

2015

Governor's Rural Partnership Board

Legislative Recommendation and Annual Report

As provided in Utah Code Annotated 63C-10-103, the Governor's Rural Partnership Board is to serve as an advisory board to: (i) the governor on rural economic and planning issues; and (ii) the Governor's Office of Economic Development on rural economic development issues; and prepare an annual strategic plan that: (i) identifies rural economic development, planning, and leadership training challenges, opportunities, priorities, and objectives; and (ii) includes a work plan for accomplishing the[se] objectives.

The Governor's Rural Partnership Board **RECOMMENDS** the following:

2016 Legislative Issues

1) **Rural Infrastructure:**

Rural Utah provides much of the state's food, energy, mining, tourism and recreation. As was recognized by the Utah Legislature in the 2015 general session, essential infrastructure in rural Utah is either inadequate, unavailable, or cost prohibitive. Genuine economic opportunities are being missed due to high investment thresholds by companies desiring to locate in rural Utah. Critical infrastructure such as roads, rail, power, natural gas, and water is frequently an insurmountable barrier to entry.

GRPB was a strong and vocal advocate for the passage of SB 216 and the creation of the High Cost Infrastructure Tax Credit. Unfortunately due to a variety of factors this incentive has not been made available to those critical companies who have expressed extreme interest in developing their projects with the availability of the newly created tax credit. This tax credit, once available, has the potential to have immediate impact on the economic landscape of rural Utah.

Recommendation:

The Governor's Rural Partnership Board (GRPB) strongly supports any legislative effort to allow the Governor's Office of Energy Development to implement the High Cost Infrastructure Tax Credit as soon as possible and that any legislation in the 2016 legislative session be made effective immediately upon the Governor's signature.

2) **Enterprise Zone:**

Twenty-three of the twenty-five rural counties are currently able to designate Enterprise Zone (EZ) Areas in all or part of their respective counties, through the Governor's Office of Rural Development (ORD). Tooele and Box Elder Counties however, have population numbers that have grown enough to be phased out of the current EZ population levels designated by statute. Several others may grow beyond these outdated population requirements in the near future. The Enterprise Zone Tax Credits

that incent job growth and private capital investment in rural businesses are particularly important to rural economic development.

Recommendation:

The Governor’s Rural Partnership Board (GRP) strongly encourages the State Legislature and the GOED to support updating EZ population levels and taking efforts to ensure that the Enterprise Zone Tax Credits are being used by qualifying companies.

3) Business Expansion & Retention:

Business expansion and retention is KEY to successful rural development. Data shows that 85% to 95% of rural jobs come from existing businesses. They are committed to the communities where they reside, and are more likely to stay within that area long term.

Twenty of the twenty-five rural Utah counties are currently participating in the Business Expansion & Retention (BEAR) program administered by the GOED Office of Rural Development (ORD). Critical business expansion and retention tools available to rural counties, and which are provided for by statute are:

- Business Expansion & Retention (BEAR) program, (4% of Industrial Assistance Fund-IAF)
- Economically Disadvantaged Rural Areas (EDRA), (50% of IAF)
 - o Rural Fast Track Grant Program, (20% of EDRA)

Recommendation:

The Governor’s Rural Partnership Board (GRP) strongly recommends that the Utah State Legislature support and provide ongoing funding for rural business growth incentives funded by the IAF fund, namely: Business Expansion & Retention (BEAR), EDRA and Rural Fast Track Program.

4) Business Resource Centers:

Currently fourteen BRCs – eleven of them in more rural communities off the Wasatch Front – function in partnership with state public institutions of higher education to provide a wide variety of coordinated support services to local businesses. Hundreds of individual business customers have visited Utah BRCs to receive assistance in creating or retaining jobs and starting new businesses.

Recommendation:

The Governor’s Rural Partnership Board (GRP) recognizes the value of government and private business service providers and the BRCs role in coordinating the delivery of these services to help Utah’s businesses grow and succeed. The GRP recommends increases to program funding and efficiency and to expand the availability of BRC services to additional rural businesses.

5) Rural Legislative Tours:

As the state’s population has shifted from rural to urban areas of the state, legislative representation has likewise shifted. This has led to diminished understanding of rural issues, challenges, and opportunities. In September of 2015, at the invitation of the Governor’s Rural Partnership Board, the Legislature conducted a two-day Legislative Site Visit of Emery, Carbon, Grand and Sanpete Counties.

The result of this effort was that 87 legislators were able to visit these rural counties and hear directly from local officials, leading to an increased understanding of rural impacts and opportunities in energy, mining, recreation, tourism etc.

Recommendation:

The Governor's Rural Partnership Board (GRP) recommends that the Utah Legislature institutionalize on-going site visits to rural Utah on an annual, or at a minimum, bi-annual basis.

Economic Considerations Monitored by Governor's Rural Partnership Board

1) Rural Business Recruitment:

Members of the Governor's Rural Partnership Board feel that additional efforts need to be placed in business recruitment for Rural Utah. In an effort to address this concern EDCU created the "EDCUtah Rural Committee", and assigned it the task of leading a collaborative effort with The Office of Rural Development, GOED, and rural business and government representatives to create a "Recruitment Preparation" model for rural recruitment success. They have identified readiness metrics which will help rural communities know how ready they are to actively start recruiting.

