

(Draft awaiting final approval)
**MINUTES OF THE
BUSINESS, ECONOMIC DEVELOPMENT, & LABOR
APPROPRIATIONS SUBCOMMITTEE
Room 210, Senate Building
October 28, 2015**

Members Present: Sen. Brian E. Shiozawa, Senate Chairman
Rep. Dixon M. Pitcher, House Chairman
Rep. Stewart E. Barlow, House Vice Chair
Sen. Gene Davis
Sen. Ann Millner
Sen. Jerry W. Stevenson
Rep. Johnny Anderson
Rep. Patrice M. Arent
Rep. Jeremy A. Peterson
Rep. John R. Westwood

Members Excused: Rep. Val L. Peterson

Members Absent: Sen. Curtis S. Bramble
Sen. Wayne A. Harper
Sen. Evan Vickers
Rep. James A. Dunnigan
Rep. Mark Wheatley
Rep. Brad R. Wilson

Staff Present: Dr. Andrea Wilko, Chief Economist
Ms. Clare Tobin Lence, Fiscal Analyst
Ms. Rosemary Young, Committee Secretary

Note: A copy of related materials and an audio recording of the meeting can be found at www.le.utah.gov.

Sen. Shiozawa called the meeting to order at 8:39 a.m.

Department of Alcoholic Beverage Control Budget Review

Dr. Andrea Wilko used documents found on line under "meeting materials" associated with today's meeting to make a comparison of revenues and expenditures of the past 6 years. It was pointed out that Utah is one of two totally state run alcoholic beverage control systems, and the basic functions of the department were enumerated. The yearly budget is about \$40 million, and in FY 2015 \$94.5 million was lapsed to the General Fund in profits, an additional \$19 million in sales tax revenue, and \$42 million in earmarks to school lunch, public safety and parents empowered. The department has an impressive automated warehouse. Last session a one-time non-lapsing authority up to \$2 million was allowed to upgrade the management information system.

Sal Petilos, Director, DABC, accompanied by David Higley, Finance Division, reported on the implementation of the new software system and responded to questions from the committee.

Sen. Stevenson addressed the liquor policy in the state especially relating to the tourist industry and the possibility of legislation in the upcoming session. There was discussion of the issues of the cut in the transportation budget, employee salaries, selection of products, why packaging agencies may close, the growth of 5% per annum in sales, and whether fees are shared with tribal units

John Dougall, State Auditor, was accompanied by Hollie Andrus, Financial Audit Director, who reported on the 4 areas which the audit looked at: 1- business management, 2 - inventory control, 3 - retail operations, and 4 - licensee oversight.

Director Petilos responded to the audit report.

Governor's Office of Economic Development Budget Review

Dr. Wilko suggested that the committee may want to create a separate line item for pass-through funds in the GOED budget. It was pointed out that the one-time allocation of \$15 million to the STEM Action Center explains the jump from FY2014 to FY2015. Fees as found in SB 8 2015 General Session were explained. Also focused on was the fiscal note follow-up report on the administration of the Avenue H Health Insurance Marketplace. Allocated was \$650,000, but only \$250,000 was used because of the success in finding grants and other funding.

Dr. Kimberly Henrie, Deputy Director, accompanied by Ben Hart, Managing Director for Urban and Rural Business Services, expressed the regrets of Val Hale, Executive Director, who was out of state. Copies of the 2015 Annual Report & Resource Guide were distributed to the committee. The agency is requesting to reallocate the \$400,000 from Avenue H to the St. George Welcome Center in the Tourism line. A new utahtechnetwork.com site has been rolled out as part of the business branding project and was introduced with a video. Last year's audit was responded to. SB 179 which went into effect Sept. 1, addressed several of the recommendations, and these were explained to the committee. The prioritization of GOED's incentives was discussed. Alternative Energy Tax Credit is a program which has not attracted any interest and might fit better elsewhere.

Virginia Pearce, Utah Film Commission, explained how states compete with one another or with Canada to attract film production to the state.

Ben Hart responded to questions concerning a program which serves a similar purpose to USTAR. GOED works with companies which are closer to commercialization than those USTAR works with. Also USTAR works more with the universities. GOED and USTAR do work together in this area.

Vicki Varela, Utah Office of Tourism, reported that the Tourism Marketing Performance Fund is important and the agency is requesting a \$3 million increase. It would be used to expand rural tourism destinations among other things. Many international visitors come through Las Vegas, so the St. George Welcome Center is important. Canada is our first foreign market, but China is becoming an important market. Since 2006 tourism has grown 44% as opposed to other states who have had growth of 36%.

Patty Conner, Director of Avenue H, responded to questions about the shut down of Arches Health Plan which currently insures about 14% of Utah small businesses.

