

MINUTES  
**SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE**

**DATE:** Thursday, March 02, 2017

**TIME:** 3:00 P.M.

**PLACE:** Room WW53

**MEMBERS PRESENT:** Chairman Johnson, Vice Chairman Bayer, Senators Hill, Siddoway, Rice, Vick, Patrick, Burgoyne, and Nye

**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 Johnson** convened the meeting of the Local Government and Taxation Committee (Committee) to order at 3:05 p.m.

**H 185** **Relating to Taxation, College Savings Program. Representative Troy** presented **H 185**, which increases the amount of the individual State income tax deduction for the IDeal College Savings Program from \$4,000 to \$6,000, and doubles the deduction to \$12,000 for married individuals filing jointly. **Representative Troy** provided that this adjustment is necessary to match the 189 percent increase of college tuition since the program was implemented in 2000. The annual fiscal impact is projected to be \$1.1 million if the full deduction is utilized. **Representative Troy** noted that this program provides incentives for families to begin saving for college and stability for students who need continuing funding to complete their education.

**Christine Stoll**, Executive Director of IDeal, provided background on Idaho's College Savings Program. She reported that IDeal is a self-sustaining program and does not receive General Fund monies. **Ms. Stoll** indicated that withdrawals are not subject to Federal or State income tax if used for tuition and related educational services and materials. Barriers of postsecondary attainment include affordability, access, and academic readiness, and **Ms. Stoll** explained that the 189 percent increase in tuition and fees since 2000 has made it more difficult for families to pay for college.

**Senator Patrick** asked what prevents individuals from using these funds for services unrelated to education. **Ms. Stoll** replied that initial contributions are made post-tax and withdrawals for non-educational use will be subject to Federal and State income tax and a 10 percent federal tax penalty.

**TESTIMONY:** **Todd Bunderson**, testifying as a private citizen, spoke in support of **H 185**. He provided anecdotal information on how the IDeal College Savings Program has helped him pay college tuition for his children.

**DISCUSSION:** **Senator Vick** asked Ms. Stoll to clarify tax policy regarding these investments and how IDeal is funded. **Ms. Stoll** explained that unlike a PERSI contribution, contributions to IDeal are made after taxes are procured and are deductible from State income tax. Additionally, she specified that a 0.51 percent management fee paid by investors is utilized to pay for program costs, allowing for self-sustainability.

**Vice Chairman Bayer** asked Representative Troy to comment on the rising costs of higher education in general in relation to these types of programs. **Representative Troy** commented that a resulting tax shift is burdening families trying to pay for college, and while there is no definitive answer on how to change existing trends, this legislation is a step toward making college more affordable and attainable for Idaho families.

**Senator Hill** commented on the creation of incentives for families to begin investing in education and the incorporation of such values into family life; this program enhances these goals.

**MOTION:**

**Senator Hill** moved to send **H 185** to the floor with a **do pass** recommendation. **Senator Burgoyne** seconded the motion.

**Senator Siddoway** spoke in opposition to the motion, stating that he supports and encourages investment in higher education; however, deductions such as these take money away from General Fund appropriations for K-12 and higher education. **Senator Siddoway** provided that if we keep chipping away at State funds with tax exemptions and credits, tax rates may go up as a result.

**Senator Burgoyne** spoke in support of the motion, commenting on the tax shift to families trying to pay for higher education resulting from a 189 percent increase in tuition costs. College in Idaho should be affordable, and **Senator Burgoyne** remarked that the projected fiscal note of \$1.1 million is money well spent in that regard.

**Senator Rice** observed that the perception that college is unaffordable is inaccurate; federal policies and lending practices have contributed to this mindset. He noted that college costs can be affordable through conservative financial planning.

**Chairman Johnson** asked Ms. Stoll for information regarding trends in financial aid since 2000. **Ms. Stoll** replied that on average, Pell Grants are typically awarded to low-income students and range between \$5,000 and \$6,000. **Ms. Stoll** pointed out that because Pell Grants cover only 15 to 24 percent of costs, there exists a significant gap for families trying to pay the balance.

The motion carried by **voice vote**.

**H 207**

**Relating to Taxing Districts, Forgone Balance.** **Representative Moyle** presented **H 207**, which allows a taxing district, at its own discretion, to disclaim any or all of its forgone balances. **Representative Moyle** explained that taxing districts set their annual budget not to exceed an increase of 3 percent of the prior year's budget. A taxing district may choose to set a budget less than this allowed 3 percent, and the difference goes into forgone balance which can be used at a later date. In order for a taxing district to reclaim forgone balances, it must first meet specific criteria. **Representative Moyle** stated that **H 207** allows a taxing district to disclaim any or all of its forgone balance for the current year if they provide notice of intent, hold a public hearing, and pass a resolution.

**TESTIMONY:**

**Jim Tibbs**, Ada County Commissioner representing the Idaho Association of Counties (IAC), spoke in opposition to **H 207**. **Mr. Tibbs** remarked that during the recession, the Ada County Commission did not budget for an increase of 3 percent in an effort to provide relief to citizens and keep tax rates low. He noted two recent occasions in which Ada County used foregone balances to fund special projects, which included construction of the Ada County Sheriffs Department Dispatch Center and improvements in jail security and management. **Mr. Tibbs** asserted that the provisions in **H 207** will result in counties budgeting for the 3 percent increase each year to ensure access to the funds.

