The Business, Economic Development, and Labor Appropriations Subcommittee met twice over the interim to discuss approximately 7 budget-related issues. These issues were determined in May after consultation with the Senate President, House Speaker, and Chairs of Executive Appropriations. The following list summarizes the actions taken by the subcommittee.

1. The committee considered a Utah Science, Technology and Research (USTAR) budget reorganization. The purpose of the reorganization was to align the budget with policy changes from S.B. 166 (2016 General Session), “Utah Science, Technology, and Research Modifications.” Total funding would not change, but would reduce appropriations for University of Utah and Utah State University research teams and provide more funding for other higher education and private sector grants. A quorum was not present so the committee was unable to take action on the item. However, they expressed support for the concept and will consider the proposal during base budget week.

2. The committee had a comprehensive review of the Department of Alcoholic Beverage Control (DABC) budget issues. 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 five years and a similar increase
in liquor funds distribution, and the staff workload increased 22 percent. The additional 11 FTEs approved by the Legislature in the last Session are being used to address demands. Additional staffing is also needed in the warehouse. The committee discussed staffing needs in the compliance area. DABC pointed out that there may be a need for additional stores going forward based on their strategic plan. The authorization for the West Valley Store and the Syracuse store is appreciated and will help meet the demand in those areas. The committee would like to see a five-year plan going forward and to consider the business model of the department.

3. The committee heard a report on the performance of the Lassonde Center for Innovation in Banking. The center was provided $300,000 one-time in both FY 2016 and FY 2017 from the Financial Institutions Restricted Account. Funding is contingent on evaluation by the Department of Financial Institutions. 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 that has been done and to share ideas about the importance of community banks, and 3. to get students involved.

4. The committee discussed LFA’s Fiscal Note and Budget Item Follow-Up Report which was presented to the committee and considered potential limitations in the current request for appropriation (RFA) process. The Governor’s Office of Economic Development (GOED) and the Department of Heritage and Arts both detailed their distribution processes for legislative pass-through appropriations. Both agencies stated that some of the pass-through entities have not responded to efforts to contact them. This led to a discussion on the best way to approach pass-through requests. No ideal solution was identified.

5. The chairs asked GOED to discuss potential incentive for talent recruitment. Val Hale, Executive Director, GOED, discussed incentives and workforce. For GOED, the first priority is to grow and support local businesses throughout the State. The second is to engage industry to develop strategies to drive a diversified economy. Utah is experiencing 3.3 percent job growth, which is double the national average. Utah County is higher than that. With low unemployment, many companies are having a hard time finding employees. Utah has the third most diverse economy in the nation, although one sector which is declining is energy. A letter from Silicon Slopes/Beehive Startups was distributed outlining this organization’s efforts to recruit talent to Utah. GOED is conducting surveys to determine why technology talent is leaving and why Utah is not attracting talent from out-of-state. There was discussion as to the misperceptions of Utah and other negatives that affect why people may not want to come to Utah.

6. The committee heard an update on the implementation and potential impact to rate payers from the Sustainable Transportation and Energy Plan (STEP) created by S.B. 115 (2016 General Session). Thad LeVar, Chair, Public Service Commission (PSC), accompanied by Gary Widerburg, Director of Finance, PSC, explained that Rocky Mountain Power had filed a docket that would increase rates by 0.2 percent, which represented the cumulative effect of: 1. decreases in rates from ending the solar incentive program in December 2016, 2. decreases in rates from the change in demand side management tariffs for energy efficiency rebates, and 3. increases in
rates to fund STEP. The docket that will assess the first year of changes to the Energy Balancing Account will be held in the spring of 2017. There was also discussion as to how electric vehicle infrastructure will be financed.

7. The committee discussed creating a separate restricted account for public utility regulatory fees, rather than the current accounting system which organizes the fees in a sub-account within the Commerce Service Account. The committee expressed support for the idea but a quorum was not present to formally vote on the idea.