



#### **In this issue**

- Sine Die, pg. 1**
- Transportation Funding, pg. 1**
- Oil and Gas, 2**
- Walking the Walk, pg. 2**

*"No government ever voluntarily reduces itself in size. Government programs, once launched, never disappear. Actually, a government bureau is the nearest thing to eternal life we'll ever see on this earth!" President Ronald Reagan*

## **Sine Die**

The legislature finally adjourned Sine Die on Wednesday, March 29 after 80 legislative days, three days after their original target date. There were 540 bills and 75 resolutions and memorials that were introduced and considered. In the end, 342 bills and 49 resolutions and memorials worked their way through the process and were either signed into law or adopted. Usually, about 100 bills are appropriation related.

Sixty-three percent of bills and sixty-five percent of resolutions and memorials are now law, or have been approved by the legislature and are expected to be accepted by the Executive branch. So far, Governor Otter has vetoed three bills and has signaled that he may veto more.

The Idaho Farm Bureau had a very successful year promoting and defending the policies of the members of the Idaho Farm Bureau. Of the 55 bills and resolutions upon which we actively engaged, 50 were approved or rejected in accordance with Farm Bureau policies.

We appreciate the efforts made by Farm Bureau members across the state who visited with their Legislators and who shared their views on these issues. The more your legislators hear about how these issues affect you and your operations, the better decisions they can make.

IFBF will be engaging in two legislative interim committees over the summer. The first will be looking at the registration fees charged for heavy trucks, and the other will be examining natural resources issues. We will keep Farm Bureau members posted on the issues the committees will be discussing along with the dates and places for the meetings.

## **Sausage Anyone? Transportation Bill Heads to Governor**

Tuesday night, after a confusing week of legislative maneuvering, multiple redrafts of legislation and downright desperation, the Legislature approved a \$320,000,000 transportation funding package.

This all started over a week ago when then original "kitchen sink" \$500,000,000 transportation bill was reconsidered after it was killed in the Senate Transportation Committee. This time the bill passed out of the committee and was sent to the Senate's 14<sup>th</sup> order for amendment. After the bill had been amended, it was killed again on the Senate floor, 15 aye- 20 nay. Senators were unwilling to authorize the remaining \$300,000,000 in GARVEE bonding authority plus other provisions in the bill. Only a bill which provided for \$300,000,000 in GARVEE bonding authority remained, and it ultimately was held on the Senate third reading calendar and returned to the committee on the last day of the legislative session.

The sausage factory put on at least one extra shift after the defeat of the amended bill. A new bill, S1206, was heard in a privileged committee on Monday, sent to the Senate and debated on the Senate floor Tuesday morning. Senate Transportation Committee



Chairman, Sen. Bert Brackett (R-Rogerson) presented the bill. During floor debate, once confident supporters of the prior funding bills appeared resigned, tentative and pleaded for support; literally begging for their colleagues' votes. Ultimately, at least three Senators changed from nay to aye and S1206 passed the Senate 19-aye, 16-nay.

The bill was immediately transmitted to the House, read over the desk and a hearing held in the House Transportation Committee Tuesday afternoon, with Sen. Majority Leader, Sen. Chuck Winder (R-Boise) presenting the bill. The House passed the bill last night at about 7:00 pm on a 51-aye, 19- nay vote.

So what does S1206 do? The bill provides for 1) \$300,000,000 in GARVEE bonding authority, 2) diverts 1% of sales tax proceeds in to roads, 3) creates a "Congestion Mitigation" fund, 3) provides for a 60/40 state/local split of certain funds and 4) extends the "surplus eliminator" for 2 years.

There are a couple of very interesting things about this bill. First, it diverts 1% of sales tax proceeds into roads; this will be about \$15 million next year. This is general fund money, and Idaho has never used the general fund for transportation prior to S1206. Many Senators and Representatives adhere to a "user pay" philosophy, as does Governor Otter. S1206 will also have a continual effect on the school district building account.

