

MINUTES
SENATE TRANSPORTATION COMMITTEE

DATE: Thursday, March 12, 2015

TIME: 1:30 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Brackett, Vice Chairman Nonini, Senators Keough, Winder, Hagedorn, Vick, Den Hartog, Buckner-Webb and Lacey

ABSENT/ EXCUSED: None

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 Brackett** called the Senate Transportation Committee (Committee) to order at 1:35 p.m. and welcomed all in attendance.

MINUTES APPROVAL: **Senator Winder** moved to approve the Minutes of February 12, 2015. **Senator Hagedorn** seconded the motion. The motion passed by **voice vote**.

H 194: **Chairman Brackett** invited Jerry Deckard of CapitolWest Public Policy Group to the podium to present **H 194**.

Mr. Deckard, representing the Associated Logging Contractors, said this is a new bill following H 69 from the 2014 Legislative Session that the House did not like. **H 194** is the product of a cooperative effort between the loggers, the food producers, the farm bureau and the Idaho Transportation Department (ITD). The agricultural community (particularly Del Monte) had a problem with the definition of agricultural products, which have been redefined as unprocessed products instead of finished or processed products like the canned products sold by a company like Del Monte. The weight of finished product truck loads was not the intent of last year's legislation. The intent was meant for logging trucks, wood chip trucks and refuse or garbage trucks. This bill clarifies that intention and allows agricultural and forest products the same extraneous materials weight waiver that was in H 69.

Mr. Deckard said there is a problem with **H 194**, and he had a copy of the proposed amendment placed in the Committee's packets. He went through the changes in the bill. On page 2, line 4 the words "processed product" is deleted; on page 4, insert the words "wood chips"; on page 6, page 9 and page 10, insert the word "unprocessed". These are minor but needed changes. He asked that the Committee send the bill to the 14th Order for amendment. **Mr. Deckard** stood for questions, but there were none.

Chairman Brackett thanked Mr. Deckard, and asked if anyone in the audience wanted to testify.

TESTIMONY: **Hubert Osborne**, a retired dairyman from Nampa, had the Committee Page pass out information describing the problems with the bill. He said the proposed amendment makes the bill more palatable, but it does not go far enough. Page 15 is the heart of the bill where it includes all farm, logging and sanitation vehicles, but it doesn't address his concerns. There were no questions for Mr. Osborne.

TESTIMONY: **Jim Riley**, President of Riley & Associates, said he represents many foresters, especially in North Idaho. He was contacted by the Association of Logging Contractors who believe this is an important bill that incorporates flexibility in the provisions of the law. As trucks move down the highway they pick up material, especially during inclement weather, that creates the need for adjustments requiring them to operate effectively. **Mr. Riley** stood for questions.

Senator Lacey said he remembered last year's legislation where there was no way to weigh the trucks; they can estimate the weight but can't be exact. He asked if this was the same for ice and snow build up on the truck. **Mr. Riley** said that woods are complicated. The Associated Logging Contractors are good at knowing the amount of logs they can legally carry, but they don't know how much material might build up on the truck as it's travelling, which is why this flexibility is so important.

CONFLICT OF INTEREST: **Senator Keough** announced that because of her employer, she could potentially have a conflict of interest under Senate Rule 39(H).

Senator Winder said that he thought this was a good bill last year, and he appreciates bringing it back for clarification.

MOTION: **Senator Winder** moved to send **H 194** to the 14th Order for amendment. **Senator Hagedorn** seconded the motion. The motion passed by **voice vote**. **Senator Hagedorn** offered to carry the bill on the floor.

H 132: **Chairman Brackett** thanked Mr. Deckard and invited Representative Kauffman to the podium to present **H 132**.

Representative Kauffman said this bill has to do with gaseous fuels and the taxes on that fuel. Currently, vehicles that operate on gaseous fuels pay a flat annual fee for a decal for each vehicle. There are at least 26,000 paid decals that cost about \$128 each annually. If these vehicles were paying motor fuel taxes, the revenue would be much greater. Page 2, lines 30 through 36, describes the fuel decal program that would be eliminated. Once the program is eliminated, vehicles using gaseous fuels would pay a gas equivalent tax. Page 3, beginning on line 8, describes the conversion of diesel or gas equivalent to compressed national gas. Using these fuels for vehicles was not even known a few years ago, but they have quickly grown. As more vehicles move to this source of fuel, it is important that this inequity be addressed. The decal program is 24 years old and it was implemented for purposes other than to operate vehicles. If this bill passes, the State can expect an increase of about \$325,000 to the Highway Distribution Account (HDA). **Representative Kauffman** thanked the Committee and stood for questions.

Senator Buckner-Webb said that there are companies that have invested huge amounts of money in converting their fleet of vehicles, and this change would increase their costs significantly. **Representative Kauffman** said that is certainly possible because converting a truck from diesel to gaseous fuel costs a lot, but this is a fairness issue. **Senator Buckner-Webb** asked if there could be a phase-in period so that their increased costs go up gradually. **Representative Kauffman** said there was no phase-in.

Senator Vick asked if other states tax natural compressed gas. **Representative Kauffman** said he did not know the answer to that. **Senator Vick** commented that he would appreciate knowing if other states do tax this fuel.

Chairman Brackett thanked Representative Kauffman and said the Committee would hear from those wishing to testify on the bill followed by closing remarks by Suzanne Budge, State Director of the Idaho Petroleum Marketers & Convenience Store Association.

