

## GOED Faces Tough Audit

Written by [Bob Bernick](#) on 14 October 2014. Posted in [Today At Utah Policy](#)



Is Gov. Gary Herbert's economic development office doing great work in developing new, high-paying jobs in Utah, or is the Governor's Office of Economic Development out of control, passing out taxpayer subsidies willy-nilly and seeing little actual return?

Well, it really depends on who you believe: The new, tough state auditor, John Dougall, or the business-backed GOED office recently headed by Val Hale.

For Dougall has a new, scathing, performance audit on GOED that finds many faults, while Hale's office has two different "review" studies that find just the opposite.

And legislative leaders sitting as the Executive Appropriations Committee on Tuesday were more than a little perplexed by the dueling reports.

Rep. Joel Briscoe, D-Salt Lake, summed it up: "I see you quibbling over words, saying: "Our report is better than your audit."

Is Dougall, a former conservative member of the Utah House whom Briscoe served with, "just a bull in a china shop," as Dougall acted sometimes in the House, said Briscoe.

"Or is he on to something, and do you (Hale) need to be tightened up" in how much power the GOED director has in giving companies post-incentive Utah tax dollars?

“We haven’t gotten on to what is really going on here,” said Briscoe.

“And I feel (the Legislature) have not done our job in oversight” of GOED.

All one really has to do is read the two reports – Dougall’s performance audit and an independent “review” by a locally respected CPA firm (the Tanner report) to see the confusing situation lawmakers now find themselves in. Both reports are [here](#).

Several legislative leaders said that the Dougall audit, combined with a legislative audit of USTAR and what’s called the Funds of Funds, show some similarities: State created programs that are supposed to achieve certain things, but now face real questions whether lawmakers and the public have basically been lied to by staffers and backers of all those special programs, all with an eye to making the programs look more successful and important than they really are.

The allegations and responses came fast and furious Tuesday afternoon, with Dougall and his top performance auditors citing problems and concerns, and Hale and his board members and staff counteracting each allegation.

Hale pleaded with legislators to read all of his responses to Dougall’s claims – “We refute each.”

Hale’s testimony was interesting from another standpoint: He was only recently appointed to his post by Herbert, and approved by the state Senate.

Hale is best known to Utahns for his time as BYU athletic director, where he had to hire and fire coaches and defend the Mormon university’s athletes and programs.

Some saw Hale as an interesting pick, wondering if he had the personality and toughness to play Utah politics at the highest level.

But Hale was knowledgeable and aggressive Tuesday in his defense of his new employees – giving as good as he got.

And Dougall’s interaction with the committee was interesting as well.

Dougall was a supporter, even leader, among Utah GOP conservatives, a friend of House Speaker Becky Lockhart, R-Provo.

A number of legislative Republicans backed Dougall’s run for state auditor two years ago. Dougall isn’t a CPA, but has graduate degrees in business and technology. He unseated the long-time Republican auditor, who made a living staying under the political radar.

Dougall, a flamboyant personality, promised his office would not only conduct accounting audits, but venture out into what’s called “performance” audits – were auditors look at how a governmental agency is being run, look for waste, transparency and other issues.

While Dougall has issued performance audits since taking office in January 2013, this is his first real blockbuster – with all kinds of political implications.

Not the least of which are the business and political big hitters that have received GOED incentive tax breaks – like IMFlash, Adobe, Boeing and many, many more.

Indeed, Lockhart's husband, Stan Lockhart, is the top government affairs officer (lobbyist) for IMFlash, a high-tech chipmaker that employs thousands of Utahns in its huge Lehi plant.

Lockhart, who is retiring in December and considering a challenge to Herbert in 2016 (I say there were political wheels within wheels here), asked some pointed questions to both Dougall and Hale.

Dougall's criticisms of GOED are multifaceted. But they centered on several areas:

-- Were GOED bosses following legislative directions in deciding whom to give tax incentives to, and how much to give?

-- Was GOED purposely putting out inflated numbers on how many jobs were being created by participating businesses?

-- And were the wages of those jobs being fairly calculated, or were the salaries being inflated by including health insurance benefits?

Chris Otto, head staffer on the Dougall audit, said the GOED director has such great flexibility and power, that he basically decides for himself whether a business qualifies for tax exemptions, and whether those exemptions can range from \$30,000 over five years to \$1.6 million over 20 years.

Hogwash, says Jerry Oldroyd, chair of the GOED board's incentive subcommittee.

The board, made up of leading businessmen and women in Utah, while officially holding just an advisory role, is intimately involved in every GOED contract and personally oversees all payments made out to various qualifying businesses.

In short, for every \$1 that GOED gives out in post-incentive tax breaks, more than \$3 is returned to state coffers in taxes paid by those very firms and related economic development.

"You show me any other state program that has a three-to-one return?" Hale challenged the legislative leaders.

Herbert, who was not personally at the hearing, although some of his top staffers were, has been absolutely giddy in recent months shouting the accomplishments of GOED.

Asked at one point by a legislator if he could give a number of how many jobs GOED has created and at what cost to taxpayers, Hale said in recent years 13,000 jobs have been created.

Today, Utah's unemployment rate is 3.6 percent, one of the lowest in the nation. Without those 13,000 jobs, unemployment here would be 4.6 percent. And billions of dollars in economic growth is directly attributable to GOED efforts, said Hale and Oldroyd.

But as of today \$600 million in tax incentives have been given to qualifying businesses – albeit provided AFTER an incentivized-firm has proven job hires and economic development.

And Rep. Tim Cosgrove, D-Murray, said with so many demands on state government – like increased spending on public education – lawmakers have to be sure every tax money is well spent.

Hey, countered Hale, it may be true – as the Dougall audit points out – that GOED tax incentives are on an upward curve to hit more than \$1 billion in a few years – “But I would hope it would be three times that (\$600 million).”

For at a 3-1 ratio, that would mean that there would be more than \$3 billion in economic growth that would be there because of GOED's program.

“Well, we haven't heard the last of this,” predicted Senate Budget Chairman Lyle Hillyard, R-Logan, as the committee voted to send the Dougall audit to a business committee for further review, with the hope there will be suggested changes in how GOED can better operate coming to the 2015 Legislature.