

Capitol Reflections



2017 Legislative Session

In this issue

Income Tax Relief, pg. 1

Two Taxpayer Bills, pg. 1

Stockwater, pg. 2

IFBF Supported Bills, pg. 2

New Oil & Gas Bill, pg. 3

Water Bills, pg. 3

Transportation, pg. 3

“Common sense told us that when you put a big tax on something, the people will produce less of it. So, we cut the people’s tax rates, and the people produced more than ever before.”

President Ronald Reagan

Income Tax Relief Now Grocery Tax Relief

On February 2 the House passed an income tax relief bill, H67, and it has now finally received a hearing in the Senate Local Government and Taxation Committee this week. The committee, which is chaired by Senator Dan Johnson (R-Lewiston), sent H67 to the amending order for possible amendments.

H67, as passed by the House, would reduce both Idaho personal and corporate income tax from 7.4% to 7.2% on the top bracket. According to the Idaho State Tax Commission, a taxpayer reaches the top bracket with only \$10,905 worth of taxable income. Therefore, the vast majority of Idaho taxpayers would receive a tax break under this bill. Furthermore, H67 would exempt the first \$750 of taxable income so that all taxpayers would receive tax relief. There are 34 cosponsors listed from the House, and two listed from the Senate. The fiscal note says that the bill would reduce income tax revenues to the state by \$51.2 million.

In the Senate committee hearing, Senate President Pro Tem Brent Hill stated that he appreciated the work that has gone into H67 and the intent of the bill. However, he said that he would rather see a tax cut in every bracket. He wanted to amend the bill, so the tax rate will be cut by .1% in each bracket and also to include a 30% reduction in the unemployment premiums paid by businesses which had been recommended by the Governor. Senator Hill stated that his proposal would reduce state income tax revenues by \$27.9 million. Businesses would see a reduction in their unemployment insurance of about \$150 million per year.

The next day, the Senate brought up H67 on the amending order and, in a surprising twist, the Senate completely changed the bill into a bill to remove the sales tax from groceries. It is too early to tell if the House will now concur in this amendment, or what may happen next. This bill will likely be part of the last minute wrangling which will occur before a consensus can be reached and the legislature can conclude its business for the year.

Two Taxpayer Friendly Bills Advance

The first bill, H207 provides more surety to taxpayers that property taxes would not be raised drastically in the future. Currently, taxing district budgets can only be raised by 3% plus any amount of growth in the district annually. If the taxing district chooses not to raise their budget by the full amount allowed, they can “bank” this foregone amount of taxing authority to use in a future year. Most taxing districts have a significant amount of foregone balance that would allow them to significantly raise taxes far beyond the 3% allowed if they chose to do so.

H207 would allow taxing districts which do not increase their budgets by the entire 3% to voluntarily disclaim all or a portion of the foregone balance for that fiscal year. In other words, rather than putting the foregone balance in a “bank” of future taxing authority, the foregone balance amount would disappear forever. H207 was previously approved in the House and was approved on the Senate



Idaho Farm Bureau’s Governmental Affairs Report

500 W. Washington St., Boise, ID 83702 www.idahofbf.org (208) 342-2688

Issue 10
March 17, 2017

floor this week. It will now go to the Governor for his signature. H207 was sponsored by Reps Steven Harris and Mike Moyle in the House and Senator Jim Rice in the Senate. **IFBF supports H207.**

The second bill, H270 would prohibit local taxing districts from using taxpayer funds to influence the outcome of bond or levy elections. This bill has been carefully crafted to ensure that elected officials can still express their opinions, and they are not in any way prohibited from providing information about the bond or levy measures such as what the money would be used for, or how much it would cost the average taxpayer.

The concept is pretty simple as included in the text of the bill: “the Legislature finds that it violates the public trust to have dedicated governmental resources diverted to direct the outcome of an election.” When a school district uses their copy machine and paper and sends a mailing using district funds urging taxpayers to support a bond that taxpayers may not agree with, that is an unfair advantage that the opponents do not have.

