

MINUTES
SENATE TRANSPORTATION COMMITTEE

DATE: Tuesday, March 31, 2015

TIME: 1:00 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 meeting of the Senate Transportation Committee (Committee) to order at 1:03 p.m. and welcomed all in attendance.

MINUTES APPROVAL: **Senator Keough** moved to approve the Minutes of March 3, 2015. **Senator Buckner-Webb** seconded the motion. The motion passed by **voice vote**.

MINUTES APPROVAL: **Senator Hagedorn** moved to approve the Minutes of March 5, 2015. **Senator Lacey** seconded the motion. The motion passed by **voice vote**.

MINUTES APPROVAL: **Vice Chairman Nonini** moved to approve the Minutes of March 17, 2015. **Senator Keough** seconded the motion. The motion passed by **voice vote**.

MINUTES APPROVAL: **Senator Den Hartog** moved to approve the Minutes of March 19, 2015. **Senator Vick** seconded the motion. The motion passed by **voice vote**.

H 316: **Chairman Brackett** invited Mike Brassey, Hopkins Roden, to the podium to present **H 316**.

Mr. Brassey, representing State Farm Insurance Company, said he supported **H 316**. This bill relates to transportation network companies (TNC). There have been several bills in the Legislature this year relating to this subject. **H 262**, which passed both houses of the Legislature related to the regulation of TNCs as a business. There have been two other bills introduced in the House related to the requirements for insurance for TNCs and their drivers. Those two insurance bills were part of a larger national discussion on the treatment of insurance for TNCs. Six states have enacted legislation relating to this subject and at least twice that number are considering legislative proposals. Some insurers and Uber reached a settlement on model legislation that they could support in the various states considering this issue. Since the initial settlement, most major TNCs and insurers have joined in the settlement. **H 316** is a product of that settlement.

Mr. Brassey went through all sections of **H 316** except for Section 2. **Mr. Brassey** said that since Mr. McClure was the sponsor of the original bill, **H 262**, he requested that Mr. McClure be allowed to explain Section 2, and then he and Mr. McClure would stand for questions.

Mr. McClure, Givens Pursley, said that he was representing Uber, a TNC. **Mr. McClure** said that this is the trailer bill he referred to when **H 262** was before the Committee. **H 316** addresses the insurance issues Mr. Brassey discussed and clarification issues raised during the hearing of **H 262**. Section 2 clarifies the definition of a TNC that is on a college campus. The difference is that drivers on a college campus perform a service just to cover their costs and not for a profit. If the service is performed for a profit, it is defined as a TNC. **Mr. McClure** and **Mr. Brassey** stood for questions.

Senator Hagedorn wondered what happens when the charge for a ride exceeds the cost of the ride. **Mr. McClure** said that was the language that was requested. The definition of a TNC is someone who charges more than the ride costs. There were no further questions.

TESTIMONY:

Julie Hart of Westerberg & Associates said she was representing Enterprise Rent-A-Car. She said the insertion into the bill that Senator Hagedorn questioned was requested by her. She supports that amendment. There were no questions for Ms. Hart.

MOTION:

Vice Chairman Nonini moved that **H 316** be sent to the floor with a **do pass** recommendation. **Senator Buckner-Webb** seconded the motion. The motion passed by **voice vote**. **Vice Chairman Nonini** offered to carry the bill on the floor.

H 311:

Chairman Brackett welcomed House Majority Leader, Representative Moyle of Star, Idaho, to the Committee and invited him to take the podium to present **H 311**.

Representative Moyle went through the highlights of the bill: (1) it removes the sales tax on groceries beginning on October 1, 2015; (2) the sales tax subsidy on groceries is removed effective January 2015; (3) there is a seven cent per gallon increase on fuel tax with a new distribution schedule; (4) there is an adjustment to the income tax with upper income bands consolidated at a flat tax rate of 6.7 percent; and (5) there is a one-time \$5 million distribution from the Income Tax Refund Account with \$3 million going to ITD and \$2 million going to local entities. He noted that 20 percent of taxes raised go back into the Income Tax Refund Account.

