contributions	\$1,389,942	\$1,408,663	\$1,548,296	\$1,558,989

**Source: Utah College of Applied Technology**

**Table 12**

**FUND OF FUNDS**

The Utah Fund of Funds was provided statutory authority in Utah Code Annotated 63-38f, part 12. 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. The fund is administered by the Utah Capital Investment Corporation a quasi governmental entity.

The Fund is capitalized by third party investors who receive returns based on the portfolio of the companies. If the return is lower than the repayment obligation the contingent tax credits are utilized. The primary goal of the fund is to increase the investment in Utah companies. Data collection relative to portfolios and credits claimed will evolve over time.

**PASS THROUGH ENTITIES PROMOTING ECONOMIC DEVELOPMENT**

**SMALL BUSINESS DEVELOPMENT CENTERS (SBDC)**

The Small Business Development Centers works together with other business mentoring groups, to address a wide range of small business concerns. The SBDC program in Utah is primarily funded through the U.S. Small Business Administration, but also receives state support from the Governor's Office of Economic Development and the various educational institutions around the state where offices are located. The SBDC may partner with local banks, local and national trade organizations, and local and national service providers to create a business plan for an individual to help them succeed.

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 State appropriates \$349,000 annually to help fund the partnership. State funding is used to leverage money from the SBA and local Colleges and Universities in Utah. Staffing is generally provided through the Colleges and Universities. However, the SBDC may contract out for specialized services.

To measure success the SBDC’s collect counseling sessions, seminars and training sessions provided. Services are provided to help small businesses assess opportunities and challenges. A history of these measures is provided below.

Small Business Development Centers						
Year	Business Owners		Hours Spent	Business Seminars	SBDC Centers	Seminar
	Receiving	Counseling	Counseling Business	Conducted	Statewide	Attendees
1999	2,199		9,945	344	12	6,671
2000	2,419		9,732	328	12	5,083
2001	2,282		8,737	364	12	6,007
2002	2,602		10,651	372	12	7,031
2003	2,569		10,903	370	11	10,177
2004	2,625		11,302	384	11	8,989
2005	2,128		8,360	482	10	9,759
2006	1,901		7,550	608	10	10,577

**Table 13**

**UTAH MANUFACTURING EXTENSION PARTNERSHIP (UMEP)**

Utah Manufacturing Extension is an organization that works primarily with small manufacturers who are located in Utah. The State provides \$940,000 which is matched by federal, local, and private funds. Consultants hired by UMEP use a discovery process assessment tool, which helps them to identify the top areas of concern within a company. They then meet with the owner or management to prioritize needs, and assign responsibilities. Consultants then submit a proposal to the company, with appropriate fees. The initial meetings to reach this step are at no charge. Areas they evaluate include process improvements, market expansions, identification of new technology acquisition and integration, lean manufacturing, quality control, equipment needs and plant layouts. Funding is used to make improvements which enhance productivity.

**EDCUTAH**

The Economic Development Corporation of Utah (EDCUtah) provides recruitment support to the Governor’s Office of Economic Development. They work in partnership with GOED to recruit jobs to the state. State funding of \$489,400 is provided based on a competitive contract. The Governor’s Office provides potential financial incentives, however EDCUtah provides much of the staff support to get companies interested in relocating to Utah.

In Audit 2005-14 A Survey of Management Controls in the Governor’s Office of Economic Development dated December 2005 the Auditor General identified a need to establish performance and reporting requirements in the contract established. To date the following measures have been adopted.

- EDCUtah will recruit 5,000 high paying jobs to the state.

- EDCUtah will relocate 5 headquarters to the state.

Based on 2006 data EDCUtah exceeded established goals. Other data collected by EDCUtah on behalf of GOED includes active clients lists, priority client lists, site visits conducted, sponsored events, direct mailings, trade shows and conferences attended and other data as requested by the Governor's Office of Economic Development. The GOED recruitment program keeps track of the jobs they provide incentives for. These must be subtracted from the EDCUtah numbers to get a picture of jobs for which incentives were not provided.

#### **AVOIDING DUPLICATION IN SUCCESS MEASUREMENTS**

To avoid duplication in jobs claimed by the IAF and the TIF a company must provide a list of employees for which disbursements are made. These jobs are then tracked from year to year over the life of the incentive.

As the economic development incentive programs evolve there is an increasing need to coordinate and collaborate. For example, as the USTAR program evolves it will develop Technology Transfer offices which should work in a collaborative effort with the current Centers of Excellence Program. GOED will commit resources to ensure that this coordination occurs. As the Business Resource Centers program evolves in GOED they will need to coordinate with the Small Business Development Centers to avoid duplication of efforts and funding.

Currently, GOED uses contacts within the Utah College of Applied Technology to target training to companies who are receiving state incentives in order to encourage the success of the program. The same coordination occurs with the Manufacturing Extension partnership.

