

## Business Incentives and Economic Development Expenditures: An Overview of Utah's Program Investments and Outcomes

### Summary

Across the country, state economic development incentives have evolved into a complex mixture of programs with diverse structures and goals. The Council for Community and Economic Research (C2ER) and the Center for Regional Economic Competitiveness (CREC) have been working to catalog and document the range of available state programs through the [C2ER State Business Incentives Database](#), which includes detailed information about almost 2,000 state-administered incentive programs from every state; and the [C2ER State Economic Development Expenditures Database](#), a compilation of economic development expenditure budget data from every state. This report builds on that work by taking a deeper look at Utah's full array of incentive programs and includes an analysis of the available outcome data that is used by state policymakers and program administrators to gauge program effectiveness.

In order to create a comprehensive picture of the economic development landscape, we reviewed and culled data from a range of state statutes, reports, and websites. The numbers contained in this report are CREC and C2ER's best estimate of the dollars spent on economic development incentives at the state level in Utah.

In Fiscal year (FY) 2014, according to appropriated spending data available for all program types, Utah spent approximately \$107 million on economic development expenditures and approximately \$530 million on economic development tax expenditures.<sup>1</sup>

### Overview of Business Incentives

Utah has a moderate number of incentive programs, with a total of 25 active programs in 2015. The C2ER State Business Incentives Database defines state business incentives as state-administered programs designed to influence business investment behaviors. States design their programs to influence these behaviors through tax incentives, as well as through non-tax programs, such as grants, loans, business assistance, and other investment vehicles. These incentives help businesses address one

[The Center for Regional Economic Competitiveness \(CREC\)](#) is working with The Pew Charitable Trusts (Pew) on the Business Incentives Initiative. This initiative engages forward-thinking teams of economic development policymakers and practitioners from six states. These leaders are working together to identify effective ways to manage and assess economic development incentive policies and practices, improve data collection and reporting on incentive investments, and develop national standards. The initiative is supported by a grant from the Laura and John Arnold Foundation.

<sup>1</sup> Please see Appendices for detailed lists of all items included in this report as incentives, economic development program expenditures, and economic development tax expenditures.

or more needs, such as capital access, workforce preparation, technology transfer, site facility improvements, and so forth.<sup>2</sup>

In Utah, the responsibility for administering these incentive programs is spread across 9 different state agencies. The primary agency responsible for administering incentive programs is the Governor’s Office of Economic Development. (See Figure 1.)

**Figure 1: Utah State Business Incentives by Agency, 2015**

State Agency	Number of Programs
Utah Governor's Office of Economic Development	12
Utah Division of Housing and Community Development	4
Utah Department of Workforce Services	2
Utah State Tax Commission	2
Utah Office of Energy Development	1
Utah Capital Investment	1
Utah Department of Environmental Quality	1
Salt Lake City Economic Development	1
Utah Film Commission	1

