

**MINUTES OF THE
BUSINESS, ECONOMIC DEVELOPMENT, & LABOR
APPROPRIATIONS SUBCOMMITTEE
Room 210, Senate Building
February 12, 2013**

Members Present: Sen. Brian E. Shiozawa, Senate Chairman
Rep. Jim Bird, House Chairman
Rep. Stewart E. Barlow, House Vice Chair
Sen. Curtis S. Bramble
Sen. Gene Davis
Sen. Wayne A. Harper
Sen. Scott K. Jenkins
Rep. Patrice M. Arent
Rep. James A. Dunnigan
Rep. Jeremy A. Peterson
Rep. Val L. Peterson
Rep. Dixon M. Pitcher
Rep. Angela Romero
Rep. V. Lowry Snow

Members Absent: Sen. Stuart C. Reid
Sen. Jerry W. Stevenson
Rep. Ryan D. Wilcox
Rep. Brad R. Wilson

Staff Present: Dr. Andrea Wilko, Chief Economist
Mr. Zackery King, Fiscal Analyst
Ms. Rosemary Young, Committee Secretary

Note: A list of visitors and copy of handouts will be filed with committee minutes.

Rep. Bird called the meeting to order at 8:02 a.m.

MOTION: Rep. Barlow moved to approve the minutes of February 4, 2013. The motion passed unanimously with Sen. Bramble and Rep. Val Peterson absent for the vote.

Governor's Office of Economic Development

Dr. Wilko reviewed the GOED Budget Brief pointing out that this agency houses many pass-through items which are funded on a one-time basis, so the budget is fairly volatile. All details may be found online by going to this committee on the Legislature home page.

Spencer Eccles, Executive Director, explained changes in their office, and Sophia DiCaro, Deputy Director, addressed the intent language and the agency's desire to be able to carry over obligations which overlap fiscal years. The Executive Director with the help of a slide presentation covered the following requests: the General Fund transfer adjustment request of \$125,000 to the following units: \$45,000 to CKA and \$80,000 to CME to strengthen a global marketing strategy. No new federal grants are being requested, but GOED is requesting an adjustment to move \$700,000 from FY 2013 to FY 2014 for the Level I Establishment Grant. Also being requested is a dedicated credit increase of \$213,900 in FY 2013 and \$646,600 in FY 2014 for Avenue H, formerly known as the Utah Health Exchange. There were concerns expressed by the committee about Avenue H.

The Executive Director referred to the agency's statutory authority and mission, particularly mentioning the mandate to promote the state to have it be recognized as a premier global business destination. The organizational structure and funding sources and disbursements were reviewed, also upcoming bills were mentioned: Amendments to Economic Development - Rep. Wilcox (a clean up bill), Outdoor Recreation Act - Sen. Stevenson (create an outdoor recreation office), and Amendments to Economic Development Laws - Rep. Snow (codifies internal best practices and makes activities more transparent). The following budget adjustments are requested: EDTIF cash rebates - FY 2013 \$2,400,100 and FY 2014 \$2,747,700, Industrial Assistance Fund replenishment - FY 2013 \$1,884,000, Tourism Marketing Performance Account - FY 2014 \$11,000,000, Avenue H - FY 2014 \$600,000, Business Marketing Initiative - FY 2014 \$650,000, Small Business Development FY 2014 \$350,000, Outdoor Recreation Act FY 2014 \$100,000 ongoing. The Tourism Marketing Performance Fund covers the entire state and is especially important for rural Utah which depends greatly on the tourism industry. The summer tourism campaign video was played for the committee. Since the economic downturn the campaigns have been shown only in targeted areas rather than nation wide.

David Williams, Utah Office of Tourism, explained how return on investment is tracked. For each ad an independent firm does two surveys, one soon after the ad and a second after there has been time to act on the ad. Utah's competitors have more money to spend on similar ad campaigns and do have a larger market share. The ROI is lower with a regional campaign than it was with a national campaign. There was discussion about international tourism efforts. It has been effective to combine business trade missions with tourism. Now culture has also been added. In addition to ROI there have been employment gains in the tourism industry. Corporate recruitment was discussed, and it was emphasized that all incentives are post performance. Jobs created typically pay 125% or more of county average wages. All programs are available to in-state or out of state companies. There are Business Resource Centers all over the state to aid development of small businesses. There was discussion of the SBIR federal program and which agency administers it.