#### **CONCLUSIONS AND RECOMMENDATIONS**

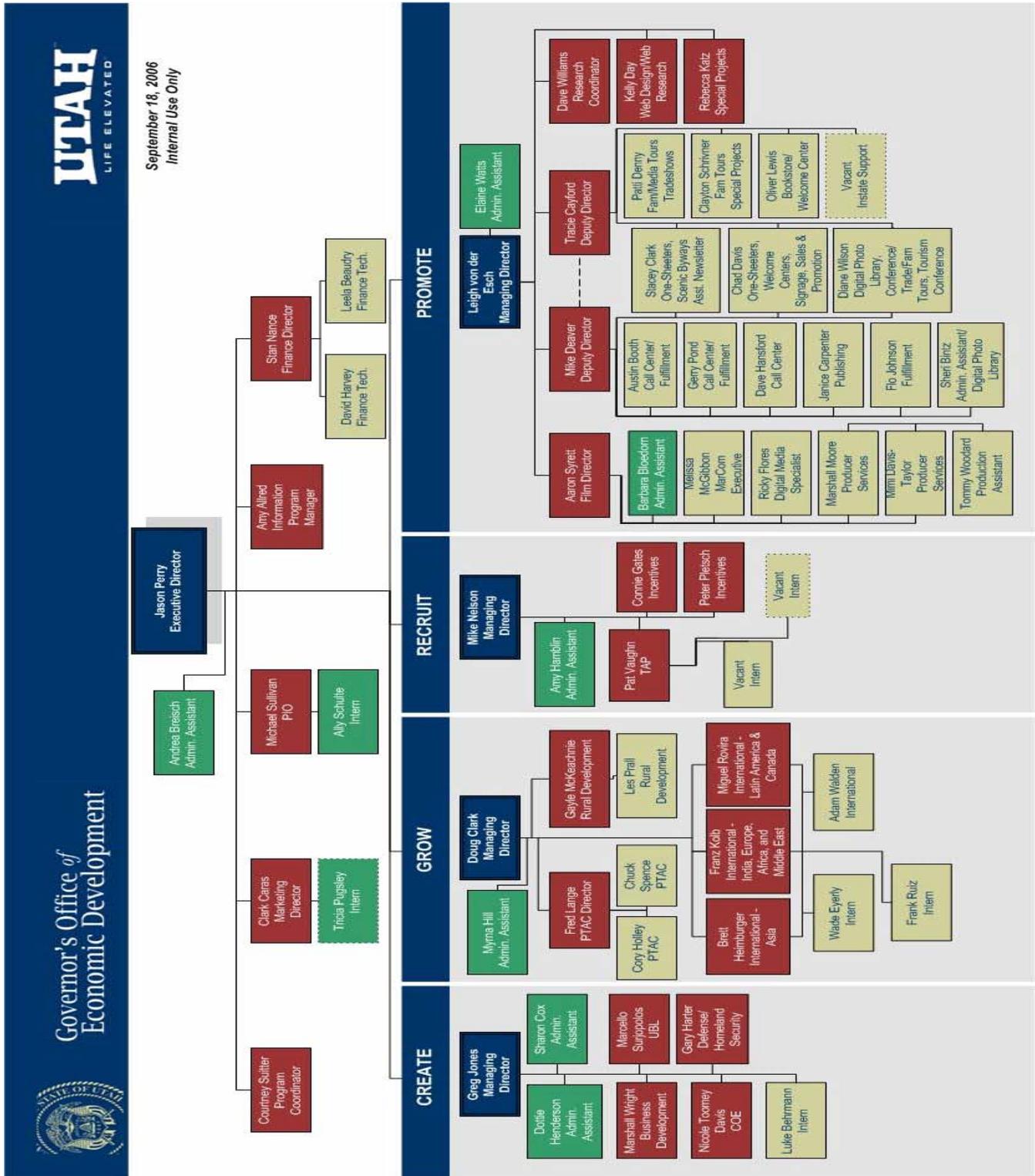
GOED should continue to develop reliable baselines in order to better measure the success of their incentive programs. Additionally, coordination between incentives needs to continue and be enhanced particularly with new programs coming on board. Specific findings and recommendations are detailed below:

- The rebate schedule for the Aerospace and Aviation Development Zones and Tax Increment Financing Zone programs creates a structural deficit in the funding for the program. Funding is appropriated from the General Fund even though most of the revenue is created in the Uniform School Fund.
- There is no accurate measure to decide if a company would come without incentives.
- The median wage being used by GOED is based on outdated data and an outdated methodology. The Analyst recommends that the Office update the wage to an accurate and supportable measure. GOED

should review this measure annually with the Economic Development and Revenue Appropriations Subcommittee.

