

MINUTES
SENATE COMMERCE & HUMAN RESOURCES COMMITTEE

DATE: Tuesday, February 12, 2013

TIME: 1:30 P.M.

PLACE: Room WW54

MEMBERS PRESENT: Chairman Tippetts, Vice Chairman Patrick, Senators Cameron, Goedde, Guthrie, Martin, Lakey, Schmidt and Durst

**ABSENT/
EXCUSED:**

NOTE: The sign-in sheet, testimonies and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.

CONVENED: **Chairman Tippetts** called the meeting to order at 1:30 p.m.

MOTION: **Senator Schmidt** moved to approve the minutes of January 31, 2013. **Senator Goedde** seconded the motion. The motion carried by **voice vote**.

GUBERNATORIAL APPOINTMENT: The appointment of Steve Landon of Chubbuck, Idaho, to the State Insurance Fund Board to serve a term commencing April 30, 2012 and expiring April 30, 2016.

Steve Landon said he was employed by the J.R. Simplot Company in Pocatello, Idaho. He stated he was a lifelong Idahoan and Pocatello resident. He has served as an elected or appointed official in Local 632 at the plant for forty-three years. He has had extensive experience handling various forms of workman's compensation issues because he has served as the president of the organizations regional council that encompasses nine western states, as well as Hawaii and Alaska. He introduced his wife, Pam, and daughter, Tracy. **Chairman Tippetts** welcomed them.

Senator Schmidt said he looked at the statutory requirements of the board and he assumed Mr. Landon fit into the labor category. He thanked Mr. Landon for his service.

MOTION: **Senator Goedde** moved to send the gubernatorial appointment of Steve Landon to the State Insurance Fund Board, to the floor with the recommendation that he be confirmed by the Senate. **Senator Martin** seconded the motion. The motion carried by **voice vote**. Senator Goedde will carry the appointment on the floor of the Senate.

PRESENTATION: **Jeff Sayer**, Director of the Department of Commerce, gave a PowerPoint® update to the committee. He thanked Jim Hawkins for being his mentor and a dear friend. **Chairman Tippetts** welcomed Mr. Hawkins. **Mr. Sayer** summarized activities with the Idaho Global Entrepreneurial Mission (IGEM) Council, the Leadership in Nuclear Energy (LINE) Commission, the Main Street Program, tourism, international trade and economic development.

Mr. Sayer reported the Department of Commerce worked with industry clusters which were nationally and globally competitive. He said there were three pillars of focus by the department for companies: 1) protect and retain; 2) grow existing; and 3) attract new. He said growth was occurring across the state, with momentum in the industry sectors. The emerging clusters were software, "rec tech", aerospace, bio tech, wine production and light manufacturing. He defined

"rec tech" as recreational technology or anything under Cabela's Sporting Good's roof. He stated that we have the largest wilderness area in the lower 48 states.

He talked about the economic development philosophy of the department, indicating they had strong partnerships with state and local agencies. The priority focus was on existing Idaho businesses with direct outreach to business, including tourism, international, LINE and IGEM. He said the two percent hotel tax was a dedicated fund to promote tourism. **Mr. Sayer** outlined the total number of state grants that have been issued and dispersed state-wide. He challenged his team to think about canvassing the state to find out what kinds of projects needed investigating by the department. Instead of the handful of projects that came through the grant application process in the past, his team came back with over 90 projects. Last year they found 15 of the very best projects and funded those. He said the grants helped some of their smallest communities extend sewer lines and expand water and electrical capacities by redeploying \$449,000 in small rural grants, with matching funds of \$2.8 million.

Chairman Tippetts and **Mr. Sayer** had a conversation regarding the Rural Community Block Grant (RCBG) and the dedication of funding for Gem Grants. **Mr. Sayer** said funding levels for some of the state grant programs had notable increases, which have been included in the annual baseline budgets. He announced that export numbers for 2012 moved to \$6.1 billion for an increase of 3.5 percent, 10 percent of which were international exports. He indicated this was a 35 percent increase from the fourth quarter of the prior year. The aerospace industry in Idaho was partially responsible for the increase, he said, which included maintenance, composite parts and aircraft.

Senator Durst had a discussion with **Mr. Sayer** regarding separating figures by market segment. **Senator Durst** said it would be interesting to have the information.

Mr. Sayer explained the pie chart from his PowerPoint® slide for 2011 and gave a general breakdown of annual revenues. The data indicated Micron and On Semiconductor, were very large companies which were critical to our state's economy. He said, however, when those two companies were taken out of the picture, the mining, food and agriculture industries were the next largest exports. Wood and paper followed. He praised the timber companies for doing an excellent job in adapting to the Asian markets and saving jobs when the construction markets dropped. Because of our proximity, half of the United States' exports are sent to Asia.

He said the tourism group has been winning awards for their advertising campaign called Vitamin ID (Idaho) . The increase in the dedicated lodging tax fund receipts was a leading indicator of a positive trend in our economy.

Mr. Sayer said IGEMs was driving industry through innovation and an opportunity to elevate the capabilities of Idaho's research. He reported they were fortunate to model their plan after other states. There was \$5 million in the fund. Two million dollars was dedicated as permanent funding to the Center for Advanced Energy Studies (CAES). Another \$2 million was slated to go to the State Board of Education, which was allocated to different universities. That money was intended to augment their research capabilities. The last \$1 million came to the Department of Commerce. The ultimate intent of that money was to fund startups that were coming out of research institutions that needed initial funding to get started.