Department of Insurance

Todd Kiser, Commissioner, accompanied by Patrick Lee, Financial Officer, through a power-point presentation and handout reviewed some Insurance Department facts for FY 2012: handled 108,366 consumer and licensee inquiries and complaints, received 50,202 rate/form filing requests, 275 administrative/disciplinary actions were taken against agents, agencies, and companies. The Fraud Division received 676 referrals and opened 217 new cases. The Financial Examination Division conducted 12 domestic financial examinations. The National Association of Insurance Commissioners was explained, and the committee was informed that the Utah department is certified through this body and that the NAIC promotes state autonomy in regulations while encouraging some consistency across the United States. One goal of the department is to raise the examiners and analysts to a qualification level which meets NAIC certification. It was pointed out that in FY 2012 there was \$7,127,325 General Fund Revenue which comes from company fees, agent fees, and licensure. These fees are paid for the purpose of regulation of the industry. Of this amount \$1,232,425 was lapsed to the General Fund.

General liability insurance premiums are based on volume of business. A bar chart shows that premium taxes peaked in 2009, fell in 2010 and 2011, but they have risen in 2012, a positive sign. There was a question as to whether foreign insurers are taxed but domestic insurers are not and what the rate is.

Captive Insurance growth was discussed by Ross Elliot, Director of the Captive Insurance Division. A growth of about 26% each of the past two years has placed Utah second in the country and fifth in the world in the field. Requests in the Governor's Budget: Property and Casualty rate and forms technician - \$82,100; Auditor and office specialist Examinations Division \$149,900; non-lapsing authority in FY 2014; \$100,000 to address

the need for training and certification; \$213,100 for additional analysts and auditors Captive Division; \$427,700, Restitution for victims of insurance fraud, which is a pass-through amount. HB 47, currently being carried, would change this so that the funds from judgements would automatically flow from the courts to the victims and would do away with the need for this appropriation.

Rep. Bird relinquished the chair to Rep. Barlow.

Tomi Ossana, HIPUtah Executive Director, with a handout and power-point slides reviewed the HIPUtah program which provides reasonable access to health insurance for Utahns with serious medical conditions who are considered uninsurable. Currently coverage is provided for approximately 3,400 enrollees. The program satisfies a federal requirement that arises from the HIPAA Act of 1996. Accomplishments noted were: approximate \$500,000 negotiated administrative savings with Select Health, 6.5 % increase in premiums for FY 2013, 900 enrollees given premium assistance through a federal grant, continued savings through 340B pharmacy pricing through a University of Utah Pharmacy contract. Federal-HIPUtah, also known as the Pre-existing Condition Insurance Plan and totally federally funded, provides coverage for approximately 1,400 enrollees. The loss ratio for HIPUtah is 1.45 and 7.75 for Federal-HIPUtah. HIPUtah enrollment decreased in FY 2012 due to the availability of Federal-HIPUtah. The federal program has aided the financial situation of HIPUtah, and the reserve level goal is decreased because it is anticipated that the program will be incorporated into the Exchanges by December 31, 2013.

There was discussion as to how to make insurance affordable, which was the goal of HIPUtah in the first place. State based reinsurance could replace HIPUtah, but the federal government made a change in the proposed rule for reinsurance, so there are many unknowns at the present time.

MOTION: Sen Davis moved to adjourn. The motion passed unanimously with Sen. Bramble, Sen. Harper, Sen. Jenkins, Rep. Val Peterson, Rep. Pitcher, and Rep. Bird absent for the vote.

Rep. Barlow adjourned the meeting at 9:47 a.m.

Sen. Brian E. Shiozawa, Chair

Rep. Jim Bird, Chair