- The dynamic analysis used to measure the impact of the Aerospace and Aviation development zones should be updated annually to account for changes in the initial assumptions of wage and job creation. Further, GOED should report annually to the Economic Development Revenue Appropriations Subcommittee the results of this analysis.
- The Legislature may want to consider limiting the annual credits authorized under the Tax Increment Financing program and the Aerospace and Aviation Development Zone program.
- Data limitations in the Enterprise Zones and Recycling Zones prevent an accurate assessment of the effectiveness of the respective programs. Changing the statute to allow the establishment of a Memorandum of Understanding between the Tax Commission and the Governor's Office of Economic Development would facilitate this process. In addition one entity could fully administer the programs.
- Tourism funding performance measures need to evolve to be outcome oriented. They currently have a comprehensive collection of output measures which could be easily adapted to outcomes.
- Coordination between GOED and the newer incentive programs outside their purview will be essential. This is particularly important in the USTAR initiative and the Jobs Now program.

APPENDIX 1 GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT ORGANIZATION CHART



# EXECUTIVE APPROPRIATIONS COMMITTEE      2006 INTERIM

## APPENDIX 2 INDUSTRIAL ASSISTANCE FUND COMMITMENTS

### Earned Credits Due to Industrial Assistance Fund

Industrial Assistance Loans/Grants	Status	Jobs	Actual	Actual	Actual	Actual	Projected	Projected	Projected
			Earned Credits	Earned Credits	Earned Credits	Earned Credits	Earned Credits	Earned Credits	Earned Credits
			FY 2003	FY 2004	FY 2005*	FY 2006	FY 2007	FY 2008	FY 2009
UCIC (loan)	open	N/A	\$0	\$0	\$525,000	\$175,000			
Alphagraphics	closed	75	\$69,725	\$24,000	\$0	\$0	\$0		
GenData (Grant)	open	0	\$223,800	\$0	\$0	\$0	\$0		
Ogden High Tech Center (grant)	open	0	\$0	\$900,000	\$0				
Ingenix (grant)	open	300	\$289,500	\$0	\$45,000	\$0	\$150,000	\$0	\$0
Great Lakes Cheese (grant)	open	175	\$130,000	\$98,000	\$92,000	\$0	\$30,000	\$0	\$0
Verizon (grant)	open	850	\$200,000	\$300,000	\$250,000	\$0	\$0	\$0	\$0
Scientific Tech (grant)	open	93	\$13,440	\$2,688	\$34,944	\$8,064	\$24,194	\$0	\$0
American Skiing Company (grant)	open	80	\$250,000	\$75,000	\$0	\$0	\$75,000	\$0	\$0
Unysis (grant)	open	569	\$23,000	\$83,000	\$30,000	\$57,000	\$57,000	\$0	\$0
Wells Dairy (grant)	open	69	\$0	\$0	\$100,004	\$0	\$47,000	\$0	\$0
Goldman Sachs (grant)	open	100		\$91,500	\$32,500	\$30,000	\$32,500	\$30,000	\$0
Cadence (grant)	open	300		\$82,000	\$89,000	\$63,000	\$400,000	\$300,000	\$0
Skyline Sawmill (grant)	open	100	\$64,500	\$22,500	\$9,000	\$0	\$50,000	\$0	\$0
Wal-Mart (grant)	open	1000			\$0	\$0	\$300,000	\$700,000	\$0
Steton Technology (grant)	open	32		\$18,750	\$28,125	\$6,250	\$37,500	\$0	\$0
Zions Bank Corp (grant)	open	70			\$5,000	\$7,000	\$18,000	\$20,000	\$20,000
Lozier Corporation	open	200			\$0	\$28,000	\$56,000	\$74,000	\$74,000
Schrieber Foods	open	95			\$0	\$117,500	\$120,000	\$0	\$0
Malt-O-Meal	open	250			\$197,500	\$132,500	\$132,500	\$112,500	\$50,500
Orgill Inc	open	300			\$0	\$0	\$600,000	\$30,000	\$110,000
WL Plastics	open	300			\$46,000	\$20,000	\$12,000	\$6,000	\$6,000
Triumph Group	open	200			\$89,000	\$100,000	\$111,000	\$0	\$0
Tarter Gate	open	125				\$0	\$50,000	\$100,000	\$50,000
BD Medical	open	300				\$0	\$400,000	\$300,000	\$200,000
Hexcel	open	400				\$0	\$415,000	\$355,000	\$460,000
Qwest Bilingual	open	75			\$120,000	\$0	\$0	\$0	\$0
National Vinyl	open	40				\$17,500	\$17,500	\$20,000	\$20,000
Carlisle	open	174				\$0	\$83,600	\$101,200	\$88,000
L3 Communication	open	400				\$108,000	\$88,000	\$314,000	\$290,000
Silicon Valley Bank	open	300				\$0	\$100,000	\$150,000	\$150,000
DBT America	open	15				\$0	\$18,000	\$18,000	\$9,000
Merit Medical	open	455				\$0	\$52,500	\$200,000	\$300,000
Viracon	open	250						\$435,000	\$228,000
		<b>7617</b>	<b>\$1,937,109</b>	<b>\$3,041,666</b>	<b>\$2,646,211</b>	<b>\$869,814</b>	<b>\$3,477,294</b>	<b>\$3,265,700</b>	<b>\$2,055,500</b>