Source: C2ER State Business Incentives Database

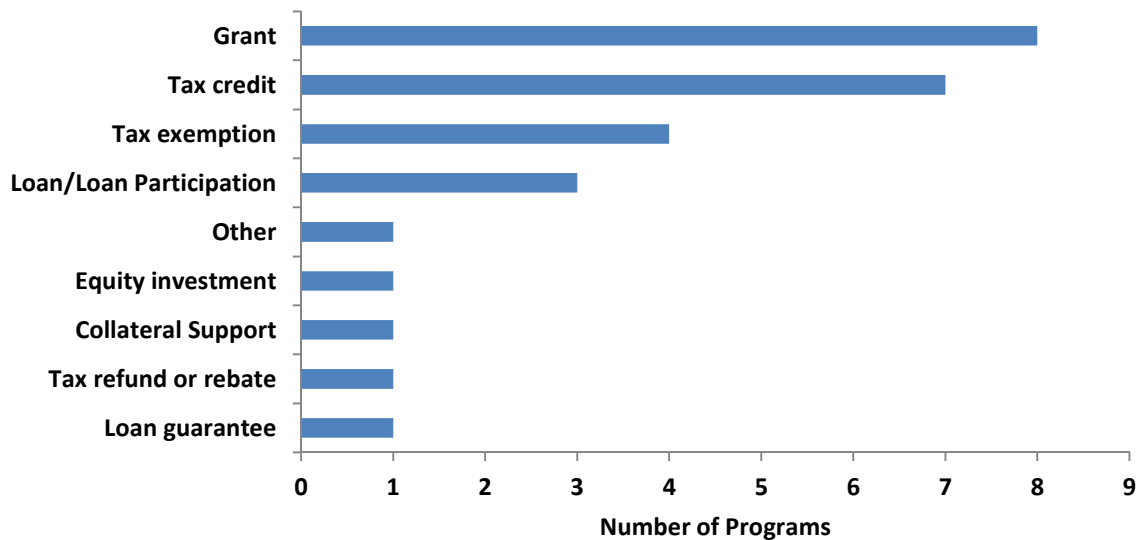
Utah’s emphasis remains on direct financing grant and loan programs as well as tax related benefits. Direct business financing and community-directed financing account for approximately 48 percent of Utah’s active incentive programs. Another 48 percent of Utah’s state business incentives offer some kind of tax-related benefit. This is roughly on par with the national average, where tax based incentives represent 45% of all state business incentive programs. (See Figure 2.)

The emphasis of Utah’s current portfolio of incentives is on tax/regulatory burden reduction and capital access or formation and tax/regulatory burden reduction. Compared with other states, Utah’s program portfolio also places a strong emphasis on product and process improvement as well as workforce preparation and development. (See Figure 3.)

<sup>2</sup> The C2ER State Business Incentives Database definition of business incentives may differ from the definition used by the state of Utah. For a list of definitions used by C2ER, please see the [glossary](#) on the C2ER State Business Incentives Database. For a current list of incentive programs as defined by the state, please see the [Governor’s Office of Economic Development](#) website.

Figure 2: Incentive Programs by Type\*\*

### Utah Incentive Programs by Type (2015)

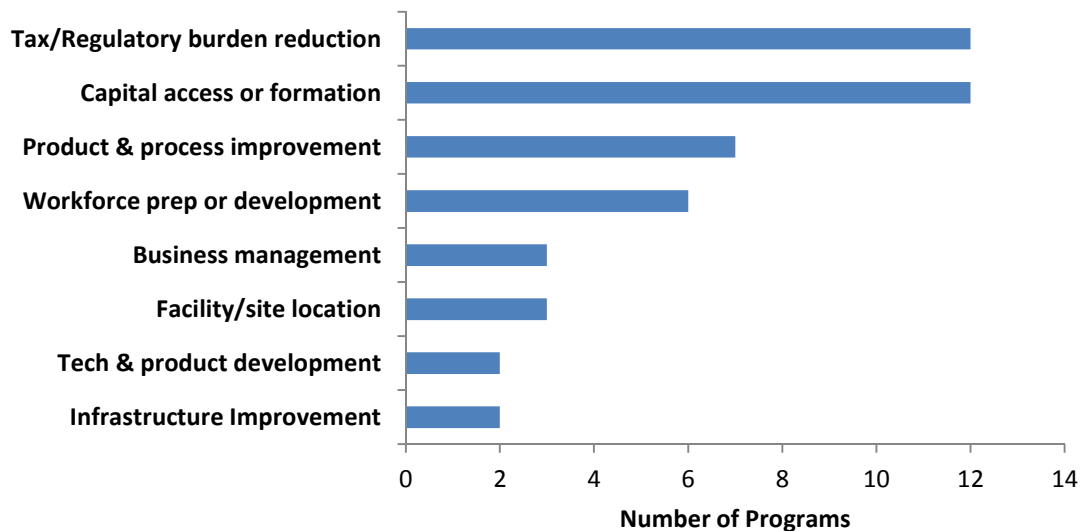


Source: C2ER State Business Incentives Database

\*\* Note: Programs may appear more than once if they provide multiple incentive types.

Figure 3: Incentive Programs by Business Need\*\*

### Utah Incentive Programs by Business Need (2015)



Source: C2ER State Business Incentives Database

\*\* Note: Programs may appear more than once if they are intended to fulfill multiple business needs.