Representative Moyle said that the State had not had to borrow from the Income Tax Refund Account for the last two years. He continued that 11.5 percent of all sales tax goes to cities and counties; the formula changed in 2011. With the elimination of sales tax on groceries, they did not want to hurt cities and counties with a reduced distribution. **H 311** allows for the Income Tax Refund Account distribution to occur at the end of June for the next three years when the provision sunsets. **H 311** offers tax relief for Idaho's citizens. **Representative Moyle** stood for questions.

Chairman Brackett recognized that House Speaker Bedke, Legislative District 27, was in the audience and asked if he had any additional comments he would like to share.

Speaker Bedke said that as soon as the 2014 election was over, he and others began working on a strategic plan for this Legislative Session. They would consider this Session a success if major investments were made in education and the road system in Idaho. **H 311** is a compilation of many bills, but this bill starts transportation funding down the road. Education is on a separate track. Education has been successful; a teacher hired this coming school year will be making \$44,000 annually in five years. In the spirit of cooperation, **H 311** positions Idaho to be in a better place economically. This bill flattens the top income tax bands, and the other bands remain the same, making it easier on businesses that provide 82 percent of the jobs in the State. **Speaker Bedke** thanked the Committee and stood for questions.

Senator Hagedorn said that **H 311** brings \$65 million to Idaho roads with a \$200 million shortfall. **Senator Hagedorn** asked how that gap would be filled. **Speaker Bedke** said there are two other bills, **H 310** and **H 312**, in the Committee that address the shortfall. There were no other questions for Speaker Bedke or Representative Moyle.

Chairman Brackett thanked both Speaker Bedke and Representative Moyle for their presentations. He said the Committee was under a time constraint and would hear as much testimony as time allowed. He asked speakers to limit their testimony to three or four minutes.

Chairman Brackett offered each member of the Committee an opportunity to direct questions to those testifying until they were satisfied that their questions were fully addressed.

TESTIMONY: **Wayne Hoffman**, President of the Idaho Freedom Foundation, spoke in favor of the bill. He said **H 311** puts new money into roads and bridges while helping those Idahoans who need help the most. It provides meaningful tax relief across Idaho, especially when buying groceries. Consumers no longer have to wait for their tax subsidy, they get tax relief at the point of purchase. **Mr. Hoffman** stood for questions. **Senator Keough** and **Vice Chairman Nonini** discussed the Idaho Freedom Foundation and the impact **H 311** will have on low and middle income citizens.

TESTIMONY: **Karen Echeverria**, Executive Director of the Idaho School Boards Association, said that members of her board and the education community are concerned with **H 311** because of its dependence on funds from the State's General Fund. The previous week the Legislature passed funding bills for education that come out of the General Fund over multiple years. The concern is the impact **H 311** could have on education's future funding. **Ms. Echeverria** stood for questions, but there were none.

TESTIMONY: **Bob Neugebauer**, Publisher of the Gem State Patriot, said **H 311** is the best piece of legislation to come out of this Legislative Session, and he supports the bill. It is a rational compromise that includes something for everyone. It puts more money into the pockets of Idaho taxpayers. The effect from that alone will cause greater economic growth. It offers a more competitive tax structure. **Mr. Neugebauer** stood for questions. **Senator Hagedorn** discussed Mr. Neugebauer's readership and ideas on filling the gap in revenue.

TESTIMONY: **Donna Yule**, Executive Director of the Idaho Public Employees Association, spoke in opposition to **H 311**. The only portion of the bill her organization agrees with is the increase in the gas tax. She encouraged the Committee to find ways to raise revenue needed for important government programs that are fair to all the working people of Idaho. She expressed why her organization was against the remaining changes in the bill. Legislators need to come up with fair solutions to the State's funding shortfall, and **H 311** is not that solution. **Ms. Yule** stood for questions, but there were none.

