

## MINUTES

# SENATE COMMERCE & HUMAN RESOURCES COMMITTEE

- DATE:** Thursday, February 05, 2015
- TIME:** 1:30 P.M.
- PLACE:** Room WW54
- MEMBERS PRESENT:** Chairman Tippetts, Vice Chairman Patrick, Senators Cameron, Martin, Lakey, Heider, Lee, Schmidt and Ward-Engelking
- ABSENT/ EXCUSED:** None
- 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. and welcomed all.
- MINUTES APPROVAL:** **Senator Martin** moved to approve the Minutes of January 22, 2015. **Senator Heider** seconded the motion. The motion carried by **voice vote**.
- RS 23215:** **Relating to Engineers and Land Surveyors.** **Keith Simila**, Executive Director, Board of Professional Engineers and Professional Land Surveyors (Board), said this RS has the support of the Idaho Society of Professional Land Surveyors, the American Council of Engineering Companies, and the Idaho Society of Professional Engineers. The amendment will remove the lack of clarity that now exists in the law regarding license renewals. Idaho Code § 54-1216, makes renewal of a license contingent only on the payment of a renewal fee. Idaho Code § 54-1220 authorizes the Board to refuse to renew a license as part of a disciplinary action. The change in statute will clarify that the completion of administrative requirements provided by Idaho's laws and rules, in addition to the payment of a renewal fee, is a condition of license renewal.
- Executive Director Simila** said currently more than 10 percent of licensees and certificate holders renew late. The amendment provides incentives to renew on time by adjusting the late fee for renewal of licenses and certificates from 20 percent (\$20) per month to 50 percent (\$50) per month, and the maximum late fee from \$300 to \$500. More on-time renewals will reduce the workload of the office staff that send late renewal notices. Continuing Professional Development (CPD) compliance will be monitored. A new provision will allow first time CPD violators the option to request a \$400 fine in lieu of discipline. Disciplinary actions are published for ten years and are reported to other states. Most licensees found with CPD violations prefer to avoid discipline and are expected to utilize this provision.
- The law requires five Board members consisting of one licensed professional land surveyor and four licensed professional engineers. Currently, the Board has one member who is professionally licensed as both a land surveyor and an engineer. The Board sees great value in retaining two surveyors as members in perpetuity, as having two opinions on the same issue provides for better insight into the questions and concerns related to the land surveying profession. Examining the demographics of licensees who reside in Idaho, the Board discovered that future dual licensed Board candidates are significantly decreasing in numbers. The average age of dual licensed candidates is 68. Additionally, better representation both geographically and between engineering disciplines is beneficial. The amendment will change Board membership to seven members, two land surveyors and five engineers.

**Senator Heider** wanted to know why some licensees did not renew on time. **Executive Director Simila** said he found that very odd as well and did not understand either. He said if a licensee was deployed overseas, they could ask for a deferment in renewing their license.

**Senator Cameron** asked whether or not the fee should be paid to the Board or to some other entity. **Executive Director Simila** said the provision of paying the renewal fee to the Board was drafted by an attorney. The fees are put into a dedicated account.

**MOTION:** **Vice Chairman Patrick** moved to send **RS 23215** to print. **Senator Schmidt** seconded the motion. The motion carried by **voice vote**.

**RS 23230:** **Relating to State Purchasing. Bill Burns**, Administrator, Division of Purchasing (Division), reported the proposed legislation alphabetizes definitions in the purchasing statute. The proposal is in response to agency input received from the Office of Performance Evaluations (OPE) report, "Strengthening Contract Management in Idaho" and during negotiated rulemaking. In 2013, HCR 18 was passed to state the Division would develop a plan to respond to the OPE report with components of that plan identified. In 2014, the Division issued the response plan to the Joint Legislative Operations Committee.

As a response to the recommendations of the OPE report and input from users, there was a recommendation that the Division work with the office of the Attorney General to review sections of the Idaho Administrative Code related to the procurement process.

**Senator Cameron** wanted to know what the reason was for defining secondary waste in contract law. **Keith Reynolds**, Department of Administration, said he had nothing to add, but would get an answer for Senator Cameron. **Senator Cameron** commented he thought some of the wording was repeated from old code. He said he wanted to know how significant the differences were in the definitions. **Administrator Burns** stated the changes were a restatement and an alphabetization of the definitions in order to make it more user-friendly. **Senator Cameron** commented he found it interesting that a bill would be passed to re-alphabetize definitions.