## Economic Development Program Expenditures

Examining Utah’s budget for economic development program expenditures reveals how various state agencies outlay money for economic development programs. Expenditures fall into 15 functional areas for economic development defined by the C2ER State Economic Development Expenditures Database.<sup>3</sup>

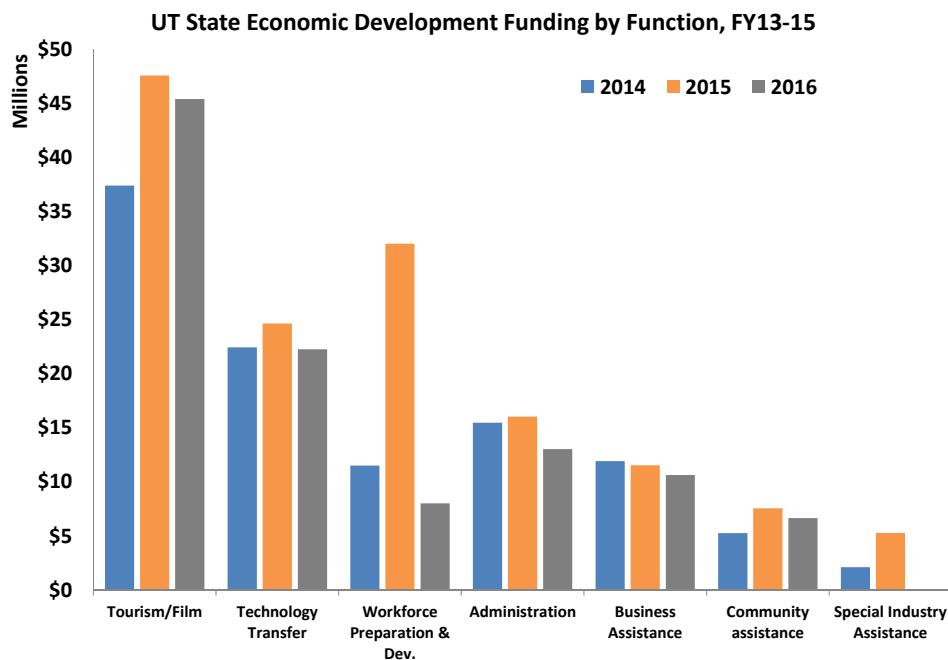
According to Utah’s FY2014-2015 Legislative Fiscal Report, which details appropriated spending for FY2014, the state spent approximately \$107 million in FY2014.

This level of spending represents an average of \$1152 per business, which is higher than the median average of \$875 per business spent in other states for that fiscal year. In FY2014, Utah ranked 15<sup>th</sup> in the nation for expenditures per business establishment. Most of Utah’s economic development

- ### State Economic Development Expenditures Function Areas

  - Business Finance
  - Strategic Business Attraction Fund
  - Business Assistance
  - International Trade and Investment
  - Domestic Recruitment/Out-of-State
  - Workforce Preparation & Development
  - Technology Transfer
  - Entrepreneurial Development
  - Minority business development
  - Community Assistance
  - Tourism/Film
  - Special Industry Assistance
  - Program Support
  - Administration
  - Other Program Areas

