

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, February 22, 2012

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Lake, Vice Chairman Collins, Representative(s) Barrett, Moyle, Raybould, Roberts, Schaefer, Smith(24), Wood(35), Bedke, Harwood, Barbieri, Bayer, Ellsworth, Gibbs, Killen, Burgoyne, Rusche

**ABSENT/
EXCUSED:** None.

GUESTS: Bob Fry, Boise County; Gary Marks, Redevelopment Association of Idaho; Randy Nelson, Associated Taxpayers of Idaho (ATI); Ryan Armbruster, Jerome Urban Renewal Agency (JURA); Jesse Taylor, Westerberg & Associates; Dave Goins, Idaho News Service; Max Greenlee, Risch Pisca; Teresa Molitor, Lake City Development Corp. (LCDC) and Jerome Urban Renewal Agency (JURA)

Chairman Lake called the meeting to order at 9:03 am.

RS 21318: **Rep. Roberts** presented **RS 21318**. The proposed legislation is to assist Boise County as a result of their lawsuit. Boise County had an application for a development in their county. The grounds for their rejection of that application did not hold up in court. They were sued and lost. The plaintiff was awarded a \$5.5M judgment. The first payment on the judgment emptied every reserve account in the county, including money that was earmarked for road and bridge work. There is a budget limitation in the Code dealing with property taxes. Boise County can not afford to make the next payment with the current Code (there is a 3% budget limitation). This proposed legislation is a very narrowly crafted piece of legislation; drafted in conjunction with the Tax Commission, other legislators and Legislative Services. It is similar to legislation for school districts; it uses a provision for Tort Levies. Section 1 of the RS allows for a levy against assessed valuation if certain conditions are met: (1) the County must assess the maximum amount of tax allowed, (2) their funds are empty, (3) the judgment must be after December 31, 2010, (4) the attorney fees exceed one-third of the highest annual budget over the past three years, (5) it does not increase the budget otherwise applicable by more than two-tenths of one percent, (6) the levy can only be in place until the tax is paid in full.

In response to Committee questions, **Rep. Roberts** said that the proposed legislation is narrowly crafted and doesn't allow other counties to be less cautious. The message being sent to other counties is that this is not a new type of tax in the "case of county errors". Its purpose is to work with a county in dire straits. There is no sunset on this proposed legislation; the limitations in place work as a sunset. Some legislation is crafted for a specific purpose. Future legislation could insert a sunset clause if needed.

The County Commission can act on their own to initiate the application of the proposed legislation. Acquiring funding with a budget limitation under Section 63-802 is another path, but it requires two-thirds voter approval. The likelihood of the voters approving that type of funding is highly unlikely. This is designed to help a county create a path forward rather than create a substantial tax increase. The county is not in bankruptcy now. Judge Winmill determined that they were not insolvent. The funds he deemed to be available were the Highway Users Fund and the Enterprise Users Fund. Regardless of what Idaho Code states, those funds were deemed available. Voters not approving a levy increase would not fulfill bankruptcy requirements. The problem is time; the County must begin payments in February, 2013, so there is no time to put a measure on the ballot.

MOTION: **Rep. Bedke** made a motion to introduce **RS 21318**. **Motion carried by voice vote.**

RS 21205: **Sen. Winder** presented **RS 21205**. A constituent in the Boise area brought the idea for the proposed legislation to him. The parent had died and the children were dealing with the estate. Due to the death of the homeowner there was a loss of the homeowners exemption. The proposed legislation allows for heirs to get the homeowners exemption the year of death and one year after. The reason behind the extra year is if death occurred on December 31, the end of calendar year, the heirs would be ineligible for the exemption, so one year after was added.

In response to Committee questions, **Sen. Winder** said that only a qualified person (family member) can apply and get the homeowners exemption.

MOTION: **Rep. Bedke** made a motion to introduce **RS 21205**. **Motion carried by voice vote.**

RS 21097C1: **Sen. Winder** presented **RS 21097C1**. This private property rights issue is one that legislators have been dealing with for many years. We need to respect the private property rights of individuals. Some rules will be more expansive. When a right-of-way is purchased (i.e. Eagle Road), part of the purchase agreement granted an access easement, which allows the owner to get access to the roadway. The owner must be compensated if that easement is denied.