**MOTION:** **Senator Cameron** moved to send **RS 23230** to print. **Senator Martin** seconded the motion. The motion carried by **voice vote**.

**Chairman Tippets** welcomed students from Century High School who were visiting.

**PRESENTATION: Update on Tax Reimbursement Incentive. Jeff Sayer**, Director, Department of Commerce (Department), gave a PowerPoint presentation. He talked about Project 60, Idaho Annual Exports, and the Idaho Lodging Tax. He said Idaho has the fifth highest growth rate in the United States. Manufacturing has the eighth highest growth rate. Idaho has the sixth lowest unemployment rate and outpaced the nation in 10 out of 15 industry categories. **Director Sayer** said that according to the Heartland Institute, Idaho is fifth for having the best economic outlook. Bloomberg said Idaho is fifth in the economic health index and Kiplinger reported Idaho is sixth for the fastest job growth.

Included in the Idaho Global Entrepreneurial Mission (IGEM) funding is the Center for Advanced Energy Studies (CAES) of \$2 million, the Higher Education Research Council (HERC) of \$2 million and Commerce for \$1 million. He reported on IGEM research grants with Boise State University receiving 25 percent, the University of Idaho at 45 percent and the following companies: Bio Cement, GenZ Sprayer, High Speed Digital Modeling, and Nanofabrication System at 30 percent.

The Idaho Opportunity Fund (IOF) has awarded \$1.9 million to date to GoGo Squeeze in Nampa (\$350,000 - 150 jobs); Fulact in Rupert (\$350,000 - 100 jobs); Clif Bar in Twin Falls (\$800,000 - 250 jobs); and Cives Steel-Ucon (\$400,000 - 210 jobs).

**Director Sayer** talked about the Tax Reimbursement Incentive and said that since July 1, 2014 there have been 9 approved projects and 1,710 total jobs created. The capital investment was \$317 million and total wages were \$573 million. New state revenue amounted to \$75 million. He projected 1,700 new jobs will be created. **Director Sayer** indicated the highest priority was recruiting and training skilled talent.

**Director Sayer** talked about Accelerate Idaho. He said the State would have to focus on priorities in order to move the economy forward. He explained that agricultural technology is one of Idaho's greatest assets.

**Director Sayer** said that when the Department looked at population growth, most of the 108,000 people projected to move to Idaho were 65 years old or older. He said the State is 95,000 workers short in order to fuel growth. The big trends in industry point to the recruitment of talent. States are figuring out that talent is critical to growth.

**Vice Chairman Patrick** commented he was concerned about small communities dealing with growth. **Director Sayer** replied the world is moving so quickly communities need to be prepared. Infrastructure has to be in place. He pointed out there are not many vacant buildings, and businesses are looking for the fastest path to production. He said broadband and air travel both need to be expanded. Some rural areas are not prepared for growth, and because of that, communities need help. **Vice Chairman Patrick** and **Director Sayer** discussed the fallout for some small communities who are not receiving help with growth. **Director Sayer** pointed out the Department will have to figure out how to make investments in rural areas without an increase in taxes.

**Senator Schmidt** talked about a rural partnership with communities and how it tied in very closely with the need to develop rural areas.

**Senator Lakey** asked what needed to be done to recruit talented employees. **Director Sayer** said implementing Choose Idaho was a fascinating step forward.

**Megan Ronk**, Chief Operating Officer, Department, talked about the overall results of nine projects. She said the overall average for grant awards and tax incentives was 22 percent for 8 years. Amy's Kitchen received 26 percent for 15 years.

**PASSED THE  
GAVEL:**

Chairman Tippetts passed the gavel to Vice Chairman Patrick to introduce the presenters for the rules review.

**DOCKET NO.  
28-0401-1402:**

**Rules Governing the Idaho Reimbursement Incentive Act.** **Megan Ronk**, Chief Operating Officer, Department of Commerce (Department), reported that on July 1, 2014, the Department adopted the temporary rules of the Idaho Reimbursement Incentive Act (IRIA). The adoption of temporary rules was necessary to fulfill the requirements of the new IRIA as enacted in H 546 and to commence the possible award of a Tax Reimbursement Incentive (TRI) credit to businesses seeking expansion within the State of Idaho. While operating under temporary rules, the Department further refined and established the necessary applications, templates, workflow processes, incentive agreements and other supporting documentation necessary to execute the IRIA. During the development of the processes, the Department sought the input of key stakeholders, including other agencies, economic development professionals, and companies through solicited feedback

and meetings.

