



March 5, 2014

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GENERAL SESSION

February 26, 2014

Program Topic: Deferred Deposit (Payday) Lenders

**Presented by: Business/Labor/Public Utilities & Technology/
Workforce Services/
Community & Economic Development**

Director: Tamara Atkin

Co-Chairs: Brandy Farmer and Suzanne Mulet

Speakers: Rep. Larry Wiley (D) Dist. 31 Salt Lake County (West Valley)

Sponsor, HB46 Deferred Deposit Lending and Forum Requirements

Sponsor, HB47 Deferred Deposit Loan Amendments

(Unable to Attend)

Rep. James Dunnigan (R) Dist. 39 Salt Lake County

Sponsor, HB127 Consumer Lending Amendments

Rep. Wiley described **HB46** as “a very straightforward bill.” He illustrated with the scenario of a professional lending company’s storefront being located, say, in Logan and having a customer who lives in Salt Lake City. Currently, if a dispute arises between them, the customer must go to Provo to have the case heard in court. This proves to be a hardship for many customers who live long distances from Provo. **HB46** addresses that issue by modifying some of the requirements surrounding the “forum” (place and situation) where the dispute may be addressed.

HB47 would create a database where lenders collect and track ongoing lending information on their customers, including whether they are borrowing from several

storefronts at the same time. It would alert lenders to customers’ eligibility to pay. For example, if a customer has two loans already outstanding, he/she may only borrow only up to 25% of the monthly gross income within ten weeks of the default period of the previous loans. In other words, the database could track how many times that customer has “rolled over” an original loan.

The database will protect lenders. However, the most important reason for the establishment of such a database is to protect customers. They are often low-income workers who can quickly become inextricably entangled in a web of high-interest debt. If a prospective lender can access a database showing a customer’s

existing debt status, the lender will not be likely to extend another loan.

Responding to questions, Rep. Wiley said the Dept. of Financial Institutions would monitor the database created by **HB47**. It would also be a Class B misdemeanor to enter incorrect information into the database. Unfortunately, Utah doesn't currently have clear usury laws that protect against excessive interest charges. Unlike many other states, Utah has few protections against usury. Although Utah case law forbids charging an "unconscionable interest," state courts have defined "unconscionable" differently.

Exorbitant interest rates charged by storefront lenders can skyrocket to 1,200%. They typically hover between 300-400%. In addition, much of the money collected by these storefront lenders is funneled to their out-of-state parent corporations. Rep. Wiley believes Utah needs to focus on fixing its usury laws. Oregon, for example, has a 38% usury cap. He said this type of debt has destroyed families and is harming our cities and towns economically. Unsuccessful legislative attempts continue to be made every session, but the pushback from lenders' lobbies continues to thwart reform.

Rep. Wiley also briefly touched on a couple of other bills he is co-sponsoring with Sen. Dabakis. **HB58 Carbon Monoxide Detection Amendments** and **HB107**

Fire Code Amendments would require schools for students through grade 12 to be equipped with carbon monoxide detection units.

HB247 Court Parking Facilities gives a court administrator the authority to validate parking. The sponsors feel it only fair to reimburse what can be multiple parking fees incurred by people who, for example, may be subpoenaed as ongoing witnesses in a civil action.

HJR20 Joint Resolution Recognizing the Significance of the Great Salt Lake acknowledges the economic, recreational, and natural significance of the Great Salt Lake to our state. It provides employment for 77,000 Utahns and generates over \$1.3B annually into the state economy.

In the absence of **Rep. Dunnigan**, Rep. Wiley also offered brief remarks on Rep. Dunnigan's bill, **HB127 Consumer Lending Amendments**. It seeks to address some of the same lending issues as his own bill (such as reporting, technical, and conforming requirements). However, he believes it lacks the strength and clarity of **HB146** and **HB147**. Although it adds four more required items to the information collection database (a good thing), it has no real accountability mechanism.