**Senator Rice** asked Mr. Tibbs to comment on the position of the IAC regarding local control of forgone balances. **Mr. Tibbs** replied that local control is ideal and that decisions regarding forgone balances are best made by county officials.

**Senator Vick** asked if this legislation diminishes local control. **Mr. Tibbs** responded that if a county decided to forgo 3 percent in a given year, the ability to fund essential projects in the future is diminished. **Senator Vick** commented that these provisions do seem to provide an element of local control for taxpayers, and **Mr. Tibbs** agreed.

**Senator Nye** sought clarification of what constitutes a forgone balance and related budgeting mechanisms. **Mr. Tibbs** explained that forgone balances are not cash but increase the budgeting capacity of a local jurisdiction. Cities and counties currently have the ability to go back and collect forgone balances; this bill adds a component to allow a city or county to disclaim forgone balances altogether in a given year but precludes future access to these funds. **Mr. Tibbs** argued this will adversely impact local budgets.

**Wayne Hoffman**, President, Idaho Freedom Foundation (IFF), spoke in support of **H 207**. **Mr. Hoffman** commented that this legislation aligns with policies of counties that establish fiscal financial management for their jurisdictions. He also spoke to the positive implications for taxpayers by allowing these decisions to be made annually at the local level.

**Representative Harris** spoke in support of **H 207**. **Representative Harris** stated that this legislation provides a mechanism for taxing districts maintaining a conservative approach to disclaim forgone balances.

**Representative Moyle** provided closing comments, stating that this legislation does not impede current practice regarding forgone balances; it provides an additional option for local jurisdictions in terms of annual budgeting and only applies to current year balances.

**Senator Siddoway** expressed concerns regarding a county budgeting for an increase of 3 percent each year irregardless of need as a result of these provisions. **Representative Moyle** indicated that there are counties that regularly take a 3 percent increase every year, and this legislation does not prevent a county from doing so. Provisions in **H 207** require a local jurisdiction to adhere to statutory guidelines prior to disclaiming a forgone balance. **Representative Moyle** felt that counties will act with prudence when budgeting in this regard.

**MOTION:** **Senator Rice** moved to send **H 207** to the floor with a **do pass** recommendation. **Senator Patrick** seconded the motion.

**DISCUSSION:** **Senator Rice** remarked that this legislation provides an opportunity for taxing districts to determine their own fiscal policies regarding forgone balances on an annual basis, in a way that allows the frugality of a conservative district to be permanent.

**Senator Hill** stated he will support the motion but commented that language in the statement of purpose may need to be revised to clarify that only current year forgone balances may be disclaimed. **Representative Moyle** did not object to such revision.

**Senator Nye** stated he will not support the motion, questioning the necessity of these provisions if local jurisdictions are already engaging in these practices regarding forgone balances.

**Senator Burgoyne** commented that this legislation allows one elected official to possibly impede future access to these funds; he would prefer discussion about

voter approval prior to the use of or increase in forgone balances.

**Senator Patrick** remarked that this legislation provides more control to local jurisdictions, and the provision requiring a public hearing prior to forfeiture of forgone balances provides transparency for taxpayers.

**Alan Dornfest**, Property Tax Policy Bureau Chief, Idaho State Tax Commission (Commission), responded to a question from Senator Nye regarding forgone balances in general. **Mr. Dornfest** explained that taxing districts are permitted to increase budgets up to 3 percent each year; if a budget is set at less than the 3 percent, the remaining funds become forgone and may be used in a later year. **Senator Nye** inquired if forgone balances are similar to reserve funds available to taxing districts for future use. **Mr. Dornfest** responded that these forgone balances are more characteristic of a reserve accounting mechanism.

**Senator Hill** inquired if a district disclaims its right to a forgone balance in a given year, does that preclude the district from reversing its decision and seeking those funds in the future. **Mr. Dornfest** affirmed, stating that once a district disclaims an increase in any amount in a given year, the Commission deducts that amount from the district's forgone balance.

**Chairman Johnson** commented that because a public hearing requirement was added to the current version of this bill, as well as a restriction to current year forgone balance, he will support the motion.

**VOTE ON  
MOTION:**

The motion carried by **voice vote**. **Senator Burgoyne** requested that he be recorded as voting nay.

**MINUTES  
APPROVAL:**

**Vice Chairman Bayer** moved to approve the Minutes from February 15, 2017. **Senator Nye** seconded the motion. The motion carried by **voice vote**.

**Senator Siddoway** moved to approve the Minutes from February 21, 2017. **Senator Patrick** seconded the motion. The motion carried by **voice vote**.

**ADJOURNED:**

There being no further business at this time, **Chairman Johnson** adjourned the meeting at 4:25 p.m.

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Senator Johnson  
Chair

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Jennifer Carr  
Secretary