

2000

ECONOMIC

REPORT TO THE

GOVERNOR

**STATE OF UTAH
MICHAEL O. LEAVITT
GOVERNOR**

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The Value of Census 2000 to Utah

Overview

On April 1, 2000, the 22nd decennial census will be conducted. The census is the only national survey providing consistent, uniform measures and data for every geographic area in the nation. The results will capture a picture in time of the population in Utah; who we are, how we have changed, and the direction we are heading—demographically, socially, and economically. Population counts from Census 2000 will not only be used to determine the number of seats each state will have in the U.S. House of Representatives, but will set the stage for an entire decade of federal and state fund distribution—which will amount to hundreds of millions of dollars over the next ten years.

Background

The U.S. Constitution stipulates in Article 1, Section 2, that a census of the population be conducted every ten years for the purposes of apportionment in the U.S. House of Representatives. No other source provides as much comprehensive information about who we are or has such important consequences for the way we govern ourselves. The decennial census is the only data-gathering effort that collects the same information from enough people to get comparable data from the national level to the neighborhood level.

Census 2000 will be conducted to determine how many people reside in the United States, precisely where they reside, and their demographic characteristics. It will be the largest and most complex mobilization in the nation, and will include critical phases, such as preparing address lists, mailing questionnaires, performing quality checks and tabulating census results.

The primary means of census-taking in 2000 will be the long and short form questionnaires. These questionnaires will be used to collect the data the nation needs to meet statutory data requirements of the federal agencies and to administer state, local, and tribal government programs. All of the questions included on the 2000 questionnaire are either “mandated” or “required” by federal law or imposed by court decisions requiring the use of census data.

The answers that Utahns provide on the questionnaire will provide the baseline demographic statistics for planning, implementing and evaluating government services and private business decisions and will be used for such things as planning new school construction and public transportation systems, and managing healthcare services. The data will also form the basis for our political representation and an entire decade of distributions of federal and state funds.

Congressional Reapportionment

The results of Census 2000 will be used to determine the number seats each state will have in the U.S. House of Representatives. The Constitution provides that each state will have at least one member in the House. The apportionment process will allocate the remaining seats to the states based on the population counts from the census.

Calculation of a congressional apportionment requires three factors: the apportionment population of each state, the number of Representatives to be allocated among the states, and a method to use for the calculation.

Several entities have analyzed which states may gain and which may lose seats after Census 2000. These analyses apply the method of equal proportions, a mathematical formula that has been used in the previous five censuses to calculate House seat assignment. Based on these analyses, Utah may or may not gain a fourth seat after the 2000 census. Utah is one of the states “On the Bubble”—in some of the analyses Utah gains a fourth seat, but in others Utah holds steady with three seats. It is not possible to know for sure if Utah will gain an additional House seat, since these analyses are based on projections of the population, instead of the actual census results.

Redistricting

The Utah Constitution requires the Utah Legislature to redraw all congressional, state legislative, and state school board districts based on the new population totals from the Census Bureau. County clerks work closely with the Census Bureau and provide data on geography and boundaries for voting precincts that form a building block for new districts that will last until the 2010 Census. When the legislature completes the redistricting, county clerks receive a copy of the new boundaries to ensure that ballots and voting precincts match the new boundaries. The new districts will be enacted in the fall of 2001.

Federal Government Expenditures in Utah

While the benefits of accurate political representation and informed decision making are obvious, census data are also crucial for the distribution of federal and state funds. Every year the federal government distributes billions of dollars to states through federal programs. The economy of Utah and all other states depend significantly on these federal monies. In fiscal year 1998, Utah received \$8.7 billion from the federal government, which amounted to 20% of Utah's total personal income in 1998.

Federal money is distributed to states through five major categories:

- Grants to state and local governments—Major grants in Utah include: Medicaid; Temporary Assistance for Needy Families; and Highway Planning and Construction.
- Salaries and wages for federal employees—This category includes wages paid to a federal employee by a federal employer.
- Retirement and disability programs—Major programs include: Social Security; Medicare; Food Stamps; and federal employee retirement.
- Procurement contracts—The major contracts are defense, aerospace, and the Post Office.
- Other direct payments—This category includes all other grants not included in the other four categories.

While all of these categories of federal expenditures are important, the first is most important to Utah because the majority of money that Utah receives based on population statistics is part of the grants to state and local government category of federal spending.

Grants to State and Local Governments. Grants are allocations of revenue paid by the federal government to state and local governments and can be divided into two categories: discretionary grants and formula grants. Discretionary grants are not dependent on formulas to determine where the money is allocated, but can be distributed by program administrators based on the merit of the

competing applications. Formula grants, on the other hand, are allocated using formulas mandated by statutes or administrative regulations. Federal funds that come into Utah based on population statistics are based on the population component of grant formulas.

Federal revenues and the formulas by which they are disbursed through grant programs are constantly changing due to changes in legislation. For example, federal programs are periodically merged with others or are phased in and out of the federal budget depending upon the need as determined by Congress. The purpose of this research is to provide a "snapshot" of the magnitude of revenue allocation to state and local governments by formula grants that base revenue disbursement on population criteria as specified in their formulas.

Federal Grant Programs that Allocate Funds Based on Population. In fiscal year 1998, 94 federal grant programs were identified that relied all or in part on population or population characteristics for the distribution of federal money to Utah. Of the \$1.5 billion that came into Utah, \$113 million came from programs that were 100% population driven. The remaining monies came from programs that were based in part on population. Thus, population statistics from the Census Bureau, based on the population component of the grant formula, brought in \$697 for every person in Utah or \$2,163 per household in 1998. The five largest programs that distribute money to Utah based on population are: Medicaid, Flood Insurance, Highway Planning and Construction, Temporary Assistance to Needy Families (TANF), and Very Low to Moderate Income Housing Loans.

Medicaid, which provides medical assistance to poor children, pregnant women and elderly, is the largest federal program that distributes money to states based on population data. Of the total federal money distributed to Utah, 35% came from the Medicaid program. This amounted to \$509.2 million in fiscal year 1998.

Flood Insurance, distributed through the Federal Emergency Management Agency (FEMA), is the second largest program with population-dependent funding. The Flood Insurance program is designed to enable persons to purchase insurance against physical damage to their homes or buildings caused by floods, mudslides, etc. In fiscal year 1998, \$276.9 million, or 19% of the total federal money distributed to Utah came in through this program.

The third largest population driven program in Utah is the Highway Planning and Construction program. Utah received \$144.8 million in fiscal year 1998 to help in the improvement and development of the interstate highway system and primary, secondary and urban streets. This amounted to 10% of the total federal funding distributed to Utah based on population data.

Temporary Assistance to Needy Families (TANF), formerly Aid to Families with Dependent Children (AFDC), is the fourth largest program. TANF provides assistance to poor single-parent families with children under 18, promotes job preparation, and provides incentives to get participants jobs. This program brought in \$78.9 million in fiscal year 1998. This amounted to 5% of the total federal money that came into Utah from population-based programs.

The fifth largest program is Very Low to Moderate Income Housing Loans, which provides assistance to low income families through direct loans to buy, build, or improve homes in rural areas. In fiscal year 1998, Utah received \$42.1 million dollars which accounted for 3% of the total amount of population driven programs.

In addition to the large programs listed above, other well-known programs such as Head Start, WIC, Community Development Block Grants, and Crime Victim Assistance provided significant funding to Utah. Compounded over the decade, the decennial census and population estimates based on the census count helped to distribute an estimated \$15 billion to Utah during the 1990s.

State Government Expenditures

Federal funding formulas are only one aspect of the impact of population on the distribution of federal money to states. In Utah, population statistics are used to distribute state funds to local communities from state revenues, in addition to being used for the purposes of apportionment and redistricting, state planning, funding, and cost apportionment.

State Funds Distributed in Utah Based on Population. In fiscal year 1998, the State of Utah managed a \$5.7 billion budget. This amount includes revenues from the state's general, school and transportation funds, as well as federal funds, dedicated credits, mineral lease, property taxes, and other revenues. While the allocation of these monies can be a complex process that considers competing needs, federal requirements, and changing state priorities, population is an important factor in the allocation of specific funds. The largest funds distributed in Utah based on population statistics are Local Option Sales Taxes, Class B and C Road Monies, Community Development Block Grants, Liquor Control Fund, and Criminal Fines and Forfeitures.

The Local Option Sales Tax is the largest state fund distributed by the state based on population data. This sales tax is collected by retailers and paid to the State Tax Commission. The Tax Commission then distributes the money to municipalities throughout the state. In fiscal year 1998, the State Tax Commission distributed \$263.5 million of local option sales taxes among Utah's cities and counties. The distribution was determined based on the following formula: 1) 50% based on the local government's share of the state's population, 2) 50% based on the point of sale or use of transaction. Therefore, \$131.8 million of sales taxes were divided among Utah's cities and counties during fiscal year 1998 based on population statistics.

The second largest state program that distributes money based on population statistics is money for the improvement and maintenance of class B and C roads in the state. Class B roads are county roads and class C roads are city streets. According to the allocation formula, 50% of the B and C road monies are allocated based on a municipality or county population. During fiscal year 1998, the state distributed \$82.9 million to cities and counties for B and C road development and improvement. Thus, \$41.4 million in road monies was tied directly to population.

Other monies in Utah distributed based on population include the Community Development Block Grant (CDBG), the Liquor Control Fund, and Criminal Fines and Forfeitures. These programs distributed an additional \$7.4 million to the state in fiscal year 1998.

The Community Development Block Grant program is unique in that the monies are distributed to Utah by the federal government based on population and then distributed within Utah based on population. The money is used to build public work facilities, rehabilitate housing, assist with economic development and other activities that make communities more viable and expand economic opportunities. In fiscal year 1998 the state distributed \$7.4 million in CDBG monies to local governments. Of that fund, \$5.7 million, or 77% of the fund,

was distributed based on population.

The Liquor Control Fund is also distributed to municipalities based on population. The appropriation is used for programs or projects related to prevention, detection and prosecution of alcohol-related offenses. During fiscal year 1998, \$1.3 million was allocated to cities and counties based on their population.

The Bureau of Emergency Medical Services (EMS) received \$1.5 million from Criminal Fines and Forfeitures in fiscal year 1998. EMS then distributed \$629,000, or 41% of the total fund, to counties in 1998 based on their population. These grant monies are used by agencies within counties for any emergency medical services activities or needs, such as certified personnel.

In total, the major state funds in Utah distributed \$180.8 million during fiscal year 1998 to municipalities and counties based on population statistics.

Conclusion

On April 1, 2000, Utahns will be asked to fill out and return a census form. The answers provided on this form will not only determine the number of seats Utah will have in the U.S. House of

Representatives, but will be used for such things as planning new school construction and public transportation systems and managing health care services. Equally important, is the use of decennial census data in the distribution of federal and state funds. The answers provided on this form set the stage for an entire decade of fund distribution. This means millions of dollars to Utah and it's municipalities and counties every year.

This research has identified 94 federal programs and 5 major state programs that distribute funds based on population statistics. This amounted to \$1.5 billion in federal funds that came into Utah in fiscal year 1998. Compounded over the decade, decennial census data helped distribute \$15 billion in federal funds to Utah, or \$697 per person and \$2,163 per household. In addition to the distribution of federal funds, the state distributed \$180.8 million in 1998 to local governments through 5 major funds that based part of the fund allocation on population statistics.

A complete and accurate count in 2000 will ensure that Utah receives it's share of federal funds—which will amount to hundreds of millions of dollars over the next ten years. It is clear that the decennial census means money for Utah and all Utahns need to be counted. *

Table 79
Summary of Total Personal Income and Federal Funds Distribution (Millions of Dollars): FY1998

State	1998 Population	Total Personal Income	Total Funds	Funds Per Capita	Rank	Funds Per \$1,000 Personal Income	Rank
United States	270,299,000	\$7,158,176	\$1,484,477	\$5,491	na	\$207	na
Alabama	4,352,000	93,567	25,297	5,813	16	270	9
Alaska	614,000	15,823	4,767	7,763	3	301	4
Arizona	4,669,000	108,087	24,067	5,155	28	223	23
Arkansas	2,538,000	51,763	13,016	5,128	29	251	15
California	32,667,000	900,900	161,571	4,946	34	179	40
Colorado	3,971,000	114,449	21,009	5,291	25	184	38
Connecticut	3,274,000	123,431	19,424	5,933	12	157	47
Delaware	744,000	22,258	3,553	4,776	38	160	44
Florida	14,916,000	386,654	83,558	5,602	20	216	24
Georgia	7,642,000	191,865	37,144	4,861	36	194	33
Hawaii	1,193,000	31,268	8,442	7,076	5	270	10
Idaho	1,229,000	25,901	5,961	4,850	37	230	21
Illinois	12,045,000	349,029	55,467	4,605	43	159	45
Indiana	5,899,000	143,362	26,098	4,424	45	182	39
Iowa	2,862,000	68,720	14,535	5,079	31	212	25
Kansas	2,629,000	65,854	13,426	5,107	30	204	27
Kentucky	3,936,000	84,834	23,161	5,884	14	273	8
Louisiana	4,369,000	93,430	22,900	5,242	26	245	18
Maine	1,244,000	28,620	7,463	5,999	11	261	13
Maryland	5,135,000	154,164	41,565	8,094	2	270	11
Massachusetts	6,147,000	202,252	37,173	6,047	9	184	37
Michigan	9,817,000	255,039	41,917	4,270	48	164	43
Minnesota	4,725,000	130,737	20,399	4,317	47	156	48
Mississippi	2,752,000	52,283	15,314	5,565	21	293	7
Missouri	5,439,000	132,955	32,682	6,009	10	246	16
Montana	880,000	17,827	5,465	6,210	7	307	2
Nebraska	1,663,000	41,212	8,253	4,963	33	200	29
Nevada	1,747,000	47,795	7,566	4,331	46	158	46
New Hampshire	1,185,000	34,626	5,272	4,449	44	152	49
New Jersey	8,115,000	275,531	40,373	4,975	32	147	50
New Mexico	1,737,000	34,753	12,933	7,446	4	372	1
New York	18,175,000	575,768	99,766	5,489	22	173	41
North Carolina	7,546,000	182,036	35,677	4,728	39	196	31
North Dakota	638,000	13,855	4,131	6,475	6	298	6
Ohio	11,209,000	282,920	52,006	4,640	41	184	36
Oklahoma	3,347,000	70,469	18,205	5,439	24	258	14
Oregon	3,282,000	81,310	15,119	4,607	42	186	35
Pennsylvania	12,001,000	322,706	67,350	5,612	19	209	26
Rhode Island	988,000	26,614	6,039	6,112	8	227	22
South Carolina	3,836,000	82,039	19,870	5,180	27	242	19
South Dakota	738,000	16,388	4,319	5,852	15	264	12
Tennessee	5,431,000	128,244	30,497	5,615	18	238	20
Texas	19,760,000	494,544	92,019	4,657	40	186	34
Utah	2,100,000	44,297	8,728	4,156	50	197	30
Vermont	591,000	14,309	2,895	4,898	35	202	28
Virginia	6,791,000	186,686	55,830	8,221	1	299	5
Washington	5,689,000	159,674	31,186	5,482	23	195	32
West Virginia	1,811,000	35,087	10,697	5,906	13	305	3
Wisconsin	5,224,000	131,547	21,883	4,189	49	166	42
Wyoming	481,000	11,169	2,743	5,702	17	246	17
District of Columbia	523,000	19,526	24,034	45,955	na	1231	na
Undistributed	na	na	28,615	na	na	na	na

note: The source of the 1998 population estimates is the U.S. Bureau of the Census.

