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## 2017 Utah Legislative Session – Week 1

**Insight — February 2, 2017**

### **Capitol Rally:**

We had an exciting opening day of the Legislature, as concerned citizens held a large rally. The group, comprised of mostly women, expressed worry about a variety of issues and wanted to make their voices heard. The crowd was estimated at about 6,000 people and was the largest rally I've experienced, as either a legislative staffer or lobbyist at the State Capitol. The crowd was loud enough that both the State House and State Senate adjourned for the day because they couldn't conduct business over the noise from the rally. If the organizers wonder whether they were heard or noticed, I can personally attest they have been a topic of conversation among legislators all week.

### **Insurer of Last Resort & the Workers Compensation Fund:**

For nearly 100 years, the Worker's Compensation Fund of Utah (WCF) has been the 'insurer of last resort' for Utah employers that were denied insurance coverage by other insurance carriers. A court battle and several legislative bills have all but separated WCF from state control and oversight. Now WCF is seeking to become a mutual insurance company, which requires terminating its last tie to the state by deleting its original enabling legislation and its requirement to be the 'insurer of last resort.' The current proposal calls for WCF to continue to act as the 'insurer of last resort' for a three-year period while the Insurance Commissioner develops an RFP process for insurance carriers to bid on being the 'insurer of last resort.' WCF would be required to submit a bid in the first RFP, which means WCF could continue to be the 'insurer of last resort' until 2021.

### **Emissions & VW Settlement:**

As part of the national settlement with Volkswagen over vehicle emissions system cheating, Utah will receive \$32 million. By court decree, the funds must be used on emissions reduction programs. The Legislature will consider a variety of options to put these funds to the highest and best use to reduce pollution. The Utah Department of Environmental Quality is evaluating and recommending to the Legislature a number of proposals. Ideas include: converting school buses to natural gas, tax incentives to buy electric vehicles, and upgrading the public transit system, just to name a few.

### **Remote Sales & Sales Tax Collection:**

For the past several years, the states and Congress have grappled with the best way to address the shift in shopping patterns and how to collect sales tax for online sales. The requirement for a store to collect the sales tax at the point of purchase doesn't exist for online sales and consumers are supposed to remit the tax on their personal state income tax return.

Because most consumers fail to do so, the sales tax base has shrunk and Utah has lost about \$200 million in uncollected sales tax. A nationwide, Congressional solution would be ideal, but despite pleas from Utah and other states for years to do so, Congress hasn't acted. Legislation with a state-specific solution has been introduced this session (SB110) that is sure to generate robust debate about sales tax policy and collections.

**School Funding:**

Teacher pay, classroom size, and other educational priorities are always top-tier issues for the public and Legislature. This year, Utah has modest revenue growth in the Education Fund, which will make it challenging to prioritize which items to fund. In addition, Legislators are facing a potential voter initiative threat from the "Our Schools Now" group seeking an income tax increase if the Legislature doesn't make serious gains in Public Education funding this session.

This will be a thorny issue for legislators as Utah is still experiencing net gains in student populations. For many years now, each new kindergarten class is larger than the graduating senior class it replaces. The net gain this year is about 10,000 additional students and that increase will require \$94 million in additional funds to educate these children at the same level as their peers. If the Legislature were to consider a 3% increase to the WPU (weighted per pupil unit) that represents an \$82 million increase to the existing budget. The WPU is used to ensure that state education funds are spread evenly across the state and is the main part of the education budget that accounts for teacher salaries, healthcare, and retirement costs.

**Medical Marijuana:**

Unsurprisingly, this issue is most frequently mentioned as a "hot legislative topic." Last session, two medical marijuana bills were presented and the more conservative options fell just short of final passage. This year, two competing bills were introduced, but after signals from the Trump Administration about intentions to crack down on states ignoring federal law on controlled substances, the sponsors have all agreed to switch gears and support a bill to allow Utah's research universities to study the medical benefits of marijuana.

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