It is believed that further efforts are necessary to direct developing businesses to rural Utah. It is of absolute necessity that the state of Utah actively market rural developments to avoid placing further demands upon critical infrastructure on the Wasatch Front.

2) Agriculture

The agriculture industry provides direct jobs in all of the rural counties, and indirect jobs like food processing and manufacturing in more urban counties. According to a 2011 USU study, agriculture production and processing accounted for 14.1% of total state output for a total of \$17.5 billion ⁽¹⁾. Just this year JBS USA, a beef producer and processor launched a \$75 million expansion project at its Hyrum facility. The expansion created more than 120 jobs and provides additional economic opportunities for Utah cattle producers.⁽²⁾ Agriculture products are a commodity in constant demand and the state should be working to protect this industry.

In 1987, Utah had 14,000 fruit acres in production; by 2006 there were only 6,600 acres ⁽³⁾. The pressure on farmers and ranchers to sell prime land to developers continues to grow. Planning, conservation initiatives and government intervention have a small impact in preserving agriculture. The only way to truly preserve agriculture is to make it more profitable. Increased profits create stability in the industry, entice new generations to join the workforce and protect a precious resource.

¹ <http://www.ag.utah.gov/documents/EconomicContributionOfAgriculture2011.pdf>

² <http://www.foodproductiondaily.com/Processing/JBS-75-million-expansion-beef-processing-plant-Utah>

³ <http://envisionutah.org/issues/agriculture>

The Utah Department of Agriculture and Food has proposed that an “agriculture cluster” be created and added to the State’s existing list of economic clusters. An agriculture cluster would give the industry the advantage it needs to bring innovation and increased profits to the farming and ranching community.

3) Rural Economic Development & Community Planning:

As the state works to leverage the natural resources, recreation, tourism and other valuable assets available in rural Utah, planning is essential. Rural economic efforts are more successful when “Community driven” economic development planning occurs before actual development. This type of planning requires community input and participation from a broad selection of rural residents and leaders. Communities that are involved in the planning process are more likely to be supportive of the implementation of those plans.

Additional planning for individual communities provides a baseline readiness assessment of facilities and infrastructure within a given community, in preparation for both community and economic development.

4) Economic Gardening:

Economic Gardening (EG) is a national program that delivers valuable market research data to existing businesses with potential for growth and expansion. Economic gardening is an entrepreneurial approach to economic development, providing relevant data and counseling for growing businesses, and is an excellent companion piece to the BEAR program.

The Economic Gardening program has seen diminished promotion and utilization since program changes were made two years ago. Data from the initial pilot program showed promising results and a very high return on the investment into EG companies. The Governor’s Rural Partnership Board recommends that GOED and the SBDC Network work together to revive the Economic Gardening program through increased promotion and utilization of this valuable business tool, and to also implement closer monitoring of program outcomes and results.

5) Workforce Development:

A skilled labor force is an essential component to support growth of existing businesses and opens up opportunities for business recruitment. Programs such as Utah Cluster Acceleration Partnership (UCAP), which are supported by GOED and DWS, along with universities, colleges and Utah Colleges of Applied Technology (UCAT) have made significant efforts to align their curriculum to the economic needs of their service areas in rural Utah.

6) Energy:

Oil prices cratered in the 4th Quarter of 2014. As the 2015 Legislative Session began, Utah leaders asked producers what meaningful incentives could be offered to keep them drilling, and thereby keep people in rural Utah working and keep taxes and royalties to rural communities flowing.

Since Workover and Recompletion Tax Credits have not been updated for 18 years, the current credits offered are based on drilling costs that reflect about 1/10 of today's ultra-deep, horizontal and fracked well costs. This drilling rig activity is done toward the end of a well's productivity, boosting or reigniting production levels as pressure decreases and levels naturally drop off.

Some of the leading producers in the Basin told legislators that increasing the Workover and Recompletion Tax Credits would be meaningful enough that they would keep rigs working in 2015 and 2016 in order to squeeze every last drop out of wells.

7) Tourism & Outdoor Recreation:

The success of "The Mighty Five" campaign has been significant as far as numbers of visitors to our National Parks. A number of "gateway" communities located near Park entrances are experiencing challenges such as insufficient hospitality infrastructure, pressure on rural Public Safety departments, lack of employee housing, and unbalanced dependence on a seasonal industry.

The State Tourism Office has engaged several rural counties through "Rourism" branding and marketing efforts. Tourism and ORD are working together to support rural counties who are dependent on tourism for a large percentage of their economic development, through use of the BEAR program, and the Rural Fast Track for limited support of hospitality infrastructure growth.

The GRPB requests that the Utah Office of Tourism continue its effort to help rural counties through "Rourism" branding and marketing efforts, and that the Rourism program be expanded to include additional counties.

Additionally, the GRPB supports the legislative request by the Outdoor Recreation Office to fund a loan and grant program for outdoor recreation infrastructure development