

**MINUTES OF THE
BUSINESS, ECONOMIC DEVELOPMENT, & LABOR
APPROPRIATIONS SUBCOMMITTEE**

Room 210, Senate Building

January 31, 2014

Members Present: Sen. Brian E. Shiozawa, Senate Chairman
Rep. Jim Bird, House Chairman
Rep. Stewart E. Barlow, House Vice Chair
Sen. Gene Davis
Sen. Wayne A. Harper
Sen. Scott K. Jenkins
Sen. Stuart C. Reid
Sen. Jerry W. Stevenson
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
Rep. Ryan D. Wilcox
Rep. Brad R. Wilson

Members Absent: Sen. Curtis S. Bramble

Staff Present: Dr. Andrea Wilko, Chief Economist
Mr. Zackery King, 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.

Chair Bird called the meeting to order at 8:07 a.m.

Department of Alcoholic Beverage Control

Dr. Wilko, Chief Economist, reviewed the DABC budget in SB4. It is recommended that the Markup Holding Fund, one of the two sources of funds for the department, be appropriated to the Liquor Control Fund and from there be appropriated to the programs it funds. There are no Federal funds, but there are fees which have not changed. It is anticipated that DABC will lapse to the General Fund in 2014 \$86,082,000 and in 2015 \$92,437,000.

Sal Petilos, Director, and Benjamin Buys, Finance Director, appeared before the committee and explained that their mission and responsibilities are threefold: 1. Conducting, licensing, and regulating the sale of alcoholic products in a manner and at prices that reasonably satisfy public

demand and public interest. 2. Promoting the reduction of the harmful effects of over consumption by adults, consumption of alcoholic beverages by minors, and impaired driving. 3. Enforcing the Alcoholic Beverage Control Act, fairly and equitably. The four functions of DABC are: Parents Empowered, which deals with underage drinking; compliance, which deals with licensing; operations, which covers sales; and finance. A partnership has been formed with the US ski team to discourage underage drinking. Licensing covers from manufacturers through to restaurants. In 2010 the sales taxes generated by alcoholic beverages was \$14,688,985. In 2013 sales taxes had risen to \$17,882,083. The matter of salaries and full-time positions in the department was discussed. Employees must be 21 years of age and be able to pass a criminal background check. The need for licenses was brought up. There is a waiting list for club licenses, and the wait can be as long as 18 months. Licenses are by quota based on population. The matter of "intent to dine" was discussed. Presently there is not uniformity in how restaurants are handling the matter, and the department is not interested in dictating on it. A list of the number of available licenses by type was requested.

Dr. Wilko walked the committee through some sections of the budget which had not been voted on yet.

MOTION: Rep. Wilcox moved that the \$7,505,200 in the Markup Holding Fund be appropriated to the Liquor Control Fund. The motion passed unanimously with Sen. Jenkins and Sen. Stevenson absent for the vote.

MOTION: Rep. Dunnigan moved to adopt the Liquor Control Fund line item as amended. The motion passed unanimously with Sen. Jenkins and Sen. Stevenson absent for the vote.

MOTION: Sen. Shiozawa moved to reallocate \$3M from the Tax Commission nonlapsing balances to allocations to be determined later. The motion passed unanimously with Rep. Romero absent for the vote.

MOTION: Sen. Shiozawa moved to adopt the Tax Commission line items as amended. The motion passed unanimously with Rep. Romero absent for the vote.

MOTION: Sen. Shiozawa moved to approve the line items for the Public Service Commission. The motion passed unanimously with Rep. Romero absent for the vote.

Governor's Office of Economic Development

Dr. Wilko reviewed the GOED budget as found in SB4. There was discussion as to whether the STEM Action Center fits well in this office. There was also discussion as to when and how this program should be assessed as to performance. Rep. Peterson reminded the committee that

STEM was placed in GOED because of the support of business partners. The Analyst recommends that up to \$10M from the Industrial Assistance Fund be reallocated.

Spencer Eccles, Executive Director, and Sophia DiCaro, Deputy Director, of GOED distributed copies of the 2013 Annual Report and Business Resource Guide. There are nine boards associated with the office. Sophia DiCaro reported that 70% of their budget comes from the General Fund, one half of which is one-time funds. General Fund Restricted comprises 23% which goes to the Tourism and Marketing Performance Fund. There are also some Federal funds and IAF administration funds. The majority of funds go to Tourism, Film and Global Branding line item. Twenty-one percent goes to pass through appropriations and twenty percent goes to STEM Action Center. There are 75 employees in the GOED office. There is a fellowship and internship program which will be recruiting again in the spring.

Director Eccles reviewed the intent language dealing with nonlapsing funds. It was pointed out that most of the nonlapsing is due to contracts that overlap fiscal years and that the amount being carried over each year is decreasing. One funding adjustment being requested has to do with transferring Utah Defense Alliance \$650,000 to the Department of Veterans Affairs. Dedicated Credits adjustments having to do with the STEM Action Center are requested in the amount of \$1.5M FY2014 and \$1.5M for FY2015 to enable the Center to take on the contributions coming in from the private sector and allocate them as needed. There is a lot of interest from the private sector in being involved in the STEM Action Center. There was discussion about Avenue H which is the Utah Health Exchange some of whose budget is federal grants which the legislature must approve expenditure of. Also the office reported that 9,900 have been enrolled in the life of Avenue H, about 1,400 since October.

