



## *House of Representatives Rural Development Council*

### **Highlights – Meeting Five**

**Co-chairman Terry England  
Representative, 116<sup>th</sup> District**

**Co-chairman Jay Powell  
Representative, 171<sup>st</sup> District**

Vice-chairman Sam Watson  
Representative, 172<sup>nd</sup> District

The Honorable Patty Bentley  
Representative, 139<sup>th</sup> District

The Honorable John Corbett  
Representative, 174<sup>th</sup> District

The Honorable Matt Hatchett  
Representative, 150<sup>th</sup> District

The Honorable Mack Jackson  
Representative, 128<sup>th</sup> District

The Honorable Dominic LaRiccia  
Representative, 169<sup>th</sup> District

The Honorable Eddie Lumsden  
Representative, 12<sup>th</sup> District

The Honorable Chad Nimmer  
Representative, 178<sup>th</sup> District

The Honorable Clay Pirkle  
Representative, 155<sup>th</sup> District

The Honorable Terry Rogers  
Representative, 10<sup>th</sup> District

The Honorable Ed Rynders  
Representative, 152<sup>nd</sup> District

The Honorable Darlene Taylor  
Representative, 173<sup>rd</sup> District

The Honorable Bill Werkheiser  
Representative, 157<sup>th</sup> District

*Ex-officio Members:*

The Honorable Brooks Coleman  
Representative, 97<sup>th</sup> District

The Honorable Sharon Cooper  
Representative, 43<sup>rd</sup> District

The Honorable Robert Dickey  
Representative, 140<sup>th</sup> District

The Honorable Penny Houston  
Representative, 170<sup>th</sup> District

The Honorable Rick Jasperse  
Representative, 11<sup>th</sup> District

The Honorable Tom McCall  
Representative, 33<sup>rd</sup> District

The Honorable Butch Parrish  
Representative, 158<sup>th</sup> District

The Honorable Don Parsons  
Representative, 44<sup>th</sup> District

The Honorable Jason Shaw  
Representative, 176<sup>th</sup> District

The Honorable Ron Stephens  
Representative, 164<sup>th</sup> District

The Honorable Kevin Tanner  
Representative, 9<sup>th</sup> District

**2018**

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## Meeting Five Highlights – Dahlonega

### *December 4, 2018 – Communications Service Tax and Broadband Grant Funding*

The morning of the final meeting in 2018 of the House Rural Development Council (RDC) focused on communications service tax (CST) and broadband grant funding to build upon the framework recommended by the RDC last year.

The meeting opened with a welcome from Dr. Benita Jacobs, President of the University of North Georgia, which is one of the fastest growing universities in Georgia and is recognized as a top institution by both Forbes and U.S. News and World Report. With five campuses, the university covers a 30-county region and is second highest in the state's number of dual enrollment students. RDC members were also greeted by Mayor Sam Norton who highlighted Dahlonega's beauty, Main Street, and Dahlonega Plateau designations and the impact that it has on tourism and economic development.

Lumpkin County Commission Chairman Chris Dockery welcomed the members and highlighted how the community had worked to enhance the broadband infrastructure; however, last mile expansion is still needed and Mr. Dockery appreciates the emphasis placed on broadband by the RDC. Water and sewer infrastructure also present a challenge in the area and more work is still needed. Locally, they are committed to improvements with SPLOST funding. In closing, he emphasized there is still a need for support for infrastructure expansion, an equitable tier system, and assistance from the state seeking business and industry that are a good fit for the community to be competitive as topography limits the region to industries with a smaller footprint.

Chairman Jay Powell then presented an overview of the communications service tax (CST) that the council will consider over the next two days. The chairman explained that while technology has changed, the tax Code has not. For example, the state taxes limousine and taxi services, but not Uber and Lyft; books or music purchased at Barnes and Noble are taxed, but digital downloads are not. The market has changed, but our Code has not.

This has had a real impact on our revenues. In 2002, sales and income taxes grew at similar rates. During the Great Recession, both declined. By 2013, as the economy began rebounding, a noticeable new trend emerged where income tax was increasing but sales tax was largely flat. While some of this trend was due to online sales that were exempt versus bricks and mortar purchases that were not, it was also caused by the shift of purchasing non-taxed digital goods. Therefore, Georgia's sales tax structure is built around a shrinking base, and if we do nothing to the structure, the revenue will continue to be flat or even decline.