During the Senate floor debate, Sen. Dan Johnson (R-Lewiston), Chairman of the Senate Local Government and Taxation Committee, pointed out that lines 42-46, page 12 of the bill will cheat some school districts out of funding and would provide a windfall for other districts since S1206 repeals a carefully crafted 2014 compromise to the distribution of lottery funds found in IC 67-7434.

Beginning in 2014, lottery income was split 3/8 going to the permanent building account, 3/8 going to the school district building account and 1/4 going to the bond levy equalization account. However, in 2019, this 2014 distribution was to sunset and revert to the original distribution which was 1/2 to the permanent building account and 1/2 to the school building account.

S1206 repeals the sunset on the 2014 distribution so that the bond levy equalization account will continue to receive 1/4 of the lottery income, 3/8 to the permanent building account and 3/8 to the school district building account. Had the sunset been allowed to continue this formula would have eventually reverted in 2019 to the 1/2 to the permanent building account and 1/2 to the school district building account distribution.

**Idaho Farm Bureau opposed S1206 and the predecessor bills S1162, S1163, S1184 and S1188** because of the \$300,000,000 increased GARVEE bonding authority added on to the existing \$564,000,000 GARVEE debt. IFBF understands the issues surrounding the I-84 Nampa-Caldwell corridor but advocated full consideration of other funding ideas to avoid large, long-term indebtedness. GARVEEs are repaid through federal highway trust fund refunds to the state of Idaho. Existing GARVEE debt will not be paid off until 2032 and IFBF is unwilling to extend additional debt 20 years or more into the future.

## Oil and Gas Bill Passes the Legislature

After two days of heated public hearings, H301 regarding oil and gas was sent to the amending order by the House Resources Committee. Amendments were made in the House to subdue concerns that the bill would allow the state to mandate certain conditions in oil and gas contracts. After the amendments were made and adopted, the House unanimously passed the bill and sent it to the Senate where it was also unanimously passed.

Once signed into law, the bill will increase protections for royalty and property owners, encourage competition, and increase transparency. Changes were also made to the laws pertaining to the drilling locations, well setbacks, well spacing (gas wells at 160 acres instead of the previous 640 acres, unless geological data proves otherwise), and integration of tracts (from the minimum threshold of 55% to 67% of mineral interest owners). The bill was able to bring many interests together in one package, and also reach a compromise with oil and gas companies.

**Idaho Farm Bureau Policy #102** – We support the mining and drilling of fossil fuels. We support the legislature ensuring that rules for oil and natural gas production safeguard the water aquifers for all citizens *and protect property owners' rights to use their property*. **IFBF supports H301**

## Walking the Walk?

Idaho prides itself on being a conservative state. But is this just talk, or do our elected officials at every level of government also walk the walk? When asked, most people would say conservatism stands for small government, less regulation, low taxes, more freedom, restrained growth in budgets and a government whose purpose is to protect the rights of the people.

Keeping this in mind, let's review a few of the issues approved this session, several of which were quickly sent through the process with little opportunity for discussion, just a couple of days prior to adjourning.

Idaho's Constitution requires a balanced budget, and the Legislature conforms to this. However, the constitutional balanced

budget requirement really is only effective in tight tax revenue years during an economic downturn. In other years when the tax revenues are flowing in above expectations, rather than sending the “excess” back to the citizens to whom it rightfully belongs, the Legislature finds all sorts of “needs” that require additional spending allowing for the expansion of budgets. This is not conservative.

This year, the general fund budget grew from \$3.273 billion in FY2017 to \$3.451 billion in FY2018, an increase of 5.2% in ongoing expenditures. However, if one-time expenditures of \$126 million are included, the spending increase is 8.5% year over year. This hardly sounds conservative, or even sustainable, when revenues are only projected to increase 4.6% this year. A conservative budget increase would be less than projected growth and would provide just enough to ensure that necessary services are maintained while scrutinizing every item and ensuring those that are no longer useful or necessary would be cut. Conservatism stands on the principle that the ingenuity and entrepreneurship of our citizens are unleashed and our economy grows more robustly with less government involvement, not more.

