

(Draft - Awaiting Formal Approval)
**MINUTES OF THE
BUSINESS, ECONOMIC DEVELOPMENT, & LABOR
APPROPRIATIONS SUBCOMMITTEE
Room 25, House Building
September 22, 2016**

Members Present: Sen. Brian E. Shiozawa, Senate Chairman
Rep. Dixon M. Pitcher, House Chairman
Rep. Stewart E. Barlow, House Vice Chair
Sen. Curtis S. Bramble
Sen. Gene Davis
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
Rep. Brad R. Wilson

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

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.

Sen. Shiozawa called the meeting to order at 8:09 a.m.

Legislative Updates

Chief Economist Wilko explained that the Economic Incentives Evaluation Report is in progress and will be presented to Executive Appropriations in October. Information on the status of Arches Health Plan can be found in the BEDL "meeting materials" found on the Legislature website on this date. Commissioner Kiser explained the situation to EAC earlier this week, and it was recommended that committee members could listen to that discussion if they have questions. Analyst Lence discussed changes to USTAR's budget as required by SB 166 referencing online materials. Ivy Estabrook, Ph.D., Executive Director, USTAR, explained the changes and the reasons for them and responded to questions. There was a discussion about grant programs and support programs. A small pilot program was run in the spring for 3 months with modest funding which attracted 71 proposals of which 24 were deemed viable. There was

only funding for 12, but the pilot program demonstrated interest across the state and has been quite successful.

Utah Cultural Alliance

Crystal Young-Otterstrom, Executive Director, distributed a handout, "State of the State - Measuring the Economic Impact of Utah's Cultural Businesses and Recommendations for Increasing the Sector's Health." Utah's cultural businesses may be for profit or nonprofits and as of 2014 employed over 51,000 Utahns and generated \$3 billion in earnings. The nonprofit sector alone generated \$187.1 million in revenue. Additional impacts of the cultural businesses are seen in cultural tourism, attracting new businesses, and educational benefits for children. Utah Shakespeare Festival and Sundance Film Festival were highlighted for their economic impact to the state. The National Endowment for the Arts reports that Utah has the highest cultural participation among adults in the nation - 84.5 percent. The handout listed a number of proposed ideas for improving the creative climate in the state which generated some discussion.

Fiscal Note and Budget Item Follow-up Report

Dr. Wilko referred to the issue brief on line and explained the criteria and purpose of the report. Page 87 of the issue brief explains the guidelines for scoring. It was explained that the report is not necessarily a judgment and red does not necessarily mean a bad thing. Dr. Wilko and Analyst Lence went through the report to highlight and explain several of the individual items.

Pass-Through Grant Management Process - Heritage & Arts, GOED

Dr. Wilko introduced this agenda item by explaining that it is useful to know how the agencies build contracts and determine how to distribute funds appropriated to entities through them. Brian Somers, Interim Executive Director, Heritage and Arts, briefly gave an overview of the agency budget. Tenielle Young, Budget Director, explained the process Heritage and Arts follows in making contact and creating a contract and how the funds are distributed over time. Each quarter a report is required.

Due to the fact that some entities who had money appropriated for them have not responded to efforts to contact them, there was considerable discussion about the process.

Many grants are competitive, and it was reported that \$6.8 million was distributed through 4 of the 6 divisions through this process, amounting to nearly 450 grants awarded in FY 2016. This is done through an open competitive process. Often professional expertise comes with these competitive grants. There was a discussion of the security issues around the agency's Rio Grande main office.

Don Willie, World Trade Center Utah reported on the collaboration with Sichuan Province which is effectively on hold until after theirs and our elections. Val Hale, Executive Director, Governor's Office of Economic Development, introduced Jill Flygare, Managing Director of Internal Operations, who reported on GOED's vision and mission and how the agency is able to leverage state dollars to help existing programs to improve quality of life throughout the state. In the past three years pass-through funding has represented 15 to 30 percent of the total budget depending on the year. The average is disbursing \$9 million to 19 entities. Upon completion of the contract GOED disburses 75 per cent of the funds, and the remaining 25 percent upon completion of the final report. An understanding of the intent of the funding is not always clear, and reaching the contact person in the organization can be time consuming. Budget cuts impact operations not pass-through funding. There was discussion as to how to make sure that entities are fulfilling legislative intent for the funding provided.

Economic Incentives for Talent Recruitment-GOED

Val Hale, Executive Director, discussed incentives and workforce. The first priority is to grow and support local businesses throughout the state. Second is to engage industry to develop strategies to drive a diversified economy. Effort is being made to encourage tourists to visit other areas of the state, not just the national parks. Utah is experiencing a 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 3rd most diverse economy in the nation. One sector which is declining is energy.

There was discussion as to what happened in the loss of the Facebook deal with West Jordan. Aimee Edwards, Director of Communications, explained the needs for employees. Utah's rate of in migration is 5.3 percent which is less than peer states. 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 tech 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 do not want to come to Utah.

Update on Sustainable Transportation and Energy Plan (STEP) Implementation and Fiscal Impact to Rate-Payers - Public Service Commission

Thad LeVar, Public Service Commission Chair, accompanied by Gary Widerburg, Director of Finance, explained how SB 115 is being implemented and rate-payer impacts using a chart found on line in this meeting's materials. There was discussion as to how electric vehicle infrastructure will be financed.

Current Process and Recommendations for BEDL Funds that Remit Revenue to the General Fund

Analyst Lence referred to the Issue Brief concerning restricted funds found on line. Dr. Wilko discussed the Commerce Service Fund and the DABC Liquor Control Fund. Sal Petilos, Executive Director DABC, responded to questions as to 3.2% versus 3.4% beer and retail markets and government's place in liquor sales. Dr. Wilko explained how to get information from COBI on restricted funds. Department of Insurance, Tax Commission, and Financial Institutions restricted funds were also discussed.

Agency-Proposed Changes to Commerce Service Account-Public Utilities Regulation Fee (PURE) - Commerce, Public Service Commission

Francine Giani, Director, Department of Commerce, accompanied by Peter Anjewierden, Budget Director, discussed the agency's wish to have a fund which would allow them to not have to ask for non-lapsing authority each year at the legislature which is necessary at present with the Commerce Service Fund. There was discussion as to how to combat phone and email fraud.

Agenda Item Planning for General Session

Ideas discussed had to do with Requests for Appropriations processes and included the following: 1) Perhaps RFA's could be heard throughout the session and be vetted more thoroughly. 2) Maybe there could be a standard form for all requests which must be in by the deadline and have a sponsor from the legislature. 3) Is the entity a nonprofit? 4) It is important to recognize the diverse nature of the entities requesting funds. 5) Are there specifics that committee members would like to see in agency presentations during session?

MOTION: Sen. Bramble moved to adjourn. The motion passed unanimously with Sen. Millner, Sen. Stevenson, and Sen. Vickers absent for the vote.

Sen. Shiozawa adjourned the meeting at 11:30 a.m.

Sen. Brian E. Shiozawa, Chair

Rep. Dixon Pitcher, Chair