

STATEMENT OF PURPOSE

RS22140

This legislation creates a tool for Idaho to finance major regional highway construction projects. The legislation would authorize the Idaho Transportation Department (ITD) Board and the Idaho Department of Commerce (Commerce) to jointly identify highway construction projects that will create economic and job corridors and have revenue-positive economic impacts to the state. If ITD and Commerce find that a highway construction project creates new, revenue-positive, sales tax impacts; as well as revenue-positive economic impacts, greater than twice the cost of construction over a thirty (30) year period, and a majority of local governments within the proposed Transportation and Economic Development Zone (TEDZ) by resolution concur, the agencies would be authorized to create a TEDZ surrounding the highway project. The TEDZ would be used to determine and report the cumulative revenue-positive sales tax impacts and revenue-positive economic impacts within the TEDZ stimulated by and resulting from construction of the highway project. The cumulative revenue-positive sales taxes and capitalized interest would be used to pay debt service for the financing used to construct highway projects within the TEDZ.

FISCAL NOTE

This legislation will create positive sales tax revenues and positive general fund revenues for the state and local governments. A TEDZ cannot be formed unless and until the ITD and the Idaho Department of Commerce find, after an economic analysis performed by an economist independent to both agencies: (i) improvements to a highway system will result in revenue positive sales tax impacts over the base year (the preceding 12 month period), giving credit for capitalized interest; and (ii) positive economic impacts equal to at least two times the approved state highway project cost over a 30 year period. The legislation requires that capitalized interest be used for a period of not less than three (3) years, unless a finding that positive sales tax revenues will result from a lesser capitalized interest period. No state sales tax will be drawn for debt service until after the capitalized interest has been utilized. The amount of the sales tax that can be utilized for security of debt service is capped at no more than 7.5% of the previous fiscal year and is cumulative for all TEDZ created in the state. Commerce and ITD would be required to share the cost of funding the independent economic studies, which studies are estimated to range between \$10,000 and \$40,000 depending on the size of the project, however, those studies can be recouped from the bond or note proceeds.

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