Indicates projected disbursements and duration of contract

Source: Governor's Office of Economic Development

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**APPENDIX 3 TAX INCREMENT FINANCING COMMITMENTS**

Name of Deal	Total # of Jobs	Actual Average Wage	Incentives Paid to Date	Award
Williams International****	494	\$35,566	\$289,113	\$18,917,520
Adam Aircraft****	675	\$34,358	\$0	\$17,678,235
Extra Space Storage	88	\$58,862	\$0	\$1,000,000
Rossignol	100	\$50,000	\$0	\$2,500,000
Varian	100	\$42,000	\$0	\$1,000,000
KraftMaid	1,333		\$0	\$3,243,000
Fresenius	750	\$34,424	\$0	\$1,500,000
Trident	300	\$95,000	\$0	\$2,500,000
Brush***	25	\$61,700	\$0	\$700,000
Heritage Plastics	100	\$28,500	\$0	\$1,500,000
Nucor	225	\$50,000	\$0	\$2,353,350
Qwest	574	\$27,000	\$0	\$2,500,000
U.S. Foodservice	225	\$41,184	\$0	\$2,500,000
IMFlash Technologies	1,825	\$62,300	\$0	\$12,152,000
West Liberty Foods	500	\$29,900	\$0	\$2,000,000
Cephalon	365	\$63,570	\$0	\$2,100,000
Allegheny Technology, Inc	150	\$45,000	\$0	\$3,250,000
Dannon	295	\$52,586	\$0	\$8,350,000
Charlotte Pipe	100	\$30,720	\$0	\$857,000
Other 05-06 Commitments now Expired				
Total	8,224			\$86,601,105

\*Prior Year Submission / Old Data Not Verified

\*\* Based on Sept. 2006 company estimate reports

\*\*\*The Brush Project went to Ohio, no funding expected

\*\*\*\*The Williams award and new state revenue are over a 20 year period and the Adam Aircraft award is over a 15 years.

**EXECUTIVE APPROPRIATIONS COMMITTEE      2006 INTERIM**

**APPENDIX 3 TAX INCREMENT FINANCING COMMITMENTS CONTINUED**

Name of Deal	Projected New State Revenue (10 Years)	Capital Investment	Projected New State Wages (10 Years)	Date Approved	Contract Length
Williams International****	\$63,058,400	\$43,900,000	\$78,449,061	5/7/04	20
Adam Aircraft****	\$93,573,600	\$9,000,000	\$112,385,018	3/19/04	15
Extra Space Storage	\$3,200,000	N/A	\$67,374,000	5/20/05	10
Rossignol	\$7,365,000	\$500,000	\$72,000,000	7/15/05	10
Varian	\$9,593,000	\$15,000,000	\$57,508,000	7/15/05	10
KraftMaid	\$16,217,000	\$107,000,000	\$400,300,000	8/19/05	10
Fresenius	\$11,582,000	\$27,000,000	\$303,339,000	9/16/05	10
Trident	\$8,552,000	N/A	\$285,055,000	11/21/05	10
Brush***	\$2,333,000	\$50,000,000	\$18,766,000	12/16/05	10
Heritage Plastics	\$9,657,000	\$5,300,000	\$25,075,000	12/16/05	10
Nucor	\$7,884,500	\$27,000,000	\$97,640,000	12/16/05	10
Qwest	\$16,734,000	\$25,800,000	\$207,342,000	1/20/06	10
U.S. Foodservice	\$8,860,000	\$29,000,000	\$73,096,000	2/17/06	10
IMFlash Technologies	\$121,500,000	\$1,200,000,000	\$1,063,000,000	3/17/06	5
West Liberty Foods	\$6,920,000	\$50,000,000	\$131,400,000	4/21/06	10
Cephalon	\$24,550,000	\$100,000,000	\$200,084,000	4/21/06	5
Allegheny Technology, Inc	\$14,346,000	\$300,000,000	\$73,364,000	6/16/06	10
Dannon	\$51,438,000	\$187,000,000	\$96,050,000	8/17/06	10
Charlotte Pipe	\$2,858,000	\$51,000,000	\$22,958,000	8/17/06	10
Other 05-06 Commitments now Expired					
<b>Total</b>	<b>\$480,221,500</b>	<b>\$2,227,500,000</b>	<b>\$3,385,185,079</b>		

\*Prior Year Submission / Old Data Not Verified

\*\* Based on Sept. 2006 company estimate reports

\*\*\*The Brush Project went to Ohio, no funding expected

\*\*\*\*The Williams award and new state revenue are over a 20 year period and the Adam Aircraft award is over a 15 years.