- TESTIMONY:** **Wayne Hammon**, Executive Director of the Idaho Associated General Contractors, said this is a fairness issue; if you use the roads, you need to pay to maintain the roads. Something needs to be done soon as Idaho's roads are getting worse. He supports the bill.
- TESTIMONY:** **Mike Jensen**, General Manager of Bingham Cooperative in Blackfoot, Idaho, said he has a small operation of seven trucks. He said that vehicles over 26,000 pounds can purchase the conversion kits and no longer have to pay the gas tax. He pays the fuel tax for the 12,000 miles per month his trucks travel. He supports the bill.
- TESTIMONY:** **Zachary Webster**, Blue Liquified Natural Gas (LNG) in Utah, said that this was a clean fuel that is readily available in Idaho. The State had an incentive to make the conversion and some companies made the decision to invest in that process. It was his understanding that there was supposed to be a committee comprised of stakeholders who were to meet last summer to work this out, but that did not happen. He only discovered **H 132** as it was clearing the House. This may bring revenue to transportation, but it strangles a new industry in Idaho. He opposes the bill.
- TESTIMONY:** **Bill McNabb**, McNabb Grain & Trucking in Pocatello, Idaho, said his operation runs various commodities on his 48 natural gas trucks. He looked at natural gas as an opportunity to purchase cheaper fuel that is environmentally cleaner. It is as efficient as diesel, if not better. He invested \$10 million in natural gas trucks that he expects to run for 5 or 6 years. He also assumed they would not be paying fuel tax because of the decal program. This bill will definitely hurt his business. He opposes the bill.
- TESTIMONY:** **Daniel Salvador**, Off-Spec Solutions in Boise, Idaho, said they have a fleet of 21 trucks that haul Franz Bakery, Heinz and Amalgamated Sugar products throughout Idaho. They got into gaseous fuels because of emissions factors, which was an important part of their investment reasoning. They invested \$1 million more on equipment. This bill will impact their future business plans significantly. They're currently funding companies that are developing this technology. They employ 42 people and were looking to double that number by the end of the year, but this bill could change those plans. His company opposes the bill.
- TESTIMONY:** **Dave Fisher**, General Manager of Republic Services in Boise, Idaho, said that they employ 265 people in the Treasure Valley. They spent a lot of money converting their trucks, and they installed two gaseous fuel pumps in the Treasure Valley. Valley Ride uses their fuel pump for their transport system. They spent \$300,000 on horizontal drilling just to get the fuel line to their facility; the same occurred with the Nampa fuel pump. Compressors and other equipment cost another \$1 million each. There are lots of costs other than just the fuel itself. He explained the reasons why they converted in the first place and added that air quality standards in the Treasure Valley are high and their trucks are much quieter. They were never contacted about a meeting for stakeholders; their tax bill if this legislation becomes law will increase 1,200 percent. In conclusion, he said that the federal subsidy no longer exists. He opposes the bill.
- TESTIMONY:** **Jeremy Chou**, representing the Civil Engineering Associates, offered two points: (1) the incentive became law 24 years ago to help people in rural communities who depended on propane gas; and (2) he urged the Committee not to move this bill to the Amending Order. He supports the bill.

TESTIMONY: **Phil Hardy**, Strategies 360 and representing Republic Services, said his clients are willing to pay more to support the Idaho infrastructure. This bill would be setting a precedent on how to go about a change. He suggested the additional taxes should be ramped in over a period of time. His clients did not come to the Legislature and lobby for a tax break, the decal program was already law. They feel like the carpet is being yanked out from under them, and they were never invited to the table to discuss the issue. He opposes the bill.

TESTIMONY: **Stuart Davis**, Executive Director of the Idaho Association of Highway Districts, said that the government is rarely proactive. This will exacerbate itself once the legislation is law. Federal Express is converting to gaseous fueled vehicles nationwide, as are other industries. He supports the bill.

The Committee members were able to ask questions of each person testifying until they were satisfied with the responses. **Chairman Brackett** thanked each person who has signed up to testify and invited Suzanne Budge, State Director of the Idaho Petroleum Marketers & Convenience Store Association, to present concluding remarks.

CLOSING REMARKS: **Ms. Budge** said that when her board took up funding infrastructure in the State of Idaho, they worked with the Idaho State Tax Commission (ISTC). Her board had been supportive of tax collection. A good case was made for alternative fuels. **H 131** became an efficient and seamless method of dealing with an antiquated loophole in the law.

Ms. Budge explained the history behind the policy of purchasing and annually renewing decals for users of gaseous fuels. The decal was intended to help rural Idahoans with propane tanks in their back yards. Propane was used primarily for heating and cooking. This took place in 1991, 24 years ago. The program was not intended to be a tax incentive or even thought of in terms of it being a cleaner fuel option. They were rarely needed.

H 132 eliminates the decal program and implements a gaseous fuel equivalency tax. They want vehicles using this fuel source to be on an even field with vehicles using motor fuels. She applauds the industry and their concern for the environment, but Idaho's roads need maintenance and the gas tax was created to provide funds for that maintenance. It is fair that every vehicle driving on Idaho roads pay to help maintain them. This is a simple proposition meant to be a small fix in the larger funding issues of Idaho's infrastructure.

ADJOURNED: Due to time constraints on using the hearing room, **Chairman Brackett** said the hearing would be continued at the next meeting of the Committee. He thanked Ms. Budge and Representative Kaufman and asked them to come back for the next meeting. **Chairman Brackett** adjourned the meeting at 3:03 p.m.

Senator Brackett
Chair

Gaye Bennett
Secretary