This rule will incur no cost to the General Fund to initiate. The program is designed to reimburse taxes actually paid and will perpetually generate the revenues needed to fund the incentive. Incentives will be no more than 30 percent of taxes paid, leaving a minimum of 70 percent of all new state tax revenue in the treasury. Incentives will last a maximum of 15 years.

Negotiated rulemaking was not conducted. However, the Department sought the input of a variety of parties throughout the State with specific information, knowledge, expertise and technical information about economic development and business expansion. Feedback was gathered from the Office of the Attorney General, Idaho State Tax Commission (Tax Commission), local economic development professionals, site selectors, corporate decision-makers and corporate legal counsels.

**Chairman Tippetts** asked for an explanation of .08d of the rule where an approval or rejection from the Economic Advisory Council (EAC) shall not be considered a contested case. **Chief Operating Officer Ronk** said there was an opinion rendered by the Attorney General and the information dealt with rejecting an application. She said that if an application was rejected, the party could not directly appeal to the Council.

**Chairman Tippetts** questioned terminating or suspending a tax credit if the information provided was deemed to be inadequate or inaccurate. He wanted to know if an entity would be allowed to have a judicial review if they did not meet requirements. **Chief Operating Officer Ronk** replied when the EAC rendered a decision whether or not to extend tax reimbursement to a client, the contract language identified the legal remedies in case of a dispute.

**Chairman Tippetts** wanted to know the definition identified by the Tax Commission of "in good standing." **Chief Operating Officer Ronk** stated the Department works with the State Tax Commission and that a letter verifying "in good standing" was something used at the request of a business for a variety of reasons. The letter indicates whether the company is completely free and clear of tax issues.

**Chairman Tippetts** pointed out on page 164 under 200.AUDIT, the last sentence should read "as necessary as a result of those recommendations." He mentioned **Chief Operating Officer Ronk** may want to consult with the Office of Administrative Rules.

**Senator Schmidt** referred to the actual costs and economic benefits of the tax credit commitments the Department made and wanted to know how that would be done in terms of revenue that is forgiven as a tax credit. **Chief Operating Officer Ronk** said the cost of projected wages and revenues were projected as a net benefit to the State for a particular year. She said the language was fairly broad and the Department would be receiving feedback on an annual basis. The intent was to insure the Department had transparency. **Senator Schmidt** indicated that if a third party was involved in the report, that would add to the transparency. **Chief Operating Officer Ronk** replied there was a third party audit requirement already in place.

**Senator Lee** commented she was excited about attention being paid to rural communities.

**MOTION:**

**Senator Lee** moved to approve **Docket No. 28-0401-1402**. **Senator Lakey** seconded the motion. The motion carried by **voice vote**.

**DOCKET NO.  
12-0110-1401:**

**Department of Finance - Rules Pursuant to the Idaho Residential Mortgage Practices Act. Michael Larson**, Bureau Chief, Department of Finance (Department), said this rule incorporates by reference the most recent changes to Regulation X, Regulation Z, the Real Estate Settlement Procedures Act, and the Truth in Lending Act. If the most recent changes to federal law were not included in Idaho law, mortgage loan originators would have two differing sets of laws to follow.

**Bureau Chief Larson** said negotiated rulemaking was not conducted because this rule is simple in nature as it merely updates recent changes to two federal rules and two federal statutes incorporated by reference into the Idaho Residential Mortgage Practices Act. The federal rules and statutes have been amended and the rule needs to be amended. The Department is not aware of any opposition.

**Senator Martin** commented he appreciated including a specific date in amending this rule.

**MOTION:**

**Senator Lee** moved to approve **Docket No. 12-0110-1401**. **Senator Ward-Engelking** seconded the motion. The motion carried by **voice vote**.

**PASSED THE  
GAVEL:**

Vice Chairman Patrick passed the gavel back to Chairman Tippetts.

**ADJOURNED:**

There being no further business, **Chairman Tippetts** adjourned the meeting at 2:52 p.m.

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Senator Tippetts  
Chair

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Linda Kambeitz  
Secretary