

STATEMENT OF PURPOSE

RS18916

Article VIII, Section 3, of the Idaho Constitution restricts political subdivisions of the state from incurring multi-year debts and liabilities. In 2006, the Idaho Supreme Court rendered a decision in *City of Boise v. Frazier*, 143 Idaho 1 (2006), that addressed the "ordinary and necessary" exception to the required voter approval contained in Article VIII, Section 3.

This constitutional amendment does not change the Frazier decision. This amendment does clarify the limited occasions that subdivisions of the state are allowed by the constitution to incur debt without complying with the two-thirds majority election provisions of Article VIII, Section 3. The exceptions contained in this amendment are:

1. Under certain circumstances, a subdivision may incur debt that is not a general obligation of the subdivision for the purposes of constructing or acquiring a Revenue Generating Public Facilities if the facility has non-tax sources of revenue for the repayment of the debt.
2. A subdivision may enter into Terminable Contracts that are certain multi-year leases if the contract payment does not generally exceed the annual income of the subdivision and the subdivision has the option to cancel the contract without further liability. Lease/purchase option arrangements are not permitted under the provision.
3. A subdivision may enter into Short Term Contracts to Lease or Purchase Personal Property for up to five years if the annual payments of the contract do not exceed the general annual revenue of the subdivision.
4. The authority of Port Districts to contract certain indebtedness and issue general revenue bonds remains unchanged by this amendment.
5. Cities that own municipal electric systems may incur debt to expand Power Facilities if the debt repayment is from the non-tax revenue of the power system. Additionally, such cities may enter into certain long-term wholesale power agreements with other power interests.

FISCAL NOTE

There is no additional fiscal impact to the General Fund other than the normal costs associated with placing measures, such as initiatives and constitutional amendments, on the general election ballot for voter consideration. It is unknown, at this time, how many issues might eventually be placed on the 2010 general election ballot. Between 1998 and 2008 there were seventeen ballot measures placed on the general election ballot with an approximate cost of \$35,000 per ballot measure for printings and public notice requirements. Prior to each general election, the Legislature appropriates funds to the Secretary of State to cover the cost of placing ballot measures on the upcoming general ballot. The Legislature appropriated \$350,000 for both the 2006 and 2008 general elections, with the unused balances reverting back to the General Fund the following year.

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