Source: U.S. Bureau of the Census, Consolidated Federal Funds Report: 1998; Bureau of Economic Analysis

Table 80
Federal Expenditures in Utah Based on Population Statistics, Ranked by Largest Programs: FY 1998

Rank	CFDA #	Agency	Program Name	FY 1998 Expenditures	100% Pop. Driven	Percent of Total Expenditures
1	93.778	HHS	Medical assistance program	\$509,180,355		34.77%
2	83.100	FEMA	Flood insurance	276,947,897		18.91%
3	20.205	DOT	Highway planning and construction	144,805,348		9.89%
4	93.558	HHS	Temporary assistance for needy families	78,925,393		5.39%
5	10.410	USDA	Very low to moderate income housing loans	42,087,988	yes	2.87%
6	84.010	ED	Title I grants to local educational agencies	33,036,334		2.26%
7	84.126	ED	Rehabilitation services-vocational rehabilitation grants	30,880,511		2.11%
8	10.557	USDA	WIC program	29,608,069		2.02%
9	93.600	HHS	Head start	27,557,327		1.88%
10	93.658	HHS	Foster care-Title IV-E	22,104,513		1.51%
11	17.225	DOL	Unemployment insurance	21,253,512		1.45%
12	93.596	HHS	Child care mandatory and matching funds of the	20,761,612		1.42%
13	10.768	USDA	Business and industry loans	19,325,216		1.32%
14	93.667	HHS	Social services block grant	16,975,052	yes	1.16%
15	20.507	DOT	Federal transit capital and operating assistance	16,734,216		1.14%
16	17.207	DOL	Employment service	15,174,609		1.04%
17	14.218	HUD	Community development block grants/entitlement grants	12,570,094	yes	0.86%
18	17.250	DOL	Job training partnership act	12,555,453		0.86%
19	93.959	HHS	Block grants for prevention and treatment of substance abuse	12,390,591		0.85%
20	84.048	ED	Vocational education-basic grants to states	11,495,239		0.78%
21	14.228	HUD	Community development block grants/state's program	8,652,235	yes	0.59%
22	93.994	HHS	Maternal and child health services block grant	6,144,891		0.42%
23	10.760	USDA	Water and waste disposal systems for rural communities	5,963,000		0.41%
24	15.605	DOI	Sport fish restoration	5,933,000		0.41%
25	10.427	USDA	Rural rental assistance payments	5,237,512	yes	0.36%
26	16.579	DOJ	Byrne formula grant program	4,525,865	yes	0.31%
27	93.659	HHS	Adoption assistance	3,735,748		0.26%
28	14.239	HUD	Home investment partnerships program	3,718,324		0.25%
29	84.186	ED	Safe and drug-free schools and communities	3,544,922		0.24%
30	93.645	HHS	Child welfare services-state grants	3,438,141		0.23%
31	84.298	ED	Innovative education program strategies	3,283,555		0.22%
32	84.181	ED	Special education-grants for infants and families	3,280,289	yes	0.22%
33	84.276	ED	Goals 2000- state and local education	3,213,060		0.22%
34	10.500	USDA	Cooperative extension service	3,081,938	yes	0.21%
35	15.611	DOI	Wildlife restoration	3,025,000		0.21%
36	16.523	DOJ	Juvenile accountability incentive block grants	2,997,900	yes	0.20%
37	11.307	DOC	Special economic development & adjustment assistance program	2,961,466		0.20%
38	14.157	HUD	Supportive housing for the elderly	2,944,810		0.20%
39	93.045	HHS	Special programs for the aging-Title III, part C	2,545,191	yes	0.17%
40	16.575	DOJ	Crime victim assistance	2,345,298	yes	0.16%
41	84.281	ED	Eisenhower professional development grants	2,260,799		0.15%
42	14.850	HUD	Public and Indian housing	2,012,696		0.14%
43	93.991	HHS	Preventive health and health services block grant	1,764,587		0.12%
44	84.002	ED	Adult education-state grant program	1,670,139	yes	0.11%
45	10.203	USDA	Payments to agricultural experiment stations under the Hatch Act	1,666,361		0.11%
46	93.044	HHS	Special programs for the aging-Title III, part B	1,605,368	yes	0.11%
47	20.600	DOT	State and community highway safety	1,363,635		0.09%
48	94.006	CNCS	Americorps	1,318,374		0.09%
49	16.588	DOJ	Violence against women formula grants	1,305,000		0.09%
50	84.243	ED	Tech-prep education	1,196,451		0.08%
51	10.766	USDA	Community facilities loans and grants	1,150,000	yes	0.08%
52	16.540	DOJ	Juvenile justice and delinquency prevention	856,000	yes	0.06%
53	93.630	HHS	Development disabilities basic support and advocacy	755,606		0.05%
54	20.509	DOT	Public transportation for nonurbanized areas	649,333		0.04%
55	84.187	ED	Supported employment services for individuals with disabilities	600,000	yes	0.04%
56	17.251	DOL	Native American employment and training programs	596,155		0.04%
57	84.169	ED	Independent living - state grants	583,492	yes	0.04%
58	17.235	DOL	Senior community service employment program	576,652		0.04%
59	84.213	ED	Even start-state educational agencies	565,400		0.04%
60	10.569	USDA	Emergency food assistance program	540,916		0.04%
61	45.025	NFAH	Promotion of the arts-partnership agreements	517,800		0.04%
62	83.523	FEMA	Emergency food and shelter national board program	453,954		0.03%
63	45.129	NFAH	Promotion of the humanities-federal/state partnership	440,446		0.03%
64	84.185	ED	Byrd honors scholarships	391,500	yes	0.03%
65	93.623	HHS	Runaway and homeless youth	351,572	yes	0.02%
66	20.505	DOT	Federal transit technical studies grants	312,824		0.02%
67	16.589	DOJ	Rural domestic violence and child victimization	300,488		0.02%
68	93.150	HHS	Projects for assistance in transition from homelessness	300,000	yes	0.02%
69	11.302	DOC	Economic development-support for planning organizations	274,000		0.02%

-continued-

Table 80 (continued)
Federal Expenditures in Utah Based on Population Statistics, Ranked by Largest Programs: FY 1998

Rank	CFDA #	Agency	Program Name	FY 1998 Expenditures	100% Pop. Driven	Percent of Total Expenditures
70	93.138	HHS	Protection and advocacy for individuals with mental	\$259,782		0.02%
71	10.568	USDA	Emergency food assistance program	250,667		0.02%
72	17.247	DOL	Migrant and seasonal farmworkers	250,354		0.02%
73	81.041	DOE	State energy program	247,641		0.02%
74	93.669	HHS	Child abuse and neglect state grants	237,706	yes	0.02%
75	10.417	USDA	Very low-income housing repair loans and grants	222,980	yes	0.02%
76	84.161	ED	Rehabilitation services-client assistance program	214,526	yes	0.01%
77	16.548	DOJ	Title V-delinquency prevention program	180,000	yes	0.01%
78	93.671	HHS	Family violence prevention and services	163,476	yes	0.01%
79	93.584	HHS	Refugee and entrant assistance-targeted assistance	135,000		0.01%
80	10.415	USDA	Rural rental housing loans	127,706	yes	0.01%
81	84.196	ED	Education for homeless children and youth	127,539		0.01%
82	10.433	USDA	Rural housing preservation grants	118,000	yes	0.01%
83	93.643	HHS	Children's justice grants to states	114,321	yes	0.01%
84	84.240	ED	Program of protection and advocacy of individual rights	105,884	yes	0.01%
85	93.958	HHS	Block grants for community mental health services	100,000		0.01%
86	10.769	USDA	Rural development grants	89,000		0.01%
87	93.043	HHS	Special programs for the aging-Title III, part F	81,857	yes	0.01%
88	93.575	HHS	Child care and development block grant	70,659		0.00%
89	93.571	HHS	Community services block grant discretionary awards	49,652		0.00%
90	93.046	HHS	Special programs for the aging-Title III, part D	49,568	yes	0.00%
91	66.433	EPA	State underground water source protection	46,485		0.00%
92	66.001	EPA	Air pollution control program support	45,039		0.00%
93	45.310	NFAH	State library program	9,490	yes	0.00%
94	93.560	HHS	Family support payments to states	493		0.00%
			Total	\$1,464,618,847	\$113,432,947	7.74%

Agency Codes:

DOE	Department of Energy
DOJ	Department of Justice
DOL	Department of Labor
DOT	Department of Transportation
ED	Department of Education
EPA	Environmental Protection Agency
FEMA	Federal Emergency Management Agency
HHS	Department of Health and Human Services
HUD	Department of Housing and Urban Development
NFAH	National Foundation on the Arts and Humanities
USDA	Department of Agriculture

Source: Catalog of Federal Domestic Assistance (CFDA); U.S. Census Bureau, Consolidated Federal Funds Report, 1998; Governor's Office of Planning and Budget

Table 81
Major State and Local Funds Distribution in Utah Based on Population Statistics (Thousands of Dollars): FY 1998

	Total	Percent Population Driven	Population Driven Expenditures	Percent of Total
Local Option Sales Taxes	\$263,504	50	\$131,752	72.9%
Class B and C Road Monies	\$82,887	50	\$41,444	22.9%
Community Development Block Grants	\$7,401	77	\$5,699	3.2%
Liquor Control Fund	\$2,609	50	\$1,305	0.7%
Criminal Fines and Forfeitures*	\$1,527	41	\$629	0.3%
Total	\$357,928		\$180,828	

* The Bureau of Emergency Medical Services (EMS) received \$1.5 million from Criminal Fines and Forfeitures in fiscal year 1998. This money was then distributed by EMS to counties based on their population.

note: totals may not add up due to rounding.

Source: Utah Code Annotated; Governor's Office of Planning and Budget

Quality Growth

Overview

During the past three years, Envision Utah has directed many activities, including an in-depth values study, baseline analysis, more than 100 public workshops, scenario development and analysis, and a million-dollar public awareness campaign. These activities culminated in the development of a regional vision called the Envision Utah Quality Growth Strategy. Envision Utah will advocate voluntary adoption of the strategy's components by public and private entities to realize the goals and strategies of the Quality Growth Strategy.

The QGET Technical Committee prepared the Technical Analysis of the Quality Growth Strategy. When compared to the baseline future (the direction the state is currently headed) the Quality Growth Strategy results in many desirable attributes. In 2020, compared to the baseline, it will conserve 171 square miles of land (roughly the current size of Salt Lake City and West Valley City combined); include a more market-driven mix of housing; result in a 7.3% reduction in mobile emissions; include less traffic congestion; and require \$4.5 million less investment in transportation, water, sewer, and utility infrastructure. These results demonstrate that by adopting the principles outlined in the Quality Growth Strategy, residents can preserve the quality of life in the Greater Wasatch Area in numerous ways.

Envision Utah and QGET

Envision Utah's purpose is to create and be an advocate for a publicly supported growth strategy that will preserve Utah's high quality of life, natural environment, and economic vitality. During the past three years, Envision Utah has directed many activities, including an in depth values study, baseline analysis, over 100 public workshops, scenario development and analysis, a million dollar public awareness campaign, and the development and analysis of a Quality Growth Strategy. Envision Utah operates mostly with private funds and receives no direct state financing, but the Quality Growth Efficiency Tools (QGET) Technical Committee prepares much of the technical work.

The QGET Technical Committee consists of technical representatives from state and local government, as well as the private sector. These representatives analyze growth issues related to demographics, economics, transportation, air quality, land use, water availability, and infrastructure costs. The Governor's Office of Planning and Budget coordinates QGET's work.

Background

Quality Growth Planning in Utah. Quality growth planning in Utah began with the Growth Summit in 1995, a conference sponsored by legislative leadership and the Governor, intended to develop legislative solutions to the growth challenges facing the state. More than 60 proposals suggesting ways to manage the state's growth were submitted. The Summit resulted in a 10-year transportation improvement plan for the state.

The following year the Governor created the Utah Critical Lands Committee. This committee supported numerous open space projects and developed educational materials describing the tools and techniques for open space conservation.

In 1997, the State partnered with Envision Utah, a public/private community partnership dedicated to studying the effects of long-term growth, creating a publicly supported vision for the future, and advocating the strategies necessary to achieve this vision. Governor Leavitt is the Honorary Co-Chair of Envision Utah. The QGET Technical Committee was formed to improve the quality of information available to plan for Utah's future. Envision Utah and QGET have since produced the 1997 Baseline Scenario, the 1998 Alternative Scenarios Analysis and the 1999 Quality Growth Strategy.

The 1999 Utah State Legislature passed the Quality Growth Act of 1999 for the purposes of addressing growth issues throughout Utah. The Act establishes a 13-member Quality Growth Commission charged with providing assistance to local governments in the form of grant money, administering the LeRay McAllister Critical Land Conservation Fund, and researching several growth related issues.

Contributors to Technical Analysis. The QGET Technical Analysis of the Envision Utah Quality Growth Strategy benefitted from the input of: 88 cities, 10 counties, 2 metropolitan planning organizations, 5 state agencies, PSOMAS Engineering, and Fregonese Calthorpe Associates.

Limitations of Technical Analysis. The Technical Analysis of the Quality Growth Strategy is meant to provide relevant technical information to the public, decision makers and Envision Utah about the Quality Growth Strategy. It should be thought of as a work in progress, the findings of which will evolve as new and better information becomes available. The estimates reported in the analysis are conservative and additional benefits of the Quality Growth Strategy may be found as further modeling is performed. The Analysis is limited to the 10-county area termed the Greater Wasatch Area. All modeling was conducted at the regional scale and is not intended for site-specific evaluations. The scope is limited to the subject areas of transportation, air quality, land use, water, and infrastructure costs.

The Quality Growth Strategy

Background. The Envision Utah Quality Growth Strategy is based on extensive input from the general public, civic organizations, business, and public officials. In January 1999, Envision Utah received more than 17,000 responses to its public survey. These responses led Envision Utah to develop six primary goals. Over the course of 1999, Envision Utah sponsored dozens of workshops to examine issues such as where and how the Greater Wasatch Area should grow and what types of transportation would best serve the area. These workshops also asked participants to discuss how growth should be accommodated, and consider how well their current general plans would preserve quality of life in the face of growth pressures. Workshop participants discussed what aspects of the community should be enhanced and preserved, who could best deal with growth related issues (e.g. state government, local government, private industry, consumers) and what types of growth related strategies the public would support. Draft strategies were reviewed by the public, elected officials, and technical experts for input regarding political and technical feasibility. Finally, the Quality Growth Strategy was refined to make it consistent with forecasted housing demand. All of this information helped to refine the draft strategies that now make up Envision Utah Quality Growth Strategy.

Characteristics. The Technical Analysis of the Quality Growth Strategy is based on future-based voluntary compliance with the Envision Utah strategies. Options for voluntary compliance include: various forms of interjurisdictional cooperation, development of a market-based housing mix, additional water conservation, increasing telework, development of a region-wide transit system, and incremental changes in development patterns. The Technical Analysis anticipates that the Greater Wasatch Area will be home to approximately one million more people by 2020. Population and employment trends will continue to be consistent with current trends at the county-level.

Concept map. The concept map is a visual reflection of the information gleaned by Envision Utah from public involvement and the technical advice of local officials and the QGET Technical Committee. The map consists of six layers of information: constrained lands (steep slopes, wetlands, developed and government-owned); critical lands (open space corridors and development buffers); infrastructure (highways and transit); centers and corridors (commercial and industrial centers); newly developed lands (new land committed to urban use between 1997 and 2020); and redeveloped lands (land with existing development and low improvement values). This information was combined to create a visual map, as well as a database of geographically-referenced information.

Baseline. In 1997 the Envision Utah /QGET partnership prepared the Baseline Scenario. This study was comprised of information in current regional and state long-range plans along with the extrapolation of development trends from the last 10-20 years. The study is constrained by long-range population and employment trends for the region. The Baseline Scenario serves as an indication of how the region will develop if current plans and development trends are carried out. The Baseline figures in this analysis represent the second revision of the Baseline Scenario. The Baseline Scenario is used to compare and contrast impacts of the Quality Growth Strategy.

Summary of Technical Analysis

Land Use. The land use analysis is based on a market-driven housing demand forecast, extensive use of infill and reuse development, and mixed use/walkable development patterns. Under the Quality Growth Strategy, 171 square miles less land is converted to urban use than would be converted under the Baseline. This also allows for the conservation of 116 square miles of agricultural land. Under the Baseline a total of 325 square miles will be converted to urban use, compared to a total of 154 square miles under the Quality Growth Strategy. Of the total land converted to urban use, the Baseline will consume 143 square miles of agricultural land compared to 27 square miles under the Quality Growth Strategy

To ensure that the Quality Growth Strategy reflects the housing market, Envision Utah commissioned a housing demand study. The study examined current development trends, constraints that presently exist in the real estate market, and how changes in consumer preferences and regional demographics will affect housing demand in 2020. The study found that the market will predominantly demand single-family units, but to a lesser extent than current zoning ordinances and recent historical trends will supply. Changing demographics will result in some demand shifting away from single family-units (15% less of total 2020 housing compared to the current trend) toward town home/duplexes (9% more) and apartment/condos (5% more).

Transportation. The transportation system for the Quality Growth Strategy is much like the system designed for the Baseline except that the Quality Growth Strategy utilizes fewer roads and more rail transit. Transportation modeling for the Quality Growth Strategy resulted in a reduction in vehicle miles traveled of 2.4 million per day. At the same time, average speeds increased by 12.5%; commute times declined by 5.2%; and transit trips increased by 37.5%. These system improvements came with a reduction in road spending of approximately \$3.5 million and an increase in transit spending of \$1.5 million for a net savings of \$2.0 million. Transportation experts felt that additional savings could be realized if the transportation system were further refined.

Air Quality. The Quality Growth Strategy reduced total emissions by 3.5%, a total of 93 tons per day. This occurs solely because of a reduction in mobile emissions of 7.3%. This reduction is the result of more transit trips, shorter trip times, and higher average peak speeds. It is important to note that the region has enjoyed large gains in the reduction in the quantity of air pollution emitted in the Greater Wasatch Area over the last two decades. For the most part, this reduction has been due largely to state programs regulating the quantity of air pollution emitted by industry. This program has been very successful in reducing industrial emissions and in helping the region meet the federally mandated air quality requirements. Therefore, further reductions from industry will be minimal and it will be important to achieve further mobile emission reductions, such as those demonstrated under the Quality Growth Strategy, to help the region maintain compliance with these standards.

Water. Current per capita water use in the Greater Wasatch Area is approximately 319 gallons per day. At this rate of consumption, Utah presently ranks as the second highest state in per capita water consumption. Under the Baseline Scenario, per capita water use in 2020 is 298 gallons per person per day. The Quality Growth Strategy results in a per capita use of 267 gallon per day. The Quality Growth Strategy is an excellent forum for achieving a higher reduction/conservation in water consumption through education, incentives and/or regulation. Since the price of water is assumed to be the same in both the Baseline and the Quality Growth Strategy, per capita water use varies between these two scenarios because of changes in land use and in the conservation rate. Land use changes, such as differences in the lot size and allocation of population and employment between the Baseline and the Quality Growth Strategy, help create the lower water use under the Quality Growth Strategy.

Infrastructure. Infrastructure is computed in two categories: regional and sub-regional. Sub-regional is composed of off-site (municipal) and on-site (developer) categories of costs. Regional costs are a function of regional and state planning of activities such as major road arterials, transit networks, and large water development projects. On-site and off-site costs are infrastructure such as local roads, water and sewer mains, storm drain systems, and utilities. Compared to the baseline, the Quality Growth Strategy reduced total infrastructure cost by \$4.5 million. This translates into a \$3.5 million savings in both regional and sub-regional roads, approximately \$0.5 million savings in water and an additional investment of \$1.5 million in public transportation projects.

Summary. The technical analysis was not intended to vary significantly from the Baseline because changes in development are on an incremental and voluntary basis. The region will reap greater benefits in future time horizons since it takes more than 20 years for the benefits to be realized. The estimates provided here show that compared to the Baseline, the Quality Growth Strategy can help to

preserve the quality of life in Utah by conserving critical lands, reducing mobile emissions, increasing housing choices, improving traffic flows, reducing water consumption, and requiring less infrastructure investment.