The Idaho Constitution also requires that the legislature “shall not in any manner create any debt” except in case of war unless it puts such plan to a vote of the people. Unfortunately, in recent decades several loopholes have been added to the constitution allowing the legislature to issue bonds and go into debt. While this may technically be legal, it is not conservative, nor really ethical to put off making the tough decisions today and simply go into debt saddling future generations with today’s free spending.

Nonetheless, in the last two days of the session, the legislature authorized more than \$500 million of new debt. S1206 authorizes \$300 million in GARVEE bonds for transportation infrastructure, SCR105 authorizes \$90 million in bonds to construct buildings in Idaho Falls that INL plans to lease back, and HCR29 authorizes up to \$140 million in bonds to purchase the HP campus in Boise where a variety of state agencies may be located at some future point.

Therefore, the “conservative” Idaho Legislature increased spending by nearly double our anticipated revenue growth, plus authorized an additional half a billion dollars of debt. This does not include the more than \$564 million in previous GARVEE bond debt we are still paying off, nor any other debt the state currently owes.

To make this more understandable, let’s cut off five zeros from the state’s budget and debts. Would a person who expects to earn \$34,510 per year, and already has more than \$5,640 in credit card debt, who makes plans to spend every penny they make *plus* increase their debt by an additional \$5,000 be acting in a conservative manner?

Despite revenues growing by more than \$190 million over last year, there just wasn’t any “extra” money to provide real tax relief this session. Yes, the sales tax on groceries was repealed, which Governor Otter has signaled he may veto. While it will allow residents to keep their grocery sales tax money now rather than get the credit later, it may or may not actually provide tax relief depending on your spending habits when you consider that the \$100 per person grocery tax credit is also being repealed and will no longer be available.

There was also an attempt to include a very modest reduction in income taxes in a bill which would significantly reduce taxes on businesses. S1195, which was the Governor’s bill, would have reduced unemployment taxes paid by businesses by more than \$115 million over three years. It was proposed because the unemployment fund has sufficient reserves and the amount being charged to businesses can now be reduced.

After the Senate passed S1195, the House amended it to include a one-tenth of one percent reduction in the income tax. This would have provided income tax relief of \$28 million in 2018. This was too much tax relief for the Senate, and on the last day of the session, they rejected not only the income tax reduction but the unemployment tax reduction as well, leaving businesses to pay more than is necessary to keep the unemployment fund solvent. That is not conservative. It saddles businesses with higher taxes than necessary and it enables government to keep growing at the expense of the taxpayers.

Other bills that passed will require additional licensing and regulation for optometrists, chiropractors, electricians, plumbers, sign language interpreters, and a host of other trades and professions. Is this conservative? The usual response is that we “have to ensure consumers are not getting ripped off” or some similar excuse about health or safety. Yet citizens are rapidly becoming wards of the state and apparently don’t have the intelligence or personal responsibility to determine for themselves who is a competent hair dresser and who is not.

President Ronald Reagan once famously said, “I don’t believe in a government that protects us from ourselves.” This constant increase in the nanny state is not conservative; it reduces competition and ensures prices are higher than necessary for everyone. This stifles our economy and people are worse off than they would be without this unsolicited governmental “help.”

In fairness to the legislature, the Senate killed 14 bills on the Senate floor, while the House killed eight bills on the House floor. This is much higher than usual and could be a sign that legislators are giving bills more scrutiny rather than just accepting the recommendations of the committees.

Idaho Farm Bureau encourages all Farm Bureau members to examine the voting record of their elected officials at all levels and ask them hard questions if they did not vote in harmony with conservative principles. It is only by discussing these items with them that you will find out why they voted the way they did, and get an idea of how they may vote on similar subjects in the future. It is important to understand the principles your elected leaders believe in and if those principles actually mesh with the votes they have cast. Find out for yourself if they really walk the walk instead of just talking the talk.

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