**EXECUTIVE APPROPRIATIONS COMMITTEE      2006 INTERIM**

**APPENDIX 3 TAX INCREMENT FINANCING COMMITMENTS CONTINUED**

Name of Deal	FY 2007 Jobs *	FY 2007 Avg Wage*	FY 2007 Budget*	FY 2008 Jobs	FY 2008 Avg. Wage	FY 2008 Budget**
Williams International****	494	\$51,950	\$0	494	\$54,603	\$500,000
Adam Aircraft****	675		\$283,000	456	\$34,358	\$831,000
Extra Space Storage	91	\$61,806	\$166,000	91	\$64,896	\$167,000
Rossignol	105	\$53,095	\$459,000	110	\$54,773	\$487,000
Varian	25	\$44,000	\$87,000	92	\$44,000	\$138,000
KraftMaid	980	\$22,449	\$95,000	1,333	\$24,756	\$337,000
Fresenius	361	\$34,424	\$80,000	511	\$35,801	\$0
Trident				195	\$114,026	\$336,000
Brush***				0	\$0	\$0
Heritage Plastics				80	\$28,750	\$0
Nucor				170	\$52,000	\$0
Qwest				574	\$34,322	\$929,000
U.S. Foodservice	55	\$41,184	\$0	88	\$41,184	\$0
IMFlash Technologies				1,850	\$61,622	\$0
West Liberty Foods				500	\$18,786	\$0
Cephalon				115	\$77,561	\$215,000
Allegheny Technology, Inc				150	\$48,164	\$0
Dannon				96	\$55,272	\$0
Charlotte Pipe				40	\$32,038	\$0
Other 05-06 Commitments now Expired	455		\$358,000			
<b>Total</b>	<b>3,241</b>		<b>\$1,528,000</b>	<b>6,945</b>		<b>\$3,940,000</b>

\*Prior Year Submission / Old Data Not Verified

\*\* Based on Sept. 2006 company estimate reports

\*\*\*The Brush Project went to Ohio, no funding expected

\*\*\*\*The Williams award and new state revenue are over a 20 year period and the Adam Aircraft award is over a 15 years.

**EXECUTIVE APPROPRIATIONS COMMITTEE      2006 INTERIM**

**APPENDIX 3 TAX INCREMENT FINANCING COMMITMENTS CONTINUED**

Name of Deal	FY 2009 Jobs	FY 2009 Avg. Wage	FY 2009 Budget	FY 2010 Jobs	FY 2010 Avg. Wage	FY 2010 Budget
Williams International****	494	\$54,603	\$944,922	494	\$54,603	\$944,922
Adam Aircraft****	473	\$34,358	\$2,428,000	540	\$34,358	\$2,204,000
Extra Space Storage	91	\$68,141	\$88,652	91	\$71,548	\$92,972
Rossignol	110	\$56,591	\$321,000	115	\$58,478	\$345,000
Varian	105	\$44,000	\$169,000	125	\$44,000	\$163,000
KraftMaid	1,333	\$33,533	\$343,000	1,333	\$34,584	\$350,000
Fresenius	661	\$37,233	\$282,000	811	\$38,723	\$360,000
Trident	255	\$119,727	\$458,000	300	\$125,714	\$509,000
Brush***	0	\$0	\$0	0	\$0	\$0
Heritage Plastics	85	\$28,824	\$297,000	90	\$28,889	\$323,000
Nucor	185	\$53,000	\$230,000	200	\$54,000	\$255,000
Qwest	574	\$20,095	\$324,000	574	\$20,497	\$331,000
U.S. Foodservice	119	\$41,184	\$209,000	158	\$41,184	\$246,000
IMFlash Technologies	1,850	\$72,432	\$4,039,000	1,850	\$62,162	\$3,764,000
West Liberty Foods	500	\$30,893	\$244,000	500	\$31,974	\$253,000
Cephalon	215	\$74,224	\$751,000	315	\$79,047	\$860,000
Allegheny Technology, Inc	150	\$49,128	\$311,000	150	\$50,110	\$313,000
Dannon	135	\$56,796	\$1,320,000	175	\$57,308	\$1,757,000
Charlotte Pipe	40	\$32,718	\$72,000	40	\$33,413	\$76,000
Other 05-06 Commitments now Expired						
Total			\$12,831,574			\$13,146,894

\*Prior Year Submission / Old Data Not Verified

\*\* Based on Sept. 2006 company estimate reports

\*\*\*The Brush Project went to Ohio, no funding expected

\*\*\*\*The Williams award and new state revenue are over a 20 year period and the Adam Aircraft award is over a 15 years.

