

MINUTES
HOUSE BUSINESS COMMITTEE

DATE: Wednesday, February 19, 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, Collins

GUESTS: None

Chairman Henderson called the meeting to order at 1:31 p.m.

Jeff Sayers, Director, Department of Commerce, presented an overview of the accomplishments of the Department with respect to Economic Development.

Director Sayers said the general Gross State Product (GSP) target is \$60 billion and the Governor's Project 60 is a success with \$62.4 billion dollars expected by the end of 2014. He said Idaho's international export numbers came out recently and are down from 6.1 billion to 5.7 billion dollars. He said the biggest driver of this decrease is the semi-conductor industry and, while the down trend of that sector is unfortunate, other factors such as agri-business and manufacturing numbers are up. He said 2% of hotel tax revenues go to a dedicated fund used to market the state and enhance tourism. He said this great tool indicates tourism and business travel have increased 8% over the previous year.

Director Sayers reported on the Idaho Global Entrepreneurial Mission (IGEM) as a long-term investment in Idaho's technology future. He named the three primary funding components: \$2 million appropriate to the State Board of Education, \$2 million allocated to the universities, and \$1 million Commercialization Grants administered through the Idaho Department of Commerce. He said the intended goal of IGEM is high end job creation and expansion of cutting edge sectors state wide. He said IGEM, based upon a similar program in Utah, was developed with guidance from the Utah Department of Commerce. He said the focus is industry funded research. He said, Idaho's research is predominantly federally funded, with Idaho universities having zero or nominal industry funded research. He said over one-half of Utah's clients participating in that state's industry funded research are Idaho companies. Director Sayers plans to spend considerable time and effort bringing industry partners to Idaho universities, and to build research capacity. He gave the ultimate goals of IGEM as technology roll out and job creation. He said this will not be accomplished in one or two years.

Director Sayers highlighted the successes of the Opportunity Fund, established in 2013. He said there is tremendous interest in the program and the first step is to build trust by demonstrating prudence in granting funds. He said the first project, a snack producer called GOGO Squeeze is up and running in Nampa. He said the Opportunity Fund is considering five projects which will, if funded, provide 789 jobs resulting in an annual tax impact of over \$9 million. He affirmed \$750,000 is available in the Opportunity Fund, however no request for additional appropriations has been made.

Director Sayers summarized the recent reorganization within the Department of Commerce. He said the Department wished to focus energy on emerging markets, paying attention to peripheral technologies and enabling development of industry. He noted that other states use a combination of business incentives and talent pipelines to accomplish job creation and industry growth. He said community colleges in the south and southeastern states create talent pipelines to prepare skilled employees for emerging industries. These successes have inspired changes in the structure of the Department of Commerce. He said two Divisions: 1. Business Creation - developing new businesses and tourism, 2. Business Expansion - growing existing businesses and industries, were brought together. He said two administrator positions were eliminated and the reporting structure was streamlined, resulting in a more efficient organization focused on the same goals. He said the old regional model is replaced with a team approach focusing on specific business sectors state wide. He said the strategy is to invest in business lines that provide higher income jobs. He said the Department strives to assist regional economic development organizations rather than replicate their efforts.

In response to questions **Director Sayers** said the majority of tourists come from Seattle, San Francisco and Canada. He said the Department is changing focus from measuring heads in beds (as the ultimate goal) to a larger focus of tracking venue usage, number of meals served in restaurants and other factors. He said the Department plans to set aside moneys in the future to assist communities develop activities and venues and to draw greater audiences.

Director Sayers spoke of a new idea, centralization of administrative functions such as data maintenance, human resources and payroll as an up and coming technology based industry. He also listed as another attractive option, incoming executives who recognize the competitive personal income tax rate and lovely natural surroundings of living in Idaho and telecommuting to work.

In response to questions, **Director Sayers** said the Department is working on a plan to train local governments to utilize the Opportunity Fund and other economic development tools. He characterized the effort as a statewide conversation to share practices and knowledge.

Director Sayers said the measure of success for economic development programs will be an increase in household income indicating a growth in jobs that offer greater than minimum wage. He said talent pipelines, community college based training programs which create skilled workers needed by local industry, will ultimately produce greater household incomes. He said the Department is actively involved in workforce development conversations. He praised the work of the three Community College Presidents who cooperatively respond to the training needs of local industry. He gave the following examples: the College of Southern Idaho has training programs in place to meet the needs of the local food processing industry, the College of Western Idaho's programs to train workers for manufacturing, and, the College of North Idaho's programs to train workers for employment in the emerging aerospace industry.

Director Sayers said workman's compensation insurance rates are an example of lower costs that can attract businesses to relocate to Idaho. He affirmed legislators can request comparisons between Idaho's indices and those of other states from the Department of Commerce. He said Department of Commerce teams become experts in certain industries such as manufacturing, firearms, aerospace and are available to help representatives market directly to these industries.

Rep. Batt spoke in support of **Director Sayer's** leadership.

Rep. Agidius spoke in support of the Department of Commerce's reorganization and ability to use limited resources in the best way possible. She said she is confident the Opportunity Fund and new legislation will all assist these efforts.

Chairman Henderson spoke in support of the Opportunity Fund. He said he is impressed with the results. He urged legislators to avail themselves of assistance from the staff at the Department of Commerce when engaging in economic development efforts in their home districts.

ADJOURN: There being no further business to come before the Committee, the meeting was adjourned at 2:32 p.m.

Representative Henderson
Chair

Catherine Costner
Secretary