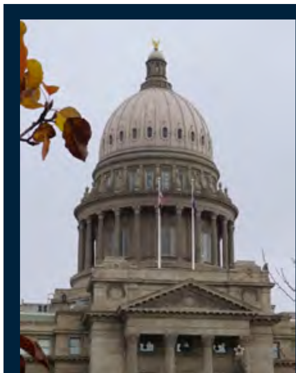
Evaluation report
January 2019

Impact of State Mandates on County Governments

Office of Performance Evaluations
Idaho Legislature

Promoting confidence and accountability in state government



Office of Performance Evaluations

Created in 1994, the legislative Office of Performance Evaluations (OPE) operates under the authority of Idaho Code §§ 67-457–464. Its mission is to promote confidence and accountability in state government through independent assessment of state programs and policies. The OPE work is guided by professional standards of evaluation and auditing.

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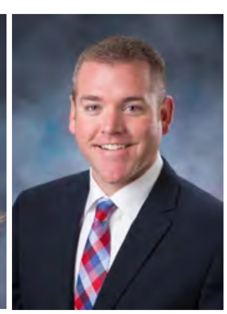
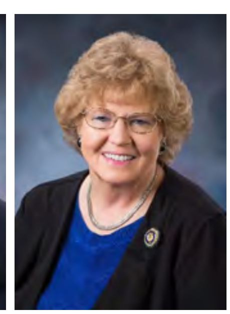

Paul Amador


Elaine Smith

From the director

Members
Joint Legislative Oversight Committee
Idaho Legislature

County governments may struggle to fulfill or pay for certain state mandates. Insufficient revenue was their most consistently reported problem.

For the most recent fiscal year, two-thirds of counties were constrained by tax and expenditure limitations. Rural counties had less population growth and less new construction. As a result, they were more likely to be constrained than were urban counties. One county commissioner said: “Setting rules that govern all counties equally doesn’t always work to resolve local issues.”

Overall, we learned that much needs to be done to improve the communication and collaboration between counties and the state. Recognizing this fact in his response to our evaluation, Governor Little said he is confident that his Intergovernmental Affairs team “will help open the lines of communication.”

To address our findings, we provide a checklist for policymakers to use as they draft new legislation or rules that affect mandates to counties. In addition, we recommend that more analysis be conducted to precisely understand how counties are impacted by property tax and revenue sharing policies.

We thank the Idaho Association of Counties and the Idaho Tax Commission for assisting us with this evaluation.

Sincerely,

Rakesh Mohan

Rakesh Mohan, Director
Office of Performance Evaluations

954 W. Jefferson Street
Suite 202
Boise, Idaho 83702
Ph. 208.332.1470
legislature.idaho.gov/ope/

Formal responses from the Governor and the Idaho Association of Counties are in the back of the report.

Amanda Bartlett and Lauren Bailey conducted this evaluation with the assistance of Casey Petti. Margaret Campbell copy edited and desktop published the report.

Technical assistance or quality control review was provided by three consultants:

Bob Thomas, Robert C. Thomas and Associates

Stephanie Witt, PhD, Professor of Public Policy and Administration, Boise State University

Jen Schneider, PhD, Professor of Public Policy and Administration, Boise State University

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Executive summary

Background and legislative interest

A mandate is a requirement or restriction that one government places on another. By nature, mandates flow from higher levels of government to local governments. Problems caused by mandates can be categorized as either a loss of local control or unfunded mandates.

Mandates have become a top policy priority for local governments. Both the National Association of Counties and the National League of Cities released policy papers in 2017 that cited the top challenges of counties and cities were increasing state mandates, decreasing revenues, and balancing local control.

During the 2018 legislative session, the Joint Legislative Oversight Committee approved a request that asked us to evaluate state mandates to local governments (see appendix A). The 12 study requesters described how some local governments may struggle to either fulfill or pay for mandates. They expressed a concern that unilateral mandates may not account for differences in the size or economic health of a community. Requesters asked us to do two tasks:

- Determine the scope of legislative mandates on counties, cities, school districts, and highway districts

- Calculate the percentage of budgets dedicated to meeting mandates

Evaluation approach

To narrow our scope to a feasible approach, we met with five statewide associations that represent the 44 counties, 200 cities, 63 active highway districts, and approximately 165 school districts and charter schools. We also searched for relevant legislative studies, policies, statutes, and position papers from all 50 states.

Instead of addressing all four local government types, we narrowed our scope to the study of counties for several reasons:

- Counties are general purpose governments and have many state mandates.
- There are fewer counties than other types of local governments.
- With a narrow focus, we can produce more specific and useful findings.

We approached the evaluation by working with counties to answer three questions:

- Which state mandates do counties report as being the most burdensome?
- What factors help or impede counties as they implement state mandates?
- What strategies do counties use to manage the mandates they find most burdensome?

A variety of mandates challenge counties.

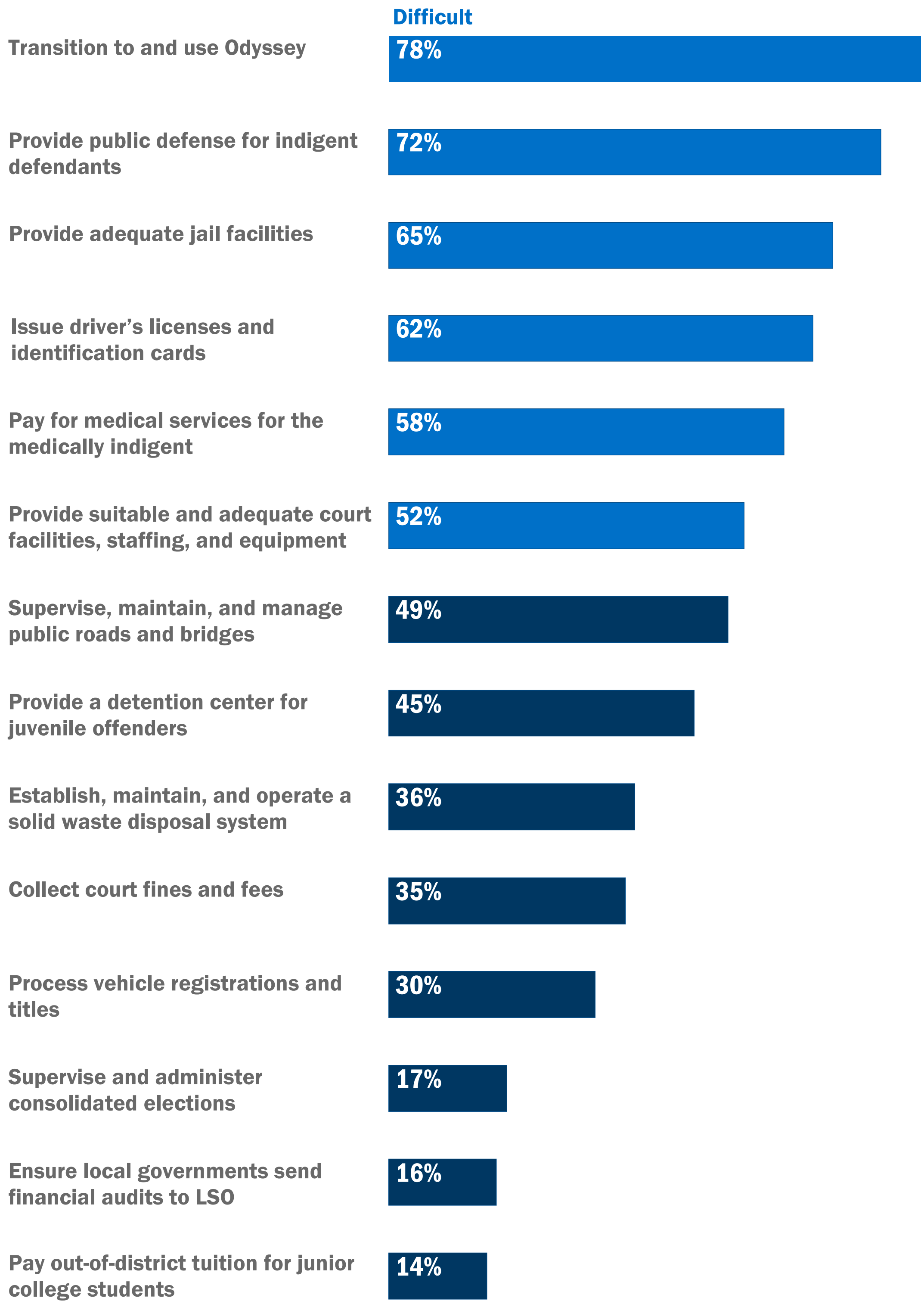
We sent a survey to the nine elected officials in each of the 44 counties. Responding officials listed 33 unique mandates that presented the greatest problems for their counties. In a second survey, we asked the three county commissioners from each of the 44 counties to rate the ease or difficulty of implementing a list of 14 mandates. Exhibit E1 lists the 14 mandates that were selected from the 33 problematic mandates from the first survey.

The 14 mandates ranged from large, programmatic requirements—such as providing court support—to very specific

Exhibit E1

Six of 14 mandates were rated as difficult to implement by more than half of responding commissioners.

We received responses from 69 commissioners who represented 37 of the 44 counties.



process-oriented mandates—such as ensuring local governments provide audit reports to the Legislative Services Office. We used this list of 14 mandates as a starting point to understand what factors help or impede counties as they implement state mandates. We analyzed open-ended survey responses in addition to quantitative survey data to identify themes of problematic mandates.

We identified six themes:

Technology issues create tension between counties and the state.

New or rapidly changing mandates affect the uncertainty of funding.

Rising costs, increasing demand for services, and a lack of revenue increases counties' liability.

Compliance becomes more difficult when oversight changes hands from one agency or level of government to another.

Problems are exacerbated when two different mandates interact.

Changes in federal or state policy impact counties' ability to implement mandates.

Insufficient revenue was the most consistently reported cause of mandate problems.

Underlying the six themes, the source of many mandate-related problems was reported to be insufficient revenue. Of county commissioners who responded to our second survey:

80 percent indicated that a lack of revenue to support requirements was a bigger source of problems for their county than new or increasing requirements.

72 percent reported that mandates usually or always lead to financial problems for their county.

70 percent indicated that county revenues were rarely or never adequate.

67 percent indicated that state funding was rarely or never adequate to support mandates.

The county-state relationship can be improved by implementing a checklist of policy considerations.

Of county commissioners who responded to our second survey, 96 percent reported that their counties were experiencing problems caused by state mandates. However, the particular mandates and problems varied in frequency and intensity among counties. We heard from many elected officials that the state should consider the unique differences of counties when considering mandates and agency rules. One commissioner said:

> Not all counties have the same problems. Setting rules that govern all counties equally doesn't always work to resolve local issues.

Another commissioner said:

> I realize we need uniformity in Idaho, but we are not all like Ada, and small counties cannot provide the same level of services as large counties can.

Considering the sources of counties' frustration with mandates and the importance of the county-state relationship, we developed a checklist for legislators and state partners. It represents best practices we identified in a review of literature and other states' policies and laws. We recommend that policymakers consider items on the checklist as they draft new legislation or rules that affect mandates to counties.

Exhibit E2

Checklist for new or revised state mandates

	Purpose and performance
☑	What is the goal of the mandate?
☑	What are the performance standards to track mandate effectiveness and compliance?
☑	How often and in what way will performance standards be reported?
☑	Who will analyze the performance standards and make recommendations for improvement?
☑	What is the state's responsibility for success?
☑	What is the county's responsibility for success?
☑	What efforts have been made to gather feedback from counties?
☑	What ideas do counties have for successful implementation?
☑	How will implementation problems between counties and the state be resolved?
☑	Should counties have an opportunity to opt out upon voter approval?
	Fiscal analysis
☑	Will the mandate increase expenditures?
☑	Will the expenditures be offset by cost savings?
☑	Will the expenditures be offset by new or increased dedicated revenue?
☑	Will increased expenditures, savings, or revenues be consistent for counties, or are there factors that could create a range of impacts among the counties?
☑	If expenditure increases are expected to be supported through property taxes, how many counties can incorporate estimated increases given the budget cap or levy limits?
	Follow-up analysis
☑	Would an impact study be helpful to determine whether the new or revised mandate has achieved the intended results?
☑	Is there a need for a sunset clause to establish a timetable for legislative review?

The property tax budget cap and levy limits constrained property tax revenue in 29 of 44 counties.

Throughout our evaluation, insufficient revenue was the most consistently reported cause of mandate problems. County commissioners pointed to the 3 percent budget cap and levy limits as two tax and expenditure limitations that were particularly problematic.

We looked at county budgets to assess how many counties were affected by levy limits and the budget cap during their budgeting processes for county fiscal year 2018. We assessed whether some counties were more likely to be restricted by these tax and expenditure limitations than others.

We found that 29 of 44 counties (66 percent) were constrained by the budget cap or the current expense statutory levy limit. Rural counties were more likely to be constrained than were urban counties.

We recommend that more analysis be conducted on the effect of tax and expenditure limitations and revenue sharing formulas on counties. More analysis is necessary to understand and predict the range of impacts state revenue policy has on counties. These findings would help to prevent exacerbating differences between counties in a better fiscal position and those who are fiscally stressed.

Rural counties were more likely to be constrained by the 3% budget cap and current expense levy limit than were urban counties.