MOTION: **Rep. Moyle** made a motion to introduce **RS 21097C1** and refer it to the Transportation and Defense Committee. **Motion carried by voice vote.**

H 562: **Rep. Moyle** presented **H 562**. The legislation deals with revenue allocation areas (Urban Renewal Areas (URAs)). The original legislation assumed that community colleges were included. The amendment corrects that problem. If acceptable, he would like this bill sent to Amending Order and will change the second e to f on page 2.

In response to Committee questions, **Rep. Moyle** said with the earlier bill it was assumed that the increment was not being captured by the URAs. In the past, some URAs have done some improvements at the colleges, such as sidewalks.

Randy Nelson, Associated Taxpayers of Idaho, said the legislation adds to other levies not captured by the URA. These are voter-approved supplemental levies that started after December 31, 2007. School districts are mostly responsible for supplemental levies, but other districts also have levies. When levies are set, there is an increment value set for each district. Prior to this legislation, they get a percentage of the levy. The bill does not include tort/liability levies. Tort/liability levies will still get applied at the same rate as they currently do. This does decrease available funds for the URAs because the taxing district gets less revenue.

In response to Committee questions, **Mr. Nelson** agreed that the money doesn't stay with the community college, but shifts back to the taxpayer as a decrease in taxes. All it does is reduce the amount of levy to the URAs. Another levy could be passed to match the savings. The only sufferer is the URA who misses out on additional revenue.

Rep. Chadderdon spoke in favor of **H 562**. There has been an ongoing struggle with how the state can finance more community colleges. In the equation, the main figure is the taxing entity. When Idaho first acquired a community college, 44 states already had community colleges.

In response to Committee questions, **Rep. Chadderdon** said that the taxpayer has no idea that they are paying taxes to the URA.

Brian Armbruster, representing the Jerome Urban Renewal Agency, spoke in **opposition to H 562**. There is no impact on the community college. There is a disconnect in what the 2008 bill attempted to achieve. The URA should have no expectation when a levy was passed. In the case of a levy that is currently on the books; i.e. a general O&M levy, the school district has less money to pay the bond than what the voters approved. The objective is to get the money to the school district. Specific bond covenants require that the bondee show specific coverage. What is done with the extra money? The Jerome URA closed a bond five years early. They have also done many "pay as you go" projects. The last bond the Jerome URA did was a 15 year bond in 2006.

In answer to Committee questions, **Mr. Armbruster** said that a decrease in increment funding will probably affect bonding because they would have less money.

Gary Marks, Redevelopment Association of Idaho, spoke in **opposition to H 562**. He said this bill actually applies to levies that exist. The URAs rely on those dollars to meet debt obligations. This bill has come about quite rapidly and even the community colleges were unaware of it. Continuing to reduce the revenue stream to the URAs will make them less attractive to new businesses and expanding businesses. He requested it be held in committee and that the committee resists any other new bills on the same subject.

In response to Committee questions, **Mr. Marks** said that even if the bill were amended, his organization would stand in **opposition to H 562**. A new bill would be better because it would solely address future levies, but it would still impede what the URAs do. Businesses won't come to the URAs due to the tax structure. It would be better to lower the tax rates rather than increase them.

Mr. Marks stated that there is no central clearinghouse for bond obligations. It is unknown if any URA would be unable to meet their payment obligations as a result of this legislation. Bond covenants require 1.25% coverage to not be in default.

Rep. Moyle said the sponsor is amenable to changing the language to prospective levies. The original intent of the proposed legislation was to affect prospective levies.

MOTION: **Rep. Barrett** made a motion to send **H 562** to General Orders. **Rep. Roberts** seconded the motion. **Motion carried by voice vote.**

ADJOURN There being no further business to come before the committee, the meeting was adjourned at 10:30 am.

Representative Lake
Chair

Janet Failing
Secretary