

MINUTES
HOUSE BUSINESS COMMITTEE

DATE: Wednesday, March 27, 2013
TIME: 1:30 p.m. or Upon Adjournment
PLACE: Room EW41
MEMBERS: Chairman Henderson, Vice Chairman Thompson, Representatives Collins, Crane, Palmer, Barbieri, Batt, Agidius, Clow, Hixon, Kauffman, Monks, Morse, Stevenson, Youngblood, Smith, Rusche, Gannon
**ABSENT/
EXCUSED:** Reps. Collins, Barbieri, Agidius, Stevenson
GUESTS: Timothy J. McCallion, Verizon Wireless

Chairman Henderson called the meeting to order at 1:34 p.m.

MOTION: **Rep. Gannon** made a motion to approve the minutes of March 25, 2013. **Motion carried by voice vote.**

Chairman Henderson relinquished the gavel to **Vice Chairman Thompson**.

Rep. Henderson came to the podium and presented economic development resources. He said helping businesses to move to Idaho, expand and grow is of critical importance to the economic health of Idaho. He presented a map of Idaho which delineates the six Economic Development Districts with contact information for each district. He discussed the Small Business Development Centers - a network of six regional offices which serve the needs of small businesses and entrepreneurs in Idaho. He said Idaho Department of Commerce Procurement Technical Assistance Center (PTAC) provides assistance to businesses on bidding and submitting proposals for federal contracts. He highlighted the value of PTAC services as there is cost to Idaho companies who wish to register and participate. He discussed examples of companies who won contracts with federal agencies. This list featured 7.5 million dollars of federal contracts awarded in Kootenai County.

Rep. Henderson offered an illustration of how appropriate legislation can enable business growth with the example of **H 417** Sales Tax Exemption for Parts Installed on Non-Resident Aircraft and it's effect on Western Aircraft, an Idaho business. Western Aircraft's year end update enumerates achievement of performance goals: 1. Growing staff to 170 full time employees; 2. Construction of a 24,000 square foot facility; 3. Addition of new customers from outside Idaho; 4. Addition of new services and capabilities, equipment and training of employees; 5. Partnering with Idaho State University to produce new hands-on avionics training.

Rep. Henderson challenged the committee members to consider crafting innovative legislation that benefits economic growth. He suggested a hindrance to economic development might be eliminated with a rebate of sales of tax on building materials needed to expand facilities and create new employment positions. He said a precedent exists in statute to accomplish this type of legislation when specific goals are met. He presented 2012 draft legislation with supporting code references attached a model for new legislation.

Rep. Henderson presented a schedule of municipal fees typically charged to businesses wishing to construct facilities in the City of Post Falls. He said these numbers indicate costly impact and development fees which can hinder business growth in Idaho. He said cities charge different schedules of fees, which are typically determined by the city engineering department. He presented a brochure produced by the Department of Commerce titled, *Incentives for Business*. (See attached.) He said this publication is an excellent summary of programs and advantages offered to prospective business considering a move to Idaho.

Rep. Henderson enumerated the following avenues of future legislation benefitting economic development: 1. Property tax exemptions offered currently at the discretion of county commissioners; 2. Work force training which currently suffers from procedural barriers; 3. Factory/Commercial building materials sale taxes which might be rebated to the construction or expansion of facilities under the conditions that new jobs be created and other specific milestones.

Rep. Henderson announced **H 100** The Idaho Opportunity Fund will be signed into law by **Governor Otter** tomorrow. He presented an overview of jobs resulting from investments using the Business Development and Jobs Development Fund, a predecessor to **H 100**, noting award amounts, a description of the infrastructure project built through those funds and the status of those businesses presently. He discussed both completed projects and those projects currently in progress.

Rep. Hixon discussed the need for opening a dialog with local government officials with the aim of forming meaningful partnerships that can assist businesses in relocating or expanding. He said this would be an opportunity to promote the Idaho Opportunity Fund and other programs that are available.

Rep. Morse spoke regarding impact fees and how they affect proposed construction. He mentioned the impact on specific projects in Kootenai County such as sewer and water cap fees which can appear to be unrelated to the actual cost. He said the annexation fees and application fees can be waived by municipal jurisdictions. He indicated that burdensome development fees can prove prohibitive to private enterprises considering development. He stated the development fees charged by municipalities provide income for some local governments rather than simply covering costs.

Rep. Clow noted that finding answers that have worked for other communities may or may not work in other districts. He said local governments vary considerably in their fee structures in that some jurisdictions regard building fees as a source of revenue while others structure building fees simply to cover associated expenses of the engineering and administration departments. He recommends that if a district's impact fees are conservative, little change in that structure should be considered. He gives the location of the new Chobani yogurt factory Twin Falls as an example of municipal fee structuring. He said in the past the City of Twin Falls had limited ability to take on any industry requiring significant fresh water and sewer capacity as the City did not have the resources to expand infrastructure. He said these types of industries were not encouraged in the past. He said this changed when a federal mandate to provide lower concentration of arsenic in public drinking water forced upgrades of the drinking water system. He said that Twin Falls enabled Chobani to locate to Twin Falls by waiving certain impact fees. He noted that revenue allocation versus long term growth and jobs contribution to the local economy need to be carefully weighed for each community.

Rep. Henderson summarized his presentation by recognizing a strong working relationship with **Jeff Sayer**, Director, Department of Commerce, and recommended that each member of the committee invest in a similar relationship. He invited committee members to write Jeff Sayer a letter of support for the Idaho Opportunity Fund. He urged the committee members to insist upon accompanying employees of the Department of Commerce as they tour districts and participate actively in evaluating sites for potential business prospects. He advised committee members to be aware that other laws and departments of government can affect development. He gave as an example the Department of Environmental Quality requirements for environmental impact studies prior to development.

Timothy J. McCallion, Verizon Wireless, came to the podium at the request of **Chairman Thompson**. He thanked the legislators for their support in passing laws that have enabled wireless communications to thrive. He noted the dramatic advances in telecommunications technology that have come recently about. He said the United States leads the industry in broadband wireless technology and cites the importance of a good business climate to encourage investment in growth and expansion. He noted that wireless electronic business is the fastest growing industry sector. **Rep. Henderson** asked if Verizon has considered Idaho as a site for locating repair or production facilities for electronic devices. Mr. McCallion indicated that Idaho would be a good fit for distribution centers, however he does not know if it has been under consideration. **Rep. Henderson** praised Idaho's unique advantages such as rates for workman's compensation insurance and utility rates among lowest in the nation. He suggested that Idaho be considered the next time Verizon considers expansion.

Rep. Rusche voiced concern regarding the "digital divide", a disparity between rural and urban areas receiving wireless service coverage. He asked **Mr. McCallion's** advice for rural communities to obtain dependable broadband services. Mr. McCallion recommended 4GLTE broadband service as the best solution for rural communities. He said 4GLTE technology from Verizon offers products which allow for WiFi connections and satellite connections for connectivity in rural and remote areas. He said prepaid wireless services also offer the opportunity to become connected for communities with budgetary concerns.

Rep. Morse requested that Verizon consider sharing their site selection criteria with the business development community in Idaho. He said knowing that criteria would help policy makers create an advantageous atmosphere for businesses wishing to relocate. **Mr. McCallion** promised to take the discussion back to his company and consider that request.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 2:28 p.m.

Representative Henderson
Chair

Catherine Costner
Secretary