

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

- DATE:** Thursday, February 26, 2015
- TIME:** 3:00 P.M.
- PLACE:** Room WW53
- MEMBERS PRESENT:** Chairman Siddoway, Vice Chairman Johnson, Senators McKenzie, Rice, Vick, Bayer, Guthrie and Burgoyne
- ABSENT/ EXCUSED:** All present, with a vacancy in District 17.
- NOTE:** The sign-in sheet, testimonies and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.
- CONVENED:** **Chairman Siddoway** called the meeting of the Local Government and Taxation Committee (Committee) to order at 3:00 p.m.
- MINUTES:** **Chairman Siddoway** called for the approval of the Minutes from February 12, 2015.
- APPROVAL:** **Senator Guthrie** moved to approve the Minutes of February 12, 2015. **Senator Johnson** seconded the motion. The motion carried by **voice vote**.
- GUBERNATORIAL APPOINTMENT:** **Chairman Siddoway** introduced the gubernatorial appointment of **Elliot Werk** to the Idaho State Tax Commission (Commission). He welcomed **Mr. Werk** and asked him to take the podium, introduce himself, and provide some background about his qualifications for this job.
Mr. Werk told the Committee that during his 12 years of service in the Idaho State Senate, including 8 years on the Committee, he had gained expertise with Idaho statutes, understanding rules, and distinguishing the difference between making policy and the administration of policy. He briefed the Committee on his work experience, his understanding of the Commission, and what issues he had seen during his first week including security, safety, fraud, and morale. He closed with a statement of his vision for the Commission.
All the Senators wished Mr. Werk well by giving their individual comments on memories of him in the Legislature. **Chairman Siddoway** announced that the vote would be taken at the next Committee meeting and thanked Mr. Werk for coming before the Committee and for his service as a Senator.
- H 68** **Phil McGrane** explained **H 68** is to amend Idaho Code § 60-103 to include counties in the exemptions allowed to the State for out of state printing. Currently, Idaho Code § § 60-101 and 60-102 limit both the State and all counties to printing within the State. Section 102 also indicates that counties must first seek printing services within their county. The penalty for violating these sections is a misdemeanor. Under Idaho Code § 60-103, which this legislation would amend, the State is currently granted exemptions to use out of state printing services. The exemptions include:
- When the technical requirements are not able to be performed within the State.
 - When there are no in state bidders to a public bidding process.
 - When in state bids are 10 percent greater than an out of state bid.
 - This legislation would extend these same exemptions to counties.

Mr. McGrane continued by telling how the issue with this statute was made known. He reported that Ada County looked into using an out of state printer for technical reasons and their prosecutor made them aware of the conflict. While researching the issue, the common perception by county officials, Legislators, and others was that these exemptions already existed for the counties, but they do not. As a result, many counties are currently using printing services out of state.

Mr. McGrane gave a brief history of the current statutes and stated that they were originally written in 1903 when the market place for printing was very different. He inserted that with the internet many services like printing have been consolidated due to the ability to ship and reduce costs. Additionally, new technologies for printing such as specialty 3D printing and others have been developed that may not exist within the State.

Mr. McGrane said **H 68** would allow counties the same benefits granted the State, to seek often less expensive and better services that may exist outside the states. It will ensure that current practices are properly aligned with the legal requirements. These practices save counties considerable money and allow counties to take advantage of improvements in technology.

Senator Rice noted that **Mr. McGrane** said he was looking to go out of state to have election printing done due to a technical process reason and asked if he was able to get the printing done in state. **Mr. McGrane** said that right now printing is being done in state and that security is the main issue of concern.

Senator Rice asked about the language in **H 68** and whether the three exceptions provide enough coverage. **Mr. McGrane** reiterated that this legislation was meant to apply broadly and to encompass the same rules to the State as to the county.

MOTION:

Senator McKenzie moved to approve **H 68** with a **do pass** recommendation.

Senator Johnson seconded the motion. The motion carried by **voice vote**.

H 95

Senator Rice presented **H 95**, Article VII, Section 17 of the Constitution of the State of Idaho regarding gasoline taxes and motor vehicle registration fees to be expended on highways. He said that this legislation exempts road materials used to construct, improve and maintain public roads from the sales use tax. Currently, the fiction that the contractor is the end user of the materials is used to tax such materials, even if they are proved by the State or its subdivisions that have the responsibility to build and maintain public roads. The result is higher costs for road projects and a transfer of the money to the General Fund.

Senator Rice reported that there will be an impact to the sales tax revenues of \$15-20 million. This is split between the General Fund and local government. The impact to the General Fund is \$13.275-17.7 million. The impact to cities and counties is \$1.725-2.3 million. This money will remain with and be used by the transportation agencies where the funds were dedicated by law.

Senator Burgoyne asked what would happen to the budgets that are funded out of the General Fund with respect to the fiscal note. He wanted to know if there was replacement funding or something that would hold those budgets harmless.

Senator Rice replied that there is not replacement funding and that this is money that is being taken off of the roads and should remain in transportation.

Senator Burgoyne asked if there was any assurance that monies would go back into the Idaho Department of Transportation budgets and not into the pockets of the people constructing roads. **Senator Rice** said that margins are narrow enough that if a contractor tried to add to their profits, their bid would end up not getting jobs, and if a contractor does not get jobs, he doesn't make any money. A bid is created on cost, plus profit.

Senator Guthrie asked who would oversee and regulate to make sure the materials that are supposed to be tax exempt remain tax exempt. **Senator Rice** reported that there were discussions making sure there were clear definitions indicating what was road parts.

Senator Johnson asked what he would think of a system to provide a bid sheet of how much there would be paid in taxes. **Senator Rice** stated reasons for why that would be difficult and would result in reduced bids. **Senator Johnson** asked if contractors used materials and equipment half on government projects and half on private projects, would that create an accounting workload having to distinguish between what was deductible and taxable depending on the percentage of the use. **Senator Rice** said the equipment used would not be tax free, only the materials that become property of the State. If there were left over materials that were not used by a contractor then the contractor who is more careful would get the job. This is because there is a great deal of competitive bidding in road construction.

Senator Burgoyne commented about the General Fund and how he thought the fiscal impact of **H 95** would affect other budgets in a negative way. He acknowledged that transportation was largely underfunded, but this bill would not solve the problem. Transportation funding problems need to be addressed by new money coming into the system.

MOTION: **Senator Vick** moved to approve **H 95** with a **do pass** recommendation. **Senator Rice** seconded the motion. The motion carried by **voice vote**, **Senator Burgoyne** and **Senator Johnson** requested that they be recorded as voting nay.

ADJOURNMENT: There being no further business, **Chairman Siddoway** adjourned the meeting at 4:00 p.m.

Senator Siddoway
Chair

Amanda McLennan
Secretary