**EXECUTIVE APPROPRIATIONS COMMITTEE      2006 INTERIM**

**APPENDIX 3 TAX INCREMENT FINANCING COMMITMENTS CONTINUED**

Name of Deal	FY 2011 Jobs	FY 2011 Avg. Wage	FY 2011 Budget	FY 2012 Jobs	FY 2012 Avg. Wage	FY 2012 Budget
Williams International****	494	\$54,603	\$944,922	494	\$54,603	944,922
Adam Aircraft****	608	\$34,358	\$2,157,000	675	\$34,358	2,024,000
Extra Space Storage	91	\$75,126	\$97,505	91	\$78,882	\$102,263
Rossignol	115	\$60,652	\$216,000	120	\$62,292	\$236,000
Varian	150	\$44,000	\$188,000	180	\$44,000	\$218,000
KraftMaid	1,333	\$35,634	\$359,000	1,333	\$36,684	\$367,000
Fresenius	961	\$40,272	\$443,000	1,111	\$36,228	\$461,000
Trident	300	\$131,999	\$475,000	300	\$138,599	\$374,000
Brush***	0	\$0	\$0	0	\$0	\$0
Heritage Plastics	90	\$29,722	\$217,000	90	\$30,556	\$219,000
Nucor	205	\$55,000	\$270,000	210	\$55,000	\$282,000
Qwest	574	\$20,907	\$337,000	574	\$21,325	\$172,000
U.S. Foodservice	203	\$41,184	\$281	230	\$41,184	\$309,000
IMFlash Technologies	1,850	\$62,162	\$3,764,000	1,850	\$62,162	\$3,764,000
West Liberty Foods	500	\$33,093	\$261,000	500	\$34,251	\$270,000
Cephalon	315	\$83,000	\$489,000	315	\$87,150	\$0
Allegheny Technology, Inc	150	\$51,113	\$314,000	150	\$52,135	\$316,000
Dannon	196	\$57,249	\$1,895,000	219	\$57,006	\$2,040,000
Charlotte Pipe	100	\$31,797	\$99,000	100	\$32,433	\$103,000
Other 05-06 Commitments now Expired						
Total			\$12,526,708			\$12,202,185

\*Prior Year Submission / Old Data Not Verified

\*\* Based on Sept. 2006 company estimate reports

\*\*\*The Brush Project went to Ohio, no funding expected

\*\*\*\*The Williams award and new state revenue are over a 20 year period and the Adam Aircraft award is over a 15 years.

**EXECUTIVE APPROPRIATIONS COMMITTEE      2006 INTERIM**

**APPENDIX 4 MEDIAN WAGE PROPOSALS**

Geography	CENSUS	CENSUS	EMPLOYMENT				
	INFLATED FULL-TIME MEDIAN	INFLATED FULL/NON MEDIAN	GOED MEDIAN	SECURITY AVE. WAGE	FULL-TIME	FULL/NON	AVE.
Beaver County, Utah	\$34,738	\$21,403	\$17,800	\$25,845	-48.8%	-16.8%	-31.1%
Box Elder County, Utah	\$41,605	\$25,783	\$18,900	\$35,453	-54.6%	-26.7%	-46.7%
Cache County, Utah	\$34,963	\$17,911	\$18,000	\$24,955	-48.5%	0.5%	-27.9%
Carbon County, Utah	\$39,016	\$22,229	\$18,600	\$30,000	-52.3%	-16.3%	-38.0%
Daggett County, Utah	\$37,860	\$21,494	\$21,500	\$27,596	-43.2%	0.0%	-22.1%
Davis County, Utah	\$43,655	\$28,415	\$23,300	\$32,557	-46.6%	-18.0%	-28.4%
Duchesne County, Utah	\$35,469	\$21,723	\$20,300	\$30,493	-42.8%	-6.5%	-33.4%
Emery County, Utah	\$41,639	\$22,042	\$19,600	\$37,011	-52.9%	-11.1%	-47.0%
Garfield County, Utah	\$33,400	\$19,342	\$16,400	\$21,642	-50.9%	-15.2%	-24.2%
Grand County, Utah	\$33,349	\$21,094	\$16,900	\$23,579	-49.3%	-19.9%	-28.3%
Iron County, Utah	\$33,426	\$16,060	\$18,700	\$22,941	-44.1%	16.4%	-18.5%
Juab County, Utah	\$37,887	\$21,735	\$18,600	\$26,420	-50.9%	-14.4%	-29.6%
Kane County, Utah	\$32,785	\$20,565	\$16,900	\$21,840	-48.5%	-17.8%	-22.6%
Millard County, Utah	\$39,476	\$20,490	\$18,400	\$29,451	-53.4%	-10.2%	-37.5%
Morgan County, Utah	\$45,253	\$26,399	\$20,400	\$26,883	-54.9%	-22.7%	-24.1%
Piute County, Utah	\$28,993	\$19,590	\$13,100	\$21,649	-54.8%	-33.1%	-39.5%
Rich County, Utah	\$38,445	\$22,873	\$17,000	\$19,016	-55.8%	-25.7%	-10.6%
Salt Lake County, Utah	\$39,546	\$27,861	\$28,600	\$36,759	-27.7%	2.7%	-22.2%
San Juan County, Utah	\$33,196	\$18,919	\$18,400	\$24,884	-44.6%	-2.7%	-26.1%
Sanpete County, Utah	\$33,839	\$15,914	\$19,900	\$20,611	-41.2%	25.0%	-3.4%
Sevier County, Utah	\$36,386	\$21,248	\$19,000	\$24,750	-47.8%	-10.6%	-23.2%
Summit County, Utah	\$49,391	\$33,171	\$26,200	\$29,405	-47.0%	-21.0%	-10.9%
Tooele County, Utah	\$40,146	\$29,946	\$21,500	\$35,216	-46.4%	-28.2%	-38.9%
Uintah County, Utah	\$37,522	\$21,607	\$21,200	\$24,045	-43.5%	-1.9%	-11.8%
Utah County, Utah	\$39,863	\$19,754	\$22,300	\$29,077	-44.1%	12.9%	-23.3%
Wasatch County, Utah	\$40,045	\$26,764	\$23,800	\$26,535	-40.6%	-11.1%	-10.3%
Washington County, Utah	\$33,420	\$21,013	\$20,300	\$25,813	-39.3%	-3.4%	-21.4%
Wayne County, Utah	\$30,853	\$20,012	\$15,100	\$23,731	-51.1%	-24.5%	-36.4%
Weber County, Utah	\$38,561	\$26,293	\$21,500	\$29,690	-44.2%	-18.2%	-27.6%