1 Introduction

Background

A mandate is a requirement or restriction that one government places on another. Governments enact mandates through constitutions, laws, judicial orders, or administrative rules. When well designed and implemented, mandates can do the following:

Set a consistent standard for adequate services

Increase efficiency and continuity of services

Increase government accountability

Balance local, state, and national perspectives to reduce the negative impact that one community can have on another

By nature, mandates flow from higher levels of government to local governments. Problems caused by mandates can be categorized as a loss of local control or an unfunded mandate.

Mandates have become a top policy priority for local governments. The National Association of Counties released a policy paper in 2017 titled, "Top County Challenges Across the States." The top two challenges listed were "preemption and decreasing county revenues" and "increasing state mandates," with declining county revenues being the most pervasive problem for participating counties. The National League of Cities also released a policy paper in 2017 describing the challenge that cities face in balancing local control with legislative mandates.

Legislative interest

During the 2018 legislative session, the Joint Legislative Oversight Committee approved a request that asked us to evaluate state mandates to local governments (see appendix A). The 12 study requesters described how some local governments may struggle to either fulfill or pay for mandates. They expressed a concern that unilateral mandates may not account for differences in the size or economic health of a community. Requesters asked us to do two tasks:

- Determine the scope of legislative mandates on counties, cities, school districts, and highway districts
- Calculate the percentage of budgets dedicated to meeting mandates

Evaluation approach

Idaho has 44 counties, 200 cities, 63 active highway districts, and approximately 165 school districts and charter schools. To determine our evaluation scope, we met with the five statewide associations representing these local governments. We also searched for relevant legislative studies, policies, statutes, and position papers from all 50 states. We made several preliminary observations that informed the evaluation scope, which is in appendix B.

First, a comprehensive catalog of mandates would take several years to compile and would likely include hundreds of mandates. For example, Virginia maintains a catalog of state mandates on local governments. The 2016 catalog included 693 mandates. A 2012 report from the Local Government Commission of the General Assembly of Pennsylvania identified 8,166 mandates to local governments within the state's constitution, statutes, and administrative rules. The Connecticut Commission on Intergovernmental Relations issued a 545-page report to update its list of mandates in 2014.

Second, determining the percentage of local government spending for all state mandates is not feasible within a one-year evaluation cycle. Most local governments in Idaho do not track spending by mandate. They vary in the way they prioritize and implement mandated activities. Local governments report budgeted expenditures and revenues using different categories. We would need several years to compare the levels of required spending with discretionary spending.

Finally, each type of local government has a unique purpose, set of resources, and relationship with the state. The impact of state mandates on local governments fluctuates based on various factors. Potential, influential factors include population growth, economic development and job growth, median income levels, and property values. The requesters asked us to identify legislative mandates for counties, cities, school districts, and highway districts. Instead of addressing all four local government types, we narrowed our scope to the study of counties for several reasons:

Counties are general purpose governments and have many state mandates.

There are fewer counties than other types of local governments.

With a narrow focus, we can produce more specific and useful findings.

We approached the evaluation by working with counties to answer three questions:

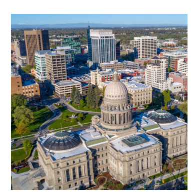
Which state mandates do counties report as being the most burdensome?

What factors help or impede counties as they implement state mandates?

What strategies do counties use to manage the mandates they find most burdensome?

In chapters 2 and 3, we addressed these questions by analyzing data from two surveys of elected county officials. In chapter 4, we analyzed county budgets and property tax data from fiscal year 2018 to assess the impact of revenue restrictions, such as the budget cap and levy limits, on rural and urban counties. A full description of our methodology is in appendix C.

Our report focused on county governments as overseen by the Board of County Commissioners. We did not include other local governments.



County perspectives 2

To address requesters' concerns, we collected and assessed the perspectives of elected county officials to answer our scope questions:

Which state mandates do counties report as being the most burdensome?

What factors help or impede counties as they implement state mandates?

What strategies do counties use to manage the mandates they find most burdensome?

We conducted two surveys, attended two conferences for elected county officials, and conducted interviews to better understand concerns about state mandates. The result of our analysis was a set of themes that describe when mandates become problematic for counties.

A variety of mandates challenge counties.

We sent a survey to 396 elected county officials.[1] Responding officials listed 33 unique mandates that presented the greatest problems for their counties. This list is found in appendix D.

We narrowed the list of 33 problematic mandates to 14 by focusing on the mandates that were reported to be problematic by officials in three or more counties. In our second survey, we asked county commissioners to rate the ease or difficulty of implementing the 14 mandates. The results are shown in exhibit 1. More information about the methodology for the first and second surveys can be found in appendix C.

We used this list of 14 mandates to understand what factors help or impede counties as they implement state mandates. We analyzed survey responses to identify the following six themes of problematic mandates:

Technology issues create tension between counties and the state.

New or rapidly changing mandates affect the uncertainty of funding.

Rising costs, increasing demand for services, and a lack of revenue increases counties' liability.

Compliance becomes more difficult when oversight changes hands from one agency or level of government to another.

Problems are exacerbated when two different mandates interact.

Changes in federal or state policy impact counties' ability to implement mandates.

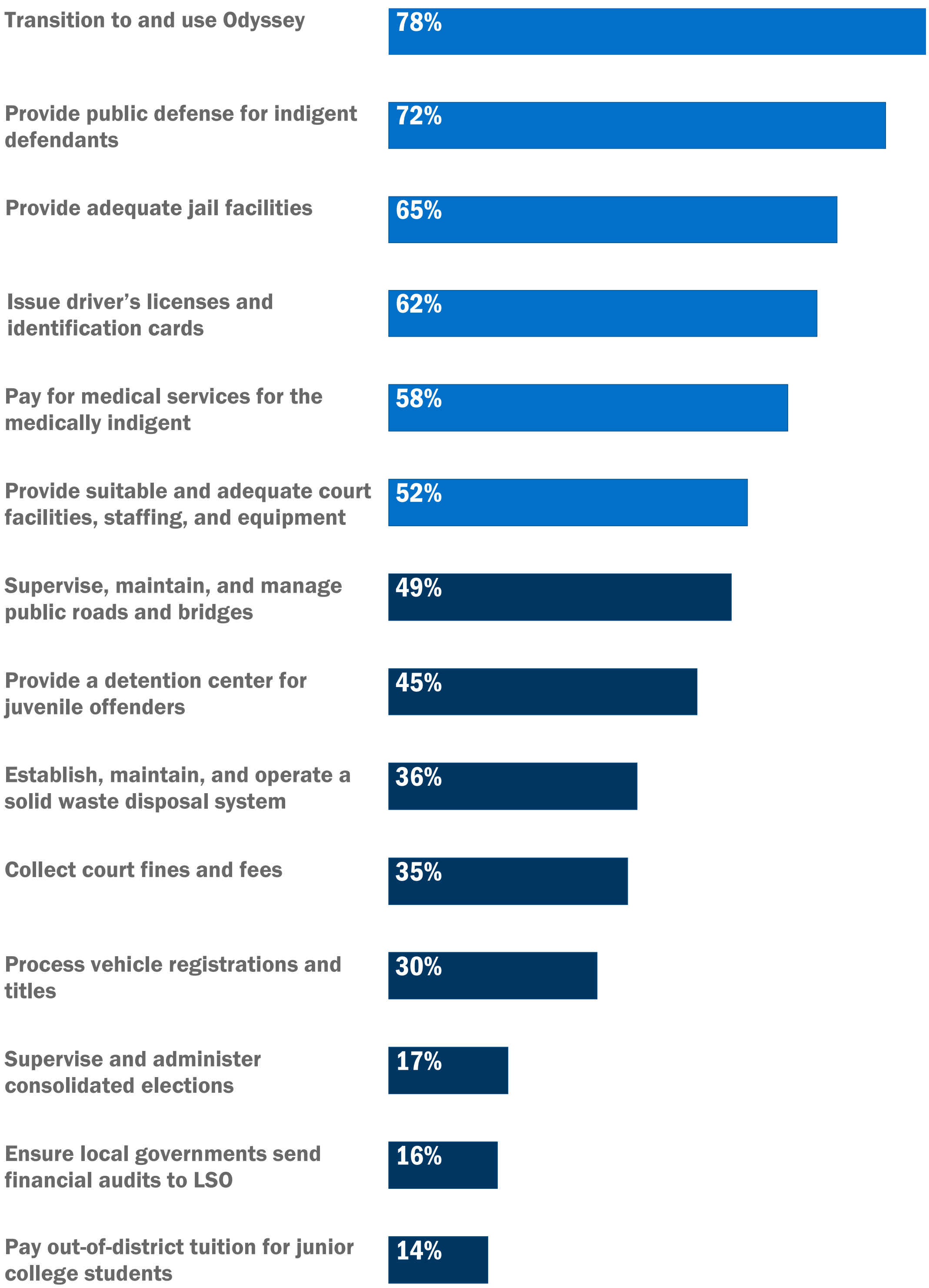
The themes describe the major concerns and stressors that county officials shared with us. Our list of themes is not exhaustive. We did not evaluate the implementation of individual mandates.

1. There are nine elected county officials for each of the 44 counties.

Exhibit 1

Six of 14 mandates were rated as difficult to implement by more than half of responding commissioners.

We received responses from 69 commissioners who represented 37 of the 44 counties.



Technology issues create tension between counties and the state.

County commissioners identified several technology challenges that impact their county's ability to implement specific mandates. State technology changes are often out of the counties' control, but counties are responsible for the daily operations that technology supports.

County commissioners and clerks reported that Odyssey is unreliable, time consuming, and cumbersome.

Odyssey complications

Odyssey, the Idaho Supreme Court's court management software, was implemented in stages over the past three years. County commissioners and clerks reported that the system is unreliable, time consuming, and cumbersome. The transition to Odyssey has not gone smoothly for counties. One official noted:

> This system is a mess. Counties have had to add additional personnel and support for the system. And its errors fall on deaf ears. The system fails, so court must be canceled until it is fixed.

This quotation highlights two main frustrations with the transition process and quality of Odyssey: (1) unexpected costs of the mandate and (2) a lack of state responsiveness to county questions and concerns.

Unexpected costs

County officials reported that Odyssey was presented as a no-cost upgrade for the counties and a way to save on manpower. They said it has been neither. Of county commissioners who responded to our survey, 29 percent reported they have had to increase revenues in county fiscal year 2018 or 2019 to pay for Odyssey implementation; 42 percent reported they have had to hire more employees as a result of Odyssey.

County officials reported that they diverted resources from other critical services to meet the increasing requirements of this mandate. One county official noted:

> Supreme Court required services and software implementation have tapped a significant amount of county resources diverted from other areas including law enforcement.

Lack of state responsiveness

County officials were frustrated with the poor responsiveness of the Administrative Office of the Courts. One official said the courts took almost a month to reply to a request for assistance. Another official said:

> “ The training has been bad, the system has issues, but no one will listen.

Driver’s license delays

County sheriffs are responsible for issuing driver’s licenses and identification cards. In 2018 the Idaho Transportation Department introduced a new driver’s license software system, known as GEM, to replace the legacy software. County officials said it is unreliable. They reported numerous days when the system has not worked properly and several occasions when it was down completely. One official said:

> “ This has generated a large amount of frustration from our community members and put our staff under an increased amount of stress. It has also caused an additional amount of loss because we are paying staff while not collecting any revenue. Under any business model, this system is broken and needs to be reworked.

County officials reported being frustrated with poor responsiveness from the Idaho Transportation Department. One official said:

> “ For the past 18 months or so, the quality of service from ITD has been deplorable, but we must manage the brunt of complaints.

New or rapidly changing mandates affect the uncertainty of funding.

We heard repeatedly how new or rapidly changing mandates can burden counties. Some new mandates cause counties to increase spending, hire more people, or change county practices to meet the requirements of the mandate. Rapidly changing mandates can lead to upheaval and, in the case of public defense, dramatically increase county spending.

Public Defense Commission standards

The right to counsel is guaranteed in the Sixth Amendment of the US Constitution, and Article 1, Section 13 of the Idaho Constitution. Idaho fulfills the right to counsel by mandating that counties provide public defense services. Counties comply by establishing an office of public defender or contracting with an attorney or law firm to provide these services.

In 2014 Idaho created the Public Defense Commission, which is tasked with providing funds to counties and ensuring compliance with federal and state law. The commission has authority to create rules for the state's public defense system. Recently, the commission proposed workload standards for public defenders. The standards were based on findings of a 2018 public defense workload study and will go into effect in 2019.[2]

County commissioners expressed frustration and anxiety about the impact of public defense standards. One commissioner said:

> "The costs are growing dramatically and appear to be on an upward spiral for the foreseeable future.

2. "Idaho Public Defense Workload Study," Boise State University Idaho Policy Institute (2018), https://pdc.idaho.gov/wp-content/uploads/sites/11/2018/03/PDC-WORKLOAD-STUDY-online-version.pdf.

Another commissioner said:

> “Most concerning to the counties are the case limits, which will increase the amount we pay to contract for indigent defense.

The changes to public defense standards have led to increases in county spending which far exceed the grants offered to counties by the Public Defense Commission. The commission dispersed more than $4.2 million in indigent defense grants to 43 of Idaho’s 44 counties in state fiscal year 2017. During the same period, the commission estimates that counties spent $32 million on public defense.[3] One county commissioner described state funding for public defense as:

> “A figurative drop in the bucket of the total cost.