Relationship Between Envision Utah and the Quality Growth Commission

Quality growth planning in Utah includes the work of many entities, including contributions from all levels of government (federal, state, and local) and the private sector. Envision Utah and the Quality Growth Commission are two of the most visible quality growth planning entities, each involved in related, as well as separate planning activities.

The Quality Growth Commission and Envision Utah possess many similarities. Both entities are dedicated to preserving and enhancing the quality of life present in Utah. Both entities are devoted to involving the public in decisions about future planning and view Utah residents as their ultimate constituency. Both entities have joined to fund local quality growth demonstration projects including:

- *Centerville* – Proposing a mixed-use development, integrating affordable housing, open space and compact, high density development on greenfield acreage
- *Provo* – Proposing a pedestrian-oriented neighborhood node, including medium to high density housing and retail, around a key inter-modal transportation center
- *Salt Lake City* – Proposing a transit-oriented block adjacent to the new library
- *West Valley City* – Proposing a compact, mixed-use infill and redevelopment project along the Jordan River Corridor
- *Brigham City/Perry* – Proposing a compact, mixed-use, mixed-income development on greenfield acreage on the border between the two communities
- *Sandy/Midvale* – Proposing a joint planning effort to create a transit-oriented development that includes senior housing along a light rail corridor

Envision Utah and the Quality Growth Commission differ in that Envision Utah’s focus is the creation of a broad, regional vision and the analysis, public education, and advocacy required to achieve this vision. The Commission is devoted to making legislative recommendations that will help local communities and the state achieve quality growth. Consequently, the Commission has a specific legislative mandate to advise legislation on growth management issues, including critical land conservation, home ownership, housing availability, and efficient infrastructure development. Envision Utah has no regulatory power, whereas the Commission is in a position to make quality growth happen through legislation.

QGET Technical Committee

State Agencies

- Brad Barber, Governor’s Office of Planning and Budget
- Paul Gillete, Dept. of Natural Resources (Water Resources)
- Brock LeBaron, Dept. of Environmental Quality (Air Quality)
- Richard Manser, Utah Dept. of Transportation
- Stuart Challenger, Automated Geographic Reference Center

Local Government

- Mick Crandall, Chair, Wasatch Front Regional Council
- Kathy McMullen, Mountainland Association of Governments
- Wilf Sommerkorn, Davis County
- Ray Johnson, Tooele County
- Don Nay, Utah County
- John Janson, West Valley City
- Fred Aegerter, Ogden City
- Richard Hodges, Utah Transit Authority
- Doug Jex, Dept. of Community & Economic Development

Private

- Roger Borgenicht, Future Moves
- D. J. Baxter, Envision Utah

ENVISION UTAH QUALITY GROWTH GOALS AND STRATEGIES: November 9, 1999

Enhance Air Quality

- Foster and promote walkable development where feasible
- Promote the building of a region-wide transit system to make transit more convenient and reliable
- Foster transit-oriented development
- Encourage polluters to use best available technology to meet, and where possible, exceed industrial emissions standards
- Encourage energy efficiency ordinances
- Promote creation of a network of bikeways and trails, especially commuter trails linking daytime destinations
- Support strategies to reduce ozone and save energy
- Promote telework

Promote Mobility & Transportation Choices

- Promote the building of a region-wide transit system to make transit more convenient and reliable
- Foster transit-oriented development
- Foster and promote walkable development
- Advocate an increase in the capacity of east-west transportation links (recognizing that some communities may have a greater need for additional north-south arterial capacity)
- Promote creation of a network of bikeways and trails, especially commuter trails linking daytime destinations
- Encourage job locations to include retail and services in a walkable configuration to reduce driving between daytime destinations
- Encourage the addition of carpool lanes and promote incentives for their use
- Promote purchase of rights-of-way for future transit system
- Promote telework
- Encourage reversible lanes where feasible to reduce peak hour congestion and take advantage of unused road capacity

ENVISION UTAH QUALITY GROWTH GOALS AND STRATEGIES (Continued)

Preserve Critical Lands, Including Agricultural, Sensitive, And Strategic Open Lands (Such as Wetlands, Parks And Recreational Lands, Watersheds, And Steep Slopes) And Address The Interaction Between These Lands And Developed Areas

- Promote walkable development that encourages permanently reserved open lands through incentives
- Promote tax incentives for reuse of currently developed areas
- Support the establishment of transfer of development rights programs to promote protection of open space and maintain quality of life
- Support the protection of sensitive lands
- Promote use of conservation easements to preserve key/critical land for parks and recreation, open space, wildlife habitat, and agriculture, providing public access where appropriate, and organizing these areas into a regional network to the extent possible
- Encourage the dialogue and ongoing public discussion of how to identify significant public and/or private funds, and the appropriate balances of these, for critical lands preservation.
- Pursue public land trades to create more private developable land, preserve critical lands and watersheds, and protect sensitive lands from development

Conserve & Maintain Availability of Water Resources

- Foster and promote walkable development
- Advocate restructuring of water bills and other techniques to encourage conservation, and to help water providers encourage conservation.
- Provide information regarding and encourage the use of low-irrigation landscaping, drought resistant plants (xeriscaping), and low water-use appliances, as well as encouraging government entities to demonstrate this on their properties
- Promote the use of greywater and secondary water systems
- Encourage the use of leading edge technologies for water conservation
- Encourage interjurisdictional cooperation

Provide Housing Opportunities For a Range of Family And Income Types

- Foster mixed-use and walkable neighborhood zoning to encourage a mix of housing types—including multi-family—for a mix of incomes
- Promote density bonuses to developers to promote development of affordable housing
- Support implementation of energy efficiency ordinances
- Provide information regarding developer incentives and tax breaks for development of affordable and mixed-income housing
- Create local housing trust funds to develop and maintain affordable housing
- Encourage cooperative region-wide fair share housing policies
- Support "cool communities" and other strategies to reduce ozone and save energy
- Develop a program of incentives to local governments to develop and implement plans for affordable and mixed-use, mixed-income housing

Maximize Efficiency in Public & Infrastructure Investments

- Encourage local zoning ordinances that promote walkable development and preservation of open space
- Encourage energy efficiency ordinances
- Promote the reuse/redevelopment of currently developed areas
- Encourage reversible lanes where feasible to reduce peak hour congestion and take advantage of unused road capacity
- Establish a Transfer of Development Rights program to encourage land owners to build in currently developed areas rather than on sensitive lands
- Promote the building of a region-wide transit system to make transit more convenient and reliable
- Advocate clean-up and re-use of brownfields

Revise Tax Structure to Promote Better Development Decisions

- Promote open discussion about tax policy as it relates to development

Figure 56
Land Consumption

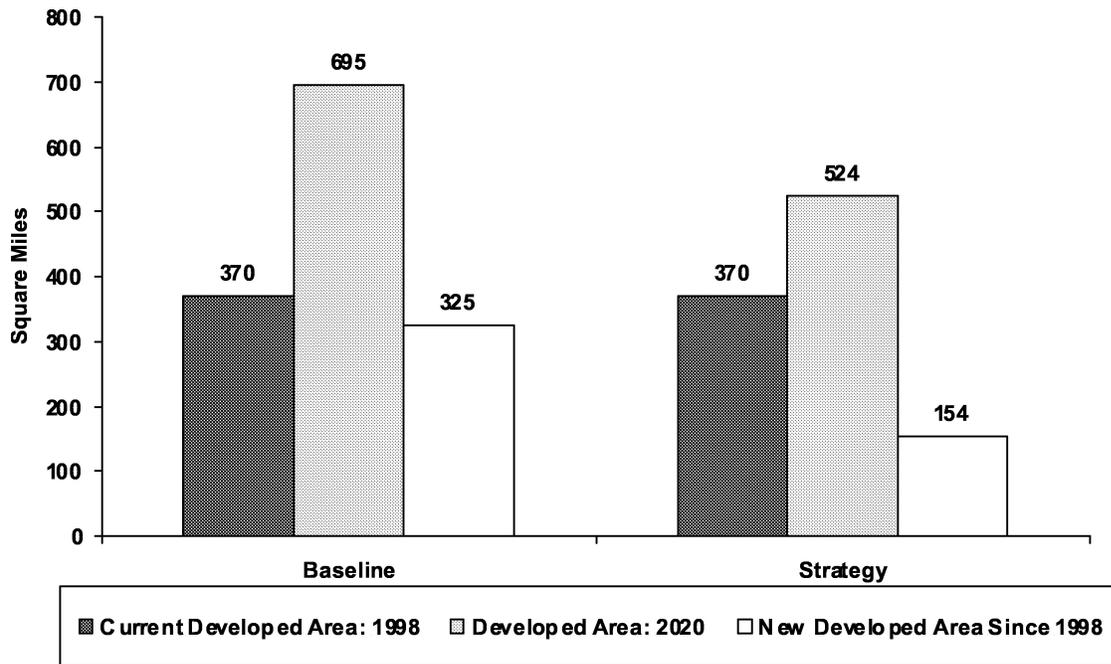


Figure 57
Housing Mix

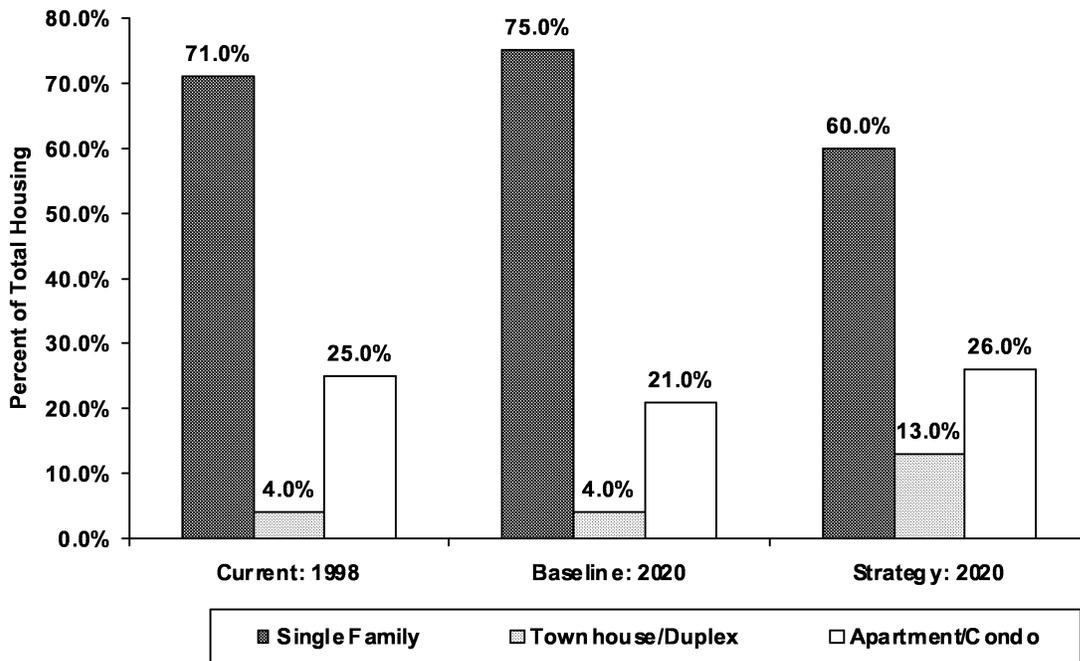


Figure 58
Transportation Comparison—Percent Difference Between Strategy and Baseline: 2020

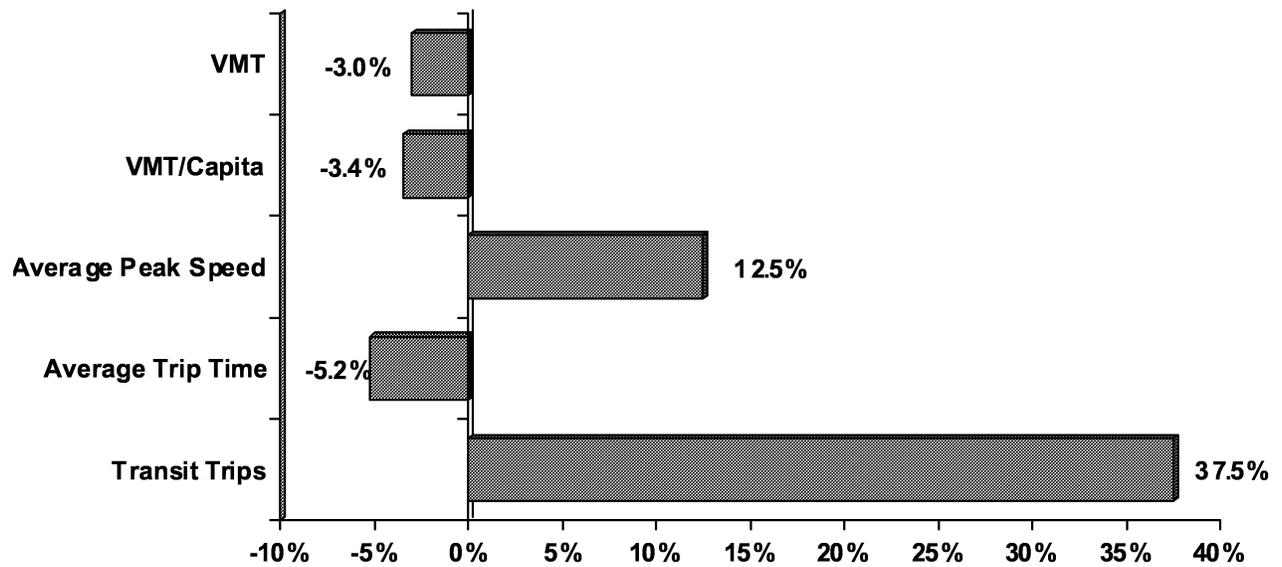


Figure 59
Emissions Comparison—Percent Difference Between Strategy and Baseline: 2020

