

**MINUTES OF THE
ECONOMIC DEVELOPMENT AND REVENUE
APPROPRIATIONS SUBCOMMITTEE**

Room 215 Senate Office Building, State Capitol Complex

January 21, 2009

Members Present: Sen. Ralph Okerlund, Co-Chairman
Rep. Sheryl Allen, Co-Chairman
Sen. Gene Davis
Sen. Sheldon Killpack
Rep. Jackie Biskupski
Rep. Julie Fisher
Rep. Chris Herrod
Rep. Christine Johnson
Rep. Todd Kiser

Staff Present: Dr. Andrea Wilko, Chief Economist
Dr. Thomas Young, Economist
Jennifer Eyring, Committee Secretary

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

Sen. Okerlund called the meeting to order at 10:19 a.m. and introduced the purpose of the meeting.

MOTION: Rep. Fisher moved to accept the minutes from the September 25, 2008 meeting. The motion passed unanimously with Sen. Killpack and Rep. Johnson absent for the vote.

Tax Commission

Rod Marrelli, Executive Director, Tax Commission, introduced Julie Alsop, Budget Officer, and Pam Hendrickson, Chair, Tax Commission, and provided the committee with a handout entitled "Utah State Tax Commission, Consequences of Proposed Budget Cuts". The handout summarizes the proposed budget reductions, FTE reductions, revenue impact and service impact. Page 2 covers the reductions made in the special session held in September, 2008. Page 1 covers the proposed reductions for the current legislative session and are prioritized. Item 1 is the first priority to cut and item 10 is the first item to reinstate should funds be available. Mr. Marrelli discussed each item and the possible consequences and responded to questions from the committee. A discussion was held about changing the motor vehicle renewal packets to a reminder postcard. The amount of information on the card and convenience to the public were considered. The possibility of lowering state wages instead of laying off employees was discussed. Rep. Allen requested that the Tax Commission evaluate their car policy for FY2010.

Community and Culture

Palmer DePaulis, Executive Director, Department of Community and Culture, addressed the committee concerning the proposed budget cuts. The Department provided a handout to the committee outlining FY2009 proposed budget cuts, including information on funds appropriated, disbursed, and available, and the percentage of the proposed reductions.

Non-lapsing authority was requested for the digitization program funding and for the Office of Indian Affairs. "We Shall Remain" is a program funded through the State Office of Education, but the contracts are being paid from the Office of Indian Affairs which requires a transfer of funds. It was requested that the Arts Council and the Office of Museum Services remain as two separate line items. The point was clarified that reductions are personnel reductions, not grant and program reductions. Questions from the committee were addressed concerning ways to maintain museum support with proposed budget reductions.

Ally Isom, Deputy Director, Department of Community and Culture, answered questions concerning how funds are dispersed. The Department is looking at establishing a more consistent policy.

The committee expressed concern that because of the different methods of disbursing funds, some projects are held harmless, while others take a disproportionate reduction to make up the difference.

Kim Hale, Finance Director, Department of Community and Culture, Ally Isom, and Dr. Wilko clarified the reductions to museums. The Museum Services support staff reduction of \$133,000 is a personnel reduction due to reorganization.

Mr. DePaulis provided information requested by the committee on clawbacks, FTE numbers and reduction percentages, and loss of Federal Funding to the Olene Walker Housing Loan Fund due to proposed state budget reductions.

Kimberley Schmeling, Budget Officer, Housing and Community Development, stated that the funding for the Proctor and Gamble project had been disbursed and not affected by budget reductions. The Proctor and Gamble project is expected to bring 1,100 jobs to Utah.

Mr. DePaulis stated that the Department's first priorities for FY2009 should any funding be available are personnel, digitization, and housing.

Governor's Office of Economic Development (GOED)

Jason Perry, Executive Director, GOED, reiterated that the budget reductions have included the Department and not just pass through money to other entities. The biggest impact issues include Tourism, the Motion Picture Incentive Fund, and the Sports Commission because these incentive programs have an immediate return to the state.

In response to requests from the committee, the following issues were discussed.

1. The Department is looking into the possible privatization of the Manufacturing Extension Partnership (MEP).
2. The Business Resource Centers will have a detailed performance measurements through the coming year. Funding is in place for one year.
3. There are 16 Science camps funded through the Office in partnership with various programs throughout the state.
4. The Snow College Nursing Program will continue, but the program in Nephi will be eliminated with the proposed reductions.
5. The Pete Suazo Utah Athletic Commission will need to reduce the number of events to one or two per month.

Mr. Perry addressed questions from the committee.

Jeff Robbins, President and CEO, Utah Sports Commission, talked about significant events coming up and the financial benefit to the state. A packet containing information on the Commission and financial impact to the state was distributed to the committee. Projected loss of revenue to the state, due to budget reductions was discussed.

Mr. Perry gave the priority list for potential fill back should funds be available as follows:

- Tourism
- Sports Commission
- MEP
- Nursing program
- Science camps

Rep. Fisher requested that the nursing program be moved to the top of the list and it was agreed.

Leigh von der Esch, Managing Director, Office of Tourism and Film, addressed the advertising dollars spent by surrounding states, potential financial income and jobs, and the impact of potential budget reductions.

USTAR

Ted McAleer, Executive Director, USTAR, used a slide presentation to illustrate a case study of how the USTAR Tech Outreach teams interact with the Research Teams. The proposed reduction for the Tech Outreach program is 42% with additional deep cuts to the Research Team program. The presentation highlighted two projects from the energy focus area, including the return on investment. Partnerships include Utah businesses, entities from other states, and international businesses. The proposed budget reductions and ways to accomplish them were discussed. USTAR is looking at possible legislation that would use tax credits to offset budget shortfalls.

