

(Draft-Awaiting Formal Approval)

**MINUTES OF THE
BUSINESS, ECONOMIC DEVELOPMENT, & LABOR
APPROPRIATIONS SUBCOMMITTEE
1625 South 900 West, Salt Lake City, Utah
June 16, 2016**

Members Present: Sen. Brian E. Shiozawa, Senate Chairman
Rep. Dixon M. Pitcher, House Chairman
Sen. Gene Davis
Rep. James A. Dunnigan
Sen. Wayne A. Harper
Sen. Ann Millner
Sen. Jerry W. Stevenson
Sen. Evan Vickers
Rep. Patrice M. Arent
Rep. John R. Westwood
Rep. Mark Wheatley

Members Excused: Sen. Curtis S. Bramble
Rep. Stewart E. Barlow, House Vice Chair
Rep. Brad R. Wilson

Members Absent: Rep. Johnny Anderson
Rep. Jeremy A. Peterson
Rep. Val L. Peterson

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

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 10:00 a.m following a tour of the DABC store at 300 West and a tour of the DABC Warehouse.

DABC - Long-Term Needs and Potential Statutory Changes

Sal Petilos, Director, DABC, reviewed the mission of the department and the three functional areas of the department: operations, regulations, and education. There has been dynamic growth with sales going up 34 percent in the last 5 years and a similar increase in liquor funds distribution, and the staff work load increased 22 percent. The additional eleven FTE's approved by the legislature in the last session are appreciated. Additional staffing is also needed in the warehouse. Sen. Davis requested a breakdown of staffing needs. There was discussion as to staffing needs in the compliance area. They can now take chip credit cards. There may be a need for additional stores. The authorization for the West Valley Store and the Syracuse store is appreciated and will help meet the demand in those areas. Possibly in the future greater

warehouse capacity will be needed. Increased deliveries help meet the increased needs in stores. An effort is being made to improve employee relations.

Nina McDermott, Director of Licensing and Compliance, DABC, reported that 1300 to 1500 event license requests are made per year, and that number continues to increase. Some cross-training is going on to help meet staffing needs. Areas of possible legislative concern are: 1. manufacturing, the number of manufacturers has more than doubled in the past three years, 2. special labels on new products, 3. home distilling, 4. distribution direct to stores by licensees, 5. delivery of beer along with groceries from grocery stores, 6. retail issues, 6. theaters want to be able to sell wine as well as beer.

Parents Empowered is the program which works to control underage drinking. Utah trends below the national average in underage drinking, binge drinking, and DUI levels. Parents Empowered is working on an outreach program to reach pockets of the state where underage drinking is higher.

There was discussion as to whether any bill files will be opened concerning DABC specifically and what the committee would like to see in terms of a business model and a five-year plan.

USTAR - S.B. 166 (2016 GS) and Proposed Budget Reorganization

Ivy Estabrook, Ph.D., Executive Director, USTAR, accompanied by Greg Bell, Chair of the Governing Authority, briefly explained the mission, reported that there is a need for more risk capital, and explained how S.B. 166 has been implemented. Reporting requirements were updated to be consistent with best practices and industry standards. Four new grant programs are proposed. There was discussion as to whether the state has any standing with equity on the companies developed. The actual budget reorganization proposal will be presented at the next meeting. Dr. Estabrook acknowledged Karli Ho, a student intern.

Financial Institutions - Center for Innovation in Banking and Financial Services Funding Performance

Analyst Lence introduced the Department of Financial Institutions and reminded the committee that the department is fully funded by the restricted account and that funds were appropriated in the previous general session to research the causes of the decline in state chartered institutions.

Edward Leary, Commissioner of Financial Institutions, referred to a handout in which the Center for Innovation in Banking and Financial Services, affiliated with the Lasonde Entrepreneur Institute at the University of Utah School of Business was explained. This handout can be accessed by going to the Legislative web page, the committee meeting this date, and "meeting materials." The \$300,000 appropriation funded last year was to be seed money for the Center.

The purpose and scope of work was to establish research into state banking issues, their importance to the economy and small businesses. Three goals for funding are: 1. to download the FDIC databases for research purposes, 2. to create a national conference in which to present the research which has been done and to share ideas about the importance of community banks, and 3. to get students involved.

In reference to the comprehensive study of brokered deposits it was pointed out that Utah banks are noted for using a high number of brokered deposits, and this is a practice which is discouraged by the FDIC. Putting together the Data Repository was more difficult than originally anticipated by the Center, but having the data available for research and having the U. of U. be a source of information to all is one of the goals.

Commissioner Leary reminded the committee that the department would like to have Utah become a financial services center in the country, and this new Center of Innovation in Banking and Financial Services is a step in that direction.

BioUtah - Economic Incentives and the Utah Life Science Industry

Analyst Lence pointed out that BioUtah is the trade association for the life sciences industry in Utah. The issue brief on BioUtah can be accessed on line in the "meeting materials" for this meeting. TEconomy/BIO Bioscience Industry Report is also available in the "meeting materials."

Kelly Slone, president and CEO, pointed out that BioUtah was created about four years ago to be a leader in driving the life sciences industries economy and helping educate the legislature and community. The industry is one of the key seven economic clusters and provides over 27,000 high skilled jobs with an average wage of \$62,000. Potentially life-saving products and devices are provided. Three key issues have been identified: 1. gain access to capitol and incentives, 2. meet intellectual talent and recruitment needs, 3. bridge innovation gap between small and large companies and universities. She focused on lack of capital. Utah is now 10th in the nation for venture capital, but only 2 per cent is coming in for life sciences companies. The research and development cycle is longer than in other industries because of the longer time horizon, heavy regulation of FDA, payment in the new healthcare system, and high risk of new drug innovation.

Phillip Grimm, Executive Director, Salt Lake City Angels, addressed the challenge of getting capital to continue conducting research in order to move a product into a viable position that would be interesting to strategic partners to make the next level of investment or acquisition. It is important to build infrastructure in Utah to build a bridge with the venture capital community, and this often requires incentives from the state. Examples were cited of Edwards Life Science Corporation which had \$11 million of incentives which expanded jobs from 228 to 1,000, and Biomerics founded in Utah but unable to find funding in Utah which has moved to Minneapolis.

Ms. Slone said that it's important to work together to find ways to keep serial entrepreneurs and startup companies here in Utah where R & D has already been invested in Utah. It is necessary for the industry to do a better job of promoting what is already here. It would be helpful to identify the competitive states in the life sciences industries and the types of incentives that are being offered. There was discussion as to the coordination with GOED.

Items to be addressed in the September meeting were briefly discussed.

MOTION: Sen. Davis moved to adjourn. The motion passed unanimously.

Sen. Shiozawa adjourned the meeting at 11:55 a.m.

Sen. Brian E. Shiozawa, Chair

Rep. Dixon Pitcher, Chair