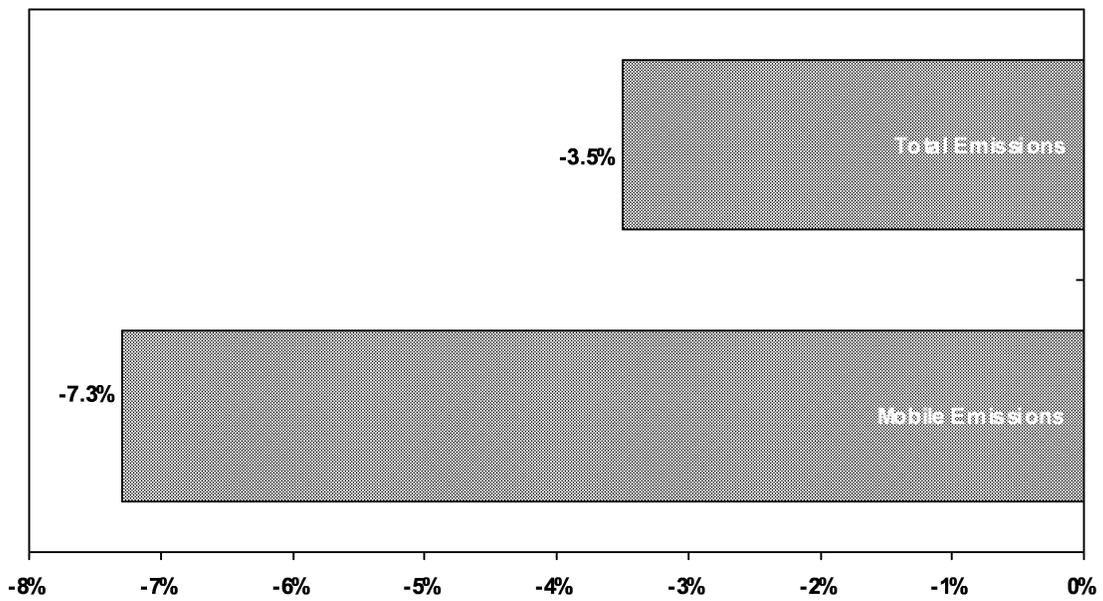


Figure 60
Per Capita Water Use

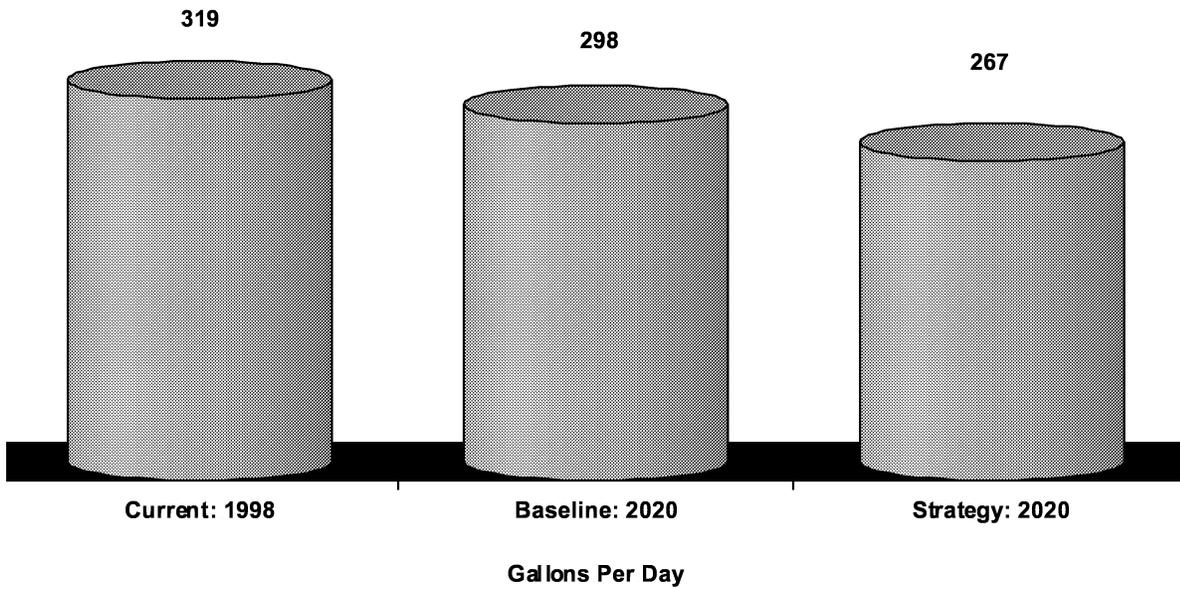


Figure 61
Total Infrastructure Costs: 1998 to 2020

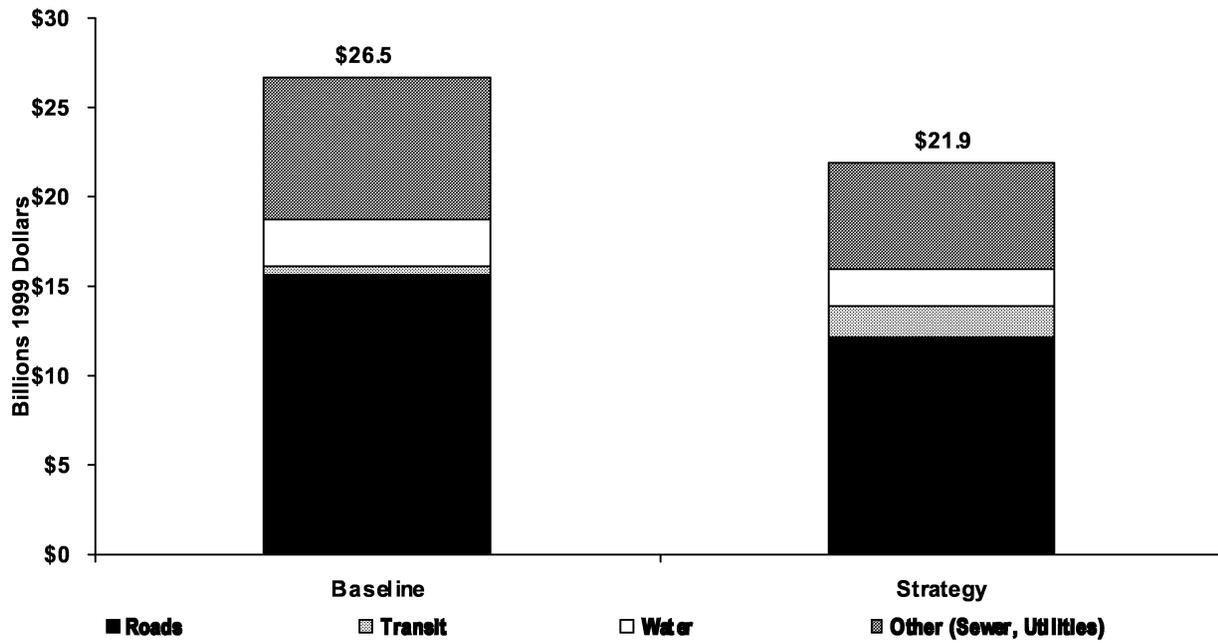


Table 82
Envision Utah Quality Growth Strategy: Selected Characteristics in the Year 2020

	Measure	Current**	Baseline	Quality Growth Strategy	Differences Baseline & QGS	
					Absolute	Percentage
Demographics/Economics						
Population	Resident Population	1,687,124	2,695,273	2,695,273	0	0.0%
Households	Number of Households	549,889	952,910	952,910	0	0.0%
Employment	Nonagricultural Jobs	841,581	1,368,024	1,368,024	0	0.0%
Land Use						
Total Developed Area	Square Miles	370	695	524	-171	-24.6%
New Developed Area	Square Miles: 98-2020	--	325	154	-171	-52.6%
Agricultural Land Converted to Urban Use	Square Miles: 98-2020	--	143	27	-116	-81.1%
Population Density	Persons Per Residential Acre	6.0	5.6	--	-5.6	-100.0%
Average Single Family Lot Size	Acres	0.32	0.35	0.29	-0.06	-17.1%
Housing Type						
Single Family	% of Total	71%	75%	60%	-15%	-20.0%
Town House/Duplex	% of Total	4%	4%	13%	9%	225.0%
Apartment/Condo	% of Total	25%	21%	26%	5%	23.8%
Transportation*						
Vehicle Miles Traveled: 10-County Area	Millions	40.7	79.2	76.8	-2.4	-3.0%
VMT Per Capita: 10-County Area		25.1	29.3	28.3	-1	-3.4%
Vehicle Miles Traveled: Metro Counties	Millions	--	60.4	57.4	-3	-5.0%
VMT Per Capita: Metro Counties		--	26.0	24.8	-1.2	-4.6%
Average Peak Speeds	Miles Per Hour	25.7	20.0	22.5	2.5	12.5%
Average Trip Time	Minutes	18.5	23.2	22.0	-1.2	-5.2%
Transit Trips	Linked Trips Per Weekday	54,000	120,000	165,000	45,000	37.5%
Transit Share of Work Trips	% of Total	3%	3%	5%	2%	59.4%
Proximity to Rail Transit	Population within Half Mile	--	45,557	608,490	562,933	1235.7%
	% of Total	0.0%	1.7%	22.6%	21%	1235.7%
Air Quality*						
Total Emissions (CO, PM, and O3)	Tons Per Day	1,869	2,634	2,541	-93	-3.5%
Mobile Emissions (CO, PM, O3)	Tons Per Day	--	1,212	1,123	-88.7	-7.3%
Distribution of Emissions	Concentration Index (Lower=Better)	--	0.78	0.79	0.01	0.9%
Population-Pollution Coincidence	Coincidence Index (Lower=Better)	--	2.44	2.53	0.09	3.7%
Water						
Total Demand	Acre Feet	698,800	1,008,800	915,600	(93,200)	-9.2%
Per Capita Use	Gallons Per Day	319	298	267	-31	-10.4%
Conservation	Percent Reduction by 2020	--	6.3%	12.5%	6.3%	100.0%
Infrastructure Costs						
Regional						
Roads	Billions of 1999 Dollars	--	12.587	9.980	-2.6	-20.7%
Water	Billions of 1999 Dollars	--	0.606	0.545	-0.1	-10.1%
Transit	Billions of 1999 Dollars	--	0.276	1.728	1.5	526.1%
Total Regional	Billions of 1999 Dollars	--	13.469	12.253	-1.2	-9.0%
Sub-Regional						
On-Site						
Roads	Billions of 1999 Dollars	--	11.256	8.218	-3.0	-27.0%
Water	Billions of 1999 Dollars	--	2.706	1.916	-0.8	-29.2%
Other	Billions of 1999 Dollars	--	1.429	1.030	-0.4	-27.9%
Off-Site						
Roads	Billions of 1999 Dollars	--	7.121	5.272	-1.8	-26.0%
Water	Billions of 1999 Dollars	--	1.736	1.461	-0.3	-15.8%
Other	Billions of 1999 Dollars	--	0.329	0.260	-0.1	-21.0%
Water	Billions of 1999 Dollars	--	0.594	0.512	-0.1	-13.8%
Other	Billions of 1999 Dollars	--	0.813	0.689	-0.1	-15.3%
Total Sub-Regional	Billions of 1999 Dollars	--	12.992	9.679	-3.3	-25.5%
Total Regional and Sub-Regional						
Total Regional and Sub-Regional	Billions of 1999 Dollars	--	26.461	21.932	-4.5	-17.1%
Total Roads	Billions of 1999 Dollars	--	15.622	12.156	-3.5	-22.2%
Total Water	Billions of 1999 Dollars	--	2.629	2.087	-0.5	-20.6%
Total Transit	Billions of 1999 Dollars	--	0.276	1.728	1.5	526.1%
Total Other	Billions of 1999 Dollars	--	7.934	5.961	-2.0	-24.9%

* Congestion, transit, and mobile emission measures are for metro counties only.

** Represents the base year for modeling purposes and varies from 1995-1998 among measures.

Totals differ in this table from other tables in this report due to different release dates or data sources.

Source: Quality Growth Efficiency Tools Technical Committee; Governor's Office of Planning and Budget

Transportation Funding

Highway Overview¹

Highway transportation needs of the state are financed in a variety of ways. A major portion comes from the state tax on motor and special fuels. This tax revenue is deposited into the Transportation Fund and is divided between the state and cities and counties. The state receives 75% of the money, and cities and counties receive 25%. Additionally, the state receives federal money. This generally comes from the federal tax on motor and special fuels.

Federal money is allocated to the state in special categories. These categories cover a mixture of purposes such as recreational trails, metropolitan planning, bridge replacement, interstate maintenance, and the National Highway System.

The state also diverted a 1/16 percent state sales tax for roads. This money is allocated \$500,000 each to two programs: the corridor preservation program, and state park access program. The remaining money, approximately \$17 million, goes to local and county governments each year.

With rapidly growing population and aging transportation infrastructure, many critical areas in Utah are in need of new roadways or major road reconstruction on existing roadways. Even with the above funding sources, the building of roads has not been sufficient to keep up with transportation demands.

Standard Transportation Program

The Utah Department of Transportation and the Transportation Commission are in charge of the Statewide Transportation Improvement Program known as the STIP. This program includes highway and transit projects that are scheduled for construction in the next five years. The STIP contains a list of projects that have been approved by the Transportation Commission based on funding projections from various federal and state transportation sources. Many projects are critical to meet transportation capacity needs, but due to insufficient funding, are left off the STIP. These are commonly referred to as unfunded transportation capacity needs. The STIP program funds approximately \$100 million of state projects each year. With the increasing population growth of Utah, the STIP program cannot keep pace with needed projects and the unfunded transportation capacity needs list continues to grow.

Centennial Highway Fund

The "Centennial Highway Fund", created by the state legislature during the 1996 General Legislative Session, is a special revenue fund to provide financing for unfunded projects. These funds are to be used exclusively for the construction of critical transportation needs that previously were not scheduled for construction due to lack of financing. The planned financing sources for the Centennial Highway Fund include General Fund appropriations; fuel taxes and registration fees; bonding; federal funds; local, private or toll road contributions; and department efficiencies.

In 1997, the governor and legislature adopted a ten-year plan to finance \$2.6 billion of construction projects above current levels of highway construction. The Centennial Highway Fund was created to finance these projects. One of these projects is the reconstruction of Interstate 15 (I-15) estimated at a cost of \$1.36 billion. After the

financing plan was adopted and passed by the legislature, the Utah Department of Transportation (UDOT) received and accepted a bid from Wasatch Constructors for reconstruction of I-15 at a price tag of \$1.325 billion. However, with enhancements and changes in the program, the total cost of the I-15 project is now \$1.59 billion or \$230 million higher than the original estimate of \$1.36 billion financed in the ten-year plan. The Governor, along with legislative leadership, decided to finance the additional \$230 million so other projects included in the Centennial Highway Fund program would remain unaffected.

The ten-year financing plan was modified in 1998 to finance the increased costs of I-15. The plan was modified again in 1999 to accommodate many changes that have occurred since the plan was modified in 1998. These major changes include revised federal sources, project delays, and project additions.

For example, the West Davis Highway portion of the Legacy Parkway scheduled for construction in FY1999 was delayed until FY 2004. Some funds; however, remain available for purchase of right-of-ways.

Since this project is delayed, financing was included to add an additional lane on each side of I-15 from North Salt Lake to the junction of U.S. 89 in Farmington. These additional lanes are to be completed in the summer of year 2000 and will temporarily relieve the extreme traffic needs in the Davis County corridor.

General Fund. The funding package was modified significantly by the 1998 legislature and again by the 1999 legislature. The adjusted plan keeps its original General Fund commitment of \$85 million for fiscal year 1999 growing by \$5 million annually through fiscal year 2004 and by \$10 million annually through fiscal year 2007. The plan also keeps the additional \$25 million per year through fiscal year 2007, which the legislature added in 1998. In 1999 the legislature added \$7 million in ongoing General Fund each year through FY 2002 and then \$6 million each year through FY 2007. Total General Fund contributions through fiscal year 2007 are now estimated to be \$1.625 billion, which is \$237 million more than the plan adopted by the 1998 legislature and \$446 million more than the plan adopted by the 1997 legislature. In addition, beginning on January 1, 2000, the state's portion of the sales tax used for Olympic facilities will go to the Centennial Highway Fund. With this sales tax included, total General Fund contribution through fiscal year 2007 will be \$1.67 billion.

The FY 2000 General Fund contribution is \$122 million. The projected FY 2001 General Fund contribution is \$134 million; however, the governor has recommended that this be reduced by \$40 million to \$94 million.

The governor feels that other critical needs of state government, especially in the education area, are being overlooked because of the large amount of General Fund for highways. Reducing the base ongoing contribution by \$40 million per year through FY 2007 will extend the time that the state could have paid off its highway debt obligations by two years. In the next year, the General Fund contribution would resume its original contribution schedule of an additional \$12 million for a total contribution of \$106 million.

Using the governor's reduced General Fund contributions, General

¹ This chapter includes a summary of highway and transit transportation funding. The presentation begins with highways and is followed by transit.

Fund contributions through fiscal year 2007 would now be \$1.39 billion, which is \$280 million less than the plan adopted by the 1999 legislature.

Fuel Taxes and Vehicle Registration Fees. The 1999 legislature left these unchanged. The Centennial Highway Fund will still receive collections from a five cent per gallon tax on motor fuels and special fuels and a half cent per gallon tax formerly collected for the Underground Storage Tank program. Increased registration fees for vehicles and trucks are included in the Centennial Highway Fund.

Bonding. In House Bill 2 (entitled "Highway Financing"), the 1999 Legislature authorized bonding of \$68 million. The bill also deleted provisions of last year's bond bill that required the state to bond for \$50 million less if federal funds came in at anticipated levels. Federal funds came in above anticipated levels, however the state was not required to bond for \$50 million less.

In late spring of 1999, the state retired \$290 million of commercial paper and issued \$358 million of variable rate demand bonds with a projected interest rate of 3.5%.

Since 1997, the state has borrowed \$908 million for highways. Currently, the interest rate the state is earning on the unspent bonds is greater than the interest rate owed on the borrowed money, creating arbitrage earnings. The state will spend the bond proceeds in less than two years avoiding federal arbitrage penalties.

Federal Funding. The Centennial Highway Fund is scheduled to get additional federal funding over and above what Utah normally has received in years before 1997. The governor and legislators hoped that the federal government would give Utah extra money due to the reconstruction of a major interstate and preparations for the 2002 Winter Games. For state Fiscal Year 1998, UDOT received a little over \$11 million in additional federal funding.

In the fall of 1998, Congress passed The Transportation Equity Act for the 21st Century (TEA-21). This bill increased federal distributions going to all states. The increased amount coming to Utah is allocated to the Centennial Highway Fund.

Original estimates had this extra money between \$65 - \$75 million per year. However, with obligation authority and requirements to spend the extra money in special categories, this amount has significantly decreased. Obligation authority is the authority to spend money that has been authorized. In other words, each year Congress authorizes the amount of federal money Utah is to receive, however, the only amount which actually comes to Utah is the amount that is obligated. This amount is typically lower, sometimes by as much as 20%, than the authorized amount. The federal money also comes with strings attached as to where it can be spent. With this in mind, UDOT estimates that with passage of TEA-21 it will receive between \$20 and \$30 million additional federal funds each year that will go into the Centennial Highway Fund unless these funds are directed to be spent on other projects not on the Centennial projects list.

This is the situation with high priority projects. The amount Utah is scheduled to receive over the next six years for high priority projects is \$80.7 million with \$8.8 million in the first year and \$12.0 million in the next year. These projects are not on the Centennial projects list. As a result, spending federal funds on these projects will reduce the extra federal funding from TEA-21 that could have gone to the Centennial Highway Fund.

This extra money allocated to Utah due to TEA-21 has nothing to do with additional federal money being requested by the state because of the Olympics or reconstruction of I-15. Any additional money for Olympic projects or reconstruction of I-15 would come at the discretion of Secretary of Transportation. Congress gives the Secretary of Transportation funds that he can give to states at his discretion. Secretary of Transportation Slater, gave Utah approximately \$90 million of discretionary funding in federal fiscal year 1998 to help with I-15 reconstruction and Olympic related projects. Of this amount, approximately \$62 million will go into the Centennial Highway Fund. The rest of the funds will go for highway projects not included on the Centennial list. Utah is hopeful that it will receive additional federal discretionary funding for 1999. Utah is still waiting word from Secretary Slater on how much it might receive in discretionary funds for federal fiscal year 1999.

Additional funds due to TEA-21 (reduced for high priority projects) and federal discretionary funding given by Secretary Slater resulted in the Centennial Highway Fund receiving \$69.4 million in federal funds in fiscal year 1999. UDOT estimates the fund will receive an additional \$78.1 million in fiscal year 2000.

One significant change made by the legislature increased significantly the federal contribution schedule. The legislature increased the amount of federal funds participation in the ten-year plan from \$450 million to \$521 million. The legislature added this increase so the ten-year plan would have enough funds to payoff all highway debt by the end of fiscal year 2007.

Other Funding and Department Efficiencies. The 1999 plan eliminated almost entirely the amount of financing from local or private sources.

Beginning fiscal year 1999, the legislature reduced the amount of department efficiencies from \$20 million per year to \$6 million per year through fiscal year 2007. Now however, these efficiencies are to be a transfer of funds from the operations of UDOT to the Centennial Highway Fund.

Issues and Alternatives

Issues. The extra cost of the I-15 project along with the accelerated cash flow needs of Wasatch Constructors has put a tremendous strain on the ten-year financing plan. However, these needs have, for the most part, been met by adjusting the ten-year plan to include large amounts of borrowing. This has pushed the bonding capabilities of the state closer to the bonding limits than desired and has also put a strain on the state to maintain its Triple A bond rating. With increased bonding, the ten-year financing plan must also be adjusted for increased interest expense.

