

**Minutes of the Commerce and Workforce Services Appropriations Subcommittee Meeting  
September 10, 2008 Room 250, State Capitol**

Members Present: Sen. Jon J. Greiner, Co-Chair  
Rep. Michael T. Morley,  
Co-Chair Sen. Wayne  
Niederhauser Sen. Karen Mayne  
Sen. Mark B. Madsen Rep. Sylvia  
S. Andersen Rep. James A.  
Dunnigan Rep. Craig A. Frank  
Rep. Lynn N. Hemingway Rep.  
Mark A. Wheatley Rep. Larry B.  
Wiley

Staff Present: Danny Schoenfeld, Fiscal Analyst  
Mary Andrus, Secretary

Speakers Present Sherrie Hayashi, Labor Commission  
Dave Lamb, Labor Commission  
Kristen Cox, Department of Workforce Services (DWS)  
Bill Greer, DWS Helen Thatcher, DWS Ed Leary,  
Financial Institutions Mark Steinagel, Department of  
Commerce

A list of visitors and a copy of handouts are filed with the committee minutes.

**1. Call to Order – Welcome**

Co-Chair Morley called the meeting to order at 8:10 a.m.

Danny Schoenfeld, Fiscal Analyst, went over a handout relating to the Employers Reinsurance Fund (ERF) and the Uninsured Employers Fund (UEF). He made a recommendation that the Fiscal Analyst office would track these two funds.

**2. Labor Commission Update**

Sherrie Hayashi, Commissioner, Utah Labor Commission, was before the committee. She turned the time over to Dave Lamb, Director of Administrative Services, Utah Labor Commission. He reviewed the handout regarding the Employers Reinsurance Fund and Uninsured Employers Fund.

Rep. Morley commented that it appears there are ample funds to handle any outstanding claims in both funds and the goal is to be fully funded by 2011.

Rep. Frank commented that the purpose of account is to satisfy all the claims and then dissolve itself. He asked if there was any projection when that will occur. That information was not available but will be provided.

Sen. Niederhauser commented that the expenses were maintaining a certain level except that administrative expenses were going up. Mr. Lamb explained that the biggest percentage of the increase were legal expenses.

### **3. Workforce Services – eREP Progress Report**

Kristen Cox, Executive Director, Workforce Services gave a brief overview on the eREP Progress Report and the pilot program in American Fork. Director Cox let the committee know that they were meeting their timelines and milestones in regards to this project.

Rep. Frank asked for an review of the cost overruns. The program was reported to be within budget. Handout “eREP Rollout Schedule” was reviewed.

Senator Greiner commented about the timeline of the project. Director Cox stated that it was mostly a training resources issue. Bill Greer, Department of Workforce Services (DWS), commented that the conversion of the files is also an issue.

Senator Mayne asked about the caseloads of the staff and expressed concern that the staff is sensitive to the needs of those new to the system. Co-Chair Morley commented.

### **4. Workforce Services – Update on Workforce Investment Act Rescissions**

Director Cox discussed the handout “Workforce Investment Act (WIA) Rescissions.” She reported that she and her committee have been asked by Gov. Huntsman to work on a 21st Century Workforce Plan based on a report that came out last spring entitled “Tough Times, Tough Choices.” A steering committee of 17 legislative and community leaders has been formed.

Rep. Morley asked how the demographics are changing in the state. It was reported that the non-white citizens will comprise 20% of the state’s population, and that minority population and diversity will be changing in the state. The director was asked to review how the Adult and Youth programs are impacted by the rescission.

Helen Thatcher, DWS, discussed dislocated and laid-off workers and the departments efforts to get them back in the job marker, i.e. the LaZy-Boy Company layoffs. They are working on training programs and literacy programs for youth. She reported that the caseload is remaining relatively constant.

Rep. Wheatley asked how the changing demographics of the state will impact the workforce. He also asked if the students in today’s schools will have the skills to be flexible and adaptable in the changing economy.

Rep. Anderson commented on the tax incentives that the state offers large corporations that come into the state and inquired if there is any clause that makes allowance for a retraining fund for displaced employees if they should leave the state.

Rep. Hemingway referred to the LaZy-Boy layoffs in the northern part of the state. It was reported that there are a number of companies coming into that part of the state that will hopefully be able to absorb some of the laid-off workers.

Sen. Mayne complemented the program for their rapid response when the situations arise for needed cross training and help in finding new jobs.

### **5. Financial Institutions and Department of Commerce Update**

Ed Leary, Director of Financial Institutions, spoke to the committee and reviewed the handouts: “Utah Department of Financial Institutions, Utah Headquartered Depository Institutions” and “Utah Department of Financial Institutions.” He reported that it is presently an extremely difficult time for financial institutions, but that Utah is in a much better position than other parts of the country.

Rep. Hemingway asked about closing of the 11 banks in the U.S. this year and what may have caused the closures, such as loaning too much money, not meeting their debt, etc. Mr. Lamb explained that an institution that grows to twice or three times its size in a matter of a few years is usually under a lot of stress and how that growth was done could have lead to its demise. Regulators could have been more assertive.

Rep. Wiley asked about subprime loans. The market will no longer process those kinds of loans. The historic main line market loans are more stable.

Sen. Niederhauser was concerned about the 15,000 construction jobs that have been lost in Utah and the fact that lending institutions are pulling loans on these jobs. The revenues for the state are going down because of this problem. How can we give the banks more incentive to work through these issues? Mr. Lamb responded that it is a reaction typical of downturns. Banks retrench because of lack of liquidity. Mark Steinagel cautioned that in an effort to protect the public it may cause more liquidity problems. We should target the fraud without getting involved in the underwriting.

Sen. Mayne was concerned about the fall-out that affects all of us and that the financial institutions knew this problem was coming. Mr. Lamb commented that there is enough blame to go around.

Rep. Anderson, Mr. Lamb, and Mr. Steinagel discussed subprime loans.

Mark Steinagel, Department of Commerce, discussed the handout, "Utah Mortgage Market Update" dealing with sales of existing homes and foreclosure activity in the U.S. and selected western states. He thanked the committee for funding an additional investigator and fraud prosecutor in the AG's office. Sen. Greiner asked about the jail time involved in the recent fraud cases. Mr. Steinagel reported that they are federally prosecuted.

#### **6. Agency Building Block report for FY 2008-Update**

Danny Schoenfeld reviewed the handout "Building Block Follow-up."

#### **7. Working-4-Utah Initiative-Update**

Danny Schoenfeld reported that the Working-4-Utah initiative has been working without any negative reactions from the agencies he contacted. The pilot program will be updated as time goes on. Rep. Morley cautioned that 4-10's sometimes turns into 4-8's and should be watched.

Rep. Frank moved to adjourn. The motion passed unanimously. Rep. Morley adjourned the meeting at 10:33 a.m.