TESTIMONY: **Pam Eaton**, President and CEO of the Idaho Retailers Association, spoke in opposition to the bill. Their concern was with the elimination of the sales tax on groceries. **H 311** impacts a lot of retailers other than grocery stores. The Supplemental Nutrition Assistance Program (SNAP) definition is problematic. Grocery stores are already part of SNAP, but other department stores that sell food (like Target) are not. They will have to change their systems, and SNAP is left for interpretation. The Idaho State Tax Commission (STC) will have to go through the rulemaking process. Thankfully, the transition date is pushed out to October 2015. Retailers need at least 90 days to implement changes once the rules are set. This means that STC will need to have their rulemaking completed by July 1, 2015. That is problematic all by itself. This is a logistical change for retailers. **Ms. Eaton** stood for questions. **Senator Den Hartog** made the point that some retailers already operate in states with no sales tax on groceries. **Ms. Eaton** said the concern was for the independent retailer.

Chairman Brackett reluctantly closed the debate with two remaining people signed up to testify. Both would have testified in opposition to the bill.

**CLOSING
REMARKS:**

Chairman Brackett invited Representative Moyle to make his closing remarks.

Representative Moyle addressed some of the concerns raised. He said the best way for education to receive more money is to grow the economy. As more revenue is generated, economic benefits will flourish. He said that Idaho is not very competitive with other states. As examples, he said that neither Oregon nor Washington have a sales tax on groceries, so Idahoans cross the borders to buy their groceries in neighboring states. He said that those in the lower annual income bands will benefit from economic growth in addition to getting their groceries at a lower cost. Over 82 percent of Idaho businesses are the driving economic force in this State; they provide most of the jobs and they will benefit. He said he would stand for any final questions.

Senator Hagedorn asked how the percentage changes in the distribution of state and local funds came to be, given it was not a topic of discussion at the interim task force. **Representative Moyle** said there was some patchwork. The added funds go to local governments and will offset some General Fund dollars. There were no further questions.

Chairman Brackett told the Committee that **H 311** was before them.

Senator Winder thanked the House Majority Leader, Representative Moyle, and Speaker Bedke for getting this bill to the Committee for consideration. He said there are serious concerns about the taxes for roads and there are people who want to testify but are unable to because of the time constraints of the hearing. While this is not the best situation, the Committee is obligated to make a decision on this legislation.

MOTION: **Senator Winder** moved to send **H 311** to the floor with **no** recommendation. **Senator Keough** seconded the motion.

Senator Winder said that he did not want to be in a position where the Committee killed a transportation funding bill without the Senate body having an opportunity to consider it.

Vice Chairman Nonini said he had similar feelings about rushing consideration of **H 311**. He also felt that Senator Winder's motion to move a policy without a recommendation was premature. There is additional testimony that the Committee needs to hear.

SUBSTITUTE MOTION:

Vice Chairman Nonini moved to hold **H 311** in Committee at the call of the Chair. **Senator Den Hartog** seconded the motion. The substitute motion failed by **voice vote**.

Senator Hagedorn said he believes the tax portion of **H 311** should be moved forward.

SUBSTITUTE MOTION:

Senator Hagedorn moved to send **H 311** to the floor with a **do pass** recommendation. The substitute motion failed for lack of a second.

Senator Hagedorn called for a roll call vote on the original motion.

Chairman Brackett asked for a motion to have a roll call vote.

SUBSTITUTE MOTION:

Senator Hagedorn moved for a roll call vote on the original motion. **Senator Vick** seconded the motion. The motion passed by **voice vote**.

ROLL CALL VOTE ON ORIGINAL MOTION:

Chairman Brackett, Senators Keough, Winder, Hagedorn, Vick, Buckner-Webb and **Lacey** voted aye. **Vice Chairman Nonini** and **Senator Den Hartog** voted nay. The motion passed. No floor sponsor was identified.

ADJOURNED:

With no further business before the Committee, **Chairman Brackett** adjourned the meeting at 1:59 p.m.

Senator Brackett
Chair

Gaye Bennett
Secretary