

MINUTES
HOUSE BUSINESS COMMITTEE

DATE: Monday, February 17, 2014

TIME: 1:30 P.M.

PLACE: Room EW41

MEMBERS: Chairman Henderson, Vice Chairman Thompson, Representative(s) Collins (Collins), Crane, Palmer, Barbieri, Batt, Agidius, Clow, Hixon, Kauffman, Monks, Morse, Stevenson, Youngblood, Smith, Rusche, Gannon

**ABSENT/
EXCUSED:** Crane, Kauffman

GUESTS: Tom Williamson, BCBH Developers; Megan Ronk, Department of Commerce; Kristin Kirchenman, RIsch-Pisca; Zain Kyk, Idaho Statesman; McKinsey Yon; Kris Ellis, ISBA

Chairman Henderson called the meeting to order at 1:32 p.m.

MOTION: **Rep. Hixon** made a motion to approve the minutes of January 29, 2014. **Motion carried by voice vote.**

MOTION: **Rep. Hixon** made a motion to approve the minutes of February 3, 2014. **Motion carried by voice vote.**

H 498: **Rep. Henderson** presented **H 498** relating to a film and television production business rebate. He said **H 498** is a straightforward, simple piece of legislation which revises a sunset date for law that was enacted in the Legislative Session of 2008. He said it deals with a 20% rebate of specific Idaho expenditures of qualified film productions which meet certain criteria of 1. at least \$200,000 spent in Idaho; 2. at least 35% of the crews hired must be Idaho residents. He said the cap on the rebate is \$500,000. He noted the lengthy negotiations and preparations a film company undertakes in order to lease property and buildings and bring on a work crew is such that if a production were approved, the expense would probably occur in the subsequent fiscal year. He said the Department of Commerce would advise JFAC of the expenditure and request a line item in that year's budget for the rebate.

Jeff Sayers, Director of the Department of Commerce, came to the podium. He spoke **in support** of **H 498**, requesting a new sunset date of Dec. 31, 2020.

In response to questions **Mr. Sayers** said it is unknown whether or not a production receiving this rebate would be eligible for other economic development grants or funds. He said the terms described within this bill would allow for more than one production to apply for a rebate. He further clarified a production company would request a rebate after providing proof of previous expenditures and 35% Idaho citizens hired. He said there are no funds given prior to production. He said the overall impact to Idaho's General Fund is unknown until the Department of Commerce learns the scope of each production. He affirmed the cap on this rebate is \$500,000. He said the task of monitoring the percentage of the Idahoans employed is given to the production company. He said the original bill remains unchanged and he is only asking at this time to change the sunset date.

Rep. Rusche spoke **in support** of **H 498**. He noted the many ways a film project could be produced utilizing existing technologies and industries available in Idaho. He said this bill offers an incentive to attract such production companies to do business in Idaho.

Tom Williamson, MCBH Developers, came to the podium. He stated his involvement in crafting the original bill in the 2008 legislative session. He said this legislation is a workforce development project, resulting from a task force created to develop this industry in Idaho. He said film production is a manufacturing industry which allows the media industry to create a product and then leave. He gave the example of the film, *Dante's Peak* as one which generated over \$10,000,000 for Idaho. He offered the 2005 production of the film *Napoleon Dynamite*, created 10 years ago in Preston, Idaho as an example of a recognizable product. He noted that the rebate has not been utilized in Idaho as of yet due to the economic downturn. He confirmed that production of both films predate the law. He said no monies have yet been allocated for a major production although inquiries which generated some small business have occurred. He said this incentive appeals to independent producers rather than the large, production companies. He said the purpose of **H 498** is to keep the Idaho Statute intact and available to the Department of Commerce as a tool for attracting business.

Mr. Williamson said this bill is modeled after Utah's successful program which generates \$80 - 100,000,000 annually. He said Utah, known as a film industry friendly state, recently welcomed new construction of a \$100,000,000 production facility in Park City assisted by a mature incentive program. He said Idaho could benefit similarly.

Jeff Sayers, Director, Department of Commerce returned to the podium and presented the Film and Television Production Business Rebate Fund Report. He said the representatives of the film industry were among the first to come before the Department of Commerce requesting assistance in developing their industry in Idaho. He said other states have created tax incentives which appeal to investors in a film and promoting this industry in Idaho makes sense. Mr. Sayers explained before we apply for a large tax incentive we need the number of jobs created, the longevity of these jobs, and expected revenue generated. He said other important factors in determining location of film production such as availability of equipment, ease of licensing and permitting, and right to work laws are other incentives that are not necessarily monetary. He said within 2 or 3 years he should have an example of a production rebate to bring before the Legislature illustrating all of the aspects of this program. Mr. Sayers said a successful Audi commercial was recently filmed in the Magic Valley.

In response to questions **Mr. Sayers** said the funding for this rebate would be appropriated in the annual budget and held in the State Treasury. He said once the fund is depleted no further funds would be disbursed each year. He said zero dollars are currently in the fund, but the mechanism is in place and needs to be kept in place for the future. He said, as the fundamentals of this program develop, a model will be created, backed up with numbers, upon which to base a fund request. He said there is momentum in this industry. He said the process of evaluating projects for possible applicability prior to the rebate is untested and may need refinement. He said other states have left their programs open-ended, however the concept in place here provides a known fiscal impact. He said other states have further refined the qualifying expenses with subsequent legislation and he expects to perform the same exercise in time. He said greater funding levels could accommodate more projects. He said the original bill levels of 20%, 25% and 30% requirement for employing Idahoans are not changed here as a business case and plan for disbursement is owed prior to any request for funding.

Mr. Sayers said the reporting obligation of the Department of Commerce required in the statute is contained in the hand-out, Film and Television Production Business Rebate Fund (see attached), before the Committee. He said some of the projects listed on the hand-out could have qualified, however a more detailed study is required to identify which project could have requested participation. He said a few small projects come naturally and without incentives and he hopes to answer questions regarding the type of projects applicable to this incentive prior to expenditure of funds.

MOTION: **Rep. Morse** made a motion to send **H 498** to the floor with a **DO PASS** recommendation.

Rep. Batt spoke **in support** of **H 498**. She said the original bill, **H 592**, was written under the leadership of a former Director of the Department of Commerce and foresees refining the law in the future under the leadership of **Mr. Sayers** as the need arises.

SUBSTITUTE MOTION: **Rep. Henderson** made a substitute motion to **HOLD H 498**.

Rep. Rusche spoke **in support** of the original motion. He said he sees the value in continuing the law that is in place.

Rep. Barbieri spoke **in support** of the original motion.

Rep. Morse spoke **in support** of the original motion. He recommends extending the sunset date in order to accommodate incoming productions as it takes some time to develop business plans which could make application for this rebate. He said there is always the possibility to return in the future with bills that address issues as they arise.

SUBSTITUTE MOTION WITHDRAWN: **Rep. Henderson** withdrew the substitute motion.

VOTE ON MOTION: **Motion carried by voice vote.**

Chairman Thompson introduced House Page, **Justus Grammer** and welcomed him to the Committee.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 2:26 p.m.

Representative Thompson
Chair

Catherine Costner
Secretary