When it comes to communications, Georgia is not consistent in the tax and fee structure. For example:

- Cable video is subject to a 5% franchise fee paid to local governments, but satellite and streaming services are not taxed.
- Landline phones are assessed a 3% franchise fee and sales tax, as well as a 4.9% fee for the Universal Access Fund, but there is no comparable franchise fee for wireless phones, although they are subject to sales tax.
- Voice Over Internet Protocol (VOIP) is subject to a 4.9% fee for the Universal Access Fund.
- Telecommunications equipment is subject to sales tax. This impacts companies' willingness to invest in infrastructure, as many surrounding states do not assess this tax.

What is proposed is a continuation of the modernization of Georgia's Code to match technology. This proposal does two things: 1) lowers the tax rate and consolidates taxes and fees, and 2) broadens the base to modernize the structure. The communications service tax is intended to grow as the economy and digital commerce expand. As currently proposed, the CST would be a 2% state and 2% local tax that would apply to cable systems, landline phones, cell phones, VOIP, digital downloads, streaming services, and satellite services. Franchise fees and sales taxes would be eliminated. The split between state and local may ultimately shift to give locals a greater percentage of the tax because the goal is to ensure they are not adversely impacted by the elimination of these revenue sources. The proposal should be revenue neutral to the state at the onset while allowing for growth in the future.

In addition, a new temporary tax of 2.5%, similar to the Universal Access Fund, would be levied on cell phones and landlines. This additional revenue stream would be used to fund broadband expansion and sunset.

French Brown, an attorney with Dean Mead Law Firm in Florida, discussed the impact of the communications service tax in that state. In 2001, Florida embarked on a plan to replace and simplify numerous existing state and local taxes and fees. The goal was similar to Georgia's plan to hold local governments harmless and create a more stable and reliable revenue stream. Florida taxes telecommunications and mobile communications, video services, direct to home satellite services, and services that originate and terminate in Florida or is charged to a Florida service address. Problems with Florida's CST include that its base is narrow and the rates vary in each jurisdiction. The combined average rate is over 12%. A 2012 working group recommended eliminating the CST and replacing it with a higher overall sales tax, but that was not adopted.

Stephen Loftin, with the Georgia Cable Association, noted the various fees and taxes providers are subject to and their inconsistencies. The mismatch no longer makes sense because these technologies are essentially providing the same service, be it wired or wireless, that depend on a network that runs through the right-of-way to deliver all or part of the services. When asked to

speaking about a proposed CST, Mr. Loftin said parity is good for business. Furthermore, eliminating sales taxes on broadband equipment will boost investment. The cable industry has a mixed reaction to Florida's CST because there is not parity among providers and the tax rate is too high. His suggestions for the committee include: 1) focus on video parity and 2) do not model it on another state.

Joel Wiggins with the Georgia Municipal Association spoke next. He offered some guiding principles on a CST as follows: 1) provide a local component; 2) promote competitive neutrality between providers (includes broadened base); 3) tax goods and services the same, regardless of delivery; 4) ensure that it is neutral and fair to each of the government entities; and 5) provide a more reliable and stable revenue stream.

Larry Ramsey, Deputy General Counsel with the Association of County Commissioners of Georgia, stated that the CST has a lot of merit. ACCG supports a level playing field with the idea that providers of the same services should be treated the same from a revenue perspective. The CST is forward-thinking so that future technologies are taken into account. He agreed with previous speakers that there are several flaws in the Florida model.

Kevin Curtin with AT&T, along with Bob Davis with Verizon, shared their thoughts on communication tax policy principles, which include that the tax should be: 1) nondiscriminatory and should not inhibit growth of new products or services; 2) easy to administer and uniform statewide; 3) competitively neutral; 4) promoting investment in broadband networks to support economic growth; 5) consistent with streamlined sales tax agreement, and; 6) only applied to the end user, with no taxes on business inputs. They also provided information about other states that do not tax telecommunications equipment and gave examples of increased infrastructure investment by those states.