**Sources: Census 2000 Summary File 3, Utah Department of Workforce Service, Employment Security and GOED**

**APPENDIX 5 ENTERPRISE ZONES****Enterprise Zones as of 12/28/05****Communities**

Ballard (12/06)	Naples (12/08)
Beaver (12/07)	Nephi (12/06)
Blanding (12/08)	Parowan (12/06)
Circleville (12/08)	Price (12/09)
East Carbon City (12/09)	Richfield (12/06)
Ephraim (12/06)	Roosevelt (12/08)
Escalante (12/06)	Salina (12/07)
Fairview (12/09)	Tremonton (12/07)
Fillmore (12/09)	Tropic (12/06)
Grantsville (12/07)	Vernal (12/08)
Gunnison (12/09)	Wellington (12/09)
Hanksville (12/09)	Helper (12/09)
Honeyville (12/07)	Huntington (12/09)
Junction (12/08)	Kanab (12/08)
Kingston (12/08)	Loa (12/09)
Manila (12/08)	Marysvale (12/08)
Milford (12/07)	Minersville (12/07)
Moab (12/07)	Monticello (12/06)
Moroni (12/07)	Mt. Pleasant (12/07)
Myton (12/06)	

**Counties**

Beaver County (12/07)	Box Elder County (Perry to Willard) (12/09)
Carbon County (12/07)	Daggett County (12/08)
Duchesne County (12/08)	Emery County (12/08)
Garfield County (12/06)	Grand County (12/07)
Juab County (12/06)	Kane County (12/06)
Millard County (12/07)	Piute County (12/08)
Rich County (12/07)	Sanpete County (12/07)
Tooele County (12/08)	Uintah County (12/08)

Source: Governor's Office of Economic Development

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# EXECUTIVE APPROPRIATIONS COMMITTEE      2006 INTERIM

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## APPENDIX 6 CENTERS OF EXCELLENCE

### Proposals Selected for Funding for the 2006-07 Centers of Excellence Program

Center (University)	Years Funded to Date
<b><u>Acoustics Research (BYU)</u></b>	<b>1</b>
Commercializing active sound control technology with superior ability to both reduce noise in varied settings (vehicle cabins, computer fans and telecommunications, e.g.) and modify sounds for commercial benefit.	
<b><u>Advanced Communications Technology (BYU)</u></b>	<b>2</b>
Improved wireless communications and data transmission for both military and commercial markets is achieved through the use of MIMO (multipleinput multipleoutput) technology with multiple antenna elements.	
<b><u>Advanced Imaging LADAR (USU)</u></b>	<b>3</b>
Commercializing landbased and airborne highresolution, laserbased 3D colorimaging platforms for both military and civilian use. One license to RappidMapper, Inc. (now Intelisum), a Utah company.	
<b><u>Advanced Thermal Management Technologies (USU)</u></b>	<b>NEW</b>
Technologies for extremely high performance thermal management in the context of physical and vibration isolation, in part from collaboration with Utah State University's Space Dynamics Lab.	
<b><u>Biomedical Microfluidics (U/U)</u></b>	<b>2</b>
Engineering technology that controls the movement of fluids in channels smaller than a human hair; micropumps that can deliver tiny quantities of drugs and improved devices for DNA screening are some product examples. Wasatch Microfluidics, Inc., is being spun out. Companion Spinout funding was proposed but was not funded	
<b><u>Control of Flows in Manufacturing (USU)</u></b>	<b>New</b>
Applying Computational Fluid Dynamics to improve manufacturing processes including particle sorting and Electrical Discharge Machining (EDM). This Center was assigned a business team in 200506.	
<b><u>Functionally Graded...Cemented Tungsten Carbide</u></b>	<b>New</b>
(Functionally Graded and Designed Cemented Tungsten Carbide and Polycrystalline Diamond Composite Materials) Advanced composite materials with predictable wear and failure characteristics designed for demanding applications such as mining, drilling, and grinding.	
<b><u>Homogeneous DNA Analysis (U/U)</u></b>	<b>3</b>
Developing a simple and inexpensive method for genotyping DNA samples from patients or disease organisms right in a doctor's office. One application licensed to Idaho Technologies, Inc. (a Utah company).	
<b><u>Interactive RayTracing &amp; PhotoRealistic Visualization (U/U)</u></b>	<b>1</b>
Producing a commercial form of two programs that can process 3D graphics based on large data sets found in CAD, film animation and scientific models, which existing GPUs cannot handle.	

