

**MINUTES OF THE
BUSINESS, ECONOMIC DEVELOPMENT, & LABOR
APPROPRIATIONS SUBCOMMITTEE
Room 210, Senate Building
February 3, 2012**

Members Present: Sen. Jerry Stevenson, Senate Chairman
Rep. Todd Kiser, House Chairman
Rep. Ryan Wilcox, House Vice Chair
Sen. Casey Anderson
Sen. Gene Davis
Sen. Ralph Okerlund
Sen. Stuart C. Reid
Sen. Stephen H. Urquhart
Rep. Stewart E. Barlow
Rep. Brian Doughty
Rep. James A. Dunnigan
Rep. Brian King
Rep. Jeremy Peterson
Rep. Val Peterson
Rep. V. Lowry Snow

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 list of visitors and copy of handouts will be filed with committee minutes.

Sen. Stevenson called the meeting to order at 8:08 a.m.

MOTION: Rep. Barlow moved to approve the minutes of the January 25, 2012 meeting. The motion passed unanimously with Sen. Urquhart absent for the vote.

Utah State Tax Commission

Zackery King, Fiscal Analyst, explained the format of the four Budget Briefs as listed in the agenda and pointed out the Governor's recommendations and the highlighted fee schedule changes. The Budget Briefs may be seen in detail by clicking the hyperlinks in the agenda on line.

Barry Conover, Executive Director, accompanied by Julie Alsop, Budget Director, pointed out that the Administration Intent Language in the Budget Brief is very important to the commission to move forward the modernization of tax and motor vehicle systems and processes. The

Commission accepts the Analyst's recommendation for fee changes as found on page 2 of the Budget Brief but says there may be a need to raise the Temporary Permit just a "tad" in the near future. The Commission is recommending the position of administrative law judge because appeals have doubled in the last four years, especially in real estate taxes but also in sales, corporate, and income taxes. The Commission is asking for \$50,000 to cover increased mailing costs in sending out delinquent tax notices which are required by statute.

From a handout of a Tax Commission report dated September 2011 the Commissioner reviewed the Commission's mission to collect revenue for the state and local governments and to equitably administer tax and assigned motor vehicle laws. In fiscal year 2011 over \$6.5 billion in state revenue was collected and processed amounting to 54% of the state budget. Thirty-one House Bills were integrated in to systems and procedures last year and 18 Senate Bills. The robust computer system has made it possible to implement these changes in a timely manner.

There was discussion as to whether cuts in FTE's in Auditing have resulted in increased fraud or loss of revenues. A good auditor brings in \$500,000 per year, and the commission finds itself training auditors and losing many to the private sector. Auditing is done for compliance as well as dollars. Seventy-five to eighty auditors brought in \$102 million in audit assessments this year.

Members of the Tax Commission were introduced and thanked.

Seventy-seven percent of people are filing income tax electronically which makes it easier for questions to be answered by taxpayer services personnel. All property tax rates are handled by the commission. Motor vehicles are being registered on line at the rate of 52 %.

The Tax Commission Modernization Project Update was discussed including a time line showing when the different systems were developed and implemented beginning with Individual Income taxes in 2006 and going to Miscellaneous Taxes, Phase III in 2012. Motor Vehicle is scheduled for October 2013. The Commission was complimented for their work.

Rep. Kiser discussed with the committee the need to decide on a schedule that would allow them to hear from the 30 to 40 groups making requests for funds. It was agreed to meet at 7 a.m. rather than 8 a.m. for the next three meetings.

Utah Science Technology and Research Initiative

Analyst King reviewed the Budget Brief pointing out the spike in the budget history graph which is a result of ARRA funding and also the governor's recommendations on page 2. Details may be found by accessing the Budget Brief and Issue Brief through the hyperlink on the agenda on line. The Fee Schedule has no changes.

Ted McAleer, Executive Director, through a slide presentation and handout gave an overview of USTAR's five-year program results emphasizing that USTAR's place in Utah Economic Development is to increase innovation, entrepreneurship, and investment, and this is done by focusing on all the links from basic science through research and development to new enterprise development and technology business clusters. Reference was made to work in the energy industry and nano technology area. Members of the USTAR team from three of the four regions of the state were introduced. USTAR has worked in 16 of the 29 counties last year. The program has been audited by federal colleagues and been told that they are the only state in the country that invested stimulus money in innovation which has resulted in 86 grants, 134 patent/disclosures filed, and 143 jobs just in about 18 months. USTAR is getting national attention.

In committee discussion it was pointed out that it is a "buyer's market," and USTAR is getting calls from people from around the country and the world who have seen what is happening in Utah in innovation and want to be involved.

Rep. King pointed out that USTAR proves that state government working with higher education and the business community can create jobs. Mr. McAleer said he is looking to create an intermountain innovation based regional partnership. The team has analyzed all its programs in all the regions, and all are in a positive return on investment. Leaders stay with the program because of the quality of place. Ohio recently made a large investment in innovation. There are 48 USTAR professors, and they are asked who they know who would be good to be brought into the program. The entrepreneurial, self-determined culture and the commitment to work together are factors in attracting and keeping people and businesses.

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

Sen. Stevenson adjourned the meeting at 9:44 a.m.

Sen. Jerry Stevenson, Chair

Rep. Todd Kiser, Chair