Christopher Conabee, Managing Director of Corporate Recruitment and Business Services, discussed performance measures in Economic Development Tax Incentive Fund and Industrial Assistance Fund. State rebates are post performance based on the jobs created and salaries paid. An internal audit showed that the return would be \$1 to \$3.5. In reaching the goal of 100,000 jobs in 1,000 days, currently they are at 72,000 jobs in 780 days. Only jobs that are incented and that pay 125% of the county average wage are counted in these numbers. It was pointed out that what is important is to create a business friendly environment where jobs can be created. Part of this process is to review business regulations to make sure they are necessary.

The office requests that money not be taken from the Industrial Assistance Fund. Some of the money is encumbered in Project JBN and the rest is needed for other large scale projects in the pipeline. There was discussion of cell and broadband coverage in rural areas and its impact on business development. The biggest challenges faced in recruiting companies to Utah were identified as lack of knowledge of the state culture, air quality, and education. Qualities looked for in companies that are recruited are: financial stability, growth opportunities, and competition. Utah Fund of Funds was explained as a public-private partnership to provide the state's

entrepreneurs with increased access to a broad array of venture and private equity funding sources.

Department of Insurance

Dr. Wilko reviewed the Department of Insurance budget from SB4 and gave background on the several General Fund Restricted accounts. It is recommended that the General Fund appropriation to HIP Utah be eliminated as the program is being absorbed into the Federal ACA. Two restricted funds which have growing balances were addressed.

Tax Commissioner, Todd Kiser, with Patrick Lee, Director of Finance and Budget, reviewed his organization and mission. There are over 350 companies in Utah whose fees to the state are in excess of \$1.8M. Commissioner Kiser expressed the opinion that the most important work they do is examinations and audits to ensure that the companies in Utah have the capacity to pay the claims on the policies they write. Employees in the examinations division are well educated and well qualified. The National Association of Insurance Commissioners audits the Utah Insurance Department, and every five years the department has to pass an accreditation exam performed by the NAIC. That exam occurred this week and the department passed with flying colors. They have been very busy the last few years implementing the Affordable Care Act. The NAIC supports state sovereignty in handling insurance affairs. Education and accreditation are important. Insurance products touch citizens' lives from cradle to grave. The Tax Commission is one of the top contributors to the General Fund. From 2000 to 2010 insurance companies contributed \$1,342,000,000 in premium taxes to the state.

Staff turnover is a problem as people are recruited by other state agencies and the private sector. The pay scale is on the low side. A fee increase has been discussed with the Governor's office. The department is on track with the Governor's SUCCESS program by tracking performance measures in three divisions.

Patrick Lee, Director of Finance and Budget, discussed the budget as presented by Dr. Wilko and the phasing out of the Comprehensive Health Insurance Pool. Funding from restricted accounts was around 90% and from a federal premium review grant was just under 10%. The 10 General Fund restricted accounts are all statutorily based.

Tomi Ossana, Executive Director of HIPUtah distributed a handout and explained the transition of HIP Utah enrollees into the commercial insurance marketplace, effective January 1, 2014. Enrollees who are covered under the federal high risk pool known as the Pre-existing Condition Insurance Plan (previously Federal-HIPUtah) have until March 31, 2014 to enter the Federally Facilitated Marketplace. Run-out on claims will begin on January 1, 2014 and end December 31, 2014 unless extensions are granted for a possible two month period.

MOTION: Rep. Dunnigan moved to eliminate the General Fund in item 28 Line 286, S.B. 4. The motion passed unanimously with Sen. Davis absent for the vote.

MOTION: Rep. Dunnigan moved to appropriate \$2M of the eliminated General Fund to the GFR - Insurance Department Restricted Account by creating a new item within S.B. 4 under the Restricted Fund and Account Transfers Section. The motion passed unanimously.

MOTION: Rep. Dunnigan moved to appropriate the increased GFR - Insurance Department Restricted Account funds to the following program in item 27: Administration \$2M. The motion passed unanimously.

MOTION: Rep. Dunnigan moved to adopt the Department of Insurance Base Budget as revised. The motion passed unanimously.

MOTION: Rep. Val Peterson moved to adopt the GOED Base Budget as printed excluding Avenue H. The motion passed unanimously.

MOTION: Sen. Davis moved to approve the USTAR base budget as written. There was continued discussion about USTAR, pro and con. Sen. Reid recommended that USTAR be transferred to the higher ed appropriations committee.

MOTION: Rep. Wilson called the question. The motion passed with Sen. Harper and Sen. Reid voting in opposition

The original motion passed with Sen. Harper, Sen. Reid, Rep. Dunnigan, Rep. Pitcher, and Rep. Wilcox voting in opposition.

MOTION: Rep. Arent moved to adjourn. The motion passed unanimously.

Chair Bird adjourned the meeting at 11:08 a.m.