3. Idaho State Public Defense Commission, “The State of Idaho’s Public Defense System: Annual legislative report” (January 2018) https://pdc.idaho.gov/wp-content/uploads/sites/11/2018/02/Annual-Report-Calendar-2017.pdf.

Rising costs, increasing demand for services, and a lack of revenue increase counties' liability.

When the state creates a mandate to counties, they create an expectation of how counties should perform. If a county is unable to meet those expectations, the county's liability is increased. Many counties are struggling with jail overcrowding and management of the inmate population. Some counties contract with other counties to house inmates. Other counties try to find creative ways to house inmates when they are over capacity. One elected official explained that even after implementing some innovative strategies:

> [Jail management] has become a huge liability and we are in jeopardy of losing insurance protection.

Inmate population management

Counties are mandated to provide adequate jails and pay all direct and indirect costs of detention and confinement. County officials reported factors that impede their ability to meet the requirements of this mandate. These factors include rising costs, increasing demand, and a lack of revenue.

Rising costs

County commissioners described how the rising costs of operating jails was driven by the increased number of inmates and increased treatments for substance abuse, mental illness, and medical issues at the county's expense. Of the county commissioners who responded to our survey, 41 percent said they had to increase revenues in county fiscal year 2018 or 2019.

Officials describe a situation in which resources are not keeping up with demands. One official said:

> Operation expenses well exceed revenue generated each year with the gap growing.... Substance abuse and mental illness demands are driving up costs as are expenses such as food service, utilities, inmate medical, and personnel costs.

Increased demand

Some county officials reported that increased demand has led to overcrowding of jails and struggles with managing the inmate population. The requirement that counties house inmates for the Department of Correction (IDOC) has increased tension between some counties and the state. One official said:

> “ The housing of inmates who are clearly the responsibility of IDOC transfers the cost of incarceration from the state to county taxpayers. Not only does it transfer the cost, the impact of overcrowding will add significant liability to the county.

Several officials said that Correction’s reimbursement payments to counties do not cover the expense of housing state inmates. One official said:

> “ Our jail is constantly overcrowded and IDOC, even with the new fee schedule, does not pay the actual cost of holding inmates.

Some county officials have associated their increased demand and struggles with the Justice Reinvestment Initiative (JRI). One elected official said:

> “ The increase in inmates being let out of IDOC is significantly contributing to our jail housing overpopulation.

Another official noted:

> “ We didn’t have this problem before JRI.

Senate Bill 1357, the Justice Reinvestment Initiative, was signed into law in March 2014 and focused on three core areas:

1. **Strengthening supervision**
2. **Using prison beds for high risk offenders**
3. **Tracking effectiveness**

Lack of revenue

County officials expressed frustration with the limited funding options for jails. Some county officials reported they have maxed out their justice funds. Of the 32 counties that budgeted property taxes for their justice fund, 16 used 95 percent or more of the maximum levy limit in county fiscal year 2018. One official said:

> “ Every year we are over the levy limit in the justice fund and have to make adjustments and sacrifices…. We do make sure we pay our liability insurance and hope for the best.

Another official said:

> “ We need a broader taxing option.

Some counties have struggled to pass bonds to build new jail facilities and are appealing to the state for a solution. One official said:

> “ We are currently trying to bond for a new jail. This will be our third time trying to pass a bond. This is a problem throughout Idaho. There needs to be a better way of funding jails.

Another official from a county with a twice-failed bond said:

> “ We are left with no other option than to have the courts mandate the change.

Another said:

> “ We have very limited options. A solution would be for the state to provide additional prison space to take this burden off counties or help provide funding to increase our county jails without going to the citizens for bond.

Compliance becomes more difficult when oversight changes from one agency or level of government to another.

Counties are required to establish, maintain, and operate a solid waste disposal system. This mandate can be fulfilled with a county-operated facility, a contract with a private facility, or a contract or partnership with other counties or entities. Solid waste management intersects multiple mandates and multiple government entities. Counties are responsible for providing solid waste services, the state is responsible for monitoring and regulating landfills and ensuring compliance, the federal government sets most of the law and policy around solid waste management, and the Environmental Protection Agency (EPA) provides additional oversight.

For counties in which solid waste management is problematic, officials noted frustration with the transition of some oversight responsibility from the EPA to the state. We heard from some counties that they disagree with how the Department of Environmental Quality (DEQ) interprets federal law. One elected official said:

> “ DEQ personnel in Boise are becoming a hindrance to processes and adding additional steps that have not been heard of before.

We asked commissioners from counties struggling with solid waste management about the effectiveness of potential solutions. All respondents (100 percent) said more local control would be effective in how this mandate is implemented.

Problems are exacerbated when two different mandates interact.

County clerks collect court fines and fees and distribute them to the appropriate entity. Depending on the nature of the fine or fee, some of the money collected may go toward a county's general fund or its district court fund. Clerks rely on the state's court management software, Odyssey, to implement this mandate.

One commissioner said:

> [Odyssey] has made it very difficult to balance and keep track of court fines and fees.

The interaction of these two mandates, Odyssey and the collection of court fines and fees, has exacerbated county officials' frustration with each mandate. We will be releasing an evaluation on the court fines and fees process in February 2019.

Changes to federal or state policy impact counties' ability to implement mandates.

Counties are payers of last resort for the medically indigent. They are required to pay up to $11,000 toward medical services for individuals who qualify. The state pays additional claims beyond $11,000 through the state catastrophic fund.

Federal changes to the Affordable Care Act

With the passing of the Affordable Care Act in 2010, county officials reported that they began to see a drop in indigent medical expenses. When the federal government removed the individual mandate requiring all adults to purchase health insurance in 2017, officials said they started to see an increase in indigent medical claims. According to the Idaho Association of Counties, which administers the state's catastrophic fund and tracks county indigent medical spending, counties spent $20.7 million on indigent medical in county fiscal year 2018. In fiscal year 2017, spending was $17.1 million, and in fiscal year 2016, $17.6 million.

In our survey, 39 percent of responding county commissioners reported that they had to increase revenue in county fiscal year 2018 or 2019 to pay for indigent medical services. One official noted that their indigent medical expenses increased by 265 percent in 2018, "which is catastrophic for a small county."

State policy toward Medicaid expansion

We heard repeatedly from county officials that increased indigent medical expenses were a heavy burden for counties and an unpredictable expense. Some officials described a frustration with the Legislature's decision to not expand Medicaid under the Affordable Care Act. Many county officials see Medicaid expansion as critical for alleviating the impact of indigent expenses on county budgets. One official said:

> There isn't much we can do except pay until there are changes at the federal and state level to indigent medical.

3 Intergovernmental relations

A collaborative relationship between counties and the state benefits the implementation of mandates. Counties serve as an administrative arm of the state. The state provides support and grants authority to the counties. Many state-level services, like the judicial system, depend on a partnership between counties and state agencies.

We heard from many elected officials that the state should consider the unique differences of counties when creating or modifying mandates and agency rules. One commissioner said:

> Not all counties have the same problems. Setting rules that govern all counties equally doesn't always work to resolve local issues.

Survey responses indicate poor collaboration between counties and the state.

County officials reported feeling viewed by state policymakers as a special interest group rather than a strategic partner. Of the county commissioners responding to our survey:

> 57 percent disagreed that the Legislature does a good job of seeking input from counties.
>
> 46 percent disagreed that the Legislature is responsive when counties raise concerns about proposed legislation, and 21 percent agreed.
>
> 67 percent disagreed that state agencies do a good job of seeking input.
>
> 66 percent disagreed that state agencies are responsive to counties' concerns.

One county commissioner said:

> "I do not feel like the Legislature knows or cares how these mandates affect us.

Another commissioner said:

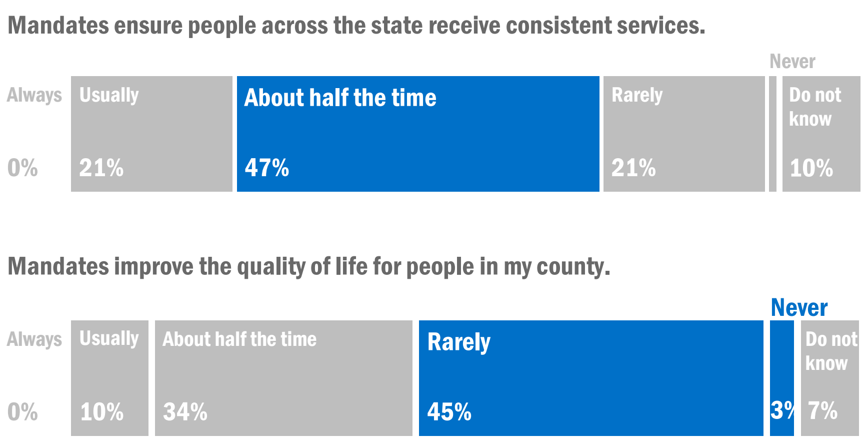
> "We try and provide positive input regarding the establishment of policies and rules, and laws; however, we find that many times our concerns are not heard or given due consideration as to what the final outcome might be when these policies, rules, and laws are implemented.

County commissioners did not consistently see the intended benefits of mandates.

One of the main purposes for mandated requirements or standards is to ensure citizens across Idaho receive equivalent services. As shown in exhibit 2, 47 percent of commissioners responded that mandates ensure consistent services for citizens about half the time. When asked how frequently mandates improve the quality of life for citizens in their county, 48 percent answered rarely or never.

Exhibit 2

County commissioners reported that mandates produce inconsistent benefits.

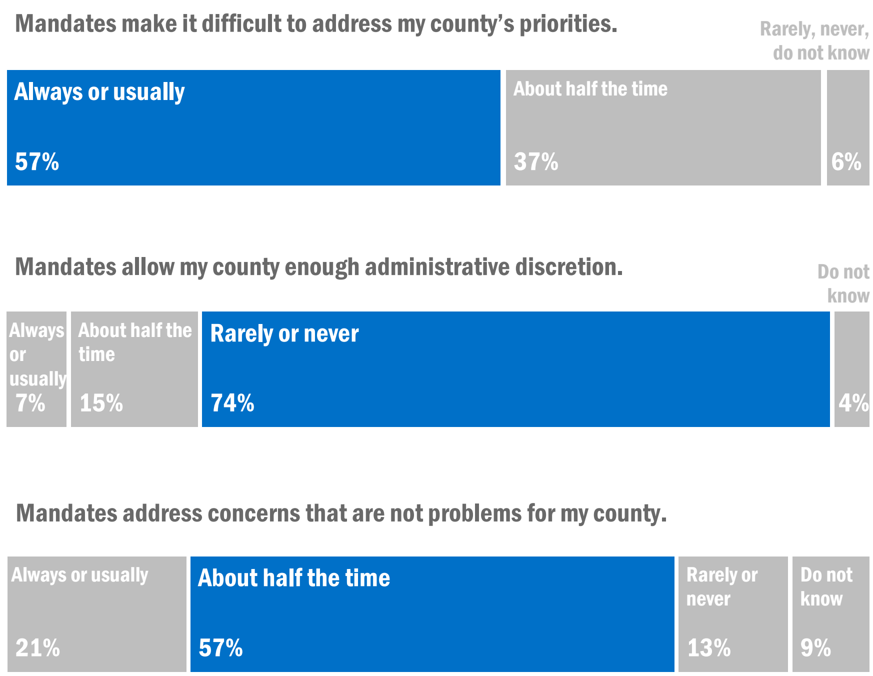


Tension between local and state control contributes to frustration.

As shown in exhibit 3, county commissioners responding to our second survey reported that mandates always or usually make it difficult to address county priorities (57 percent). Commissioners responded that mandates rarely or never give elected county officials enough administrative discretion (74 percent). They reported that about half the time mandates address concerns that are not problems for their county (57 percent).

Exhibit 3

County commissioners reported that mandates make it difficult to address local concerns and do not allow for enough administrative discretion.



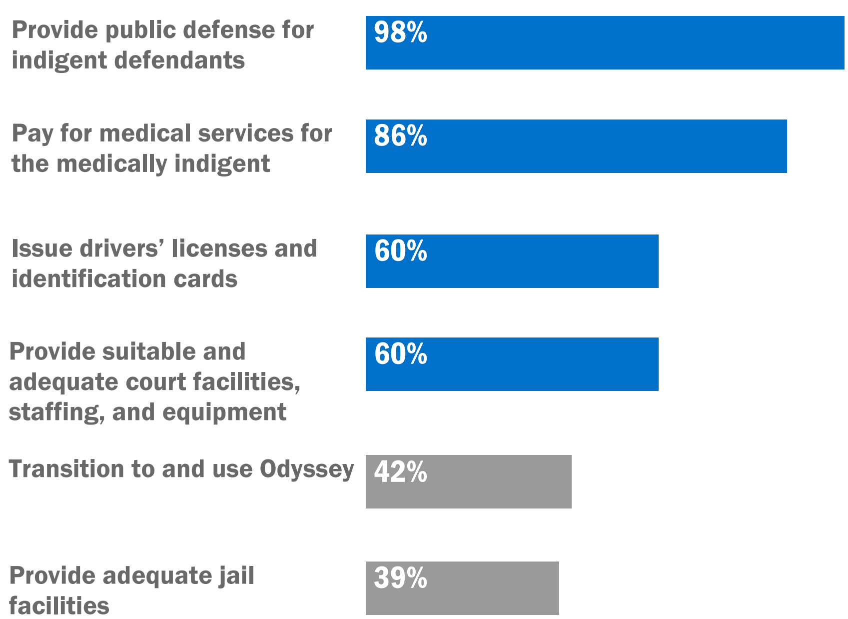
When counties feel exasperated and ignored, they may be more likely to ask the state to take over implementation of the mandate. As shown in exhibit 4, county commissioners who responded to our survey indicated that having the state take over implementation of four of the most burdensome mandates would be an effective strategy.