**Figure 4: State Economic Development Funding by Function**

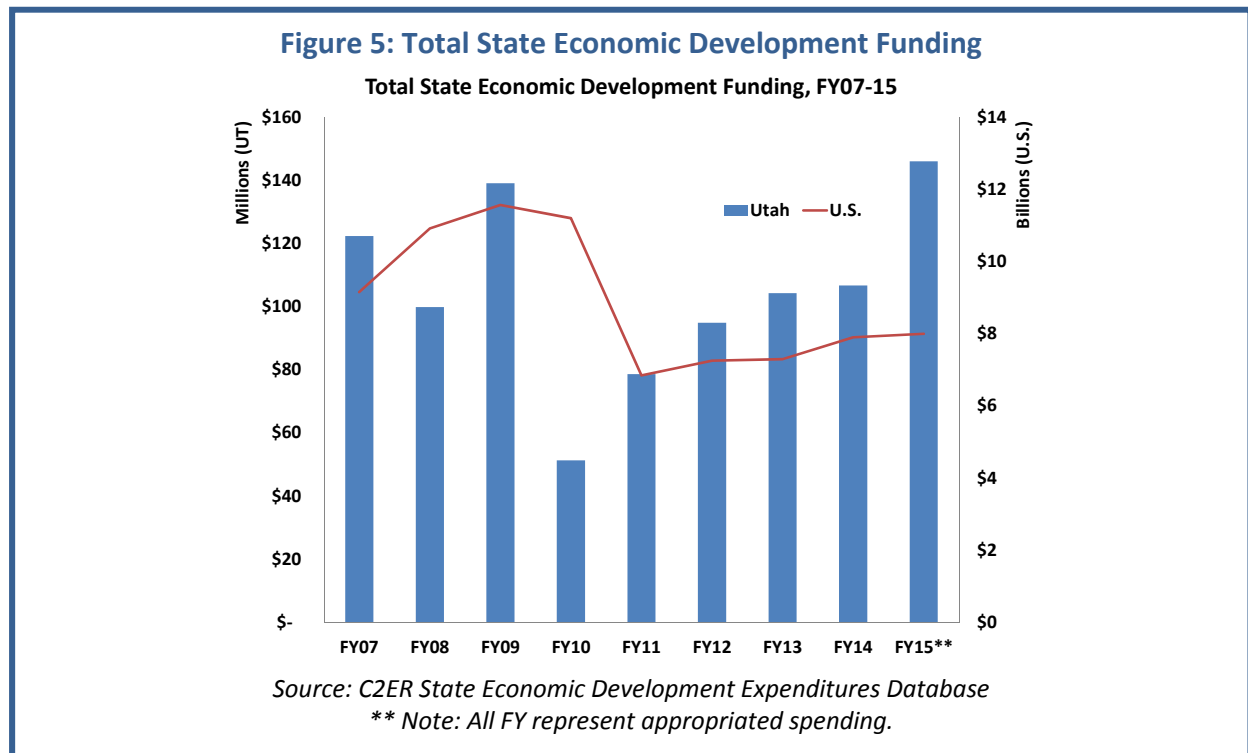


Source: C2ER State Economic Development Expenditures Database  
 Note: All FY represent appropriated spending.

<sup>3</sup> See Glossary definitions here - [http://www.stateexpenditures.org/about/Definition\\_of\\_ED\\_Functions.pdf](http://www.stateexpenditures.org/about/Definition_of_ED_Functions.pdf)

expenditures were to the Governor’s Office of Economic Development, Utah Science Technology and Research Initiative, the Department of Workforce Services, and the Utah State Fair Corporation. The Governor’s Office of Economic Development received approximately 71% of overall state economic development funding in FY2014. This is consistent with recent budgets in FY2015 and FY2016 but a significant increase from previous budgets. In FY2007 and FY2009, the Governor’s Office of Economic Development did not receive the majority of economic development funding. This is likely because of large, one-time appropriations to the Utah Science Technology and Research Initiative in those years.

In comparison to economic development expenditures nationally, between FY 2007 and FY 2016, Utah spent a greater proportion of its budget (relative to other states) on programs related to administration, business assistance, technology transfer, and tourism, and a lower share on programs related to business finance, community assistance, domestic recruitment, entrepreneurial development, international trade and investment, minority business development, other program areas, program support, special industry assistance, strategic business attraction, and workforce development.



Between FY 2007 and FY 2015, economic development spending in Utah loosely mirrored spending in the rest of the nation. Spending increased from approximately \$100 million in FY2008 to \$139 million in FY2009, an increase of nearly 28%. Spending then dropped significantly to approximately \$51 million in FY2010. Since FY2010 spending has consistently increased, reaching approximately \$146 million in FY2015. This is somewhat consistent with national trends in economic development spending, as most states decreased spending between FY2010 and FY2011 following the Great Recession and have since made gradual increases. (See Figure 5). It should be noted, however, that all listed figures are appropriated as actual figures were not available from Utah budget documents.

