

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

Room 25, House Building

January 29, 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. Wayne A. Harper
Sen. Ann Millner
Sen. Jerry W. Stevenson
Sen. Evan Vickers
Rep. Johnny Anderson
Rep. Patrice M. Arent
Rep. Jeremy A. Peterson
Rep. Val L. Peterson
Rep. John R. Westwood
Rep. Mark Wheatley

Members Absent: Sen. Curtis S. Bramble
Rep. James A. Dunnigan
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.

Rep. Pitcher called the meeting to order at 8:17 a.m.

Heritage and Arts Analyst Presentation and Agency Response Base Budget

Dr. Wilko pointed out the pass-through nature of parts of the Heritage and Arts budget and recommends moving all pass-through items to the pass-through line item. Using the COBI the budget by divisions was reviewed and the budget effectiveness suggestions were discussed.

Julie Fisher, Executive Director, using a handout, discussed the vision statement: "Utah's economy and quality of life are elevated by its heritage, arts and culture." and the mission statement: "Preserve and promote heritage, arts, community development, cultural resources, and understanding." The digitization initiative is moving forward on archaeological records, newspapers, and historical photographs, many of which are nitrate negatives. Those working with these negatives have to have hazardous materials training. The Division of State History's

building tax credit program allowed almost \$3 M in revenue to remain in Utah that otherwise would have gone to the federal government. The Office of Multicultural Affairs reports that on average Utah's ethnic population is growing three times faster than its white population and that the minority high school graduation rates are considerably lower than the Caucasian rate. Over 7 million people attend Utah's 250 museums every year.

Brian Somers, Deputy Director, reported on the Division of Indian Affairs and noted that more than half of Utah's Native Americans live along the Wasatch Front, and Utah's tribes manage 2.4 million acres of reservation land. Those lands contain almost 25% of oil and gas wells in Utah. The Utah State Library Division is the largest division. Through the Bookmobile, library service is brought to 13 rural counties, sometimes the only library service they have. Almost twice as many people visited Utah public libraries as visited all Utah's national parks, monuments, recreation areas, and historical sites combined. Utah's public libraries rank 2nd in the nation for children's materials borrowed per capita. Utah's braille library is the largest in the world and circulates materials to other states. The Utah Commission on Service & Volunteerism reports 970,000 volunteers dedicate over 165 million hours of service annually which amounts to about 800,000 full-time employees with a \$3 B economic impact. The 2% options the Department recommends are all on-going as follows:

Museum of Natural History	\$150,000
Taylorsville Dayzz	20,000
Utah Humanities	22,000
Arts Fellowship Program	10,000
Utah Government Digital Library	49,900

Rep. Pitcher enumerated some of the things seen in a recent visit to the department. In response to Rep. Arent's concerns about the 2% options, it was reported that the last in - first out approach was used.

Financial Institutions Analyst Presentation and Agency Response Base Budget

Analyst Tobin Lence walked through the budget as found in the COBI on-line and stressed that the department is completely funded by restricted funds which derive from fees assessed on the institutions which are regulated . Expenditures are primarily personnel driven.

Edward Leary, Executive Director, accompanied by Michael Jones, Finance Director, informed the committee that the department is constantly fighting the battle of federalization as a result of the dual banking system. All state chartered institutions, 27 banks and 36 credit unions, are overseen, but the federal agencies, FDIC, etc., are interacted with daily. In Utah 87% of banks are state chartered. The state has a robust industrial bank industry of 18 institutions with \$132 B in assets. All those being regulated are there by choice. Goldman Sachs relocated its

headquarters to Utah following the recent downturn, employing almost 1500. The use of the restricted account is taken seriously and is reviewed by a board which also reviews all travel by the department. Utah is the 5th largest state in assets under supervision and provides quality regulation and supervision. The goal is to make Utah a financial services center. Challenges and issues faced by the department:

1. Continue soundness and safety examinations.
2. Train the next generation of examiners, which takes 5 years, problem of constant turnover.
3. Devote more resources to very large banks.
4. Enhance department supervision of examination of money transmitters (money laundering) addressed in SB24.
5. Foster a quality regulatory system maximizing the potential for new charters.
6. Cooperate with federal banking agencies for joint compliance.
7. Get more state examiner presence on joint speciality examinations.