Mr. Sayer said if the last \$1 million was spent correctly, that would keep the whole program together. They have been very careful and to date have spent none of the money. They needed to take their time and think through how the money would be spent. He publicly thanked Utah for their approach and support towards forming an intermountain alliance. They learned Utah had a base of industry partnerships that already funded research at the universities. Idaho does not have those kinds of partnerships. In order for a robust program to be successful in a state, the base has to be there, he said. The department has to go back to the beginning and help the universities build industry relationships. Commerce will very carefully invest some matching monies with the universities to help them create businesses. They will be working through the details of how they can support industry coming to Idaho and working with the Idaho universities. When Utah State started listing their clients, 80 percent of them were Idaho companies. The Idaho companies were spending a tremendous amount of money with Utah State to do research. One of the team's objectives was to bring the research money back to Idaho.

Mr. Sayer said the best way to move our economy forward and to have the greatest impact, would be through the work force. Idaho should be able to do great things if we can get our higher education community connected to industry and have that be a dynamic, supportive, respectful conversation. We need to be investing in our infrastructure. If we are not careful, our economic growth will catch up with our capacity.

Senator Lakey and **Mr. Sayer** had a conversation about the IGEM program and the placement of business offices at the universities. They discussed bringing industry and universities together to build upon specialties. **Senator Schmidt** and **Mr. Sayer** discussed donations from industry and other places to receive money as outlined in the statute. **Senator Durst** and **Mr. Sayer** talked about data on interstate trade compared with market share outside of the state.

Chairman Tippets thanked Mr. Sayer for presenting. **Mr. Sayer** thanked the committee for their support and said he looked forward to working with everyone.

GUBERNATORIAL APPOINTMENT:

The appointment of Jody Olson of Boise, Idaho, to the Public Employee Retirement System of Idaho Board, to serve a term commencing July 1, 2012 and expiring July 1, 2017.

Jody Olson said he was counsel at Hawley, Troxell, Ennis & Hawley (HTEH), which is the oldest and largest law firm in Idaho. He served for many years as Chairman of the Board of the Public Employee Retirement System of Idaho (PERSI), a \$12 billion pension fund. He is Chairman of the Finance and Investment Committee of St. Alphonsus Hospital Foundation and a member of the Board, and a member of the investment committee of the University of Idaho Foundation. In addition, he is a member of the Board of Directors of Medical Discoveries, Inc., a National Association of Securities Dealers Automated Quotations (NASDAQ) traded company. He is also a board member of the Council of Institutional Investors (CII), Washington, D.C.

He talked about keeping PERSI well-funded. He said he was honored to have been nominated again and would be proud to serve. **Senator Schmidt** thanked him and said his application was impressive. He expressed a concern and wanted to be reassured there were others being trained to take over when Mr. Olson and others eventually stepped down. Mr. Olson assured him there were others who were being trained and mentored for that eventual transition.

Senator Durst asked him what his position was on defined benefit plans versus defined contribution plans. **Mr. Olson** said he was aware of and was studying various plans that had been adopted from around the country. He said defined contribution plans worked well in private sector companies because they had other options and benefits as opposed to the public sector. **Senator Cameron** thanked Mr. Olson for his hard work, dedication and willingness to give of his own time to make the PERSI plan successful. **Senator Lakey** also thanked Mr. Olson for his service.

TESTIMONY: **Mr. Tom Miller**, representing himself, spoke on behalf of Mr. Olson. He said he has known Mr. Olson for 40 years and it was his conviction that state retirees had been very well-served by Mr. Olson.

MOTION: **Senator Cameron** moved to send the gubernatorial appointment of Jody Olson to the Board of the Public Employee Retirement System of Idaho, to serve a term commencing July 1, 2012 and expiring July 1, 2017 to the floor with the recommendation that he be confirmed by the Senate. **Senator Durst** seconded the motion. The motion carried by **voice vote**. Senator Buckner-Webb will carry the appointment on the floor of the Senate.

S 1031 Relating to Commercial Transactions - Electronic Funds Transfers (EFT) was presented by **Mike Brassey**, Uniform Law Commissioner, who explained the history of the Law Commission in the State of Idaho. He said recently Congress, as part of the Dodd-Frank Wall Street Reform and the Consumer Protection Act, amended the federal law to expand its coverage and to create a new type of wire transfer known as a "remittance transfer". This change in the federal law created uncertainty and made it unclear whether transactions that were currently governed by state law would remain subject to state law unless this section of state law was amended.

This legislation amends Idaho law to maintain the existing state exemption for EFT transactions and provides that a remittance transfer is subject to Idaho law unless it is also an EFT. In order to assure that the relationship between federal and state law remains as it was before the federal expansion, this legislation is proposed to preserve the scope of the state law. There is no fiscal impact to the state or to local government.

Senator Goedde asked if any states have declined to adopt this rule and **Mr. Brassey** said, "no". **Senator Durst** and **Mr. Brassey** had a conversation regarding the first five chapters of Part 4, Chapter 28 regarding the process by which banks deal with deposits and collections. They discussed how the law did not adversely affect any other article and did not deal with the same subject matter as the previous five chapters.

MOTION: **Senator Goedde** moved that **S 1031** be sent to the floor with a **do pass** recommendation. **Senator Lakey** seconded the motion. The motion carried by **voice vote**. Senator Davis will carry the bill on the floor of the Senate.

ADJOURNED: There being no further business, **Chairman Tippetts** adjourned the meeting at 2:20 p.m.

Senator Tippetts

Chairman

Linda Kambeitz

Secretary