One-time appropriations have become an increasingly important component to Utah’s economic development spending in recent years. In FY2007, only 2 of the 11 (or 18%) programs were one-time or

inconsistently funded programs. By FY2013, the number had risen to 6 of 15 (40%). In FY2015, one-time or inconsistently funded programs accounted for 13 of 23 programs.

## Economic Development Tax Expenditures

Tax expenditures can be defined as “revenue losses attributable to tax provisions that often result from the use of the tax system to promote social goals without incurring direct expenditures.”<sup>4</sup> *Economic development tax expenditures* in this context represent those tax provisions that use the state tax system to promote business investments that promote state economic priorities.

The [2014 Utah State Tax Commission Annual Report](#), published by the Utah State Tax Commission in March 2015, is used for the analysis in this section. Data was collected by reviewing and recording all line items in the report related to economic development, including all tax credits, abatements, refunds/rebates, and exemptions that are designed to influence business investment behaviors. For a large number of tax expenditures, the estimated FY2014 fiscal effect is recorded. In some cases, tax incentives are described as having a maximum amount or listed as having no tax expenditures for that year because the data was not available.

In FY2014, the state of Utah’s economic development tax expenditures totaled approximately \$530 million, which was greater than the \$107 million Utah invested in economic development program expenditures for that fiscal year. Utah administered its tax expenditures related to economic development through the State Tax Commission.

For FY2014, all of Utah’s economic tax expenditures were for sales and use taxes. While the annual reports provide information on revenue collections, income taxes, and property taxes, exemptions are only listed for sales and use taxes.

## Analysis of Available Outcome Data

The state of Utah offers a number of methods for evaluating the outcomes of its tax incentive programs. One is the Office of Economic Development’s [Incentives Dashboard](#) which offers data on incentive usage for a selection of economic development tax incentives, including detail on incentive recipients and project outcomes metrics for some incentives. The site also offers a map which features the addresses of incentive recipients.

The Utah Tax Commission issues the previously discussed Annual Report which provides information on sales and use tax expenditures as well as revenue, county and municipal sales tax distribution, and the overall fiscal health of the state. The Tax Commission site offers Annual Reports dating back to FY1995.

Utah has created a comprehensive [transparency website](#) which offers fiscal information across multiple years and on multiple levels - from statewide to school district. The website also compiles links to fiscal reports and information put out by various state agencies, including the Governor’s Office of Management & Budget, the Tax Commission, and the Office of the Utah State Auditor.

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<sup>4</sup> *Tax Expenditures: What are they and how are they structured?* Tax Policy Center. Accessed November 25, 2014 at: [www.taxpolicycenter.org/briefing-book/background/shelters/expenditures.cfm](http://www.taxpolicycenter.org/briefing-book/background/shelters/expenditures.cfm)

## Conclusion

Compared to other states, Utah has a moderate number of incentive programs primarily administered by the Governor's Office of Economic Development. Despite this, Utah spends more per business establishment than the rest of the nation. The state's incentive portfolio favors grants and tax programs for reducing business' tax burden and increasing business' access to capital, product improvement, and workforce preparation.

Utah provides expenditures data through the Utah Tax Commission Annual Reports. Other state fiscal information can be found on the Utah transparency website. Increased transparency will better allow Utah to focus on analyzing the impacts of its economic development incentives and expenditures, giving policymakers the tools necessary to encourage greater economic development.