The taxing district can organize a citizens’ committee that supports the measure and promotes it to taxpayers just like opponents now have to do. Opponents of these measures must not only raise funds to get their message out, but they must also compete with their own tax money to do so. Citizens expect their tax dollars to be used for the services they were promised, not to be diverted to electioneer for measures with which they may not agree.

H270 has passed the House and will now move to the Senate for a hearing in the Senate State Affairs Committee chaired by Senator Jeff Siddoway (R-Terreton). As you can imagine, local governments and school districts are adamantly opposed to this bill. They want to maintain their unfair advantage in using taxpayer funds to promote bonds or levies. We encourage Farm Bureau members to contact their Senators and support this bill. **IFBF supports H270.**

Stockwater Bills Go To Governor

This week both S1111 and S1101 were approved in the House Resources Committee and then by the full House in a unanimous vote. Both have now been delivered to the Governor for his signature. After ten long years, this important legal precedent will finally be placed into Idaho Code prohibiting federal agencies from owning stockwater rights unless they actually own livestock and put the water to beneficial use. We appreciate Senators Harris and Brackett and Representative Boyle for sponsoring these important bills. We are especially grateful to both Tim Lowry and Paul Nettleton for traveling to Boise to testify in both the House and Senate. **IFBF supports S1111 and S1101.**

It is now imperative that the Legislature finish the job and appropriate money to pay the attorneys who won this important legal precedent. The state refused to do its job to protect Idaho water when this issue first arose during the SRBA. Unfortunately, not only did the state refuse to assist the ranchers in their fight against the federal government over their water rights, but the state actually assisted the federal government in their attempts to steal water from the Idaho citizens. This egregious behavior must be rectified. If it were not for two intrepid ranchers standing alone against the federal government, Idaho would have lost a significant amount of its sovereignty over its own water. Now is the time to finish this job.

Advancing Bills Supported by Farm Bureau

This can be an extremely busy and sometimes legislatively dangerous time during any legislature. Time is short and much is left to be done. Lots of mischiefs can happen. The hearing schedule is sometimes advanced, bills fast-tracked within legislative rules and it is easy to lose track of issues because of the increased and confusing pace.

Fortunately, this has not been the case with a number of pieces of legislation being supported by Idaho Farm Bureau. Here’s a quick progress report:

S1118: Sen. Jeff Siddoway’s (R-Terreton) bill allows landowners who take deer, elk or antelope in depredation control actions (Fish and Game kill permits) to keep up to two animals for personal use. The bill passed the House Resources Committee Wednesday of this week and is now before the House for consideration. **IFBF policy #84 Fish and Game Department says “. . . Emergency depredation permit holders should have the option to retain possession of harvested animals.”**

H169, H170, and H171: these bills were brought by Norm Semanko, Idaho Water Users Association Executive Director/General Counsel, and address different aspects of restricting introduction or reintroduction of any aquatic or terrestrial species above the Hells Canyon Hydroelectric Project. H169 requires legislative approval of any effort to introduce or reintroduce species in the state of Idaho by any agency or entity, state or federal, however constituted. H170 clarifies Idaho law to express that introduction or reintroduction of any aquatic or terrestrial species requires approval of the State and that the policy is not limited to listed species. H171 amends Idaho Code to make it consistent with Idaho policy and law that fishways are not required at the Hells Canyon Complex. The bills have passed the senate and are on their way to Governor Otter for his signature. **IFBF policy #92 supports the bills, Introduction of Salmon, which says “We oppose the introduction of salmon above the Brownlee Dam.”**

H211 is a bill which increases the nonresident watercraft sticker fee from \$22 to \$30 and is expected to raise net revenues of \$70-80K. The bill was sponsored by Rep. Mat Erpelding (D-Boise) in the House and Sen. Michelle Stennett (D-Ketchum) in the Senate and is currently on the Senate 3rd Reading Calendar. H211 helps provide a consistent funding source for Quagga mussel

inspection stations and will assist in protecting Idaho's waterways and water systems from Quagga mussel infestation. **IFBF policy #90 supports this legislation and says “. . . We support adequate state funding for inspections of all watercraft and other vessels to prevent the spread and infestation of Quagga/Zebra mussels in Idaho waters.”**