Reported by Pam Grange

General Session II

Program Topic: Utah Fuel Taxes

**Presented by: Business/Labor/Public Utilities & Technology/
Workforce Services/
Community & Economic Development**

Director: Tamara Atkin
Co-Chairs: Brandy Farmer and Suzanne Mulet

Speakers:

Rep. Jacob Anderegg (R) Dist. 6 Utah County
Sponsor, HB258 Municipal Business Licensing Amendments

Rep. Marie Poulson (D) Dist. 46 Salt Lake County

Sen. Jim Dabakis (D) Dist. 2 Salt Lake County
Sponsor, SB182 Motor Fuel Tax Revisions

(Unable to Attend)

Sen. John Valentine (R) Dist. 14 Utah County
Sponsor, SB60 Fuel Excise Tax Amendments

Rep. Anderegg spoke about his bill **HB258 Municipal Business Licensing Amendments**. He said the bill's intent is to "get government out of the way" for very small home businesses. Unfortunately, it has been sent back to the House Rules Committee for Interim study. After the fact, Rep. Anderegg learned the bill failed to move forward as it should have because some policy makers felt it would deprive cities and towns of too much revenue. It is estimated the bill would have exempted approximately 30,800 home businesses.

As an example, Rep. Anderegg said it's foolish to require a home-based piano teacher to obtain a business license. Exemptions should also apply to many other small businesses, such as home-based hair stylists. He asked, "What is the real reason for requiring business licenses for these very small home businesses?" Regulation and revenue are the two primary reasons. But "revenue for the sake of revenue," he argued, is what is really happening.

Responding to questions, he said "the offset theory" is his philosophical argument for **HB258**. Although cities would sustain the initial loss of revenue resulting from the

exemption of many very small home-based businesses, the financial gain to business owners would manifest itself in increased spending in the state by those same business owners. He believes the initial loss would be more than offset. Under the original bill, it was estimated that approximately 30,800 very small businesses would be exempted. Rep. Anderegg concluded by saying he intends to re-tool the bill and re-introduce it.

Reported by Stuart Gygi

Rep. Poulson outlined a few of her reasons for opposing **HB258**. First, she said cities and towns would suffer a \$4.5M loss in revenue. She feels the fiscal note alone is prohibitive. Although she said her usual position is to give as much latitude (lack of legislative micro-managing) as possible to cities, several personal experiences have persuaded her otherwise in this case.

She then related the experience of one of her neighbors who was breeding snakes as a home-based business. The snakes were fed on rodents. Obvious mishaps occurred within the neighborhood. She offered another example of a home-based business repairing motors and vehicles. Repairing

small motors out of a residential garage is one thing, she said. A small business with multiple vehicles cluttering a front lawn is quite another. One way to go would be to file individual nuisance complaints. However, she said neighbors often hesitate for fear of stirring up bad feelings or incurring reprisals. Rep. Poulson believes it is better situations such as these to be uniformly addressed by across-the-board legislation.

Sen. Dabakis said his bill **HB182 Motor Fuel Tax Revisions** was drafted to solve a complicated, difficult to understand dispute between corporate fuel distributors and small “mom & pop” gas stations. One of the senator’s constituents, a gas station owner, brought the problem to him.

Distributors have apparently been undercutting the percentage of the revenue split that had originally been structured into the legislation regarding fuel producers, distributors, and sellers throughout the state. To make a long story short, the

senator said, the lobbyists for the corporate distributors won and his bill was defeated.

In **Sen. Valentine’s** absence, Sen. Dabakis briefly spoke in support of Sen. Valentine’s bill, **SB60 Fuel Excise Tax Amendments**. He said it has long been clear that Utah needs to raise its gas tax. Two-thirds of the state’s continuing transportation money comes from the General Fund. That situation, he maintained, isn’t sustainable and needs to be changed.

Essentially, **SB60** would index the price of gas. It would reduce the cents per gallon tax rate, while imposing a percentage tax per gallon rate that would be adjusted each year. Sen. Dabakis recommended this legislation as the least painful way to help generate the funds necessary for the State Transportation Dept. to “pay its own way.”

Reported by Pam Grange

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