## Appendix A: Full List of Utah State Business Incentives (2015)

Program Name	Program Provider	Business Need	Type
<b>Alternative Energy Development Incentive</b>	Utah Governor's Office of Economic Development	Product & process improvement; Tax/Regulatory burden reduction	Tax credit
<b>Alternative Energy Sales and Use Tax Exemption</b>	Utah Governor's Office of Economic Development	Tax/Regulatory burden reduction; Product & process improvement	Tax exemption
<b>Avenue H Health Insurance Marketplace</b>	Utah Governor's Office of Economic Development	Workforce prep or development	Collateral Support
<b>DWS Work Experience and Paid Internships</b>	Utah Department of Workforce Services	Workforce prep or development; Capital access or formation	Grant
<b>EDTIF Tax Credit</b>	Utah Governor's Office of Economic Development	Facility/site location; Product & process improvement; Tax/Regulatory burden reduction	Tax credit
<b>Foreign Trade Zone</b>	Salt Lake City Economic Development	Business management; Facility/site location; Tax/Regulatory burden reduction	Tax exemption
<b>Industrial Assistance Fund</b>	Utah Governor's Office of Economic Development	Capital access or formation	Grant
<b>Motion Picture Incentive Program</b>	Utah Film Commission	Business management; Tax/Regulatory burden reduction	Tax refund or rebate
<b>On-the-Job Training (OJT) Program</b>	Utah Department of Workforce Services	Workforce prep or development; Capital access or formation	Grant
<b>Permanent Community Impact Fund</b>	Utah Division of Housing and Community Development	Capital access or formation	Grant; Loan/Loan Participation
<b>Private Activity Bond</b>	Utah Division of Housing and Community Development	Capital access or formation; Tax/Regulatory burden reduction	Tax exemption
<b>Qualified Energy Conservation Bonds</b>	Utah Governor's Office of Economic Development	Infrastructure Improvement	Other
<b>Recycling Market Development Zone Program</b>	Utah Governor's Office of Economic Development	Product & process improvement; Tax/Regulatory burden reduction	Tax credit
<b>Renewable Energy Systems Tax Credit</b>	Utah Office of Energy Development	Product & process improvement; Tax/Regulatory burden reduction	Tax credit



<b>Research Activities Credits</b>	Utah State Tax Commission	Tech & product development; Tax/Regulatory burden reduction	Tax credit
<b>Rural Broadband Service Fund</b>	Utah Governor's Office of Economic Development	Infrastructure Improvement; Capital access or formation	Grant
<b>Rural Fast Track Program (RFT)</b>	Utah Governor's Office of Economic Development	Business management; Capital access or formation	Grant
<b>Sales and Use Tax Exemptions</b>	Utah State Tax Commission	Product & process improvement; Tax/Regulatory burden reduction	Tax exemption
<b>Technology Commercialization and Innovation Program (TCIP)</b>	Utah Governor's Office of Economic Development	Tech & product development; Workforce prep or development; Capital access or formation	Grant
<b>Utah Capital Investment</b>	Utah Capital Investment	Capital access or formation	Equity investment; Loan/Loan Participation
<b>Utah Enterprise Zone Program</b>	Utah Governor's Office of Economic Development	Facility/site location; Product & process improvement; Workforce prep or development; Tax/Regulatory burden reduction	Tax credit
<b>Utah New Market Tax Credit</b>	Utah Governor's Office of Economic Development	Tax/Regulatory burden reduction; Workforce prep or development	Tax credit
<b>Utah Small Business Loan Guarantee Program</b>	Utah Division of Housing and Community Development	Capital access or formation	Loan guarantee
<b>Utah Small Business Loan Participation Program</b>	Utah Division of Housing and Community Development	Capital access or formation	Loan/Loan Participation
<b>Utah Water Quality Project Assistance Program</b>	Utah Department of Environmental Quality	Capital access or formation	Grant

## Appendix B: UT Economic Development Program Expenditures (2014)

Function	Activity	Agency	Program	Total State Funding
Administration	Info systems, accounting, human resources, etc.	Governor's Office of Economic Development	Administration	\$15,454,752
Business Assistance	Other business assistance	Governor's Office of Economic Development	Business Development	\$11,696,040
Business Assistance	Small business dev. (e.g., SBDCs)	Governor's Office of Economic Development	Small Business Development	\$225,000
Community Assistance	Community center revitalization	Department of Workforce Services	Housing and Community Development	\$4,759,107
Community Assistance	Infrastructure (e.g., road/sewer/telecommunications)	Governor's Office of Economic Development	Envision Utah	\$500,000
Domestic Recruitment/Out-of-State	Advertising (Domestic)	Governor's Office of Economic Development	Business Marketing	\$575,000
Special Industry Assistance	Advanced Manufacturing	Governor's Office of Economic Development	Industrial Assistance Fund	\$2,097,600
Technology Transfer	Research & development	Utah State Technology and Research	Utah State Technology and Research	\$22,443,100
Tourism/Film	Major events/festivals	Governor's Office of Economic Development	Pete Suazo Utah Athletics Commission	\$338,600
Tourism/Film	Major events/festivals	Governor's Office of Economic Development	Summer Games	\$50,000
Tourism/Film	Major events/festivals	Governor's Office of Economic Development	Sundance Film Festival and Tourism Marketing	\$1,000,000