Steve Hill, with the satellite broadcast industry, gave an update on satellite broadband technology. New satellites have been deployed and these providers can now offer high speed internet service nationally. Their industry has recognized rural and underserved customers as a market.

Ann Patterson presented on behalf of the Dish Network. She offered that franchise fees are business costs based on a service delivery model, not taxes, and repealing it should not be considered part of the broader CST conversation.

### ***December 4, 2018 – Workforce Housing and Follow Up Issues***

The afternoon was devoted to a discussion of workforce housing, as well as revisiting topics previously discussed by the Council.

Dr. Richard Carvajal, President of Valdosta State University (VSU), said the university has been involved in studying many of the same issues the council is concerned about, including

population decline, greying population/failing to attract millennials, slow job growth and distressed counties in rural communities. The university responded with the creation of The Center for South Georgia Regional Impact to address the needs in South Georgia. The mission of the center is to marry the research interests of the faculty with the needs of the 41 counties in the university's service area to identify solutions.

Darrell Moore, Executive Director of the Center for South Georgia Regional Impact, has created a VSU resource team with faculty members from the six colleges on the campus, as well as student involvement through assistantships and internships. Darrell Moore has met with representatives from 20 of the 41 counties in the service area to discuss their individual county needs, and the center currently has 18 community projects in the pipeline. Upon conclusion of the presentation, Chairman Powell and Chairman England encouraged that center to work closely with the Center for Rural Prosperity at the Abraham Baldwin Agricultural College (ABAC).

In its 2017 final report, the RDC recognized that the state must provide opportunities that allow rural students to stay in place, as well as to make long-term investments in leadership and training to prepare a quality workforce. The council recommended that the Board of Regents conduct a market analysis of masters and professional level degree programs needed in South Georgia. That was formalized in the Amended FY 2018 budget with language instructing the University System to examine those degrees currently offered at university programs in South Georgia and include recommendations for adjustments based on matriculation, demand, and industry interest and report the findings to standing committees of the House and Senate, as well as to the House Rural Development Council. To that end, Dr. Tristan Denley, with the University System of Georgia, shared that the study was carried out by MGT Consulting and included a 72-county area in South Georgia. In addition, 11 regional focus groups involving more than 100 regional stakeholders were involved. The recommendations include:

- 1) USG already has an adequate physical presence in South Georgia and new sites are not needed;
- 2) USG should explore ways to deliver more graduate programming and advanced degree training through existing sites;
- 3) Access to USG's baccalaureate programs could be improved if residents were more informed of ways to make four-year degrees affordable and manageable;
- 4) USG should continue existing delivery options for advanced degrees and credentials for educators and explore how those models could be adapted to provide access to other existing advanced degree programs;
- 5) Addition of residency and clinical opportunities, in lieu of an advanced healthcare degree program, would benefit the issue of physician shortages in the region; and,
- 6) USG should continue to develop and refine alternative delivery models available to South Georgia residents by leveraging its multi-institution resources and physical assets to offer graduate programs to a geographically distributed cohort. This effort would

complement the growing on-line delivery options and could be achieved in combination with the expansion of face-to-face offerings and/or periodic touchpoints at existing sites in the region.

Amy Carter, Deputy Commissioner, Rural Georgia Initiatives for the Georgia Department of Economic Development, provided the council with an update on the progress made by the Center for Rural Prosperity and Innovation. Since being formed in early 2018, staff have visited 60 rural communities throughout Georgia. During those visits the most common concerns were lack of workforce, concerns with the healthcare system, broadband and cell phone coverage, local leadership, and educational concerns. Ms. Carter continued and discussed an idea brought up at the Elberton meeting, which was to expand the opportunities from the Jobs Tax Credit and the Quality Job Tax Credit in rural Georgia. The proposal would reduce the salary requirements in Tier I and Tier II counties for the Jobs Tax Credit and reduce the required number of jobs created for the Quality Job Tax Credit. Chairman Powell suggested that the changes only apply to Tier I and Tier II counties that are also qualified to receive OneGeorgia funds.