In the case of public defense, many county officials described frustration with the Public Defense Commission and the Legislature not heeding their concerns. One county official said:

> “We appeal to the state to take on more of the responsibility and cost of this constitutional right.

Exhibit 4

County commissioners indicated that state implementation would be an effective strategy for four of the six most burdensome mandates.



The county-state relationship can be improved by implementing a checklist of policy considerations.

Of the county commissioners who responded to our survey, 96 percent reported that their county experienced problems caused by state mandates. Considering the sources of counties' frustration with mandates and the importance of the county-state relationship, we developed a checklist for legislators and state partners. It represents best practices we identified in a review of literature and other states' policies and laws.

Recommendation

We recommend that policymakers consider the items on the checklist as they draft new legislation or rules that affect mandates to counties. The checklist could also be used when considering mandates to other local governments.

Checklist for new or revised state mandates

Purpose and performance

What is the goal of the mandate?

What are the performance standards to track mandate effectiveness and compliance?

How often and in what way will performance standards be reported?

Who will analyze the performance standards and make recommendations for improvements?

What is the state's responsibility for success?

What is the county's responsibility for success?

What efforts have been made to gather feedback from counties?

What ideas do counties have for successful implementation?

How will implementation problems between counties and the state be resolved?

Should counties have an opportunity to opt out upon voter approval?

County fiscal impact analysis

Will the mandate increase expenditures?

Will the expenditures be offset by cost savings?

Will the expenditures be offset by new or increased dedicated revenue?

Will increased expenditures, savings, or revenues be consistent for counties, or are there factors that could create a range of impacts among the counties?

If expenditure increases are expected to be supported through property taxes, how many counties can incorporate estimated increases given the budget cap or levy limits?

Follow-up analysis

Would an impact study be helpful to determine whether the new or revised mandate has achieved the intended results?

Is there a need for a sunset clause to establish a timetable for legislative review?

Tax and expenditure limitations

4

Study requesters suggested that there is “a rapid and growing divide between the ‘haves’ and the ‘have nots’” among Idaho counties. They expressed concern that indicators of economic health may vary across the state and “the cost of doing business is going up” for all counties and communities.

Underlying the six themes discussed in chapter 3, the source of many mandate-related problems was reported to be insufficient revenue. County commissioners pointed to the 3 percent budget cap and levy limits as two tax and expenditure limitations that were particularly problematic. These limitations restrict the amount of property tax revenue a county can generate to pay for mandates.

We tested the hypotheses of the study requesters to explore how urban and rural counties were being restricted by tax and expenditures limitations.

Insufficient revenue was the most consistently reported cause of mandate problems.

Of county commissioners who responded to our second survey:

> 80 percent indicated that a lack of revenue to support requirements was a bigger source of problems for their county than new or increasing requirements.
>
> 72 percent reported that mandates usually or always lead to financial problems for their county.
>
> 70 percent indicated that county revenues were rarely or never adequate.
>
> 67 percent indicated that state funding was rarely or never adequate to support mandates.
>
> 59 percent of responding commissioners reported that the combined impact of many mandates was more problematic than any specific mandate.

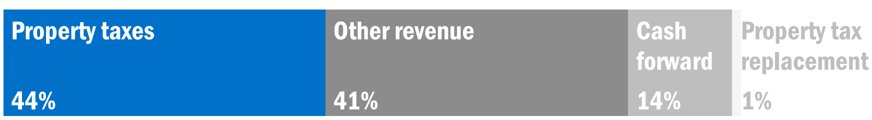
Property taxes are the single largest source of county revenue.

Counties levied $502 million in property taxes for county fiscal year 2018.[4] As seen in exhibit 5, property taxes were 44 percent of the total revenue as reported to the Idaho State Tax Commission through the budget certification process.[5] Other revenue— such as state sales tax, federal payment in lieu of taxes, grants, and fees for service— funded 41 percent of the total approved budget. The cash forward balance funded 14 percent. The remaining percentage came from property tax replacement revenue, which is state money (1) for tax credits and (2) to offset some property tax exemptions.

Counties levied $502 million in property taxes for county fiscal year 2018.

Exhibit 5

For county fiscal year 2018, property taxes were 44% of revenues.



Source: Office of Performance Evaluations' analysis of Tax Commission data.

The county fiscal year runs from October 1 to September 30. Property tax revenues for county fiscal year 2018 were collected in the later part of 2017 or first part of 2018.

4. Rounded to the nearest million.
5. Counties submit a dollar certification of budget request, or an L2 report, to the Tax Commission. The commission reviews and approves property tax levies for all local governments that request property taxes. For more information on the L2 report, including data limitations, see appendix C.

The property tax budget cap and levy limits constrained property tax revenue in 29 of 44 counties.

Two-thirds of counties were constrained by tax and expenditure limitations in county fiscal year 2018:

15 counties were constrained by the 3 percent budget cap.

14 counties were constrained by the current expense levy limit.

The remaining 15 counties were not constrained by the budget cap or current expense levy limit.

Constrained by budget cap

County revenue from property taxes must adhere to a 3% budget cap.

The 44 percent of budgeted county revenue from property taxes must adhere to a 3 percent budget cap per Idaho Code § 63-802. In other words, the total amount of property taxes budgeted by a county cannot increase by more than 3 percent over the largest amount of property tax budgeted revenue from the past three tax years. The budget cap does not apply to exempted funds such as voter-approved bonds or override levies.[6]

Each year, the Tax Commission calculates the maximum allowable property tax budget for counties and other local governments. The maximum allowable property tax budget incorporates the budget cap. Property taxes eligible to be budgeted from new construction or previously forgone increases are added to the maximum allowable budget after the budget cap is calculated.

15 counties were constrained by the budget cap in county fiscal year 2018.

To assess how many counties were constrained by the budget cap, we calculated the difference between the fiscal year 2018 maximum allowable property tax budget and the certified property tax budget for each county. We found that 15 counties had certified budgets at 100 percent of the maximum allowable budgets.[7]

6. For more information on the budget cap, please refer to the tax policy paper, "How Budget Controls Limit Property Taxes," on the Tax Commission's website: www.tax.idaho.gov.
7. Equal to or greater than 99.75 percent.

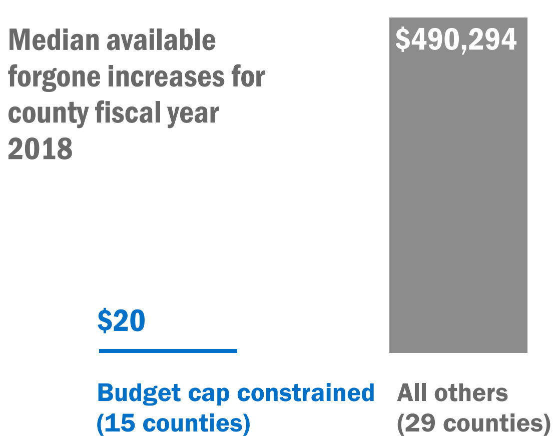
New construction, as defined in Idaho Code § 63-301A and the Idaho Counties Uniform Accounting and Budgeting Manual, is the increased value of new buildings, land that has changed use (e.g., from agricultural land to subdivision lots), or both. The net value of new construction is multiplied by the previous year's nonexempt levy rate. The result is the amount above the 3 percent budget cap that is available for counties to include in their budget. New construction in urban renewal districts is allocated to urban renewal agencies and cannot be used by the county.

Previously forgone property tax increases, or forgone property taxes, as defined in Idaho Code § 63-802, are the portion of the maximum allowable increase in the property tax budget that a local government does not request. In county fiscal year 2018, 22 counties had available forgone increases of $1,000 or more, and eight counties budgeted forgone increases.

These constrained counties budgeted the maximum amount of property taxes available to them in county fiscal year 2018. Essentially, these counties had no additional options to raise property taxes unless their community voted to override the budget cap. As seen in exhibit 6, counties constrained by the budget cap had no available forgone increases.

Exhibit 6

Counties constrained by the budget cap had essentially no available previously forgone increases.



Source: Office of Performance Evaluations' analysis of Tax Commission data.

Constrained by levy limit

Counties budget by fund and cannot combine all revenues and expenditures into a single fund. Counties cannot transfer money from one fund to another with a few statutory exceptions. Statute restricts the purpose for which certain funds can be used and the amount of property taxes that can be budgeted (levied) for each fund. For example, the typical levy limit for the current expense fund (counties' general fund) is .0026, or $260 per $100,000 of the net taxable property value of the county. Appendix E lists the 49 funds counties may use to create their budgets as well as the funds' statutory reference, levy limit, and description.

After identifying the 15 counties constrained by the budget cap, we assessed how many of the remaining counties were constrained by the current expense levy limit. We focused on the current expense levy for the following reasons:

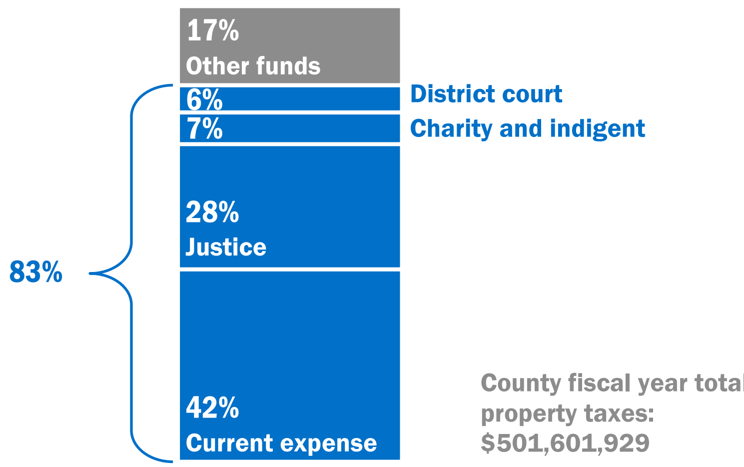
- It is the only levy budgeted by all counties.
- It was the county levy that budgeted the largest amount of property taxes in fiscal year 2018.
- It is for general use and not restricted to a specific purpose.

As seen in exhibit 7, the current expense levy budgeted 42 percent of property tax revenue for county fiscal year 2018.

Fourteen counties were constrained by the current expense levy limit. These counties had a certified property tax budget lower than the maximum allowable budget in county fiscal year 2018. However, these counties could not have reached their maximum allowable property tax amount by increasing the current expense levy because of the levy limit. Exhibit 8 shows that the 14 counties constrained by the current expense levy limit were using a median 93 percent of the available current expense levy.

Exhibit 7

83% of county property taxes were budgeted in one of four funds in fiscal year 2018.

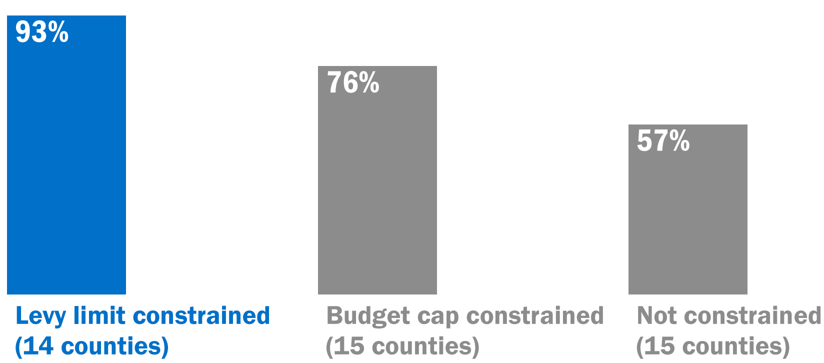


Source: Office of Performance Evaluations' analysis of Tax Commission data.

Exhibit 8

Counties constrained by the current expense levy limit used a median 93% of the available levy.

Median percentage of current expense levy used for county fiscal year 2018



Source: Office of Performance Evaluations' analysis of Tax Commission data.

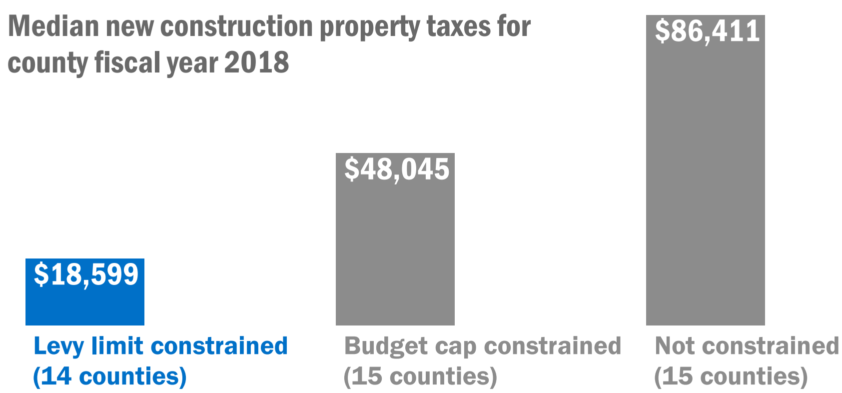
14 counties were constrained by the current expense levy limit.