Dr. Wilko reviewed the agenda for the afternoon. The committee will vote on a 7.5% budget reduction for FY2009 and a 15% reduction for FY2010. The committee will also vote on a prioritized fill back list.

The Chairs Proposal handout was passed to the Committee.

MOTION: Rep. Johnson moved to recess until 2 p.m. The motion was passed unanimously with Sen. Davis absent for the vote.

Sen. Okerlund recessed the meeting at 12:26 p.m.

Afternoon Session

Rep. Allen called the meeting to order at 2:14 p.m. and opened discussion on the Chairs Proposal for FY2009.

FY2009

MOTION: Rep. Biskupski moved to approve the Chairs Proposal with the additional recommendation to allocate the remaining \$239,300 as follows:

MEP	\$43,400
Centers for Excellence	\$100,000
West Side Development	\$95,900

SUBSTITUTE MOTION: Rep. Kiser moved to approve the Chairs Proposal with the additional recommendation to allocate the remaining \$239,300 as follows:

West Side Development	\$89,300
Utah Sports Commission	\$150,000

Sen. Davis called for a division of the motion. The recommendation to allocate the remaining \$239,300 was divided from the Chairs Proposal.

A vote was taken on the remaining allocation portion of the Substitute Motion. The vote failed with Rep. Kiser in favor of the motion and Sen. Killpack absent for the vote.

Dr. Wilko explained the Centers for Excellence program, proposed reductions, and return of investment.

SUBSTITUTE MOTION: Rep. Herrod moved to allocate the remaining \$239,300 as follows:

Utah Sports Commission	\$100,000
MEP	\$50,000
West Side Development	\$89,300

The motion passed with Sen. Davis, Rep. Biskupski, and Rep. Johnson voting against the motion and Sen. Killpack absent for the vote.

MOTION: Sen. Davis moved to approve the Chairs Proposal as amended and take an additional \$100,000 from the USTAR Non Lapsing Balance and reallocate it to the zoos. This would make the total reduction of the USTAR Non Lapsing Balance for the amount of \$1,500,300.

Dr. Young explained the recommended reductions to USTAR funding and the amounts of non lapsing funding.

Rep. Fisher called for a division of the motion. The recommendation to take the additional \$100,000 from USTAR and reallocate to the zoos was divided from the Chairs Proposal as amended.

A vote was taken on the motion to further reduce USTAR by \$100,000 and reallocate those funds to the zoos. The motion passed with Rep. Fisher and Rep. Kiser voting against the motion and Sen. Killpack absent for the vote.

A vote was taken on the motion to accept the Chairs Proposal as amended. The vote passed unanimously with Sen. Killpack absent for the vote.

FY2010

Dr. Wilko reviewed the Budget Reduction Recommendations for FY2010, including FTE reductions.

Rep. Allen explained the Chairs Proposal for additional reallocations for FY2010 as found in the center of the page.

It was clarified that the Committee's role in this meeting is to establish a base budget recommendation for FY2010.

Jason Perry answered questions from the committee concerning the Motion Picture Incentive Fund.

MOTION: Sen. Davis moved to approve the FY2010 Chairs Proposed recommendations as found in the center of the page.

The Small Business Development Centers and the Business Resource Centers were discussed. Jason Perry addressed questions from the committee.

A vote was taken on the motion and passed with Rep. Biskupski, Rep. Herrod and Rep. Johnson voting against the motion, and Sen. Killpack absent for the vote.

MOTION: Rep. Fisher moved to adopt the FY2010 Budget Reduction Recommendations as amended. The motion passed with Rep. Biskupski and Rep. Johnson voting against and Sen. Killpack absent for the vote.

FY2009 Addbacks

The committee asked for clarification concerning FTE reductions in FY2009 from Dr. Wilko and Mr. Marrelli.

Rep. Kiser requested that each Department be given the opportunity to give their priorities to the committee.

Palmer DePaulis, DCC, requested that any add backs be returned to the digitization program.

Rod Marrelli, Tax Commission, had no requests.

Jason Perry, GOED, requested add backs be prioritized as follows:

- Motion Picture Incentive Fund
- Office of Tourism Film Commission, Program Support Reduction, for \$21,400
- Utah Summer games

Ted McAleer, USTAR, requested \$1,500,000 to non lapsing funds.

Heather Tritten, Executive Director, Utah Community Action Partnership, explained how the Income Tax Assistance Program helps qualified people get their Earned Income Tax Credits. Non lapsing funds were requested.

Clarification was made by Department heads concerning cut FTE positions in FY2009.

The committee established the priority list for possible fill backs for FY2009 as follows:

DCC Digitization	\$200,000
GOED Program support	\$42,700
Sports Authority-Pete Suazo	\$12,700
Motion Picture Incentive Fund	\$291,000
Utah Summer Games	\$20,000
USTAR	\$500,000

MOTION: Sen. Davis moved to approve the prioritization list as outlined. The motion passed unanimously with Sen Killpack absent for the vote.

Appreciation was expressed to the committee and all involved in this process.

MOTION: Sen Davis moved to adjourn. The motion passed unanimously with Sen. Killpack absent for the vote.

Rep. Allen adjourned the meeting at 4:15 p.m.

Sen. Ralph Okerlund, Co-Chair

Rep. Sheryl L. Allen, Co-Chair