Dr. David Bridges, President of Abraham Baldwin Agricultural College, also spoke to the progress made by the Center for Rural Prosperity and Innovation. Dr. Bridges addressed the following three critical issues which challenge rural development: a lack of coordination, a lack of inspired local leadership, and the need for a complete strategy. The presentation also included the following examples of rural Georgia success stories. Harrison Golden Goodness relocated a portion of their jobs from a more populated county to Taliaferro County and the impact of those jobs was intensified due to the local population. The location of the facility was not important to the company but the impact of a relatively small number of jobs in Taliaferro County was significant. Premium Peanut has provided an example of the benefits of a coop. The benefits include adding value to the crop, creating market options and stability, producing “local” wealth, and becoming a “regional development” tool.

Representative Spencer Frye, Executive Director, Athens Area Habitat for Humanity, presented on his experience working with Habitat for Humanity over the past 20 years and provided some statistics showing the value of home ownership. Georgia has the lowest homeownership percentage in the Southeast at 61 percent. Through much of rural Georgia, 40 to 50 percent of income is paid toward housing costs. Rep. Frye also discussed the Brownsville Homes Study which found that homeownership was able to significantly contribute to breaking the cycle of poverty in that area of Brooklyn, New York. He also provided an explanation of the process Habitat for Humanity goes through for each home they build including the process of selecting an owner, securing funding, and constructing the home. When asked what the state can do to help Habitat for Humanity, Rep. Frye suggested that partnership at the state level and the establishment of a trust fund program to acquire the debt Habitat for Humanity holds would allow for more money to go toward building more houses.

Alicia Edwards, Realtor, spoke on the importance of workforce housing. Job development is important but if there are no houses for the employees they will have to look elsewhere. Her experience is in Gilmer County where 290 of the 800 employees of Pilgrims Pride, 92 of the 500 employees of the Board of Education, and approximately 20 percent of public safety personnel live outside the county. Ms. Edwards suggests this is due to the fact that there are not enough housing options available for people in these salary ranges and suggests the state help solve the workforce housing shortage by providing grants, tax credits, subsidies, and requiring/encouraging builders to build a percentage of homes at a lower price point.

Carmen Chubb, Deputy Commissioner for Housing at the Georgia Department of Community Affairs, discussed the different programs the department administers regarding affordable housing. These programs include the low income housing tax credit developments, which utilize federal and state tax credits to build housing for low income tenants, the Georgia Dream program, which provides affordable mortgages to first time home buyers and down payment assistance for individuals working in certain careers, and the pilot program where they are working with Habitat for Humanity.

Austin White, Chief Operating Officer of MD Plus and MD Health Solutions, discussed the OnMed station, which is the telehealth station MD Health Solutions has developed to diagnose and dispense medication to patients. The first station will go live at the University of Mississippi in the following year. Their doctors are currently located in Mississippi and Florida and will have to be licensed in every state where the stations are located.

Kyle Wingfield, Georgia Public Policy Institute, discussed the federal waiver system for healthcare. Expansion of Medicaid in Georgia would cost approximately \$6,900 per newly insured and one third of those included in the expansion are currently in private insurance. Waivers are not Medicaid expansion but do provide the states with options to modify the program to better fit the needs of their states. 1115 waivers are for Medicaid and 1332 waivers are for the Affordable Care Act. 1115 waivers could be used for work requirements, healthy behavior incentives, and premiums/contributions. There are not many states with 1332 waivers, but the Trump administration is eager for states to apply. New guidance on 1332 waivers was issued in October.

David Tanner, Carl Vinson Institute of Government, provided the council with a list of indicators that could be used in rural Georgia. The indicators are median household income, prime working age labor force participation, entrepreneurial breadth, entrepreneurial depth, percent of 25 and older individuals with at least some postsecondary education, percent of 18 – 24 population with at least a high school degree, 3<sup>rd</sup> grade language arts proficiency, the value of one mill to a county, county health rankings – outcomes, county health rankings – factors, and arts, entertainment, recreation establishments per 1,000 people.

Christopher Nunn, Commissioner of the Georgia Department of Community Affairs, introduced Deana Perry, Executive Director for New Rural Broadband Program, to the council. Ms. Perry provided the council with a status update on the Georgia Broadband Deployment initiative. There is a pilot mapping program taking place in three counties. The results of this pilot program will be available soon but the preview showed mapping of broadband availability to individual addresses. If funding is made available during the 2019 legislative session, the department would be able to utilize the FCC broadband maps to provide funds to unserved areas of the state.