New construction

The counties constrained by the current expense levy limit budgeted less new construction property tax than other counties in county fiscal year 2018. Exhibit 9 reports the median budgeted new construction property taxes by the counties that were constrained by the levy limit.

Exhibit 9

Counties constrained by the current expense levy limit budgeted less property taxes from new construction than other counties.



Source: Office of Performance Evaluations' analysis of Tax Commission data.

County use of major funds

Counties cannot exceed the statutory levy limits. However, counties can decide which levies to use. As shown in exhibit 7 on the previous page, 83 percent of budgeted property taxes in county fiscal year 2018 were from four levies: current expense, justice, charity and indigent, and district court.

Of the 14 counties constrained by the current expense levy limit:

All used the district court levy.

Three did not use the justice levy.

One did not use the charity and indigent levy.

One did not use either the justice or charity and indigent levy.

Five of the 14 constrained counties did not use the justice or charity and indigent levy may benefit from budgeting property taxes in either fund. Using these funds would be a way to increase the combined levy limit and relieve some of the pressure on the current expense fund.

Ten of the 14 counties were constrained by the current expense levy limit and had a justice fund in county fiscal year 2018. Seven of the 10 used 97 percent or more of the justice fund levy limit. In the future, these counties may be particularly challenged to use property taxes to pay for any increased law enforcement or justice related expenses such as public defense and jails.

Not constrained

The remaining 15 counties had certified budgets lower than the maximum allowable budget and could have reached the maximum property tax budget by increasing the current expense fund levy in county fiscal year 2018. Therefore, neither the current expense levy limit nor the budget cap inhibited the county fiscal year 2018 property tax budgets for these counties.

There are several reasons why counties may elect not to budget the maximum available property taxes. A county may choose not to use its full property taxing authority because it does not need the additional revenue from property taxes. Some counties may have a need to increase property taxes but their communities will not or cannot support the increased tax burden.

In our survey of county commissioners, 72 percent disagreed that they could increase property tax revenue when necessary. In addition to the budget cap and levy limits, 44 percent of responding commissioners cited a lack of community support and 25 percent cited a lack of community resources as the barriers to increasing property tax revenue.

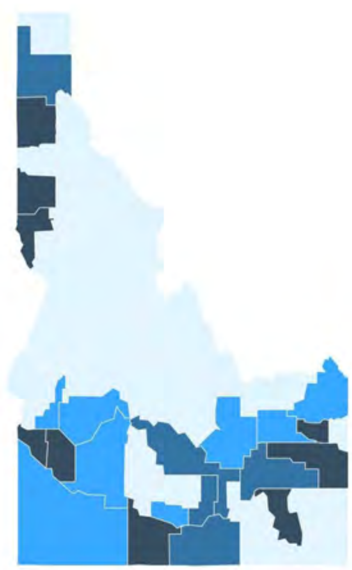
Rural counties are more likely to be constrained than are urban counties.

The McClure Center for Public Policy Research at the University of Idaho published a paper in August 2015 that explored how Idaho's rural counties recovered from the economic recession ending in 2009.[8] The researchers found that rural counties had weaker economic indicators and slow, flat population growth. In contrast, urban areas had grown rapidly and recovered more quickly from the recession.

We ran a series of analyses to determine whether indicators of population size and growth, economic health, and property tax composition were associated with counties constrained by the budget cap or by the current expense levy limit. Exhibit 10 illustrates how we categorized counties by their population size. For a full discussion of our methodology, including the multiple regression statistics, see appendix C.

Exhibit 10

We used four groups to categorize Idaho's counties by population.



Urban: contains a city with at least 20,000 residents (9)

Rural center: contains a city with 7,500–20,000 residents (5)

Commuting: sends at least 25% of working residents to an urban county (8)

Open rural: remaining counties (22)

Source: Idaho Department of Labor's 2018 report *Idaho's Urban-Rural Divide*.

8. "Rural Idaho Since the Recession," Idaho at a Glance Volume 6, No. 2, University of Idaho McClure Center for Public Policy Research (2015).

We found that rural counties were more likely to be constrained in county fiscal year 2018. As shown in exhibit 11, 17 of the 22 open rural counties (77 percent) and 6 of the 8 commuting counties (75 percent) were constrained by either the budget cap or the levy limit. Conversely, only four of nine (44 percent) urban counties were constrained.

77%

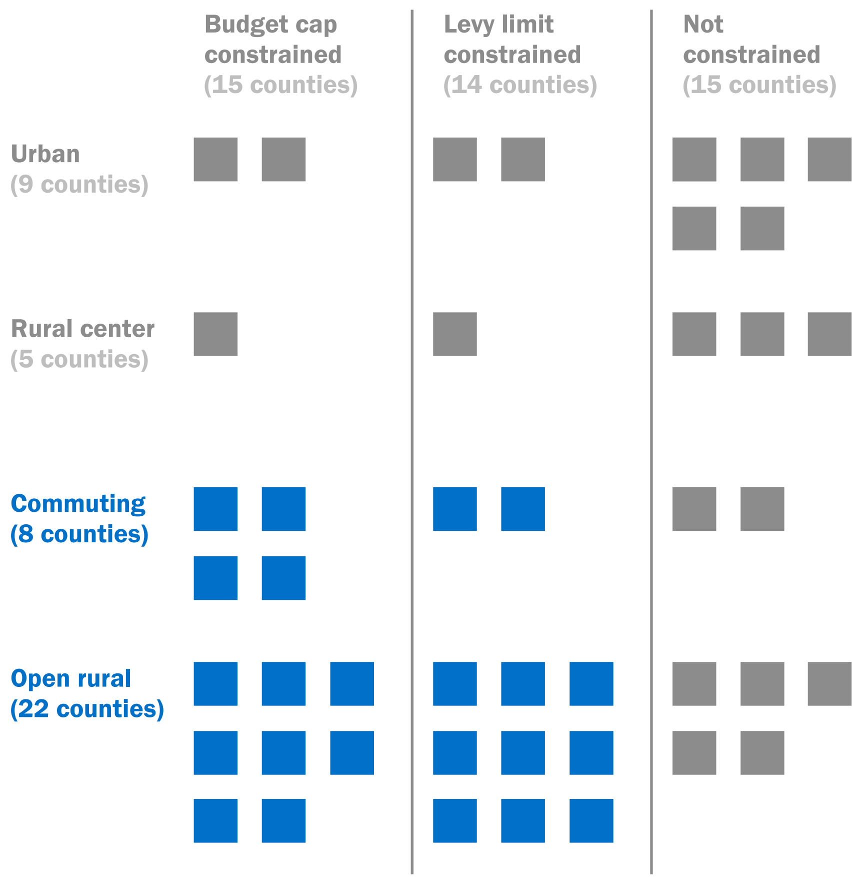
of open rural counties and

75%

of commuting counties were constrained by either the budget cap or the levy limit.

Exhibit 11

Open rural and commuting counties were more likely to be constrained by property tax limitations.

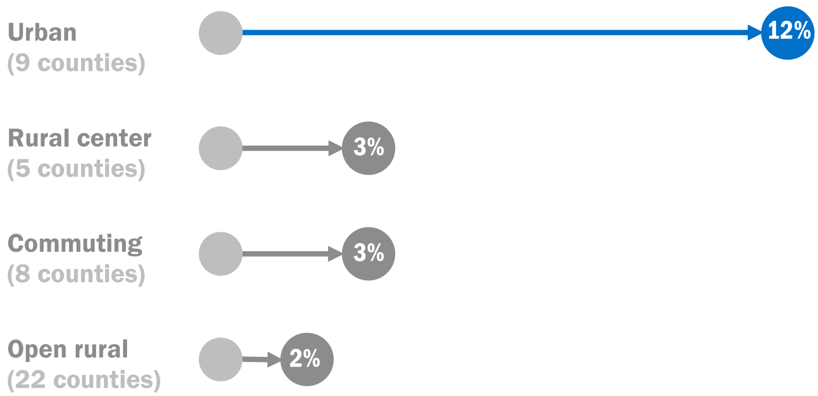


Source: Office of Performance Evaluations' analysis of Tax Commission data.

Rural counties have not experienced the same growth as urban counties. According to US Census Bureau estimates, Idaho's population grew 9 percent from 2010 to 2017. As shown in exhibit 12, urban counties with a city of at least 20,000 people grew 12 percent, while more rural communities grew 2–3 percent over the same time.

Exhibit 12

Urban counties' population growth outpaced more rural counties from 2010 to 2017.



Source: US Census Bureau population estimates.

When counties are growing, they are more likely to have new construction. We found that counties budgeted $54 million of new construction property taxes from county fiscal year 2011 to 2018. As seen in exhibit 13, per capita new construction property taxes were higher in urban counties than in more rural counties.

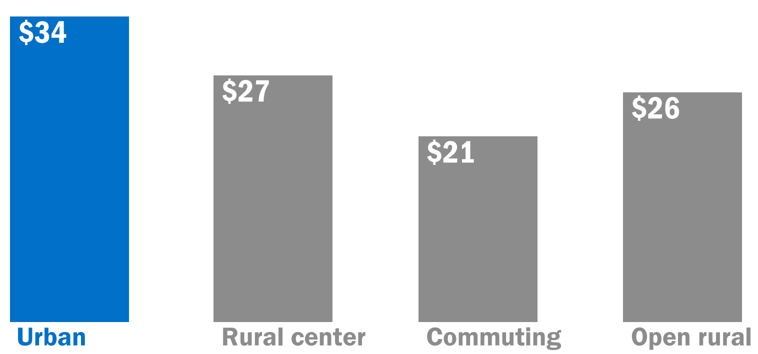
New construction increases the maximum allowable property taxes a county can budget in a fiscal year. Counties with new construction have the potential to increase the total property tax budget more than the budget cap. In addition, new construction increases the net taxable value of the county. In general, when the net taxable value of the county grows at a faster rate than the county budget, the levy rates decrease. Though we did not find a statistically significant connection between the new construction property taxes budgeted in county fiscal year 2018 and counties that were constrained by the budget cap or levy limits, in our exploratory analysis, we only analyzed data from one fiscal year. Future analysis should expand the data set to include multiple fiscal years.

Counties with new construction have the potential to increase the total property tax budget more than the budget cap.

Exhibit 13

Urban counties budgeted the most per capita new construction property taxes.

Per capita new construction property taxes budgeted from county fiscal year 2011 to 2018.



Source: Office of Performance Evaluations' analysis of Tax Commission data.

More analysis is needed to precisely understand how counties are impacted by property tax policy.

We conducted exploratory data analysis on one year of property tax and county budget data. We confirmed that there are differences in how counties are constrained by the budget cap and the current expense levy limits. We confirmed that rural counties are more likely to be constrained. However, more analysis is needed to understand and predict the range of impacts state revenue policy has on counties. This analysis would be especially important if policymakers want to make changes to the budget cap, levy limits, or revenue sharing formulas.

One possible avenue to further explore is the development of an index to measure the fiscal stress or health in a county. Several states including Oregon, Washington, Ohio, Indiana, and Kansas have pursued local government financial indicators that help guide state policy.[9]

58%
of responding county commissioners indicated that a measure of fiscal stress may help problems associated with state mandates.

In our survey of county commissioners, 58 percent of respondents indicated that a measure of fiscal stress may be effective in helping to address some of the problems associated

9. State of Washington Department of Community, Trade, and Economic Development, County Financial Health and Governance Alternatives, December 1, 2007, http://www.wacounties.org/County_Financial_Health_and_Governance_Alternatives.pdf;

Oregon Secretary of State, Oregon's Counties: 2016 Financial Condition Review, June 2016, https://sos.oregon.gov/audits/documents/2016-11.pdf;

Ohio Auditor of State, Special Report: Ohio's Cities and Counties Can Be Alerted to Heighted Fiscal Stress with the Auditor of State's New Financial Health Indicators, January 25, 2017, https://ohioauditor.gov/publications/fhi%20report%20FINAL.pdf;

Indiana Gateway for Local Government Units, Fiscal Health Indicators: Annual Financial Data, accessed October 15, 2018, https://gateway.ifionline.org/public/FISCAL/downloads/AFR%20Data.pdf;

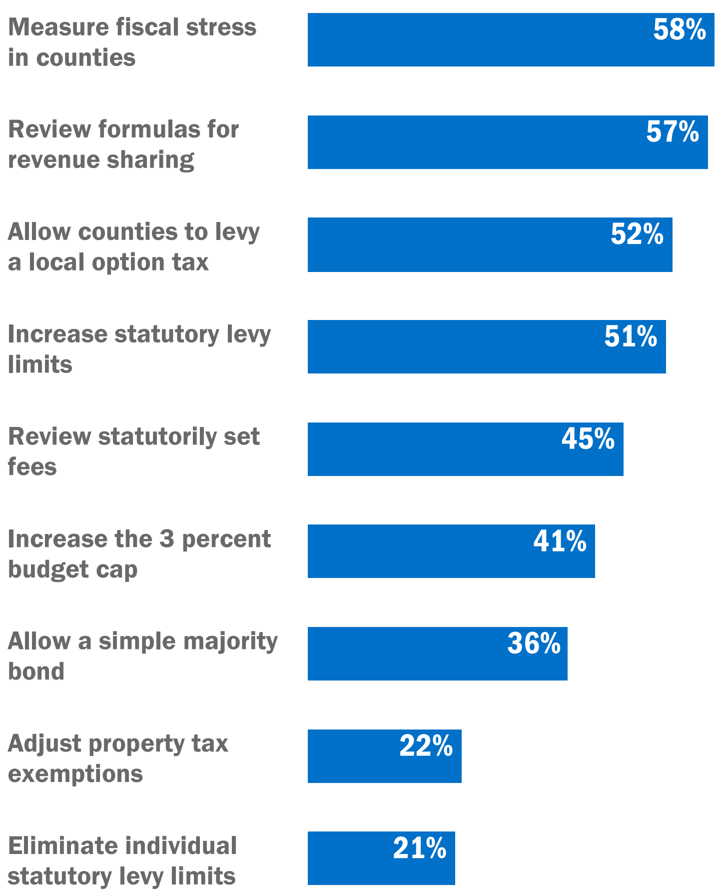
Janet Griesel and John Leatherman, Guide to Indicators of Financial Condition, Kansas State University, K-State Research Extension, Department of Agricultural Economics, Office of Local Government, accessed October 15, 2018, http://www.ksu-olg.info/assets/docs/Guide_to_Fiscal_Indicators.pdf.

with state mandates. Exhibit 14 lists other policy ideas that county commissioners indicated had the potential to be effective or beneficial in helping counties manage the challenge of paying for increasing costs.