The Centennial Highway Fund is subject to many variables, future federal funding being the most pivotal. Federal funding is dependent on future appropriations from Congress. Now, the state is counting on even more in federal aid as the legislature increased the federal contribution in the ten-year financing plan from \$450 million to \$521 million. Discretionary funding from the Secretary of Transportation is likely to decrease significantly in future years as Interstate 15 will be rebuilt and the 2002 Olympics will be over.

The projects to be constructed with Centennial Highway Funds are also subject to many variables such as the environmental impacts of each project and the escalating costs of construction.

Project costs such as the Legacy Parkway in Davis County are

uncertain and continue to grow. The latest projection for this project is \$400 million. This is \$140 million more than the amount programmed in the ten-year plan.

Another issue exists because legislators in each area have projects they want constructed as soon as financially possible. The opportunity to delay or eliminate projects is politically unsuitable. In fact, some projects have been moved forward increasing the cash flow strain of the ten-year plan.

For fiscal year 2001, the Governor is proposing to reduce the enormous amount of General Fund going to the Centennial Highway Fund. He feels the roads being constructed will last for several decades, why not have those driving on the roads in future years pay some of the costs. His proposal is projected to extend the debt payoff, currently scheduled for fiscal year 2007, by an additional two years.

Alternatives. With so many uncertainties and other state priorities vying for General Fund dollars, the ten-year plan must be flexible and reevaluated each year. If shortfalls in the financing plan occur, they need to be resolved. Alternatives to finance shortfalls in the ten-year plan would be the following: 1) increase transportation related taxes or fees, 2) increase allocation of General Fund to the Centennial Highway Fund, 3) eliminate other projects on the Centennial projects list, 4) delay the timing of some projects on the Centennial projects list, 5) extend the length of the ten-year plan or 6) a combination of the above.

If no additional financing is adopted in the next legislative session, there should be enough financing in the current plan to meet Wasatch Constructor's cash flow needs and keep them on schedule, that is, if federal sources come in at anticipated levels. If federal sources fall short, the state may have to delay some projects that are slated for construction in the next couple of years or find some other financing alternative.

Conclusion

The governor and the legislature again have some major decisions to make about financing projects on the Centennial projects list, however, perhaps this year they will focus more on the timing and costs associated with construction of the Legacy Parkway.

Whatever plan changes are adopted, there is little doubt that additional decisions will have to be made in the future. Projected revenues and expenditures are fluid. Already, the timing of projects, cost estimates of projects, cash needs, estimates of revenues, bond interest rates, etc. have changed, since the 1999 General Legislative Session.

This ten-year plan, while addressing many of Utah's critical infrastructure needs, will by no means complete all transportation projects vital to Utah. Critical areas, such as the reconstruction of I-15 north of 600 North, I-15 south into Utah County, and Interstate 80 from Parley's Canyon to downtown Salt Lake, are not included at full cost in the Centennial projects list. Responsible long-term planning necessitates a ten-year plan; however, the plan must be revisited each year.

Transit Overview

The Utah Transit Authority (UTA) was incorporated on March 2, 1970 under the authority of the Utah Public Transit District Act of 1969 for the purpose of providing a public mass transportation system for Utah communities. Utah Transit Authority is a political

subdivision of the State of Utah. It is not a state agency. Oversight of UTA is exercised by a 15-member Board of Directors appointed by each municipality or combination of municipalities (or county) that have annexed to the Authority and that pay a 1/4 of one percent local option sales tax to support its operation. Through UTA's enabling legislation, the Utah State Legislature determines the number of board members and their method of appointment. The board is an oversight authority that sets agency policy and provides guidance for the operation of UTA.

Responsibility for the operation of the Authority is held by the General Manager in accordance with the direction, goals and policies of UTA's Board of Directors. The General Manager has charge of the acquisition, construction, maintenance and operations of the facilities of the Authority and the administration of its business affairs.

The UTA system began operation in Salt Lake County on August 10, 1970 with a fleet of 67 buses. UTA currently operates 550 vehicles in a 1,400 square mile service district that reaches through six counties from Brigham City on the north to Payson on the south, and from the Cottonwood Canyon ski areas to Grantsville. About 75% of the population of the state of Utah reside in the service district that is, geographically, one of the largest in the nation.

Approximately 1,400 people are employed by UTA. More than 80% of those employees are bus and rail operators, maintenance and operations support personnel. The remainder are administrative employees. In addition, UTA operates six state-of-the-art maintenance facilities to service its bus and TRAX rail vehicles.

Operational Funding

A majority (64%) of UTA's operational funding is received from the 1/4 of one percent local option sales tax authorized by counties and municipalities in the district. The balance of operating funds come from federal operating and maintenance grants (combined 20% with FY 98 accounting rules changes), passenger fares (15%) and the balance from miscellaneous sources including advertising, investments and earned interest.

UTA's 1999 Operating budget was projected to be \$81.7 million. This reflects a 12% increase over the 1998 budget. The significant items that affect the increase are preparations for TRAX light rail start-up and operations, increases in paratransit services, materials cost and labor adjustments. UTA's 2000 Operating budget is anticipated to be \$99.1 million. This 21% increase reflects the addition of a full year of TRAX light rail service and moderate levels of bus service changes. UTA's bus operations will account for 54% of expenditures in 2000. Rail operations will represent 7% of UTA's expenditures for the upcoming year.

Capital Funding (1999-00 program)

UTA has an ongoing capital program that provides funds for fleet replacement, selected maintenance activities, fleet expansion, park and ride lots, transfer centers and other programs and projects. Fleet needs average approximately \$15 million each year to replace and expand bus services in the district. In 1998, federal contributions for capital projects (including North/South TRAX) were \$93 million. In 1997, those funds totaled \$55.9 million. Through 2003, UTA, in cooperation with the Wasatch Front Regional Council and the Mountainlands Association of Governments has adopted a program that averages capital expenditures of \$18 million per year for new vehicles, services, facilities, Rideshare activities and planning projects.

In addition, UTA will potentially spend an average of \$50 million per year on rail construction for the next two years. UTA's Capital program budget through 2002 is \$253 million with \$93 million expected to be spent in 2000. The largest items are \$31.5 million for the University line TRAX project, \$18.4 million for buses, \$10.8 million for information technology and communications projects and \$9.8 million for major facilities construction. Future capital projects include \$36.7 million for buses delivered in 2001 and 2002 and \$11 million for intelligent transportation systems deployment and the remainder of the University TRAX line of \$73.5 million.

TRAX North/South

Construction has been completed on UTA's fifteen mile North/South TRAX line. The line runs from the Delta Center in downtown Salt Lake City to 100th South in Sandy. It was opened on December 4, 1999 and revenue service began December 6th, 1999. The project was recognized by the General Accounting Office in 1999 as the only major transportation infrastructure project in the nation to be both under budget and ahead of schedule. TRAX opened more than three months ahead of schedule and under budget. The Grand Opening day carried more than 30,000 passengers in 6 hours of service. The opening week of revenue service saw between 22,000 and 25,000 passengers carried on the line each day. Projections for opening day ridership were 14,000.

The total capital budget of the North/South line is \$312.5 million. The Federal Transit Administration agreed in 1996 to provide \$241.4 million in capital funds to combine with UTA's \$71.1 million in local funds. Capital costs include all trackwork, vehicles, stations, park and ride lots and electrical systems. The project budget has not been closed and will remain open through early 2000.

University TRAX

The 2.5 mile University of Utah TRAX rail extension has completed the final stages of environmental and engineering analysis. To take advantage of federal funding opportunities, Salt Lake City, UTA, UDOT and the Wasatch Front Regional Council have worked quickly to address funding and design issues. Several partners have participated in funding the project studies. They include the Federal Highway Administration, the Salt Lake City Redevelopment Agency, The Church of Jesus Christ of Latter-Day Saints Foundation and UTA. The project will be a Design/Build approach and it is anticipated that construction activities will begin in the spring of 2000. Construction on the \$105 million (80% federal grant) extension is expected to be complete in late 2001. Revenue operations are anticipated to begin in late 2001 or early 2002.

Other Projects (2002 and Beyond)

Several projects are currently under study throughout the region. UTA is beginning a technology deployment that will lead to the provision of real-time fleet status and customer information for its integrated services. It is the first phase of a regional implementation of Intelligent Transportation Systems (ITS) for transit. The airport line, a West Valley alignment, a West Jordan rail spur and a Draper TRAX extension are being examined for future implementation. In addition, the Wasatch Front Regional Council and the Mountainlands Association of Governments and UTA are studying regional commuter rail services. A recent feasibility study is being expanded to complete a detailed analysis of alternatives in a 120 mile corridor along the Wasatch Front. Those alternatives include commuter rail, commuter bus and freeway improvements. The study will develop an implementation plan, operation scenarios, property requirements and capital costs. *

**Table 83
Plan Adopted by the Legislature, 1999 General Session: Ten Year Funding Option for Transportation Project Needs (Thousands of Dollars)**

Available Funding Sources	FY1997	FY1998	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	Total
Beginning Balances												
State Sources												
General Fund	110,000	\$44,390	\$515,222	\$182,022	\$7,573	\$848	\$1,783	\$1,522	\$1,549	\$45,893	\$170,125	1,388,000
General Fund Additions		78,000	110,000	115,000	120,000	125,000	130,000	135,000	145,000	155,000	165,000	237,000
Less: Debt Service Interest		0	0	7,000	14,000	21,000	27,000	33,000	39,000	45,000	51,000	(314,377)
Less: Debt Service Principal		(23,924)	(39,777)	(41,316)	(41,316)	(39,582)	(35,505)	(29,962)	(24,360)	(20,601)	(18,034)	(254,977)
Net General Funds Available	110,000	54,076	70,223	80,684	92,684	72,618	81,729	96,286	115,609	132,896	148,841	1,055,646
New Transportation Funds												
Fuel Tax Change (UST Shift)	0	5,750	5,923	6,100	6,283	6,472	6,666	6,866	7,072	7,284	7,502	65,918
Fuel Tax Increase (5.0 Cents)		57,500	59,225	61,002	62,832	64,717	66,658	68,658	70,718	72,839	75,024	659,173
Diesel Tax Collection Change		10,000	10,300	10,609	10,927	11,255	11,593	11,941	12,299	12,668	13,048	114,639
Less B & C Allocation (25% on above changes)		(18,313)	(18,862)	(19,428)	(20,011)	(20,611)	(21,229)	(21,866)	(22,522)	(23,198)	(23,894)	(209,932)
Registration Increase Autos	0	12,477	14,779	15,222	15,679	16,149	16,634	17,133	17,647	18,176	18,722	162,618
Registration Increase (Commercial Carriers)		1,872	2,217	2,284	2,352	2,423	2,495	2,570	2,647	2,727	2,808	24,395
Departmental Efficiencies		13,413	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	67,413
Net Transportation Funds Available	0	82,700	79,582	81,789	84,063	86,405	88,817	91,301	93,860	96,496	99,211	884,223
Sales Tax Revenue (Olympics 1/64 cent)												
Local Match/Toll Road		359	0	2,250	4,770	5,056	5,360	5,681	6,022	6,383	6,766	42,288
Investment Income	720	36,200	23,265	2,138	1,052	681	574	674	1,040	1,512	2,166	8,190
General Obligation Bonds												
Par Amount of Bond Issued		340,000	210,000	68,000	0	0	0	0	0	0	0	618,000
Bond Anticipation Notes		500,000	(210,000)	0	0	(59,000)	(98,000)	(95,000)	(38,000)	0	0	0
Less Issuance Costs		2,962	1,575	592	0	0	0	0	0	0	0	5,129
Subtotal Bonds Proceeds		837,038	(1,575)	67,408	0	(59,000)	(98,000)	(95,000)	(38,000)	0	0	612,871
Subtotal State Sources	110,720	1,054,763	686,717	417,776	191,438	107,903	81,559	101,760	181,550	284,350	427,109	2,866,528
New Federal Funds	0	11,453	91,894	60,900	44,633	46,442	48,858	50,889	53,043	55,325	57,325	520,762
Total Project Funds Available	110,720	1,066,216	778,611	478,676	236,071	154,345	130,417	152,649	234,593	339,675	484,434	3,187,290
Capital Expenditures												
I-15 Construction	49,227	487,588	516,534	308,863	176,173	51,615	0	0	0	0	0	1,590,000
Statewide Construction	17,103	63,406	80,055	162,240	59,050	100,947	128,895	151,100	188,700	169,550	118,954	1,240,000
Net Capital Expenditures	66,330	550,994	596,589	471,103	235,223	152,562	128,895	151,100	188,700	169,550	118,954	2,830,000
Projected Ending Balances	44,390	515,222	182,022	7,573	848	1,783	1,522	1,549	45,893	170,125	365,480	168,429
Total Capital Expenditure & Ending Balance	\$110,720	\$1,066,216	\$778,611	\$478,676	\$236,071	\$154,345	\$130,417	\$152,649	\$234,593	\$339,675	\$484,434	\$168,429
Projected Ending Principal Balances												\$363,023

Source: Plan adopted by the legislature, 1998 General Session

Table 84
Comparison of Legislative Plans for Ten-Year Funding Option for Transportation Project Needs (Thousands of Dollars):
FY 1997 to FY 2007

Funding Source	Plan Adpoted In:		
	1997 General Session	1998 General Session	1999 General Session
General Fund	\$1,178,982	\$1,388,000	\$1,625,000
New Transportation Funds	814,365	881,779	884,223
Sales Tax Revenue	35,254	35,254	42,289
Local Match/Toll Road	119,843	135,000	1,478
Investment Income	12,755	45,114	70,021
Bonds	563,500	614,000	618,000
Bond Anticipation Notes (BAN)s	0	260,000	290,000
Federal Funds	450,000	450,000	520,762
Debt Service Interest	207,119	315,305	314,378
Debt Service Principal	561,574	491,209	254,977
BANs Principal			290,000
Bond Issuance Costs	6,006	4,203	5,129
Bond Outstanding at FY 2007	1,926	382,791	363,023

Sources: Utah Legislature, 1997, 1998, and 1999 General Sessions;
 Legislative Fiscal Analyst's Office

Water Conservation and Pricing

Overview

In addition to being the second driest state in the nation, Utah has the distinction of having the second highest water use rate per capita and some of the lowest prices being charged for culinary water. Also, Utah has benefitted from past and present water pioneers who have built projects which assured a solid supply for the growth thus far. Consequently, the easiest and most cost effective water projects have been developed. Future water projects will consist primarily of inter-basin transfers and expensive treatment of very low quality local water sources. The federal government was the primary source of water development funding from the early 1900s up until about 1980. Since then, the federal government has been moving away from funding new water projects for environmental and budgetary reasons. This leaves state and local government with the burden of finding and funding future water projects.

Research shows that 70% of the high quality water put to urban uses in Utah is used outdoors for landscape irrigation. This large block is the part of Utah's water use most sensitive to the price charged. Several research studies in Utah conclude a 10% increase in the price of metered water will bring about a reduction in water use of between 3-7%.

The single most important time to influence the use of water is when people open their water bill. Water prices, as faced by customers when their water bill arrives, can be structured, and presented in a way to motivate efficient water use behavior. It can provide the information people need to carefully check their water use, evaluate their water using landscapes and habits, then decide if they desire to make changes.

Incentive Water Pricing

Prices in an unregulated economy are used to bring about an equilibrium between the supply of, and demand for a commodity, product or service. In a regulated market such as public utilities, or in the case of government monopolies such as water systems, prices are set by regulators, city councils, and district boards at a level to assure costs are covered and customers are fairly treated. If the price contained in the rate schedule does not reward efficiency and discourage waste, water users have little or no incentive to use water wisely. In some parts of Utah the desire to use water more efficiently is moving ahead of any immediate need. Water rates which provide incentives to use water efficiently may not be seen as a solution to a pressing problem, but as an awareness raising device to inform everyone that new water sources will be expensive, and to induce a water efficiency ethic. Elected leaders and water system managers are cast in critical leadership roles.

Importance of Leadership. Changing any user fees by government bodies carries political risks. When a water rate increase is proposed, not in response to a crisis but to raise public awareness of future systemic shortages, the water agencies' leaders must be strongly committed to increasing water use efficiency or citizens will likely view the rate change as a disguised tax increase.

Water wholesalers, retailers, citizens and state legislators all play important roles in increasing the efficiency of water use through pricing. Cooperation and consistency between retail and wholesale

water suppliers are essential. Their pricing programs should be compatible so the retailer's improvement in efficiency does not conflict with the wholesaler's goals. Citizens have the final responsibility in deciding if pricing incentives are effective. They can respond either positively or negatively. The state legislature plays a role in prescribing pricing principles that provide incentives for efficient water use.

Reasons to Adjust the Price. As populations continue to grow in our urban areas, water availability and cost become more and more an issue. Indeed, as dry farms and steep slopes are converted to subdivisions and recreational parks, water use dramatically increases in areas where the water must be pumped, often through several successive lifts. During periods of rapid growth, cities and districts initially rely on their own water sources. As these become a limit to growth, the search for adequate supplies often leads to a county or multi-county conservancy district which has stewardship over a large base of surface and ground water. In spite of the water provider's best efforts to be efficient, increasing costs of water and system operation and maintenance swamp the static water rates and an increase is required.