New Oil and Gas Bill Introduced

The House Ways and Means Committee approved the introduction of a new oil and gas bill on Thursday afternoon. The new bill that has not yet received a bill number is a replacement of H232, and similarly is a rewrite of the state's oil and gas laws. Comparable to the previous bill, the proposed legislation intends to protect landowners, further aid oil and gas producing counties with infrastructure maintenance, encourage competition, and increase transparency.

Some of the major differences between H232 and the new bill are as follow:

- The Governor would not be a sitting member of Oil and Gas Commission as proposed in H232; but, the commission would rather be made up by the director of the Idaho Department of Lands, a County Commissioner from an oil and gas producing county, and three technical professionals that have at least 10 years of experience in the field and who are appointed by the Governor.

- The new bill does not include some of the tax and royalty payment language that was part of the original bill. H232 stated that when tax and royalty payments are not reflective of the daily market prices, the Oil and Gas Commission would have the authority and discretion to review and set the final sales price for the purpose of royalties and taxes based on the S&P global plats rookies/northwest monthly average posed price for gas, and WTI (west Texas intermediate) for oil. The new bill does not include this authority given to the commission.

- Some adjustments have been made to the spacing requirements and will allow a gas well spacing up to 640 acres if supported by geological data.

- Reporting timelines and data have also been adjusted in the new bill.

The chairman of the House Resources Committee said that the bill will be heard on Monday afternoon at 1:30 PM. IFBF continues to closely monitor this bill.

Water Bill Clears the Senate

Late Tuesday afternoon, Farm Bureau's bill H140 dealing with the State Water Plan unanimously passed the Senate. The bill directs the Idaho Board of Water Resources to notify each member of the legislature when there is a change to the State Water Plan on or before the first day of the regular session. According to the Idaho Constitution, the legislature has 60 days to accept or reject approved changes. If the legislature fails to take action prior to the end of the 60 days, the change will automatically go into effect.

H140 will now be sent to the Governor for his signature before becoming law. Idaho Farm Bureau policy #37 supports legislative approval for any change to the State Water Plan. **IFBF supports H140**

New Water Bill Introduced

On Wednesday, the House Ways and Means Committee voted to introduce a water bill sponsored by Speaker of the House, Representative Scott Bedke (R-Oakley). The bill was then heard in the House Resources Committee Friday morning where it was unanimously supported and sent to the floor with a do pass recommendation.

H292 amends Idaho Code 42-202A by creating three exceptions to the mandatory permit requirement for three temporary uses of water. An explanation of those exceptions follows:

Flood Control – Authorization for the director to allow the diversion of water to prevent flood damage

Recharge – Authorization for the director to allow the use of unanticipated high flows for the purpose of ground water recharge

Remediation – Authorization for the director to allow the use of water in response to state or federal health and safety requirements

These uses will not constitute a water right, cannot injure preexisting water rights and are not to exceed one year.

Idaho Farm Bureau Policy #40 supports the use of aquifer recharge to help prevent future flooding within the state of Idaho. **IFBF supports H292**

After bumpy start, \$500M transportation bill fails, \$300M bill gets “do pass”

Thursday, S1188, a \$500,000,000 transportation bill proposed by Sen. Bert Brackett (R-Rogerson) failed in the Senate Transportation Committee on a 4-5 vote. The original bill, S1184, experienced a few “bumps in the road” (sorry, couldn't help myself) at its print hearing Wednesday in the Senate Judiciary, Rules and Administration Committee when S1184's RS (Routing Slip) and the bill's sponsor arrived after the committee had adjourned.

The bill was printed through the Senate’s “buck slip” process, essentially a written unanimous consent request and was slated for hearing on Thursday and notice provided for S1184 about 5:30 pm, Wednesday, March 16. The committee agenda was amended a little after 12:00 noon on Thursday, March 17 and S1184 had morphed into S1188, a new bill that apparently better explained that local option taxes created in the bills could only be used by the counties for transportation projects.