Exhibit 14

Policy options have potential to help counties.

Percentage of responding commissioners who indicated the following changes would be effective or beneficial in addressing mandate problems.



Recommendation

We recommend that more analysis be conducted on the effect of tax and expenditure limitations and revenue sharing formulas on counties. There is preliminary evidence to suggest that rural counties are more constrained in their ability to generate revenue through property taxes. Future analysis could evaluate the effectiveness of the policy options above in their ability to prevent exacerbating differences between counties in a better fiscal position and those that are fiscally stressed.

A Request for evaluation

Senators


Bert Brackett


Dan Johnson


Mark Harris


Abby Lee


Jeff Agenbroad


Carl Crabtree

Representatives


Scott Bedke


Terry Gestrin


Tom Dayley


Clark Kauffman


Steve Miller


Caroline Troy

CAROLINE NILSSON TROY
DISTRICT 5B
LATAH & BENEWAH COUNTIES

HOME ADDRESS
2794 HIGHWAY 95
GENESEE, IDAHO 83832
(208) 285-0182
EMAIL: cntroy@house.idaho.gov

House of Representatives
State of Idaho

March 8, 2018

Joint Legislative Oversite Committee

Dear Committee Members,

Rural America has traded roles with inner-cities across the nation to become the leader in social and economic decay. Aging populations, the consolidation of farms and ranches into larger and larger operations, crumbling infrastructure, lack of economic opportunity and even internet connectivity, disparity between urban and rural school districts, loss of traditional jobs, untreated drug and alcohol addictions, and the migration of talent to higher paying jobs outside the community have contributed to the growing crisis.

Idaho fares no differently.

While ranked the "fastest growing state in the nation," Idaho's counties and communities are also experiencing a rapid and growing divide between the "have's" and the "have nots." These measurements include population growth, economic development and job growth, median income levels, and property values.

While these measurements of community vitality are wildly fluctuating across the state, one thing remains consistent: the cost of doing business is going up. Comprehensive services are required and provided by every local unit of government (counties, cities, schools and highway districts) across the state, regardless of the economic health of the region, the size of the taxing district, or the constraints imposed by the state on their ability to tax residents.

It is requested that the Office of Performance Evaluation determine the scope of legislative mandates levied against local units of government (specifically counties, cities, school and highway districts), then analyze what percentage of local units of government budgets are dedicated to meeting these mandates.

A follow up study may include a look at the impact of property tax exemptions, both real and personal, on the historical budgets of counties, cities, school and highway districts and a cost/benefit analysis of selected "mandates" to the counties, cities, schools and highway districts.

Thank you for your consideration,

Scott Bedke, Speaker of the House

Rep. Clark Kauffman, District 25

Rep. Terry Gestrin, District 8

Sen. Jeff Agenbroad, District 13

Sen. Carl Crabtree, District 7

Sen. Dan Johnson, District 6

Rep. Caroline Troy, District 5

Rep. Steve Miller, District 26

Rep. Tom Dayley, District 21

Sen. Bert Brackett, District 23

Sen. Mark Harris, District 32

Sen. Abby Lee, District 9

Evaluation scope

B

We developed a scope that addresses concerns of the study requesters and manages the feasibility of challenges which we identified. We believe the findings of our evaluation will provide policymakers with the following:

- Better understanding of the underlying issues local governments face when trying to implement state mandates
- Tools for drafting legislation that impacts local governments
- Ideas for future evaluation

The requesters asked us to identify legislative mandates for counties, cities, school districts, and highway districts. Instead of addressing all four local government types, we narrowed our scope to the study of counties for the following reasons:

- Counties are general purpose governments and have many state mandates
- There are fewer counties than other types of local governments
- With a narrow focus, we can produce more specific and useful findings

Though our analysis will be limited to counties, we expect that several findings will be applicable to other types of local governments. With that said, we recognize issues unique to cities, school districts, and highway districts will not be addressed by this evaluation. We do not suggest that these issues are less important or urgent, but a rigorous treatment is not feasible for more than one local government type in this evaluation.

We will approach the evaluation by working with counties to answer the following three questions:

Which state mandates do counties report as being the most burdensome?

What factors help or impede counties as they implement state mandates?

What strategies do counties use to manage the mandates they find most burdensome?

Methodology

C

Evaluation approach

The purpose of this evaluation was to provide policymakers with a better understanding of the underlying issues counties face when trying to implement state mandates, tools for drafting legislation that impacts local governments, and ideas for future evaluation.

We used a mixed methods approach to answer the three evaluation questions:

> Which state mandates do counties identify as the most burdensome and why?
>
> What factors help or impede counties as they implement state mandates?
>
> What strategies do counties use to manage the mandates they find most burdensome?

Our evaluation had three phases. In the first phase, we used qualitative methods to better understand which mandates are problematic for counties and why. This method helped us narrow our focus in phase two to a quantitative survey analysis of the most frequently cited problematic mandates. In the second phase, we measured the frequency and intensity of counties' problems with mandates and quantified counties' perspective on the most effective way to address the problems. In the final phase, we looked more closely at the most reported problem associated with mandates: raising revenue to support increased mandate costs. We conducted exploratory data analysis testing two hypotheses: (1) counties are constrained in their ability to increase property taxes and (2) counties with stronger economic indicators are less likely to be constrained by property tax restrictions.

The following three sections detail the methods used in each phase. At the end of the appendix, we discuss the limitations of our analysis.

Phase 1: Problem identification and qualitative data collection

Mandates, as a topic of policy evaluation, is very broad. After we had narrowed our scope to a study of state mandates and their impact on counties, we needed to further narrow our focus to mandates that were the most burdensome. These mandates could be used as case studies to learn about the underlying causes behind mandate-related problems.

The first phase of our evaluation was primarily qualitative. We conducted interviews, reviewed literature, attended two conferences, and conducted an open-ended survey.

Interviews

We interviewed the following key stakeholders about the effect of mandates on local governments:

- Legislators, including three of the study requesters
- Staff at the Idaho Association of Counties, the Association of Idaho Cities, the Idaho Association of School Board Administrators, the Idaho School Boards Association, and the Idaho Association of Highway Districts
- Staff and commission chair at the Idaho State Tax Commission
- Staff at the Division of Legislative Audits
- Elected county officials

The interviews typically lasted 60 minutes. The questions were open ended and varied among the individuals interviewed.

Literature review

We conducted a literature review to gain an understanding of mandates and the issues they present. We did specific research in the following areas:

Statutory and constitutional definitions of mandate

Intergovernmental relations between states and local governments

State policy strategies for addressing problems caused by mandates

Activities that promote collaboration

We searched academic journals, law reviews, federal- and state-sponsored research, and nonprofit research.

Conference observations

We attended two conferences conducted by the Idaho Association of Counties to meet elected county officials and hear their concerns. The first was the Idaho Association of County Recorders and Clerks' Annual Conference. The second was the Idaho Association of Counties' Annual Conference. At both conferences we observed meetings and break-out sessions and spoke with individual elected officials.

Open-ended survey

In July and August 2018, the first survey was sent to all 396 elected county officials in the state. This included the following officials from each county:

Assessor
Clerk
Commissioners (three for each county)
Coroner
Prosecuting Attorney
Sheriff
Treasurer

We asked three open-ended questions:

Which mandates were the most problematic?

Why did these mandates present problems?

What strategies did the counties use to implement mandates?

We asked respondents to focus their answers on the mandates that were problematic in county fiscal year 2018 and were projected to be an issue in county fiscal year 2019. Respondents could list up to five mandates. Officials were able to respond individually or provide a group submission for their county. Staff from the Idaho Association of Counties reviewed our survey prior to use.

The survey was open for one month. We sent email reminders and called commissioners and clerks from nonresponsive counties to encourage participation. At least one elected official responded from 35 of 44 counties, and we heard from 79 elected officials (20 percent). We received seven group responses. Group responses comprised the feedback from multiple elected officials in a single county.

Table 1

County commissioners and clerks had the highest response rates and constituted 85% of the total responses of the first survey.

Elected office	Individual responses	Group responses	Total respondents	# of elected officials statewide	Response rate (%)	% of survey responses
Commissioner	27	20	47	132	35.6	59.5
Clerk	15	5	20	44	45.5	25.3
Assessor	2	1	3	44	6.8	3.8
Coroner	0	0	0	44	0.0	0.0
Prosecutor	1	2	3	44	6.8	3.8
Sheriff	5	0	5	44	11.4	6.3
Treasurer	0	1	1	44	2.3	1.3
Total	50	29	79	396	20.0	100

We used Dedoose qualitative software to perform content analysis of survey responses. The coding process was iterative and interrater reliability was reviewed twice.

Responding county officials listed 33 unique mandates that presented the greatest problems for their counties. The list can be found in appendix D.

Phase 2: Problem confirmation and quantitative data collection

After our data collection efforts of phase 1, we narrowed our focus to the list of 33 mandates. We measured the frequency and intensity of the problems elected county officials associated with mandates.

To develop questions for the second survey, we used the coded responses from the first survey, notes from interviews and observations, and workpapers from our literature review. We looked at how frequently counties mentioned each of the 33 mandates from the first survey. Table 2 lists the 15 mandates that elected county officials in three or more counties found difficult to implement.[10]

Table 2

List of problematic mandates

Mandate	# of reporting counties
1. Provide public defense for indigent defendants	33
2. Pay for medical services for the medically indigent	19
3. Taxation and expenditure limitations (budget cap of 3%, levy limits, local option tax, property tax exemptions, two -thirds bond approval)	19
4. Provide adequate jail facilities	13
5. Provide suitable and adequate court facilities, staffing, and equipment	8
6. Transition to and use Odyssey	8
7. Issue driver's licenses and identification cards	7
8. Collect court fines and fees	5
9. Establish, maintain, and operate a solid waste disposal system	6
10. Process vehicle registrations and titles	5
11. Supervise, maintain, and manage public roads and bridges	4
12. Complete an assessment of all real and personal property in the county	3
13. Ensure local governments send financial audits to the Legislative Services Office	3
14. Pay out-of-district tuition for junior college students	3
15. Provide a detention center for juvenile offenders	3

10. Prosecuting attorney services was reported in three counties but not included in our second survey. We received the third response late and after the second survey was already active. Federal mandates were also mentioned in three counties but were outside the scope of this evaluation.

Elected county officials in 19 counties reported that tax and expenditure limitations were difficult to implement. This mandate was unique. It was described as challenging and cited as the reason that most of the other mandates were challenging. In fact, the challenge of increasing revenues to support rising costs was the strongest theme to come out of the survey responses. For this reason, we decided to do a more extensive analysis of how counties are impacted by tax and expenditure limitations in the third phase of our methodology. We also decided to isolate this mandate from the rest of the list.

We asked commissioners to rate the ease or difficulty of implementing the remaining list of 14 mandates. If a commissioner indicated that a specific mandate was difficult, we asked follow-up questions about what changes to state policy would be most effective in solving the problems associated with the mandate.

The survey also included questions about commissioners' opinions of the relationship between counties and the state and the effect of tax and expenditure limitations on their county. Staff from the Idaho Association of Counties reviewed the second survey prior to use.

We sent survey invitations to all 132 county commissioners. The survey was open for one month from September 21 to October 24, 2018. We sent reminder emails to encourage participation. We also made two rounds of calls over a two-week period to nonresponsive commissioners.

We received responses from 69 commissioners (52 percent) from 37 counties (84 percent). The confidence interval for reported survey responses is ±8.18. This means that if we received a response from every county commissioner, there is a 95 percent probability that the result for any survey question would be within 8.18 percentage points of our reported results.

Phase 3: Hypothesis testing and exploratory data analysis of county-approved budget and property tax data

Study requesters discussed a challenge facing many rural counties. While some of Idaho's communities have grown rapidly over the past decade, some communities have had slower growth, perhaps even a decline in population. The lack of growth could also be associated with slower job growth, lower median income, and lower property values. The requesters made the correlation that just as economies of communities across the state vary, so too does the impact of state mandates on local government jurisdictions.