Heritage and Arts Budget Review

Dr. Wilko briefly reviewed the Heritage and Arts budget referring to charts available on line. Fees from SB 8 are in broad categories and are stable from year to year.

Julie Fisher, Director, Department of Heritage and Arts, accompanied by Jill Flygare, Finance Director, and Geoffrey Fattah, Communications Director, thanked the committee for creating the line item for pass-through funds which has made it clearer as to what the department's actual budget is. Funding which was provided during the last session for a community library enhancement fund and for museum grants was well used in communities throughout the state, as well as funds for art restoration. Digitization of historic photos and newspapers is going forward and they are available on line. A project to digitize archaeological site records will be finished by the end of the year. The Division of State History provides historic preservation tax credits which help towns preserve historic buildings. Heritage tourism brings in over \$718 million to the state's budget. Division of Arts & Museums was able to hire a museum specialist and a folk art specialist.

Brian Somers, Deputy Director, reported on the State Library Division and the success of the bookmobiles and the braille library which is the largest in the world. Two thirds of Utahans have library cards. The Office of Multi Cultural Affairs holds a leadership summit which has seen a 240% increase in attendance since April 2013. Ethnic minorities comprise 27% of Utah preschoolers, and San Juan County is now 53% minorities. A matter of concern to this office is the disparity of academic achievement between minorities and non-minorities. The Division of Indian Affairs reports an increase of 10% in graduation rates, but the rate is still only 65%. There are about 60,000 Native Americans in Utah. U Serve Utah distributes the AmeriCorps funding from the Federal Government and encourages service and volunteerism. Utah has ranked first in the nation in volunteering for 9 years.

Financial Institutions Budget Review

Analyst Lence briefly reviewed the agency budget pointing out that all funds are from restricted accounts. Regulatory fees were recently reduced to more closely align with department

expenditures. In the fiscal note follow up it was noted that a new finance director position was created and two new examiners were hired. Assets under supervision is a performance measure which is used. The recent recession affected the number of assets.

Edward Leary, Commissioner, accompanied by Michael Jones, Finance Director, reminded the committee that all institutions under their supervision choose to be under state charter. These institutions represent \$138 billion in total assets. The agency's mandate is to maintain safety and soundness in these institutions. The national banking association conducted a case study competition inviting universities to do studies matched with a local institution of their choice to discover how that bank survived the "Great Recession." The University of Utah took advantage of the opportunity, studied the Bank of American Ford, and won the competition. The fact that there is still a disparity between fees taken in and expenditures was discussed.

Labor Commission Budget Review

Analyst Lence reviewed the mission and budget of the Labor Commission referring to materials available on line.

Sherrie Hayashi, Chair, Utah Labor Commission, assisted by David Lamb, Director of Administrative Services, explained that reports on industrial accident claims are now coming in electronically. Security has been a concern, but there is now better security infrastructure. The move of the southern office from Parowan to St. George was for better customer service primarily in the adjudication division. The new facility is ideal for the agency's needs and the owner bore the expense of renovations and allowed the use of existing excellent desks. It was reported that the wage claim case load has been reduced due to two temporary positions. This allowed investigators to spend their time more efficiently. Case closures on a monthly basis have improved, but there is still a backlog. The fact that the Workers Compensation Fund is no longer a state institution was discussed, and it was noted that there are over 200 workers compensation insurance carriers in the state.

Heather Gunnerson, Director, Adjudication Division, reported no increase in the number of claims handled in the St. George office.

Dr. Kurt Hegmann, Rocky Mountain Center for Occupational and Environmental Health, University of Utah, accompanied by Dennis Lloyd, Senior Vice President, Workers Compensation Fund, explained that this center is one of 18 in the U.S. which deals with graduate training in programs to make the workplace safer and lower workers compensation premiums. Industrial hygiene, ergonomics and safety, and occupational injury prevention are among the subjects addressed. Work is done to reduce use of opioids and to reduce truck crashes.

Dennis Lloyd acts as chair of the advisory board for the Rocky Mountain Center and further reported on the work of the Center which is part of the University of Utah School of Medicine.

Business, Economic Development, & Labor Appropriations Subcommittee

October 28, 2015

Page 5

The Center can bring in Federal grants to support their efforts. Paul Rogers distributed a graph showing a significant decline in industrial accidents since 2001.

MOTION: Sen. Davis moved to adjourn. The motion passed unanimously with Sen. Stevenson, Rep. Arent, and Rep. J. Peterson absent for the vote.

Sen. Shiozawa adjourned the meeting at 12:28 p.m.

Sen. Brian E. Shiozawa, Chair

Rep. Dixon Pitcher, Chair