Criteria for Selecting an Incentive Pricing Program. The decision on which of many rate options will best serve a city's or district's purposes should be assessed by use of appropriate criteria. *Equity*, or fairness to all classes of water users often leads the list. The chosen pricing program must treat all customers in a manner that assures each one they are not required to do more, or less than anyone else. It must provide *a stable and adequate revenue source*. Covering all fixed costs - costs that do not change as the amount of water delivered changes - with a fixed monthly charge paid by all users is the first step. Variable costs - costs that vary with the amount of water delivered - should be covered by the price on all water delivered at the customer's meter. The next criterion is *credibility*, characterized by simplicity and ease of understanding. This criterion is based on historical water use data and is backed up by professional staff and appropriate science. The pricing program should *help build a water efficiency ethic*. This means that prices should send the same message on water use as contained in other city/district promotions and declarations. It should provide an incentive to reduce use during the peak demand season; it should reward efficiency and discourage waste.

Water Pricing in Utah

There are numerous ways to design water prices to encourage efficient use. The three most common pricing programs now used in Utah are the inverted block, seasonal and flat rates. Another pricing program was introduced to Utah water managers in 1997. It is called the ascending block rate.

Choosing an Incentive Pricing Program

As with any decision made by a water distribution agency or utility, the choice of the best pricing program is rightly influenced by its goals and priorities. The ideal pricing program is one which provides information to customers so they know how much water is needed to maintain their landscapes and lifestyles, and focuses their attention on the cost of any valuable water they may be wasting.

Example of an Incentive Rate Schedule. The most effective water pricing program found to date establishes a monthly target water use for each customer. It rewards customers who use less than their target and assesses higher prices for excessive water use. The excess use charge may be set to reflect the cost associated with the next increment of water supply development.

Transition to Incentive Pricing. Changing from a traditional pricing system to one designed to increase efficiency is not a simple task. Changes in the billing system will be needed to convey additional data associated with targets and water use rates. The transition to incentive pricing may best be made at a time when increasing water costs have created a need to increase rates (prices) to assure a positive balance in the water enterprise fund. During this transition it should be noted that price elasticity studies indicate increasing the price will bring about a less than commensurate decrease in water use, resulting in a net increase of revenue.

Recommendations on Water Pricing

The Council of Economic Advisors encourages water providers to structure prices so that viability of its water enterprise fund is not endangered by customers' efforts to use water more efficiently. The Council of Economic Advisors supports the adoption of pricing programs which inform customers on the amount of water needed, the amount delivered, the amount wasted, and the costs associated with each.

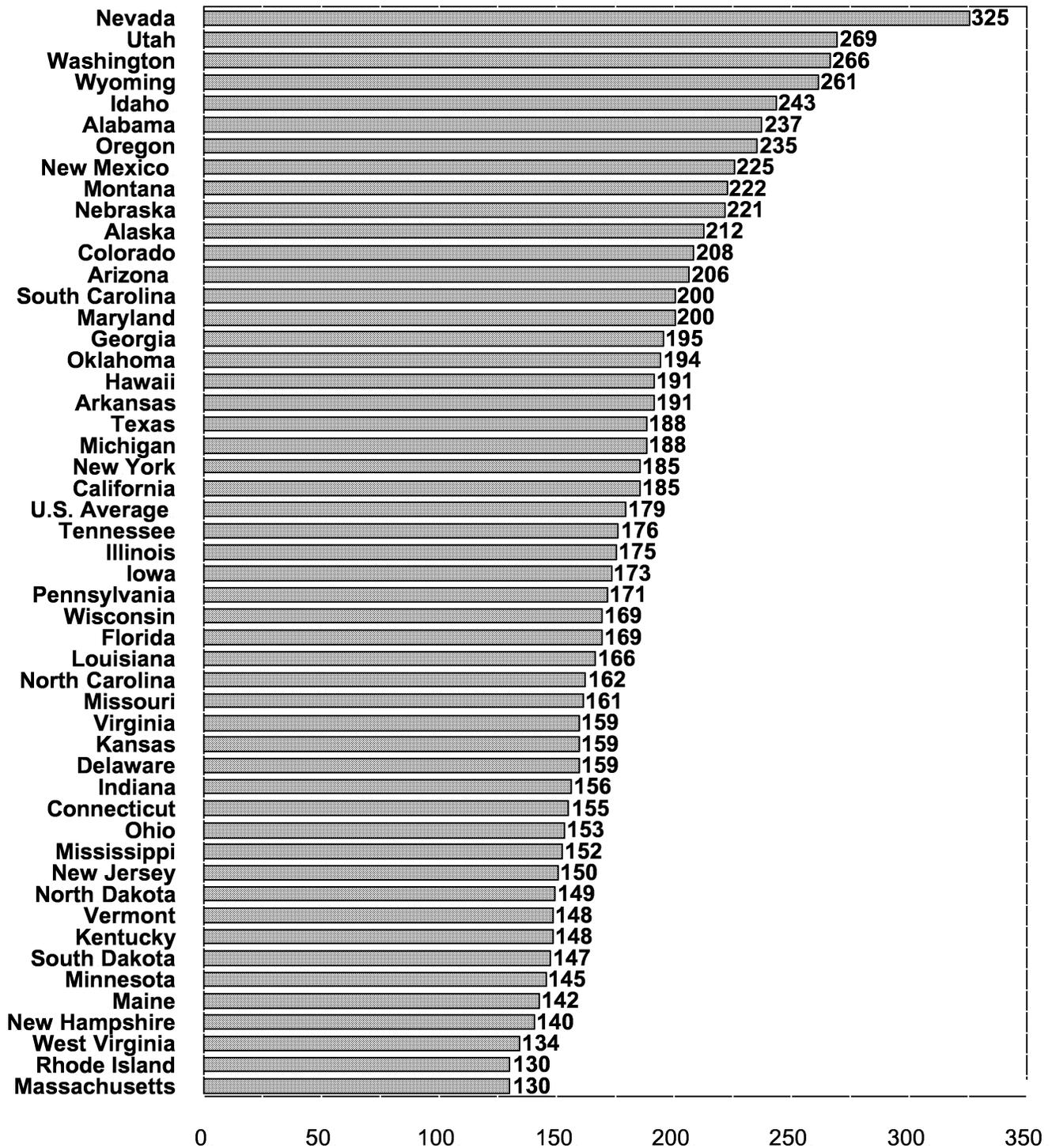
Pricing Related Issues

Of the many issues that surround water pricing and price schedule changes, two are noted: drought, and economic development incentives.

Drought. A sound pricing program that provides incentives for improving the efficiency of water use in wet, dry and normal parts of the weather cycle has favorable drought consequences. A special situation may arise in areas where the population is growing and the limit of water supply has been reached. An effective program to promote efficient water use will allow more people to move into this area before moratoriums are necessary to halt growth. This creates a condition called "hardening of demand." When drought strikes, the impacts are more severe because additional people are dependant on the same finite supply.

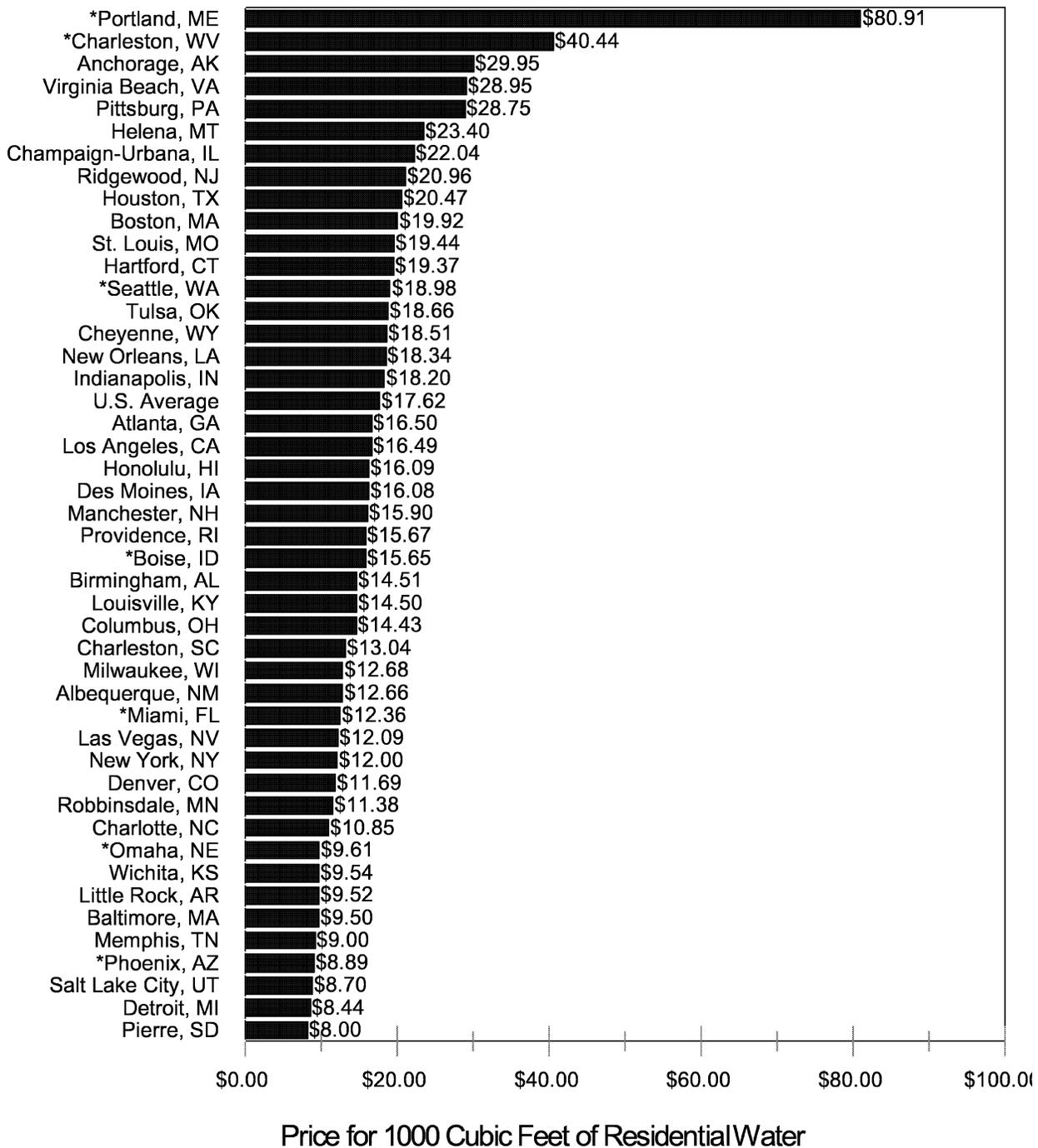
Economic Development Incentives. In choosing economic development incentives to include in the water price, decision makers should determine if one group of water users are given a subsidy at the expense of another; and if the incentive is consistent with the before mentioned criteria of equity, stable and adequate revenues, credibility and conservation ethic. *

Figure 62
 State Per Capita Water Use— Culinary Gallons Per Day: 1995



Source: U.S. Geological Survey

Figure 63
Monthly Water Charges—Selected U.S. Cities: 1997



*Two or more seasons were averaged.
 Source: 1998 Raftelis Environmental Consulting Group, Inc.

Economic Development Policies in the States

Overview

Utah, like all states uses tax and financial incentives to attract businesses to Utah. A 50 state comparison of these incentives shows that compared to other states, Utah's economic development incentives are relatively few and lean, but still an important part of the state's overall economic development package.

Today, all 50 states and thousands of local governments are actively recruiting businesses to their state or community. Governors across the country travel the globe promoting state products and tourism. States provide tax incentives such as reductions or rebates on income, corporate, property, and sales taxes. States, also provide financial incentives such as loans, loan guarantees or pay for customized worker training. Local governments provide incentives to businesses through redevelopment or economic development agencies. State and local governments use these incentives to vigorously compete against each other for new economic opportunities. Though there is no exact figure on the total cost of these initiatives, recent studies have placed the price tag on state incentives at \$15 to \$16 billion a year.¹ So intense has this competition become between the states that some economists have called it the "new civil war."²

State and local governments' involvement in promoting their economies is not new, nor is the controversy over such involvement. Proponents argue that state and local government support for economic development is essential for future economic expansion. Furthermore, proponents argue that it is necessary in order to keep up with other states that are marketing themselves to companies. To not compete with the other states, is to get left behind. The argument is that incentives do attract companies that would not come otherwise. Finally, proponents claim that the tax and financial incentives provided to companies are paid back through increased numbers of jobs, wages and taxes.³

Opponents challenge these arguments, stating the ability to prove cause and effect between incentives and economic returns on those incentives is difficult at best. These critics argue that from a national perspective, the competition among states is a zero-sum game. That is, there is no real benefit to the national economy. The only beneficiary is the company which plays one state against another. A similar argument, critics state, can be made within each state as localities compete for the next K-Mart or Shopko. Furthermore, they claim that the loss of revenue provided by the incentives takes seriously needed funds away from public projects. As a result, public services like education, public safety, and infrastructure are underfunded and the state as a whole is harmed thereby.

Despite these criticisms, all states are actively involved in numerous kinds of economic promotion. Given the amount of time and resources spent on economic development by state and local

¹ *Top Ten Questions on Development Incentives*, Council for Economic Development, (Washington, D.C., November 1998), p. 2.

² Ann O'M. Bowman and Richard Kearney, *State and Local Government*, (Houghton Mifflin Company, fourth edition, 1999), pp. 375-376. See also, Virginia Gray and Peter Eisenger, *American States and Cities*, (Addison Wesley, second edition, 1997), pp. 368-370, and Brian Dabson, et. al., *The Region*, "Business Climate and the Role of Development Incentives", (Federal Reserve Bank of Minneapolis, June 1996).

³ *State Business Incentives: Trends and Options for the Future*, (The Council of State Governments, Lexington, Kentucky, 1997). p.5-7.

elected officials, Utah Foundation felt it would be helpful to see what Utah is doing in this area, compare these activities with other states, and provide some evaluation of the state's overall economic development policy. However, before this analysis is presented, it was felt that a brief historical overview of economic development in the United States might be helpful.

History of Public Economic Development Policy

Historians divide state and local economic development into four main periods. In the first period, states helped businesses address the problems of transportation. In the second period, "smokestack" chasing became the main focus of states. In the next period, called the "second wave," states began focusing on creating new businesses by developing state resources. The fourth period is called the "third wave," in which states are turning much of the economic development efforts into the hands of the private sector. Each of these periods is discussed briefly below.

Transportation. Since the end of the American Revolution, state governments have regularly intervened in their economies in hopes of providing stimuli. At first, states wanted to help businesses expand their markets. Business at that time mainly served only local markets because of the difficulties in transportation. With the national government doing little in this area, states stepped in to help.

During the 19th Century, state governments were involved with the development of roads, canals and most importantly railroads. State governments helped finance and otherwise subsidized railroad development. Of the approximately 180 million acres of public lands granted to railroad companies for rail construction, 25% was granted by the states with the balance from the federal government.⁴ It is difficult to overstate the significance the railroad had on the American economy. Rail transportation tied the nation together, dramatically reduced the time in which goods could be shipped, lowered prices, expanded markets for businesses, and even established the nation's time zones. All this significantly spurred economic growth.

Smokestack Chasing. By the turn of the 20th century, the nation's improved transportation system and new technologies allowed regions of the country to specialize in the production of goods and services. This brought about increased regional competition, displacing farmers and small businesses that could not compete in a nationalized and more competitive economy. As a result, states began looking at ways to help residents adjust to this new economy.

Finding jobs for displaced farmers became a top priority for many states, especially those in the South. This led to "smokestack chasing," which began in the 1920s. States offered various incentives to manufacturing companies to move to or expand into their state. Mississippi may have been the first state to develop such a state policy with the passage of its Balance Agriculture with Industry program which allowed local governments to build facilities for relocating industry through the issuance of bonds. Soon other southern states followed suit with offers of tax breaks, subsidies, and an eager, low wage workforce.

By the 1950s, "smokestack chasing" had spread beyond the South Virginia Gray, *American States and Cities*, p. 369.

into other regions of the country. In addition, states pressured the federal government for financial help. In the West, numerous huge dams were built to spur state economies.

Also, in the post World War II period, there developed intense competition for national defense installations. States that received these defense installations were ecstatic, for it meant major construction projects and then new high paying jobs. In the 1970s, "high-tech" became the buzz-word with state and local governments aggressively going after the growing companies in this field. As states raided other states for economic plums, economists and public policy analysts began questioning the overall value of these state "economic civil wars."

Second Wave. In response to these concerns, many policy makers looked for other economic development strategies. A "second wave" plan emerged that focused on the creation of new businesses by developing existing state resources. States began developing venture capital pools, and small business incubators. They also initiated workforce training programs to help local businesses and support entrepreneurial enterprises.

Higher education came to play an increasing role in this second wave. Research parks were placed adjacent to universities in hopes that professors could develop new businesses through their projects. Community colleges provided the job training (often financed by state government) necessary for businesses wanting to expand or relocate.

Third Wave. Recently a "third wave" of economic development has begun. This last wave emphasizes getting economic development efforts out of the direct administration of state agencies and into private sector organizations. This does not mean that government is no longer involved but that it participates in a different way. Rather than directly running the program, the state provides seed money, tax incentives, and subsidies, but allows private, often nonprofit organizations, to conduct the day to day business of economic development.¹

Another approach in the third wave agenda focuses on developing "clusters" or groups of businesses within the same industry. Arizona has pioneered the concept in its Strategic Plan for Economic Development. The state has identified ten clusters ranging from food, fiber, and natural products to environmental technologies to mining and minerals. These business or industry clusters form organizations which share ideas, develop strategies and coordinate ventures. State economic development then designs its efforts in support of these cluster initiatives.

Business Climate

The historical overview provides a perspective on how states have tried to provide a good business climate in which the private sector can successfully operate. The term business climate refers to the overall economic environment in a state in which a business must operate. Because of the public services it provides and the tax and regulatory environment it imposes, state and local governments have a significant impact on the business climate.