The results of our two surveys revealed the primary problem that elected county officials associated with state mandates—how to pay for the increase in expenses. Based on this result and the hypotheses raised by the study requesters, we designed an exploratory data analysis methodology that would test two hypotheses:

> H_1: Counties are constrained in their ability to increase property taxes.
>
> H_2: Counties with stronger economic indicators are less likely to be constrained by property tax restrictions.

We began our analysis with a review of Idaho statute, administrative rules, and budget and property tax manuals from the Idaho Association of Counties and the Tax Commission to understand the statutory parameters of property taxes set by the state.

We collected the approved budget documents for 43 of 44 counties through data requests to counties and to the Audit Division of the Legislative Services Office.

We submitted a data request to the Tax Commission and received the reports and forms listed in table 3.

Table 3

Tax Commission reports and forms

Report or form	Description	Tax years
Budget Increases by Category	Lists by county the property taxes from new construction, the maximum amount of forgone available, the amount of forgone taken, and the property taxes not subject to forgone.	2010–2017
Dollar Certification of Budget Request to the Board of County Commissioners (L2 form)	Counties submit this form to the Tax Commission as part of the budget and levy certification process. The form includes levies and property tax budgets for every local government levying property taxes.	2010–2017
Historical Exemptions	Lists the taxable value for tracked property tax exemptions.	1999–2017
Maximum Budget and Forgone Amount Worksheet	Provided by the Tax Commission to cities and counties, the worksheet shows the calculation of the highest, nonexempt property tax budget plus 3 percent (budget cap) calculation. The worksheet also reports the maximum available forgone amount.	2010–2017
Major Category Excluding Homeowners Exemption	Lists by county the net taxable value of residential, commercial, agriculture, timber, mining, and operating property.	2010–2017
Property Tax Budgets	Lists by district the certified property tax budget	1995–2017
Report 04 Fund Detail within County	Lists the taxable market value, levy rates by fund, and property tax budget by fund. It includes data for all districts that levied property taxes.	2010–2017

H_1: Counties are constrained in their ability to increase property taxes

To test our first hypothesis, we modeled the change over time in counties' maximum allowable, nonexempt property tax budgets. We modeled the period from county fiscal years 2011 to 2018, and we replicated the values submitted by counties on their L2 worksheets and forms. For each year and county, we identified elements contributing to the maximum totals, including property taxes from new construction, the available forgone increases, and the claimed or disclaimed forgone increases. We then compared the maximum allowable budget with the actual, certified county

The tax year runs one year behind the county fiscal year. For example, property taxes collected in tax year 2017 are used to finance county fiscal year 2018.

budgets for each year. After our property tax model was constructed, we analyzed the data from county fiscal year 2018 (tax year 2017).

We found that 15 counties were constrained by the budget cap. These counties' certified property tax budgets were within 0.25 percent or less of the maximum allowable property tax budget.

To assess how many counties were constrained by levy limits, we analyzed the current expense levy. We focused our analysis on the current expense levy for three reasons:

- All counties had a current expense levy.
- The current expense levy was the largest levy (as measured by percentage of counties' total property tax budgets).
- The current expense levy affords counties the most discretion in how property taxes can be used to support services.

We found that 14 counties were constrained by the current expense levy limit. These counties were below the maximum allowable property tax budget for county fiscal year 2018; however, the median current expense levy was 93 percent of the statutory levy limit. These counties could not increase their current expense levy by enough to collect the maximum allowable amount of property taxes.

Finally, we found that 15 counties were not constrained by either the budget cap or by the current expense levy limit. These counties could have increased their property tax budgets in county fiscal year 2018 under statutory tax and expenditure limitations but chose not to.

H_2: Rurality and strong economic indicators affect whether counties will be impacted by the budget cap and levy limits

To test the second hypothesis, we began with a literature review of studies that indexed the economic health of different communities, including a 2015 policy paper from the University of Idaho McClure Center for Public Policy Research titled *Rural Idaho Since the Recession*. The paper explored how rural counties recovered from the economic recession ending in 2009. The researchers found that rural counties had weaker economic indicators and slow, flat population growth. In contrast, urban areas had grown rapidly and recovered more quickly.

Using several indicators reported in this paper as a starting point, we created a list of indicators that measure population size and growth, economic health, and property tax composition.

Table 4 lists the indicators we used in our analysis and the source of our data for that indicator. These indicators were used as independent variables in our analysis.

Table 4

Indicators used in analysis

Category	Indicator	Source	Description
Population	Population	US Census Bureau; County Intercensal Dataset	Population estimates 1990–2017
Population	Population by category	Idaho Department of Labor Workforce Development Council. *Idaho's Urban-Rural Divide*, April 2018	Urban: county contains a city of at least 20,000 people Rural Center: county contains a city from 7,500 to 20,000 people Commuting community: sends at least 25% of its working residents to an urban county Open rural: all other counties
Population	Percentage rural population	US Census Bureau, 2010 Census	The percentage of the county population living in a rural place
Population	Population change	US Census Bureau, estimates of the components of resident population change	Cumulative estimates of population change from April 2010 to July 1, 2017

Category	Indicator	Source	Description
Population	Net migration	US Census Bureau, estimates of the components of resident population change	Population change not due to natural events (such as births and deaths); includes international and domestic migration from April 2010 to July 1, 2017
Economic	Population percentage over 65	US Census Bureau	Used as a surrogate for fixed income; percentage of the county population 65 years and older.
Economic	Unemploy-ment	Bureau of Labor Statistics	Local Area Unemployment Statistics, 2017.
Economic	Per capita income	Bureau of Economic Analysis	Personal Income Summary: per capita personal income by county, 2016.
Economic	Poverty rate	US Census Bureau	Small Area Income and Poverty Estimates, 2016.
Economic	Homeowners' exemption %	Idaho Tax Commission	Value of the homeowners' exemption as a percentage of the total net taxable value for tax year 2017.
Property tax budget composition	Property tax %	Idaho Tax Commission; individual county approved budget documents	Total certified property tax budget as a percentage of the total approved budget. The total approved budget is for all funds and revenue sources, including funds that do not levy property taxes.
Property tax budget composition	New construction percentage	Idaho Tax Commission	Property taxes from new construction as a percentage of the certified property tax budget from tax year 2017.
Property tax budget composition	Forgone percentage	Idaho Tax Commission	Available forgone as percentage of the certified property tax budget.

Descriptive statistics were run for the independent variables. The numeric variables were standardized using z-scores and checked for multicollinearity. Not surprisingly, the population variables were correlated, the economic variables were correlated, and so were the property tax budget composition variables.

Consideration was given to each variable and a hypothesis about how the variable would affect the dependent variables was developed. We considered the limitations of our small sample size of 44.

We narrowed our analysis to the following independent variables:

Percentage rural population

Population change (2010–2017)

Homeowners' exemption as a percentage of the total net taxable value (2017)

New construction as a percentage of the certified property tax budget (2017)

We added one more categorical variable that served as a control for counties that had a resort city with a local option sales tax. Counties with local jurisdictions having a local option tax may still meet the Census Bureau's definition for rural but be relatively wealthy, such as counties with destination ski resorts.

We ran a multiple regression analysis with a categorical dependent variable, "not constrained," which assigned a value of 1 to the 15 counties that were not constrained by either the budget cap or the current expense levy limit and a value of 0 to the remaining 29 counties.

The model was significant ($R^2 = 0.338$, $p = 0.006$). The model indicates that the five independent variables in our model accounted for about 33 percent of the variation between counties that were constrained by the budget cap and current expense levy limit and counties that were not constrained. Table 5 summarizes the multiple regression results.

Table 5

Multiple regression results

Independent variable	Median of unstandardized variable (%)[1]	Standard deviation of unstandardized variable (%)[1]	ß
Percentage rural population	59.3	29.8	-0.342*
Population change (2010–2017)	2.9	5.7	0.321
Homeowners' exemption as a percentage of the total net taxable value (2017)	17.9	5.8	-0.286
New construction as a percentage of the certified property tax budget (2017)	1.0	0.89	0.117
Resort city (0 = none; 1 = county has resort city)[2]	NA	NA	0.194

[1] Calculated on the dataset before the variable was translated to a z-score.
[2] 9 counties had a resort city.
*$p < .05$

There was a significant relationship between the percentage rural population and being in the "not constrained" category. The higher the percentage of rural residents in a county, the less likely the county was to be not constrained. In other words, more rural counties were more likely to face a property tax constraint of either the budget cap or the current expense levy limit.

Two more multiple regressions were run with the same independent variables. The first used "counties constrained by the 3 percent budget cap" as the categorical dependent variable ($n = 15$). The model was not significant ($R^2 = 0.082$, $p = 0.641$). The second used "counties constrained by current expense levy limit" as the categorical dependent variable ($n=14$). The model was not significant ($R^2 = 0.166$; $p = 0.208$).

A separate, bivariate regression was run to test the relationship between rurality and population growth. The dependent variable was the percentage of population growth between the 2010 US Census Bureau population estimate and the 2017 population estimate and the percentage rural population in 2010 was the independent variable. We found a significant, negative correlation ($R^2 = 0.167$, $p = .006$). The higher the percentage of rural residents a county had in 2010, the lower the percentage of growth it experienced from 2010 to 2017 ($ß = -0.078$, $t = -2.897$, $p=0.00$).

A bivariate regression was run to test the relationship between new construction and rurality. From tax year 2010 to 2017, $53,875,767 in new construction property taxes were budgeted statewide. We calculated the percentage of statewide new construction property taxes budgeted from 2010 to 2017 by county and used this as the dependent variable. We used the percentage of rural residents a county had in 2010 as the independent variable. We found a significant, negative correlation ($R^2 = 0.264$, $p = 0.00$). The higher the percentage of rural residents a county had in 2010, the lower the percentage of new construction property taxes the county collected from 2010 to 2017 ($ß = -0.09$, $t = -3.88$, $p = 0.00$).

Evaluation limitations

Survey data

The survey data used in our analysis provided information about how counties perceive state mandates. We did not collect data concerning perceptions of state mandates from state agencies or elected state officials.

The perceived problems associated with mandates provide insight into how the counties view the relationship with the state. The reported perceptions of elected county officials were based on data available to those officials at the time of their response. Some of the policy areas discussed in the survey have not been independently evaluated or new information has emerged since the time of the survey. The concerns raised by the elected county officials may serve as a hypothesis and starting point from which to conduct future policy evaluations.

Variation in county budget reporting

The Idaho Association of Counties has published the *Idaho Counties Uniform Accounting and Budgeting Manual*, which describes an accounting structure for consistent financial reporting across counties. In addition to describing the statutory requirements of county financing, the budget manual also references rules and regulations and the Government Accounting Standards Board (GASB) standards for financial reporting.

Even with these guidelines, published county budgets do not uniformly report approved expenses or revenues. We collected 43 of the 44 counties' approved budgets for county fiscal year 2018. We reviewed the total budgeted expenditures and the total revenue projections. However, we could not use the approved budgets to compare categories of revenue.

The most uniform county financial report that we found was the L2 report from the Tax Commission. Each county must submit an L2 report that lists the total budget for any funds that levy property taxes. The report also includes the amount of property tax to be levied, how much fund balance (Cash Forward Balance) will be used, the amount of property tax replacements received, and the sum of other revenues that will go to support the budgeted expenditures for the fund. We analyzed the L2 reports and associated summary reports provided by the Tax Commission from county fiscal years 2011 to 2018.

Using the L2 report to analyze county budgets presented several limitations. First, only funds that levy property taxes are required to be included in the report. When we compared the total approved budgets for each county (as reported in each counties' published budget documents) to the total budgeted amount on the L2 form, we found that 92 percent of total county budgets were reported in the L2. Second, while the L2 report provides a clear picture of the revenue raised from property taxes, the "other revenue" category is broad and includes large sources of revenue such as state revenue sharing, fines and fees, payment in lieu of taxes, and grants. Finally, the "cash forward balance" likely comprises money that was collected from property taxes; however, we cannot report a definitive percentage.

Limitations of the L2 report and the inconsistency across county budget documents prevented us from doing a more in-depth analysis of the variation and impact of revenues such as fees, fines, grants, sales tax, and other state revenue sharing.

Limitations of the L2 report and the inconsistency across county budget documents prevented us from doing a more in-depth analysis of the variation and impact of revenues.

More analysis needs to be done to provide insight into the drivers behind the connection of rural counties and counties constrained in their property tax budget.

We analyzed only one county fiscal year.

Exploratory data analysis

The results of our exploratory data analysis should be considered preliminary. Although we confirmed that there is a connection between counties that are rural and counties constrained in their property tax budgets, more analysis needs to be done to provide insight into the drivers behind that connection.

Likely, population growth has an impact. When counties are growing, they are more likely to have new construction which adds to the maximum allowable property tax budget and allows for the certified property tax budget to grow beyond the 3 percent budget cap. Generally, new construction also increases the net taxable value within a county. When net taxable values grow faster than the certified property tax budget, levy rates decrease preventing the county from hitting statutory levy limits.

Though we did not find a statistically significant connection to population growth at the .05 level, we also had a small set of observations. Only one county fiscal year was analyzed. A larger data set incorporating multiple county fiscal years should be analyzed to see if the relationship between rural counties and property tax budget constraints hold and to identify additional indicators that could provide policymakers with a more nuanced understanding of state property tax policy.