Performance measures that are followed are:

1. Assets under supervision per examiner - in 2000 \$1.8B per examiner, in 2014 - \$6.6B
2. Examinations performed by type
3. Specialty exams, concerned with consumer protection, not "safety and soundness" exams

A department goal is improvement in the number of non-watched institutions (ones that are considered safe and stable). At present the number is 69.8%. The goal is 77.5%. No institutions have been closed in the last 2 years, but there have been some mergers or voluntary closures. The department is asking for a building block increase of \$26,150 on-going for lease of office space. The 2% decrease would be dealt with by not hiring an examiner.

Governor's Office of Economic Development Analyst Presentation and Agency Response Base Budget

Dr. Wilko reviewed the agency line items in the base budget bill and Budget Effectiveness Review found on-line.

Val Hale, Executive Director, accompanied by Kimberly Henrie, Deputy Director, affirmed that Utah has a great climate for business and has received many accolades. It is known that job development is a priority of Utah voters. The vision and mission statements can be found at the GOED website. GOED works to: 1) attract through tourism, film, and global branding, 2) recruit through bringing companies to Utah, and 3) grow by supporting urban and rural business already here. There have been many changes in management of the agency. Kimberly Henrie discussed

the 2016 base budget: total operating budget \$29,416,944, 85 FTE's, about 25% of the ongoing budget.

There was discussion about what can be done to help economic development in rural areas. The Industrial Assistance Fund has up to 20% available for rural fast track programs. GOED invites rural Utah to come forward with ideas that would qualify for this assistance. The agency is asking \$4,525,000 to replenish the fund which has not been replenished in 2 years. Successes of the EDTIF program were listed:

- 140 companies brought in
- \$60M in tax credits issued
- \$128 M net new state revenue
- 12,736 actual jobs created
- \$11.6 B of projected capital expenditures

A budget priority is funding for one new position to handle the compliance end of this program. The convention center hotel which was passed last year is moving forward. In the area of international trade and diplomacy Utah has 90,000 direct jobs supported by exports and 350,000 jobs indirectly affected by exports and \$16.1 B in total exports. There are 188 foreign firms doing business here. There was discussion about concerns of companies considering a move to Utah. A main concern is workforce. There are some concerns about culture which are usually dispelled upon a visit to the state. Utah's economy is the 4th most diverse in the nation. The Technology Commercialization Innovation Program gave 15 grants to small businesses and 4 university programs. There are 7 Procurement Technical Assistance Centers around the state which help businesses secure government contracts. Last year a record \$700B in new contracts came to Utah businesses. Business Resource Centers around the state give help to start or grow a business. The agency is requesting \$125,000 in this area. In Rural Outreach and Development 37,000 miles were traveled last year and 27 businesses supported. The agency is requesting \$80,000 for an outreach coordinator.

A program called "Rourism" is being piloted in 4 counties to build rural economies through tourism. The Tourism Marketing Performance Fund is vital to the agency and a request for \$18 M is being made. Last year was the most successful ever with \$1 B of new state and local tax revenue. A new program on-line is aimed at recruiting IT talent to Utah. The STEM action center is new to the office and is attracting \$2.2M of private money. Avenue H, the small business health care exchange, is growing, and the agency is requesting \$750,000 one time to continue to fund it. Patricia Connor, Director of Avenue H, answered questions from the committee reporting that 68% of those enrolled were previously uninsured. The federal funds for the broadband project are now depleted, so the program is dependant on the state if it is to continue.

GOED endorses the analyst proposal for the 2% budget efficiencies with one exception - to decrease the amount from the Stem Action Center from \$419,000 to \$191,200:

Sports Commission	\$300,000
Antelope Island Balloon Festival	10,000
Stem Action Center	191,200

The committee members were encouraged to step across the street and visit the tourism office at the Council House. Sen. Harper reported that at the London Museum of Natural History there were a number of specimens from Utah and 3 posters highlighting Utah scenes.

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

Rep. Pitcher adjourned the meeting at 10:37 a.m.

Sen. Brian E. Shiozawa, Chair

Rep. Dixon Pitcher, Chair