¹ The Economic Development Corporation of Utah is an example of this type of cooperative effort between state and local governments on the one hand and business on the other hand. In existence since 1987, and with a current budget of approximately \$1.2 million, EDCU is a very active participant in state economic development. Its funding comes from state and local coffers as well as from Utah companies. It is supervised by a 54 member board of trustees representing all investors.

Unfortunately, too much of the attention paid to a state's business climate is given to taxes and regulation. There is now broad agreement based on business surveys and academic research, that there is much more to a business climate than these items.

The Utah State Department of Community and Economic Development (DCED) believes there are three main parts to a business climate.² They are:

- cost factors such as labor, plant, land, raw and other material inputs, utilities, etc.
- infrastructure
- taxes, incentives and regulation.

The first area is the **cost factors**. Of these three, the most important is the quality and availability of labor. The reason for its importance is that labor costs account for about 58% of all business costs. This is 14 times more than state and local business taxes. Other important factors are availability of natural resources and nearness to markets. But clearly in a society of increasing technological complexity, the advantage goes to the state that has a well-educated and productive workforce.

The second important factor is a state's **infrastructure**. Here the term is used broadly and includes not only the typical items of transportation (roads, airports, communication, etc.) water and power utilities, but also public health, air quality, effective judicial system, support services and cultural/recreational amenities. If taxes are cut to the point of preventing adequate public spending to provide or foster the needed infrastructure, a state's economic competitiveness will deteriorate.

The final area, **taxes, incentives and regulation** are important but rank third of the three areas in importance to business. Most studies indicate that taxes, for example, only become important when "moving from 'must' to 'desirable' factors."³ DCED states that the danger in emphasizing favorable business taxes, is that there are other equally important goals of a tax system. Such as:

- Rates that are consistent and produce stable revenue stream;
- Rates that are balanced across a range of tax sources without over-reliance on any single source;
- A fair system which shields subsistence income from high levels of taxation and imposes the same tax burden on households earning the same income; and
- An efficient system with minimal compliance costs and simple administration.

Effectiveness of Economic Development Policies

Despite the criticism often levied at tax and financial incentives, there appears to be growing evidence that, *other things being equal*, business incentives can make the difference in the choice between competing locations.⁴ It is important to emphasize *other*

² 1999 Economic Report to the Governor, (Governor's Office of Planning and Budget, January 1999), pp. 43-46. See also *A Review of State Economic Development Policy: a Report from the Task Force on Economic Incentives*, (National Conference of State Legislatures, Denver, Colorado, March 1998), 42-59. The pages cited in these two publications provide excellent discussions of the importance of looking at tax and financial incentives in the broad view of the overall business climate.

³ 1999 Economic Report to the Governor, p.43.

⁴ Ann O'M. Bowman, *State and Local Government*, p. 389, and Virginia Gray, *American States and Cities*, pp. 382-383. For a more comprehensive study see Timothy J. Bartik, *Who Benefits From State and Local Economic Development Policies?* (W. E. Upjohn Institute for Employment Research, Kalamazoo, Michigan, 1991) and Peter S. Fisher and Alan H. Peters, *Industrial Incentives*;

(continued...)

things being equal. Business tax breaks and other incentives will not win a firm to a particular locality if that locality has a limited and unskilled workforce, poor infrastructure, poor schools and an unstable fiscal environment. If states are competitive in these critical areas then incentives often make the difference.

One study indicates that such supply-side incentives as business tax cuts can help as long as “public services remain as good as they were before the tax cut.” Policies that foster innovation (demand-side) have been shown to work, “on a modest scale, stimulating new investment that leads in most cases to new jobs.” However, the study goes on to emphasize that it **“is essential to understand that public economic development efforts are very small relative to private investment and thus the effects are tiny.”**¹

All of these enticements are used by states. The Corporation for Enterprise Development, a private, nonprofit agency in Washington, D.C., studies economic development issues and suggests that states look very carefully at their incentives to be sure they are getting their money’s worth. They recommend that states follow these guidelines:

- Work to maintain a quality labor force and infrastructure.
- Compete on public services because responsible companies are willing to pay their share for services (such as schools, roads, research and development, physical infrastructure, and utilities) that are worth the taxes.
- Limit development incentives to strategic purposes. Incentives should be designed to help create significant numbers of jobs cost effectively and fit within the state’s development priorities. Moreover, incentives that result in investments in training or physical infrastructure accrue to the broader community and remain in a community, whether a particular company stays or not.
- Use defensible methodologies for calculating the costs of each job created or retained, and strengthen accountability and disclosure.
- Do not focus on tax competitiveness alone, but also on revenue adequacy, balance, equity, predictability, efficiency, and accountability.

These guidelines make it clear that a state’s concern about its business climate should be broad and encompassing rather than narrow and centered on tax breaks and financial incentives. Quality companies will see through the tax breaks and look at where they are going to reside for the long term. Corporate executives will want more than tax and financial incentives; they want a good workforce, good schools for their children and a high quality of life for themselves and their employees.

State Comparisons: Financial and Tax Incentives

In order to show how the 50 states compare in the use of economic development tools, the Council of State Governments prepared a 50-state comparison in two areas: financial incentives and tax incentives.²

These tables indicate that Utah provides few incentives to

⁴ (...continued)

Competition Among American States and Cities, (W. E. Upjohn Institute for Employment Research, Kalamazoo, Michigan, 1998).

¹ Virginia Gray, *American States and Cities*, pp. 382.

² *The Book of the States*, (Council of State Governments, 1998-99 Edition, Lexington Kentucky), pp.486-489. Admittedly, these tables provide only a broad overview. Detailed comparisons of each program are not available. Though limited in scope these two tables do show the expanse of programs states and local government are using in their economic development efforts.

businesses compared to other states. Utah provides only seven of the 16 listed financial incentives. Only Idaho (5) and North Carolina (6) provide fewer financial incentives. The average number of financial incentives for the 50 states is 11.

Utah does have a state-sponsored development authority, a privately sponsored development credit corporation, city/county revenue bond financing, city/county general obligation bond financing, city/county loans for building construction, city/county loans for equipment and machinery, and state incentives for establishing industrial plants in areas of high unemployment (enterprise zones).

Utah does not provide many other financial incentives provided by most other states such as: state revenue or general obligation bond financing, state loans or loan guarantee for new buildings or equipment purchases, and city/county enterprise zones.

Utah, along with Alaska and Vermont, provides seven of the 15 listed tax incentives in Table 86. Only Wyoming (6) provides fewer. The average number of tax incentives provided by the 50 states is 12.

Utah provides tax exemptions on equipment or machinery, inventory tax exemption on goods in transit (Freeport laws), tax exemption on manufacturing inventory, sales tax exemptions on new equipment, tax exemptions on raw materials used in manufacturing, tax incentives for creation of jobs, and accelerated depreciation on industrial equipment. The state does not provide corporate or personal income tax exemptions (except through enterprise zones), tax exemptions or moratoriums on land, capital improvements, equipment or machinery. The state does not provide tax incentives for industrial investments, tax credits for use of specified state products, tax stabilization agreements for specified industries, or tax exemptions to encourage research or development³.

Utah’s Major Economic Development Policies

There are five major Utah government sponsored economic development policies or programs that provide the biggest benefits. They are:

- Sales tax exemptions on equipment purchases
- Industrial Assistance Fund (IAF)
- Enterprise Zone Program
- Custom Fit Training
- Tax Increment Financing (through redevelopment or economic development agencies).

The first four are state administered programs created by legislation. The last is managed by local governments (either city or county) through their redevelopment agencies.

Sales Tax Exemptions. Over the years, the Legislature has provided several different exemptions to the state sales and use tax for economic development. These tax exemptions are available to all businesses in Utah, not just those moving into the state. Table 86 shows the major sales tax exemptions and the estimated value of those exemptions for fiscal year 1997-98. As the list indicates, most of the value of sales tax exemptions go to goods producing industries: mining, manufacturing, and agriculture.

³ As mentioned, the table is based on 1996 data. In 1998, Utah passed a Corporate Franchise Tax credit for qualified research expenses and machinery, equipment or both used for research. See Utah Code Annotated, 59-7-612 & 613.

There is broad agreement among economists that these types of tax exemptions are reasonable because they do not believe that inputs to the production process (including capital equipment) should be subject to sales taxes. As a result all states provide such exemptions. The biggest exemption is the purchase of replacement machinery and equipment -- \$28.6 million. Second largest exemption is for the purchase of new or expanding manufacturing equipment -- \$15 million. Combined the various tax exemptions for mining and manufacturing total 61.5% of the total economic development tax incentives the state provides.

Utah Industrial Assistance Fund. Created in 1991, the Industrial Assistance Fund (IAF) provides loans or other financial assistance for the "establishment, relocation, or development of industry in Utah" of which 50% must be used in "economically disadvantaged rural areas."¹ The fund is administered by the Department of Community and Economic Development and overseen by the Board of Business and Economic Development. Loans can be for the "establishment, relocation, or development" of any industry the board deems desirable. All loans are, by statute, at 10% interest, but credits can be earned in place of payments based on the number of jobs created or evidence of increased economic activity in the state accruing from the loan.

Recently, IAF managers have developed an additional way of providing financial support to companies. Instead of a direct loan, the IAF and a company agree to a total amount of financial assistance and the IAF provides the funds on a per employee basis. In other words, for every employee the company hires at a wage above the area's average wage, the IAF will provide a certain amount of the agreed upon loan -- usually \$1,000.

To qualify for financial aid from the IAF a company must:

- Demonstrate that the company will "expend funds in Utah with vendors and subcontractors or other business in an amount proportional with monies provided from the fund at a minimum ratio of 5.7 to 1 per year for a minimum period of five years.
- Demonstrate that the company will "expend at least \$10,000,000 annually in Utah" over the base level of the previous year. Demonstrate the company's ability to "sustain economic activity in the state sufficient to repay by means of cash or appropriate credits, the assistance provided by the fund."

DCED may exempt companies from requirements 1 and 2 if the financial assistance is for "locating all or any portion of its operations to an economically disadvantaged rural area" or if the company is part of a "targeted industry." The law requires that DCED enter into agreements with recipients that "shall include the specific terms and conditions of each loan or assistance, including repayment schedules, interest rates, specific economic activity required to qualify for the loan or assistance . . ." etc.

The life of the loan can vary but has ranged from two to five years. Loans have ranged from \$30,000 to \$1,000,000.² The initial general fund appropriation in 1991 amounted to \$9,250,000. The IAF has been appropriated a total of \$21,747,300. The additional funds appropriated have increased the total fund and replenished the funds lost due to the loan credits. The majority of the money loaned

to companies does not get paid back but is written off through credits. The end result is that most of the loans turn into grants.³

Detroit Diesel, located in Tooele County, received the largest loan of \$1,000,000. This company created 350 jobs with an average salary of \$22,000. The smallest loan went to Accu-Plastics in Washington County which received a loan of \$30,000 and will employ 20 new workers with an average salary of \$17,500.

Enterprise Zones. The Utah Legislature created the enterprise zone program⁴ in 1988, seven years after the first such program began in Connecticut. Since inception, the law has been revised in 1993, 1996 and again in 1998. Such zones are limited to Utah's rural counties. The law states that a city or county government may create an enterprise zone. However, a county must have a population of 50,000 or less; a city must have a population of 10,000 or less and be in a county of 50,000 or less.⁵

DCED administers this program and is required to consider the following criteria before establishing an enterprise zone:

- The pervasiveness of poverty, unemployment, and general distress;
- The extent of chronic abandonment, deterioration, or reduction in value of commercial, industrial or residential structures;
- The potential for new investment and economic development;
- Proposed use of state and federal funds or programs to increase the probability of new investment and development occurring;
- Extent to which the projected development will provide employment to residents of the county;
- The degree to which the proposal promotes innovative solutions to economic development problems and demonstrates local initiative.

The law makes clear that a company cannot leave one part of the state and be reestablished in an enterprise zone and receive the incentives. Furthermore, the incentives cannot go to a business unless "at least 51% of the employees employed at the facilities of the firm located in the enterprise zone are individuals who, at the time of employment, reside in the municipality or county that applied for the enterprise zone designation." The obvious purpose here is to focus on employing residents of the community.

Once an enterprise zone is created, the following corporate or individual income tax credits are available:

- \$750 for each new full-time position filled for not less than six months during a given tax year;
- an additional \$500, if the new position pays at least 125% of the county average monthly nonagricultural wage for the respective industry;
- an additional \$750, if the new position is in a business that adds value to agricultural commodities through manufacturing or processing;
- an additional \$200 a year for two years, for each new employee who is insured under an employer-sponsored health insurance program, if the employer pays at least 50% of the premium cost for two consecutive years.
- a credit of 50% of the value of a cash contribution to a certified

¹ Utah Code Annotated, 9-2-1201 through 1208.

² Though the money has not yet been lent, Utah has an agreement with Intel Corporation to provide a \$5,000,000 million loan, the largest in the state's history. Details of the Intel incentive package are discussed later in the report.

³ That most loans turn into grants is not coincidental. The Department of Community and Economic Development advertizes the Industrial Assistance Fund as an "Incentive Loan that becomes a Grant based on Performance."

⁴ Utah Code Annotated, 9-2-401 through 415.

⁵ Six counties do not qualify for enterprise zones because their populations are above 50,000: Cache, Davis, Salt Lake, Utah, Washington, and Weber. That leaves 23 of the state's 29 counties eligible for enterprise zone creation.

community/ economic development private nonprofit corporation, except that the credit claimed may not exceed \$100,000.

- a credit of 25% of the first \$200,000 spent on rehabilitating a building in the enterprise zone that has been vacated for two years or more.
- an annual investment tax credit of 10% of the first \$250,000 in investment, and 5% of the next \$1,000,000 qualifying investment in plant, equipment, or other depreciable property.

These tax credits are limited up to 30 employees the first year and additional new employees hired thereafter up to 30 per year. Construction jobs, retail businesses and public utilities are not eligible for the tax credits.

Between 1991 and 1997, 80 companies and 97 individuals have benefitted from the enterprise zone program. The total amount of the corporate tax credits is just under \$9 million and the individual tax credits total about \$500,000. Combined, total tax credits through 1997 amount to \$9,491,868. Currently, there are 17 designated enterprise zones in Utah -- six counties and 11 cities. The counties are: Carbon, Juab, Kane, Millard, Rich, and Sanpete. The cities are: Ballard, Ephraim, Green River, Moab, Nephi, Mt. Pleasant, Myton, Parowan, Richfield, Tremonton, and Salina. Receiving the tax credit is quite simple. A company or an individual must enter on one line of the income tax form the amount of credit that is being claimed.

Custom Fit Training.¹ State governments have financed and operated job training for more than 30 years. Custom fit training programs are an extension of this tradition of education/employment training but are designed to provide training not just for jobs in general but for specific jobs for specific employers.

The first state-sponsored customized training program began in North Carolina in 1958.² Currently, custom fit training programs exist in 47 states.³ All state programs target money to company-specific training, though how it is done varies by state. Some states require the training to be done by state colleges. Other states allow employers to choose any qualified trainer.

Most custom fit programs were developed to attract new employers into a state and much of the focus is still in this area. However, all states offering custom fit training also allow funds to be spent on new training for employees of companies already in a state. In most custom fit programs, the employer chooses the trainees and determines the goals and objectives of the training.⁴

¹ For a detailed discussion of custom fit training programs see, Steve Dusha and Wanda Lee Graves, *National Customized Training Report: State funded, company directed job training in the United States*, (Steve Duscha Advisories, 1995, Sacramento).

² The governor, concerned about the many farmers losing their jobs due to increased farm productivity brought about by mechanization, began courting northern textile mills to move to his state. Many mill owners showed some interest but expressed concern about the ability of southern agricultural workers to do mill work. In response to these anxieties, North Carolina promised to train workers for the mills at no cost to the employer.

³ The three states without a custom fit training program are: New Hampshire, Montana, and Wyoming.

⁴ Total funding for these state programs amounted to \$359 million in 1994-95. This averages to about \$7.6 million per state. However, state spending varies greatly from \$85 million in California to under \$100,000 in North Dakota. Utah's per capita custom fit training amounted to \$1.82, ranking 24th in the nation and well below the per capita expenditure of \$21.55 for Rhode Island, which ranked first. Among the western states, Utah ranks third in per capita appropriations for custom fit funding. However, Utah's funding is substantially lower than New

(continued...)

Utah created its custom fit training program in 1988. The state pays for all or a portion of the costs of the training. In the ten years the Custom Fit Training Program has been operating in Utah, the legislature has appropriated a total of \$24,373,500 or an average of approximately \$1.9 million a year. The program is managed within the State Office of Education.

Redevelopment and Economic Development Agencies.

Throughout the United States, redevelopment agencies (RDA) have been tools of local government economic development for 30 years. Redevelopment agencies were created to revitalize the nation's blighted urban areas. Two tools are critical to the success of redevelopment agencies: eminent domain and tax increment financing. Eminent domain is the power of a government agency to acquire land (through condemnation and purchase) regardless of the land owner's desire to sell. Tax increment financing is the ability of the RDA to use tax dollars from the property within the RDA.

Once an area is declared an RDA, the governing board of the RDA can use both tools. The first step is to acquire land. The second step is to freeze the property taxes at the current level. Once purchased, the RDA can resale the land to a developer (often at a discount price) to build the projects in the RDA plan. When the projects are completed, the value of the land increases accordingly as do the taxes because of the higher value of the property. However, the difference between the tax revenue prior to the development and after the development goes to the RDA rather than to the local taxing entities as it would in areas outside of an RDA. It is this increased tax revenue that is called the tax increment. The RDA uses its tax increment funds for various purposes anywhere within the designated project area, including buying down the cost of land for developers or making certain improvements to the property.

A shift in emphasis occurred among many RDAs during the 1980s from redevelopment, or the revitalization of blighted neighborhoods, to economic development, or the attraction of new commercial and industrial facilities. Under this new focus, the name has been changed from redevelopment agencies to economic development agencies (EDAs). This shift in emphasis has increased the interest of local governments in using EDAs.