Mandates identified as problematic

D

We sent a survey to the 396 elected officials from Idaho's 44 counties and asked which mandates presented a problem for their county during county fiscal year 2018. Respondents could list up to five mandates.

We received 79 responses. Sixty-seven responses were from county commissioners or clerks. One or more elected official responded from 35 of the 44 counties. The table below lists, by service category, the 33 mandates reported. The table also includes the number of counties in which the mandate was reported as a problem and a statutory reference to the mandate.

Mandates by category	Idaho Code reference	# of counties reporting
Judicial services		**33 / (94%)**
Provide public defense for indigent defendants	§§ 19-859–864	33
Provide suitable and adequate court facilities, staffing, and equipment	§§ 1-1001–02, -1606–07, -1613–13A, § 2-201–221; § 10-1110 § 31-1001	9
Transition to and use Odyssey	§ 1-612, -614, -1623	8
Collect court fines and fees	§ 1-2003, § 32-3101A, § 73-213	5
Prosecute or defend all actions, applications or motions, civil or criminal in the district court of the county in which the people, the state, or the county are interested or are a party	Title 31 Chapter 36	3
Health and welfare		**20 / (57%)**
Pay for medical services for the medically indigent	Title 31 Chapter 35	19
Apportionment of county contributions to public health districts	§ 39-424	1

Continued on next page

Mandates by category	Idaho Code reference	# of counties reporting
Revenue		**19 / (54%)**
Taxation and expenditure limitation (budget cap of 3%, levy limits, local option tax, property tax exemptions, two-thirds bond approval)	Title 63 Chapter 8; § 63-602; and the Idaho Constitution, Article VIII, Section 3	19
Public safety		**18 / (51%)**
Provide adequate jail facilities	Title 20 Chapter 6; § 31-1001	13
Issue drivers' licenses and identification cards	§ 31-2202(14)	7
Provide a detention center for juvenile offenders	§§ 20-517–518	3
Issue concealed weapons permit	§ 18-3302	2
Law enforcement	Title 31 Chapter 22	2
Provide ambulance services when otherwise not available	Title 31 Chapter 39	2
Provide misdemeanor probation services	§ 31-878	2
Enforcement of new trespassing law	§ 6-202	1
Order and service of civil protection orders	§ 39-6310	1
Process sex offender registrations	§ 18-8307	1

Mandates by category	Idaho Code reference	# of counties reporting
General government		**16 / (46%)**
Process vehicle registrations and titles Hull inspection Off-road vehicle inspection	Title 49 Chapter 4; Title 67 Chapter 70; § 49-426	5
Complete an assessment of all real and personal property in the county	Title 63 Chapter 3	3
Ensure local governments send financial audits to the Legislative Services Office	§§ 67-450B, -450E	3
Pay out-of-district tuition for junior college students	§ 33-2110A	3
Comply with open meeting laws	§ 31-710; Title 74 Chapter 2	2
Comply with public printing and official notice requirements	§§ 31-819, -836; § 31-1604; § 60-1	2
Supervise and administer consolidated elections	Title 34, Elections	2
Board of Equalization	§ 63-5	1
Comply with public records requests	§ 74-1	1
Cooperation with agricultural extension work	§§ 31-826, -839	1
Require a social security number to Issue marriage licenses	§ 32-403(2)	1
Prepare a new construction roll	§ 63-301A	1
Sanitation		**6 / (17%)**
Establish, maintain, and operate a solid waste disposal system	Title 31 Chapter 44; Title 39 Chapter 74	6
Road and bridge		**4 / (9%)**
Supervise, maintain, and manage public roads and bridges	§ 31-805; Title 40 Chapter 6	4
Federal mandates		**3 / (9%)**
Adhere to all federal mandates		3

E County funds and property tax levies

Funds with a property tax levy	Idaho Code reference	Levy limit	Fund description
Airport	§ 21-404	0.0004	Necessary expenditures for the purchase or operations of an airport. This fund may be classified as a special revenue fund or as an enterprise fund.
Ambulance	§ 31-3901	0.0002	Ambulance service in areas where no ambulance service is reasonably available.
Appraisal (revaluation)	§ 63-314	0.0004	Continuing program of valuation of all taxable properties.
Armory construction	§ 46-722	0.0002	Construction, maintenance, repair, alteration, and rehabilitation of armories.
Building construction	§ 31-1008	0.0006	Requires a special election that must pass with a 2/3 majority vote.
Burn seeding	§ 38-509	0.0002	Reseeding of burned areas.
Community college	§ 33-2110A	0.0006	Tuition for out-of-district Idaho students who are also residents of the county.
District court	§ 31-867	0.0004	Court-related expenditures except courthouse construction or remodeling.
Fair grounds and building	§ 31-822; § 22-206	0.0001	Purchasing a site, grounds, or park to hold public fairs or exhibitions and to erect and maintain buildings on fair grounds. Combined total of levy for fair or exhibits and fair grounds cannot exceed .0002.
Fair or exhibits	§ 31-823	0.0002	Collecting, preparing, and maintaining an exhibition for products and industries of the county at any domestic or foreign exposition, and for encouraging immigration and increasing trade of products of the state of Idaho.
Fish hatchery	§ 36-1702	0.00005	Artificial propagation of game fish and the distribution and planting of fish.

Funds with a property tax levy	Idaho Code reference	Levy limit	Fund description
General (current expense)	§ 63-805	0.0026	Resources traditionally associated with governments that are not required to be accounted for in another fund. The levy limit changes to .002 if the county establishes a justice fund.
Health district	§ 31-862	0.0004	Solely and exclusively for preventive health services by district boards of health.
Historical societies	§ 31-864	0.00012	County or local historical societies, museums, historical restoration projects, and development of historic sites.
Hospital operation	§ 31-3613	0.0006	Maintenance and operation of the county hospital.
Indigent (charity)	§ 31-3503; § 31-863	0.001	Necessary care and medical needs of indigent persons.
Joint county bridges (road)	§ 40-807	0.000024	Construction and maintenance of bridges that benefit more than one county.
Justice	§ 31-4603; § 63-805	0.002	County services for law enforcement and justice responsibilities.
Museums	§ 31-4706	0.0003	Maintain and protect a county museum and property.
Nursing home or restorium	§ 31-3503	0.0006	See Indigent (charity).
Parks and recreation	§ 63-805	0.0001	Acquisition, maintenance, and operation of public parks and public recreation facilities.
Pest control	§ 25-2602	0.0002	Extermination of pests.
Road and bridge	§ 40-801(1)(a)	0.002	Construction and maintenance of county highways and bridges. 50% collected from property within a city limit must be apportioned to the city.
Road, special	§ 40-804(1)(b)	0.00084	Bridge maintenance and construction, matching federal and state highway funds, secondary highway construction, secondary highway maintenance and improvements, and maintenance during an emergency. No part of this fund shall be apportioned to any incorporated city.

Continued on next page

Funds with a property tax levy	Idaho Code reference	Levy limit	Fund description
Solid waste disposal	§ 31-4404	0.0004	Establish, operate, or maintain solid waste disposal facilities and systems.
Tort	§6-927; §9-928	No levy limit	Pay for insurance premiums or provide for a comprehensive insurance plan and pay tort claims or judgments.
Veterans' Memorial construction	§ 65-104	0.00005	Help construct military memorials. Property taxes levied in a year not to exceed one-third the cost of construction.
Veterans' Memorial maintenance	§ 65-103	0.0001	Help maintain military memorials.
Warrant redemption	§ 63-806; §§ 31-1507, -1608	0.002	Redemption of outstanding county warrants.
Weed control	§ 22-2406	0.0006	Control and eradicate noxious weeds.

Funds without a statutory levy limit	Idaho Code reference	Fund description
911 emergency communications	§ 31-4804	Finance initiation, maintenance, and enhancement of consolidated emergency communication systems.
Agency		Assets held in a trustee capacity by a government as an agent for individuals, private organizations or other governments or other funds.
Auditor's trust		A pass through fund that may be used to receive and disburse monies paid to the county, but actually due to other entities.
Bond redemption	§ 31-1903; § 63-805	Meet debt service requirements for the current year on any unpaid bonds issued by the county.
Capital projects		Acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).
Court trust		Monies held by the court to be returned to the depositor or distributed by a court order.
Debt service		Accumulation of resources for, and the payment of, general long-term principal and interest debt.

Funds without a statutory levy limit	Idaho Code reference	Fund description
Enterprise		Operations financed and operated in a manner similar to private business enterprises.
Ignition interlock device	§§ 18-8008; -8010	Purchase ignition interlock or electronic monitoring devices and funded by specific court fines and fees. Sunsets 1/1/2019.
Information technology		Expenditures for computers, servers, and other information technology equipment.
Internal service		Financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit or to other governments on a cost reimbursement basis.
Printing		Expenditures incurred for printing needs.
Shop		Expenditures incurred to maintain shop functions.
Snowmobile	§ 67-7106	Help maintain snowmobile trails, plowing and maintaining snowmobile parking areas and facilities, and trail signs. Revenue generated from snowmobile fees.
Special revenue funds		Proceeds of specific revenues (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes. Also called dedicated funds.
State		Hold monies received for and forwarded to the state from fees, fines, permits, etc.
Taxing district		Special funds serving as clearing accounts for monies collected for special taxing districts and disbursed to the taxing districts each month.
Trust		Assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, or other funds (e.g., court trust).
Waterways or vessel	§ 57-1501; § 67-70	Promote water safety and waterway improvements. Revenue from fees.

Source: Idaho Counties Uniform Accounting and Budgeting Manual," Idaho Association of Counties (September, 2018), http://idcounties.org/wp-content/uploads/2018/08/IAC-Budgeting-Manual-2017.FinalDraft.7.6.18-1.pdf.

Responses to the evaluation

One of the most critical issues facing county governments is the lack of communication and tension between local and state entities. I am pleased to report that within the Office of the Governor, I established an Intergovernmental Affairs team that is tasked with establishing good relationships between the state and local governments.

—Brad Little, Governor

IAC applauds the recommendations of OPE to create a checklist for legislators to follow when considering new or modified mandates. In particular, IAC agrees with OPE that legislators should conduct a thorough fiscal analysis of the impacts of mandates on counties prior to proposing legislation.

—Seth Grigg, Executive Director
Idaho Association of Counties

BRAD LITTLE
GOVERNOR

January 22, 2019

Rakesh Mohan, Director
Office of Performance Evaluations
954 W. Jefferson St., Ste. 202
Boise, ID 83720

Dear Director Mohan,

Thank you for the thorough report from the Office of Performance Evaluations on the Impact of State Mandates on County Governments.

The State of Idaho must work diligently to maintain positive relationships with local governments to ensure the communities of Idaho are well served. It is clear from your report that one of the most critical issues facing county governments is the lack of communication and tension between local and state entities. I am pleased to report that within the Office of the Governor I established an Intergovernmental Affairs team that is tasked with establishing good relationships between the state and local governments. I am confident my team will help open the lines of communication.

Thank you again to you and your team for providing the thorough report. The data will assist policy makers, including me, as we work with local governments to best serve the people of Idaho.

Sincerely,

Brad Little
Governor

STATE CAPITOL • BOISE, IDAHO 83720 • gov.idaho.gov • (208) 334-2100 • FAX (208) 334-3454

IDAHO ASSOCIATION OF COUNTIES

WWW.IDCOUNTIES.ORG

3100 S. VISTA AVE., STE. 200
BOISE, ID 83705
208.345.9126

January 23, 2019

Mr. Rakesh Mohan, Director
Office of Performance Evaluation
934 W. Jefferson Street, Ste. 202
Boise, ID 93720-0055

Dear Mr. Mohan,

Thank you for the opportunity to comment on the Office of Performance Evaluation's (OPE) report on the impact of state mandates on county governments. Counties are unique when compared to other units of local government in Idaho. Counties are an arm of the state and serve as the backbone of critical government services including Idaho's criminal justice system, property tax administration, public health and welfare, transportation, and emergency management.

The study sheds new light into the budgeting challenges counties face when implementing state mandates. According to the study, 29 of 44 counties (66%) are constrained by statutory budget and levy caps. These constraints limit the ability of counties to effectively implement state mandates like public defense, driver's licensing, maintaining jails, and complying with Odyssey's court records management requirements. While counties large and small operate under budget constraints, the impact is greatest on Idaho's rural counties. OPE's analysis finds that nearly 75% of rural counties are constrained by property tax limitations compared to only 44% of urban counties.

IAC applauds the recommendations of OPE to create a checklist for legislators to follow when considering new or modified mandates. In particular, IAC agrees with OPE that legislators should conduct a thorough fiscal analysis of the impacts of mandates on counties prior to proposing legislation. IAC also agrees that legislated mandates should be followed up with an analysis into whether or not mandates have achieved their intended goals.

The study points to the overlooked fact that county officials want to be viewed as a strategic partner and not just as another special interest group. Counties are different than other local governments or interest groups. County officials want to be part of developing solutions. In spite of this, county officials reported challenges in dealing with state policymakers and administrators. State policymakers and administrators will gain valuable insights in following OPE's recommendations and collaborating with county officials to address the state's many policy needs.

Respectfully,

Seth Grigg
Executive Director

IAC promotes county interests, advocates good public policy on behalf of Idaho counties and provides education and training to assist Idaho county officials in performance of public service.

Office of Performance Evaluations

ope

Idaho Legislature