S1184/1188 did a number of things: authorized the Idaho House and Finance Association (IHFA) bonding authority up to \$300,000,000 in GARVEE bonds; \$200,000,000 in IHFA general bonding authority to finance ITD selected projects to improve safety, provide commerce opportunities and reduce congestion; extended the “surplus eliminator” created in 2015 by H312A with a 60/40 state/local split; exempted road construction and maintenance materials from sales tax; eliminated ISP from the Highway Distribution Account and funded the agency through sales tax; moved cigarette tax dollars from GARVEE to an new account created by S1184/1188; and created a local option sales tax of up to 1% that counties could levy for specific transportation projects; and directed the Office of Performance Evaluation to conduct an independent evaluation of the Local Highway Technical Assistance Council (LHTAC).

The \$500,000,000 bill failed in Committee on a 4 aye-5 nay roll call vote. S1162, however, the \$300,000,000 transportation bill, also sponsored by Sen. Brackett, received a “do pass” recommendation on another squeaker vote, 5 aye- 4 nay. This was only after one committee member explained his vote saying that he’d originally intended to vote “no” on S1162, but would change his vote to “aye” to get a bill out of committee and on the calendar.

S1162 authorizes bonding authority of \$300,000,000 for the IHFA to issue GARVEE bonds up to that amount to finance highway projects selected by ITD in transportation corridors listed in the legislation. The bonds will be paid from the State Highway Account. The bill’s fiscal note says that bond service including existing GARVEE bond service and the additional bond service created by S1162 will be approximately 27% of ITD’s federal fuel tax revenue.

In her Monday, March 13 *Eye on Boise* blog, Spokesman Review reporter, Betsy Russell, provided a short review of GARVEE (Grant Anticipation Revenue Vehicle). GARVEE bonding was created by Congress to allow a state to borrow against a portion of its future federal highway allocation.

Betsy tells us this financing tool was first used in 2005 in the Kempthorne Administration. Idaho still has \$564,200,000 in outstanding GARVEE bonds with 15 years left on the term. 2032 is the scheduled full payoff date for the original series of GARVEE bonds. The earlier Legislature also set a cap of 30% of annual federal highway allocations for GARVEE bond service. Right now, the state is at about 17% of annual federal highway allocations, and a new issue of \$300,000,000 will put the percentage at about 27%.

Many of the same arguments used in ’05 will be heard again. Idaho is a “beneficiary” state, meaning we receive more money back from the Federal Highway Trust than we pay. States that do not enjoy this situation are “donor” states. Obviously, donor states do not like paying for other states’ highway projects. There is no guarantee that Idaho will continue to receive similar levels of federal reimbursement over a protracted period of time. Prior to GARVEE bond issue, a number of states used the GARVEE bonding process excessively and built more miles of road than the state could afford to maintain. Ultimately these states experienced revenue shortfalls and were forced to raise money for highway maintenance.

Since these highway funds are based on federal fuel taxes, future federal refunds will conceivably become smaller as vehicles become more fuel efficient. Any reduction in the refund amounts for bond service will have to be made up with other federal or state funds, directly affecting ITD’s budget.

Idaho Farm Bureau is reluctant to jeopardize federal highway allocations 20 or more years into the future. We would suggest making more efficient use of existing state and federal dollars by creating separate environmental budgets for mandated environmental studies and not including these costs in the highway construction and maintenance budget. **Idaho Farm Bureau opposes S1162.**

How to Contact Legislators

Website	www.legislature.idaho.gov
Legislative Information Center.....	208-332-1000
Toll Free & TDD.....	800-626-0471
Fax.....	208-334-5397
E-mail.....	idleginfo@lso.idaho.gov
Regular Mail.....	P.O. Box 83720, Boise, ID
.....	83720-0038 (House)
.....	93720-0081 (Senate)
Street Address	State Capitol, 700 W. Jefferson, Boise, ID 83720