Evaluation of Utah's Incentives

Utah's major tax and financial incentives are: sales tax exemptions, industrial assistance fund, enterprise zone for rural areas, custom fit training, and redevelopment or economic development agencies. These programs do provide some important benefits to qualifying companies. The sales tax breaks that Utah provides for equipment purchases are provided by most every other state. Most economists are in support of such breaks because they believe the inputs to production should not be taxed. Many states provide many more such breaks than does Utah.

The Industrial Assistance Fund has been appropriated \$21.7 million since 1991. The IAF loans generally turn into grants based on the recipient meeting certain predetermined goals. Industrial assistance funds are used in more than 40 states. Utah's is a modest program that is actively used. Equally important, its activities are clearly documented. It is easy to see what the funds have been used for and who has benefitted from the assistance.

⁴ (...continued)

Mexico (\$9.14) and California (\$7.14) which rank first and second. Two western states, Montana and Wyoming have no custom fit training program.

Custom Fit Training has received \$24.4 million since its inception. As with the IAF, the activities of the Custom Fit training program are well documented and its clear who gets the training benefits and under what circumstances. Custom Fit Training programs are used by 47 states most of which provide larger grants to the program than does Utah.

Similarly, tracking the benefits of local governments use of RDAs and EDAs, while more complicated, is not very difficult. The most significant tool for RDAs and EDAs is property tax increment financing. These increment funds are used to provide incentives to businesses to develop and build in the community.

Most difficult to evaluate is the enterprise zone program. Each year the Division of Business and Economic Development is required to make an annual report on the Enterprise Zone program. However, by the Division's own acknowledgment, it cannot provide an effective evaluation of the program because such an evaluation would require data the State Tax Commission cannot provide without violating confidentiality laws. The Division's 1998 annual report stated,

"Ideally, it would be useful to know how many businesses in each zone claimed tax credits. It would also be useful to know the amount of credits claimed per business, the amount claimed for job creation and for new investment, and whether a specific credit claimed was for job creation, new investment in building and equipment, or other." However the report states that, "In order to comply with confidentiality laws, the Tax Commission restricts information which could reveal the identity of a specific taxpayer. . . . For instance, in order for the Tax Commission to release information, by county, about how many businesses claimed a specific type of credit, there would need to be at least ten returns claiming the credit from each county for which information was requested. For statewide information the requirement is four returns."¹

A proper evaluation of this program is impossible without some additional information and reporting requirements. The Legislature would need to amend this program to provide more effective oversight. Additional information concerning the enterprise zone tax break recipients must be gathered without compromising important privacy rights.

Governor Leavitt's Economic Development Principles

In light of the controversy over tax incentives, governor Michael Leavitt made public the criteria by which his administration would be supportive of tax incentives for new businesses. The five criteria are:

- The business must be willing to make a substantial capital investment in Utah, signaling that it will be a long-term member of the community.
- The business must bring new dollars into the state. That

generally means the business must export goods or services outside of Utah, not just circulate existing dollars.

- The business must pay higher than average wages in the area where it will be located, increasing Utah's overall household income.
- The same incentives offered the outside business must be available to existing in-state businesses. We must not discriminate against our home-grown businesses.
- The incentives must clearly produce a positive return on investment determined by state economic modeling formulas.

The Need for Coordination

Given the relatively few incentives Utah provides, coordination among government and private entities is often desirable. Currently, most counties and many cities have an economic development office, the state has the Department of Community and Economic Development, and there is the public/private Economic Development Corporation of Utah. In addition, there are the regional chambers of commerce.

There is nothing wrong with so many entities being involved in promoting Utah's economy. However, there is concern as to how coordinated the efforts of all these entities are. Given the limited resources, public and private, available for economic development, greater coordination would likely improve those efforts.

Final Comments on State Economies and Economic Development

By national comparisons, Utah's economic development incentives are modest. Utah provides fewer incentives than most states and the funding for these incentives is conservative. Nevertheless, Utah's economy has been very strong for 10 years. Utah's employment growth has averaged 4.4% annually since 1990, well above the national rate of 1.8%. This being the case, it should come as no surprise, that economists agree the quality of a state's economy should not be blamed on or credited to the economic development programs existing (or not existing) in a state.

Economic incentives are, at best, tools that can occasionally make the difference in attracting a company to the state or in helping an existing company expand in the state. This is true when other essential items, such as a good workforce, adequate infrastructure, stable fiscal environment and a generally high quality of life are already in place.

Most important is the state's workforce. This means continued focus on a quality educational system, both public and higher education. There is substantial agreement among Utah economists that it is Utah's fast-growing and productive workforce that is the state's greatest asset. The state's high birth rate (one-half larger than the national average) assures the state of a fast growing workforce. The state's educational system (with sufficient financial, public and parental support) must mold this workforce into a well-educated one. If the state can do this, Utah's future will be bright and Utah's modest economic development packages will be sufficient. *

¹ State of Utah, Division of Business and Economic Development, "Utah Enterprise Zones, Report to the Legislature." (October 1998).

**Table 85
State Financial Incentives for Business**

	AL	AK	AZ	AR	CA	CO	CT	DE	FL	GA	HI	ID	IL	IN	IA	KS	KY	LA	ME	MD	MA	MI	MN	MS	MO
1 State-Sponsored Industrial Development Authority	X	X		X	X	X	X	X		X	X		X	X	X		X		X	X	X	X	X	X	X
2 Privately Sponsored Dev. Credit Corporation	X	X		X	X	X	X	X	X	X			X	X	X		X		X	X	X	X	X	X	X
3 State Authority or Agency Revenue Bond Financing	X	X		X	X	X	X	X	X	X			X	X	X		X		X	X	X	X	X	X	X
4 State General Obligation Bond Financing	X	X		X	X	X	X	X	X	X			X	X	X		X		X	X	X	X	X	X	X
5 City and/or County Revenue Bond Financing (RDA)*	X	X		X	X	X	X	X	X	X			X	X	X		X		X	X	X	X	X	X	X
6 City/County General Obligation Bond Fin. (RDA)*	X	X		X	X	X	X	X	X	X			X	X	X		X		X	X	X	X	X	X	X
7 State Loans for Building Construction	X	X		X	X	X	X	X	X	X			X	X	X		X		X	X	X	X	X	X	X
8 State Loans for Equipment, Machinery for Building Construction (RDA)*	X	X		X	X	X	X	X	X	X			X	X	X		X		X	X	X	X	X	X	X
9 City/County Loans for Building Construction (RDA)*	X	X		X	X	X	X	X	X	X			X	X	X		X		X	X	X	X	X	X	X
10 City/County Loans for Equipment, Machinery (RDA)*	X	X		X	X	X	X	X	X	X			X	X	X		X		X	X	X	X	X	X	X
11 State Loan Guarantees for Building Construction	X	X		X	X	X	X	X	X	X			X	X	X		X		X	X	X	X	X	X	X
12 State Loan Guarantees for Equipment, Machinery	X	X		X	X	X	X	X	X	X			X	X	X		X		X	X	X	X	X	X	X
13 State Financing Aid for Existing Plant Expansion	X	X		X	X	X	X	X	X	X			X	X	X		X		X	X	X	X	X	X	X
14 State Matching Funds for City/County Ind. Fin. Program	X	X		X	X	X	X	X	X	X			X	X	X		X		X	X	X	X	X	X	X
15 State Incentives for Ind. Plants in High Unemployment Areas	X	X		X	X	X	X	X	X	X			X	X	X		X		X	X	X	X	X	X	X
16 City/County Incentives for Ind. Plants in High Unemp. Areas	X	X		X	X	X	X	X	X	X			X	X	X		X		X	X	X	X	X	X	X

	MT	NE	NV	NH	NJ	NM	NY	NC	ND	OH	OK	OR	PA	RI	SC	SD	TN	TX	UT	VT	VA	WA	WV	WI	WY	Total
1 State-Sponsored Industrial Development Authority		X	X	X	X	X	X	X		X	X	X	X	X	X	X		X	X	X	X	X	X	X	X	42
2 Privately Sponsored Dev. Credit Corporation	X	X	X	X	X	X	X		X	X		X	X	X	X			X	X	X	X	X	X	X	X	39
3 State Authority or Agency Revenue Bond Financing	X	X	X	X	X	X	X		X	X		X	X	X	X			X	X	X	X	X	X	X	X	44
4 State General Obligation Bond Financing	X	X	X	X	X	X	X		X	X		X	X	X	X			X	X	X	X	X	X	X	X	21
5 City and/or County Revenue Bond Financing (RDA)*	X	X	X	X	X	X	X		X	X		X	X	X	X			X	X	X	X	X	X	X	X	49
6 City/County General Obligation Bond Fin. (RDA)*	X	X	X	X	X	X	X		X	X		X	X	X	X			X	X	X	X	X	X	X	X	37
7 State Loans for Building Construction	X	X	X	X	X	X	X		X	X		X	X	X	X			X	X	X	X	X	X	X	X	42
8 State Loans for Equipment, Machinery for Building Construction (RDA)*	X	X	X	X	X	X	X		X	X		X	X	X	X			X	X	X	X	X	X	X	X	43
9 City/County Loans for Building Construction (RDA)*	X	X	X	X	X	X	X		X	X		X	X	X	X			X	X	X	X	X	X	X	X	46
10 City/County Loans for Equipment, Machinery (RDA)*	X	X	X	X	X	X	X		X	X		X	X	X	X			X	X	X	X	X	X	X	X	46
11 State Loan Guarantees for Building Construction	X	X	X	X	X	X	X		X	X		X	X	X	X			X	X	X	X	X	X	X	X	28
12 State Loan Guarantees for Equipment, Machinery	X	X	X	X	X	X	X		X	X		X	X	X	X			X	X	X	X	X	X	X	X	30
13 State Financing Aid for Existing Plant Expansion	X	X	X	X	X	X	X		X	X		X	X	X	X			X	X	X	X	X	X	X	X	44
14 State Matching Funds for City/County Ind. Fin. Program	X	X	X	X	X	X	X		X	X		X	X	X	X			X	X	X	X	X	X	X	X	28
15 State Incentives for Ind. Plants in High Unemployment Areas	X	X	X	X	X	X	X		X	X		X	X	X	X			X	X	X	X	X	X	X	X	41
16 City/County Incentives for Ind. Plants in High Unemp. Areas	X	X	X	X	X	X	X		X	X		X	X	X	X			X	X	X	X	X	X	X	X	38

* RDA: in Utah, these are granted through the local redevelopment agency.
Source: The Council of State Governments: *State Business Incentives: Trends and Options for the Future*

**Table 86
State Tax Incentives for Business**

	AL	AK	AZ	AR	CA	CO	CT	DE	FL	GA	HI	ID	IL	IN	IA	KS	KY	LA	ME	MD	MA	MI	MN	MS	MO
1 Corporate Income Tax Exemption	X		X	X		X	X	X	X		X	X	X	X	X	X		X	X	X	X	X		X	X
2 Personal Income Tax Exemption	X	X	X		X		X	X	X		X	X	X	X	X	X		X	X	X	X	X		X	X
3 Excise Tax Exemption	X	X				X		X	X		X		X					X		X	X				X
4 Tax Exemption or Moratorium on Land, Capital Improvements	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
5 Tax Exemption or Moratorium on Equipment, Machinery	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
6 Inventory Tax Exemption on Goods in Transit (Freight)	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
7 Tax Exemption on Manufactures' Inventories	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
8 Sales/Use Tax Exemptions on New Equipment	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
9 Tax Exemption on Raw Materials Used in Manufacturing	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
10 Tax Incentive for Creation of Jobs	X																								
11 Tax Incentive for Industrial Investment	X																								
12 Tax Credits for Use of Specified State Products											X							X			X				
13 Tax Stabilization Agreements for Specified Industries																									
14 Tax Exemption to Encourage Research And Development	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
15 Accelerated Depreciation of Industrial Equipment	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X

	MT	NE	NV	NH	NJ	NM	NY	NC	ND	OH	OK	OR	PA	RI	SC	SD	TN	TX	UT	VT	VA	WA	WV	WI	WY	Total
1 Corporate Income Tax Exemption	X		X		X		X		X	X	X		X		X	X	X	X			X	X	X	X	X	37
2 Personal Income Tax Exemption	X	X	X	X	X		X		X	X	X		X		X	X	X	X			X	X	X	X	X	33
3 Excise Tax Exemption [†]		X					X		X		X	X					X			X		X			X	24
4 Tax Exemption or Moratorium on Land, Capital Improvements	X	X			X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	37
5 Tax Exemption or Moratorium on Equipment, Machinery	X			X	X	X	X		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	42
6 Inventory Tax Exemption on Goods in Transit (Freight)	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	49
7 Tax Exemption on Manufactures' Inventories	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	46
8 Sales/Use Tax Exemptions on New Equipment	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	47
9 Tax Exemption on Raw Materials Used in Manufacturing	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	49
10 Tax Incentive for Creation of Jobs	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	44
11 Tax Incentive for Industrial Investment	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	40
12 Tax Credits for Use of Specified State Products	X										X			X				X		X					6	
13 Tax Stabilization Agreements for Specified Industries	X										X			X						X						8
14 Tax Exemption to Encourage Research And Development	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	36
15 Accelerated Depreciation of Industrial Equipment	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	41

Source: The Council of State Governments. *State Business Incentives: Trends and Options for the Future*

Table 87
Custom Fit Training Agreements: Second Quarter 1999

Company	Type of Training	Region/AOG	Training** Facility	Amount \$
Bryce Canyon Car Care	Automotive repair	Southwest	SUU	11,850
Emery Recycling Corp.	Hazardous materials, fuel storage, fire safety	Southeast	CEU	19,760
Klune Industries		Mountainland	ATC	5,000
Pepperidge Farm, Inc.	Assembly & production line	Bear River	ATC	20,500
Radio Shack	Manager training - Dale Carnegie's Course	Bear River	ATC	500
Shirt Shop	Accounting/bookkeeping	Central	ATC	910
Browning Fire Arms	Computer training	Davis	ATC	7,860
Pedersen Cabinets, Inc.	Quick Books training	Uintah Basin	ATC	1,825
Moon Electric Association		Uintah Basin	ATC	34,225
Micron Technology, Inc.	Hazardous materials handling	Mountainlands	ATC	28,744
Icon Health & Fitness	People skills, hydraulics training, hazwoper updating	Bear River	ATC	10,560
Sand Star Family Entertainment	Telemarketing training	Uintah Basin	ATC	32,120
Geneva Steel		Mountainland	ATC	10,000
Frito-Lay, Inc.	Sanitation, hazardous materials, safety, communication skills	Wasatch Front	ATC	17,185

* These are a sample of custom fit agreements, not a complete list of the contracts for the date indicated.

** The training facilities are usually the regional Applied Technology Center (ATC) or the local college.

Source: Utah State Office of Education, Custom Fit Training

Table 88
Enterprise Zones

Year	Corporate Tax Break	Number of Filings	Individual Tax Break	Number of Filings	Total
1991	\$1,919,507	11			\$1,919,507
1992	176,220	8	\$54,534	16	230,754
1993	2,387,157	13	150,617	21	2,537,774
1994	2,430,626	12	107,212	20	2,537,838
1995	1,512,411	14	73,468	17	1,585,879
1996	245,692	8	76,766	10	322,458
1997	287,476	14	70,182	13	357,658
Total	\$8,959,089	80	\$532,779	97	\$9,491,868

Source: Utah Department of Community and Economic Development

Table 89
Utah State Industrial Assistance Fund

Company	Location	Average Salary	Number of jobs	Loan Amount
Intel Corporation	Riverton	\$50,000	3,000	\$5,000,000
Malt-O-Meal Co.	Tremonton	36,000	300	750,000
Intertape Polymer Group	Tremonton	24,000	73	200,000
Horizon Metals	Nephi	19,000	60	80,000
Satterwhite Log Homes	Gunnison	31,800	25	50,000
Bear River Working Ranches	Randolph/Woodruff	14,000	20	50,000
SandstarrFamily Entertainment	Roosevelt	16,000	85	100,000
Bucyrus Blades	Tooele	20,000	32	40,000
Accu-Form Plastics	Hildale/Hurricane	17,500	20	30,000
Detroit Diesel Remanufacturing	Tooele	22,000	350	1,000,000
Iomega	Ogden	35,000	158	158,000
Gateway 2000	Salt Lake City	48,300	200	200,000
Mikohn Gaming Corp.	Hurricane	21,840	250	375,000

Source: Utah Department of Community and Economic Development, Industrial Assistance Fund.

Table 90
Utah State Sales Tax Exemptions

	Value of the Exemption	Percent of Total	Manufacturing & Mining Exemption
Equipment purchases:			
New or expanding manufacturing machinery & equipment	15,000,000	9.36%	9.36%
Normal operating replacement equipment & machinery	28,600,000	17.85%	17.85%
Airline food	500,000	0.31%	
Airline equipment	400,000	0.25%	
Aerospace tools	406,000	0.25%	
Motion picture rentals & radio broadcast tapes	50,000	0.03%	
Interstate movement of freight by common carrier or people by taxicabs	2,587,000	1.62%	
Farm machinery, irrigation equipment	12,445,000	7.77%	
Commercial sprays & insecticides	625,000	0.39%	
Interstate carrier access telephone charges & WATS exemption	20,957,000	13.08%	
Electricity sales to ski resorts	50,000	0.03%	
Ski resort equipment	676,000	0.42%	
Containers, labels, casings	22,448,000	14.01%	14.01%
Property purchased for resale or as an ingredient or component part of manufactured products	23,019,000	14.37%	
Sales of utilities for industrial use	26,420,000	16.49%	16.49%
Pollution control equipment	6,000,000	3.75%	3.75%
TOTAL	\$160,183,000	100.00%	61.47%

Source: Utah State Tax Commission.