

**MINUTES OF THE
BUSINESS, LABOR, AND ECONOMIC DEVELOPMENT INTERIM COMMITTEE**

Wednesday, July 12, 2000 - 2:00 p.m. - Room 403 - State Capitol

Members Present:

Sen. Parley Hellewell, Co-Chair
Rep. John William Hickman, Co-Chair
Sen. Gene Davis
Sen. Robert M. Muhlestein
Sen. John L. Valentine
Rep. Gerry A. Adair
Rep. Patrice M. Arent
Rep. Afton B. Bradshaw
Rep. Katherine M. Bryson
Rep. Don E. Bush
Rep. Ben C. Ferry
Rep. Wayne A. Harper
Rep. Brad King
Rep. David L. Zolman

Members Absent:

Sen. Eddie "Ed" P. Mayne
Rep. Carl W. Duckworth
Rep. Lowell A. Nelson

Staff Present:

Ms. Mary Catherine Perry,
Research Analyst
Ms. Patricia Owen,
Associate General Counsel
Mr. Keith M. Woodwell,
Associate General Counsel
Ms. Beverlee LeCheminant,
Legislative Secretary

Note: A list of others present and a copy of materials distributed in the meeting are on file in the Office of Legislative Research and General Counsel.

1. Call to Order - Chair Hickman called the meeting to order at 2:15 p.m.

MOTION: Rep. Bush moved to approve the minutes of the May 17 and June 14, 2000 meetings. The motion passed unanimously with Sen. Mayne and Reps. Adair, Bryson, Duckworth, and Nelson absent for the vote.

2. Committee Business - Rep. Hickman introduced Dr. Kelly Matthews, Professor Thayne Robson, and Mr. Jeff Thredgold.

3. State and National Economic Outlook -

A. Mr. Jeff Thredgold - Mr. Jeff Thredgold, President, Thredgold Economic Associates and Economic Consultant, Zion's Bank, indicated that the national economy is doing extremely well and the nation is experiencing one of the longest economic expansion in the nation's history. He said that the nation's budget has turned around and is now running a surplus due to more than nine years of economic growth, spending cuts, a surplus in social security, and aggressive tax rates.

Mr. Thredgold said that in terms of employment issues, the nation as a whole is essentially at full employment and beyond full employment in many of the individual states.

Mr. Thredgold said that inflation should not be viewed as a major problem. The rise in inflation in the last year is due almost entirely to the rise of oil and tobacco prices. He stated that the biggest factor that is keeping inflation under control is competition and the investment in technology is now paying off. Mr. Thredgold indicated that as to interest rates, signs of the United States' economic slowing, ballooning budget surpluses, and indications that inflation will remain a nonevent will all contribute to slightly lower United States long-term interest rates later this year.

Mr. Thredgold indicated that the global economy is doing well and this has positive implications for rising tourism to Utah and on rising demand for Utah products of all types. He said that the economic environment for Utah going forward is positive. Mr. Thredgold provided committee members with copies of Zions Bank Insight, Summer 2000.

B. Prof. R. Thayne Robson - Prof. R. Thayne Robson, Director, Bureau of Economic and Business Research, University of Utah, made eleven assertions regarding Utah's current economic conditions: 1) the global economy is growing at a sustainable rate; 2) the national economy is growing too fast and must slow down; 3) Utah's economic growth has slowed down and needs to speed up; 4) Utah's population growth continues and the student population explodes; 5) Utah's growth sectors are construction, services, and trade; 6) Utah needs more growth in high technology and high technology manufacturing; 7) Utah's income is growing but varies substantially among the counties; 8) tourism is a growth activity in Utah and is especially important in parts of rural Utah; 9) measures to counter post-Olympic slowdown; 10) Utah's education system needs more emphasis on "New Economy" industries and occupations; and 11) the longest recovery on record seems secure for at least two more years, but there are no guarantees.

Mr. Robson discussed charts showing Utah's growth in total and school aged population; growth in employment by industry June to June; personal and per capita income by county in Utah; construction activity in Utah 1990-1999, and First Quarter 2000; domestic and international travel expenditures and employment by state 1997; estimated spending by travelers by county in Utah 1993-1998; tourism related employment 1997 and 1998 by county in Utah; and actual and estimated indicators for Utah and the U.S. - May 2000. Mr. Robson provided committee members with copies of the charts, the Utah Economic and Business Review for January/February of 2000, and the Utah Construction Report for January, February, and March of 2000.

C. Dr. Kelly K. Matthews - Dr. Kelly K. Matthews, Executive Vice President and Chief Economist, First Security Bank Corporation, drew the committee's attention to three specific problem areas in the state's economy. He indicated that the first problem area is the ability for Utah to manage its education system. He focused on the marginal increase in the number of students in the state's public school system and indicated that little improvement has

been made in terms of the position nationwide relative to the average per pupil expenditure. He expressed concern that notwithstanding the strong economy Utah had during this past decade, Utah arguably did not make any net impact in terms of maintaining or improving educational quality. To face what are solid projections in education needs over the next decade, the only chance the state has is to grow the economy so that it increases the tax base or else run the risk of higher taxes which may negatively impact Utah's competitiveness in job growth.

Mr. Matthews indicated that the second problem area is the likely decrease in construction job growth. This is made more critical because in the past construction jobs have been a significant portion of the state's job growth.

Mr. Matthews stated that the third problem area is the hotel and motel industry. The hotel industry in Utah has dropped from an 80 percent occupancy as recently as 1994-95 towards 60 percent now and possibly towards 50 percent in the near future. He pointed out that the economic realities of running those hotel and motel properties is that they are having to cut costs and do more with less. Mr. Matthews indicated that as the economic realities of running the hotel and motel properties worsen, hotel and motel owners may begin cutting back and as a result, they may be less prepared to accommodate visitors during the Olympics in 2002.

Mr. Matthews stated that the three issues he has discussed are important in terms of the Legislature's deliberations and need to be handled carefully. He indicated that the state needs to keep enough money flowing into its schools. In turn, the schools need to turn out quality students who will be attractive employees, which can attract businesses to locate in Utah and subsequently expand the tax base. Mr. Matthews provided committee members with a monthly economic outlook and forecast and a chart on employment information.

4. Adjourn

MOTION: Rep. Adair moved to adjourn. The motion passed unanimously with Sens. Davis and Mayne and Reps. Bryson, Duckworth, King, Nelson, and Zolman absent for the vote.

Chair Hickman adjourned the meeting at 4:32 p.m.