Tourism/Film	Major events/festivals	Governor's Office of Economic Development	Western Legends	\$100,000
Tourism/Film	Major events/festivals	Utah State Fair Corporation	Utah State Fair Corporation	\$4,249,219
Tourism/Film	Tourism advertising	Governor's Office of Economic Development	Office of Tourism	\$19,284,400
Tourism/Film	Tourism advertising	Governor's Office of Economic Development	Tourism Marketing Performance	\$12,000,000
Tourism/Film	Tourism promotion (exc. Advertising)	Governor's Office of Economic Development	Global Branding for Tourism	\$375,000
Workforce Preparation & Dev.	Other workforce preparation & dev.	Governor's Office of Economic Development	STEM Action Center	\$11,500,300
<b>TOTAL</b>				<b>\$106,648,118</b>

## Appendix C: UT Economic Development Tax Expenditures (2014)

Description	Total Funds
Aerospace tools	\$840,000
Airline food	\$285,000
Airline parts and equipment sold by an airline manufacturer for installation, repair, or renovation of an aircraft	\$530,000
Aviation fuel	\$27,400,000
Biomass energy production facilities*	\$0
Construction materials for life sciences research and development facility*	\$0
Database access	\$400,000
Electricity sales to ski resorts for all lifts	\$110,000
Electronic financial payment services	\$42,000
In-flight sales of tangible personal property or product transferred electronically	<\$5,000
Machinery and equipment purchases used by non-life motion picture and television programs, music videos, commercials, or documentaries	\$220,000
Machinery and equipment with economic life of three or more years for NAICS 713 if used by a person who pays admissions or user fees	\$136,600
Machinery and equipment with greater than three-year life used in qualified research*	\$0
Manufacturing machinery and equipment 3-year life.	\$112,000,000
Media (film, TV, video) machinery and equipment	\$298,000
Motion picture rentals and radio broadcast tapes	\$60,000
Motor and special fuels	\$260,000,000
Property purchased for re-sale or as an ingredient or component part of manufactured products	\$30,000,000
Property stored in the state for re-sale*	\$0
Purchases of tangible personal property used in coal-to-liquids, oil, shale, and tar sands technology Research and Development (July 1, 2006 to June 30, 2016)	<\$500,000
Railroad diesel fuel	\$1,200,000
Renewable energy production facilities*	\$0
Sales of a fuel cell	\$35,000
Sales of aircraft manufactured in the state*	\$0
Sales of farm produce sold during the harvest season by the producer	\$2,000,000
Sales of hay	\$10,200,000
Sales of natural gas, electricity, coal, fuel oil for industrial use	\$27,000,000
Sales of property used in conducting business if that property was purchased outside of the state, first used outside the state and brought into the state*	\$0
Sales of tangible personal property for maintenance repair or overhaul of aircraft not registered in Utah	\$265,000
Sales of transportation, interstate telephone, telegraph, or fuel for use in compounding a taxable service*	\$0

Description	Total Funds
Semi-conductor materials including tangible personal property used in R&D	<\$7,000,000
Ski resort equipment	\$330,000
Steel mill non-durable equipment	\$206,000
Tangible personal property or products primarily used in farming, including repair of off-road agricultural machinery	\$43,000,000
Telecommunications service provider purchase of telecommunications service*	\$0
Transportation (taxicabs, public transit fares, intrastate transportation to an employer's employee)	\$5,600,000
Waste energy production facilities*	\$0
Web search portal	\$80,000

\* Data not available in budget

\*\* All data represents estimated state sales tax exemptions for FY2014.