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**EXECUTIVE APPROPRIATIONS COMMITTEE      2006 INTERIM**

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**Microarray Technology (U/U)****1**

Developing a superior microarray platform for the molecular diagnostics and research markets with improved sensitivity, specificity and throughput.

**Miniature Unmanned Air Vehicles (BYU)****2**

Rapid design of airframes and miniaturized autopilot and guidance systems for tiny UAVs that can be operated by novices have earned the attention of both military and civilian agencies. An autopilot design has been licensed to Procerus, Inc. in Utah. A new Companion Spinout, Flying Sensors, is recommended for a Companion Grant.

**Companion Spinout – Flying Sensors****New**

Developing Commercial (nonmilitary) applications for miniature unmanned air vehicles (UAVs) including Real Estate, Insurance Industry, EPA MultiSource Air Quality Sampling, Random Testing, Pipeline/Remote Facility Surveillance and Emergency Response/Fire Monitoring – Forest & Commercial

**Modified Activated Carbons Technology(U/U)****1**

Developing improved products for gas and water treatment, as well as metal recovery or removal, based on modifications to granular activated carbon. This also was a Super Center proposal in combination with SLCC/Innovabio and SUU. The concept was well received, but was not ultimately approved.

**Nanosize Inorganic Material Powders (U/U)****3**

Commercializing a novel, costeffective process (molecular decomposition) for the manufacturing of nanosize powders, the building blocks for myriad nanotechnology applications, as well as nanostructured ceramic membranes and other devices.

**Organic Electronics (U/U)****New**

Development of new polymers for the creation of OLEDs (Organic Light Emitting Diodes) resulting in the commercialization of organic semiconductors with superior luminescence efficiency and color spread, for multicolor displays and white light illumination

**Therapeutic Biomaterials (U/U)****2**

Developing applications of biopolymers and hydrogels for clinical use in wound repair, prevention of surgical adhesions, and extending the life of donated organs. Three companies, 1 in California (Carbylan) and 2 in Utah (Sentrx Animal Care and Glycosan Biosciences) have been spun out of the Center to date.

**Companion Spinout – Glycosan Biosciences****New**

Commercializing the compounds from Therapeutic Biomaterials for 3D Cell Culture, Tissue Engineering, Drug Toxicity Testing, & Skin Care.

**Titanium Boride Surface Hardening (U/U)****3**

Commercializing harder, longerlived components and devices – ranging from armor to bearings and orthopedic implants for the military, biomedical and industrial markets.

**PreCenter  
Candidates (Assigned a Business Team) for 2006-07  
(New Applicants to the COE program)**

**Cell Therapy (UU)**

Capabilities to build a “bank” for stem cells derived from umbilical cord blood (socalled “cord blood”) which can be used for many clinical applications in Regenerative Medicine and tissue engineering. Providing GMP and regulatory support for processing, development and commercialization of cordderived stem cells, biologics and combinational products.

**Electronic Mathematics Education (eMath@USU)**

Creation and worldwide dissemination of dynamic, computerbased instruction software for K16 mathematics, including the award winning National Library of Virtual Manipulatives.

**MIMO Communications System (UU)**

New algorithms for signal detection and reception that significantly improve the performance and throughput of MIMO (MultipleInput MultipleOutput) wireless communication systems. The developed algorithms offer low complexity and near optimal performance, and are adaptable to any standard.

**Solar Biofuels Technology (USU)**

Developing a solar powered photobioreactor using minimal land and water resources to efficiently grow highoilcontent microalgae as a feedstock for biofuels such as biodiesel.

**Universal Application System (USU)**

Commercialization of a webbased system that processes applications for multiple agencies in the government services industry. This technology is at the basis of “UtahClicks” and is also in production in Oregon and Indiana. Plans to adapt this software for other industries are underway.

**Graduating Centers as of June 30, 2006**

**Alternate Strategies of Parasite Removal (U/U) 2 years completed**

Preparing to commercialize a safe, nontoxic and rapid treatment for Pediculosis (head lice), a multibilliondollar, increasingly resistant problem afflicting some 25% of children by the time they're teenagers.

**HighSpeed Information Processing (USU) 4 years completed**

Designing fast algorithms for Application Specific Integrated Circuits, which have value in most military and compact consumer electronic devices. An echo cancellation application enabled the creation of SP Communications, Inc. to make improved speaker phones in Logan

**Source: Governor’s Office of Economic Development, Centers of Excellence Program**