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Utah State Legislature

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December 12, 2017

President Wayne L. Niederhauser
Speaker Gregory H. Hughes
Utah State Legislature
Salt Lake City, UT 84114

Dear President Niederhauser and Speaker Hughes:

A. Initial Study Items

The Business, Economic Development and Labor Appropriations Subcommittee is pleased to report our actions during the 2017 Interim. You asked us to reach a conclusion and be prepared to report on the following topics:

1. Base Budgets
2. Review of Ongoing Pass-through Funding
3. Review of Arts Sustainability Grant Funding
4. Review of Tax Exceptions
5. Building Block Funding Follow-up Reporting
6. Review of Performance Measures Included in FY 2018 Base Budgets

B. Report and Recommendations on Items Studied

You also asked us to do some budget “deep dives” as appropriate under items 1 through 3, Base Budgets, Ongoing Pass-Through Funding, and Arts Sustainability Grant Funding.

Following is our report on the items you asked us to study.

1. Base Budgets: Deep Dives Heritage and Arts Pass-Through and Competitive Grant Programs, Governor’s Office of Economic Development (GOED) Pass-Through and Procurement Process, The Utah Science Technology and Research Initiative (USTAR), Financial Institutions and the Utah Tax Commission.

We reviewed the Heritage and Arts Competitive Grant Process and the Heritage and Arts Proposal for the recently funded Sustainability Grant Process. Heritage and Arts also detailed the request for proposal for a study on the economic benefits of the arts and cultural resources.

Additionally, the committee heard from 15 ongoing pass-through entities: The Humanities Council, Southwest Symphony, American West Heritage Center, Utah Railroad Museum, Taylorsville Dayzz, Manufacturing Extension Partnership, Utah Sports Commission, Kearns Accomplishment Pageant, Utah Council for Citizen Diplomacy, World Trade Center Utah, Small Business Development Centers, Logistics Specialties, Inc., Sundance Institute, EDCUtah, and Business Resource Centers. Each entity reported on the following 4 items: What is the

organization total budget? What portion are State Funds as a percent of total entity budget How are state funds used? How does the pass-through entity measure success as an organization?

Recommendation: The committee discussed eliminating ongoing pass-through support if state support was a low percentage of the total budget. However, they did not take any final action due to the lack of a quorum.

The Governor's Office of Economic Development detailed their grant and pass through processes and reviewed the Tourism Marketing Performance Fund co-op program and processes. The committee also heard an audit of the GOED Economic Development Tax Increment Financing Program. GOED also presented some proposed budget efficiencies in the Broadband Outreach, Private Activity Bonds, and the State Science Advisor.

Recommendation: The committee was supportive of the proposed efficiencies but took no formal action since it will require legislation to implement the changes.

The Committee also heard a presentation from USTAR on their annual report as well as an update on the process and timeline for the administration of the Medicinal Marijuana study funded during the 2017 General Session.

USTAR's annual report focused on the impact that USTAR has had on the entrepreneurial environment here in Utah as well as its place supporting new, Utah-based companies through funding obstacles, including the "Valley of Death", where federal funding declines and private investment is needed to deliver a marketable product. USTAR did not recommend any actions for the Committee to take at this time on these issues.

The Utah Tax Commission presented on both their base budget and their efforts to bolster the security of their computer systems as well as processes designed to protect the integrity of tax returns. This included a description of the work of their fraud management program and the implementation of Senate Bill 250. The Commission also detailed their cybersecurity initiatives and the constant updates they must employ to stay ahead of hackers and identity thieves. The Commission did not recommend any actions for the Committee to take at this time on these issues.

The Utah Department of Financial Institutions also presented on their budget and operations as part of a Deep Dive presentation. They detailed their current budget challenges which are due mostly to personnel training and turnover. Bank examiners on staff have varying levels of accreditations and the Department would like to increase training. They also have to contend with staff attrition as trained examiners often leave the Department for the private sector when they reach a certain level of expertise. The Department did not recommend any actions for the Committee to take at this time on these issues.

2. Performance Measures (Item 6)

All 10 Agencies under the purview of the BEDL Appropriations Committee presented their proposed performance measures for the 2018 General Session and reported on progress towards current measure for the current fiscal year.

The presentations regarding performance measures resulted in discussion among Committee members about the validity and usefulness of many measures. In the cases of both the Department of Financial Institutions and USTAR, the Committee's discussion will lead to new measures being proposed for adoption during the 2018 General Session. These are due to the current measures depending on outdated federal data or the measures not providing helpful information for the committee.

Recommendation: The subcommittee supported the measures proposed by the agencies as a starting point in the 2019 base budget. However, the committee lost a quorum before taking final action. Committee staff will work with agency staff to develop new measures for the issues raised by agencies detailed above.

C. Items Not Studied

We were not able schedule the review of tax exceptions. We will schedule the review during the 2018 General Session or include it on our list of study items for the 2018 Interim.

Sincerely,

Chairs of the Business, Economic Development, and Labor Appropriations Subcommittee.

Sen. Brian E. Shiozawa, Co-Chair

Rep. R. Curt Webb, Co-Chair

Rep. Scott D. Sandall , Vice Chair