

STATEMENT OF PURPOSE

RS25548

This legislation approves bonding authority to issue highway transportation (GARVEE) bonds by the Idaho House and Finance Association (IHFA) in a principal amount sufficient to finance the highway transportation projects listed in the legislation (page 3) in an amount up to \$300 million. Such bonds are expected to be paid from the State Highway Account as provided in Idaho Code 40-707. Project selection and allocation of GARVEE bond proceeds shall be the sole responsibility and duty of the Idaho Transportation Board.

This legislation also approves \$200 million in general bonding authority issued by IHFA to finance projects ITD may select to improve safety, provided commerce opportunities, and reduce congestion. Of this bonding authority, 60% is for state projects and 40% is for local units of government. State projects associated with this bonding authority are limited to counties with a population of 175,000 or greater. To facilitate this bonding authority, this legislation creates the Capacity, Safety, and Congestion Mitigation Program Fund (CSCM Fund), and within it, a Debt Service Fund, from which the bonds for both state and local projects authorized in this legislation are paid, and a capital project fund, where all money not used for bonding is deposited. Money from ITD's CSCM Fund and from the locals CSCM Fund can be used to finance debt service for the bonds or for road or bridge new construction projects.

This legislation extends for 5 years the surplus eliminator in H312aaSaaS, passed in 2015, providing for a split of 60% for state and 40% for local units of government. Local units of government are required to file reports as to how the maintenance money was spent before they can receive their payment. If reports are not filed by June 30 the State Controller shall deposit all funds withheld pursuant to this requirement in the Budget Stabilization Fund. The 40% local split would be put in a newly created fund called local strategic initiatives fund. LHTAC would take applications, prioritize, and select projects.

This legislation exempts the sales tax on material used for construction and maintenance of public highways and streets, and eliminates the 5% transfer from the Highway Distribution Account to the Law Enforcement Account. Beginning in FY2018, 1.185% or \$17 million of sales taxes are distributed to the Law Enforcement Fund. Beginning in FY2019, \$15.2 million is directed to the new CSCM Fund. The sunset on cigarette tax distribution is lifted and cigarette tax dollars are moved from GARVEE to the new CSCM Fund, and continues \$5 million for water recharge projects. The undirected balance will also be redirected to the CSCM Fund. In FY2018 that amounts to \$5.1 million.

This legislation creates a local option sales tax of up to 1% for counties to levy for specific transportation projects. In order to take effect, the tax must be approved by a majority of voters in the county. The tax sunsets when the project is completed.

Finally this legislation directs JLOC to have OPE conduct an independent evaluation of LHTAC.

DISCLAIMER: This statement of purpose and fiscal note are a mere attachment to this bill and prepared by a proponent of the bill. It is neither intended as an expression of legislative intent nor intended for any use outside of the legislative process, including judicial review (Joint Rule 18).

FISCAL NOTE

In FY2018, \$17 million to the Idaho State Police (ISP), \$250,000 for the LHTAC study, and \$11.8 million for exempting building materials from sales tax for public highways and streets, for a total General Fund impact of \$29.05 million.

In FY2019 and thereafter, 1.185% goes to ISP, \$15.2 million to the newly-created CSCM Fund for bond payments, and \$11.8 million for exempting building materials from sales tax for public highways and streets, for a total General Fund impact of \$44 million. The amount to ISP is expected to grow in the future beyond the FY2018 amount of \$17 million as the economy grows.

The surplus eliminator will vary from year to year, but in previous years it has been \$21.9 million to \$108.3 million. These amounts are split equally between Budget Stabilization Fund and the Strategic Initiatives Fund and impact the General Fund by reducing the amount on the bottom line.

While the lottery distribution is not a change from current practice, it lifts the sunset for the distribution of the lottery dividend which is 3/8 to the permanent building fund, 3/8 to the school district building fund, and 1/4 to bond levy equalization fund.

The cigarette tax distribution is changed to \$4.7 million for the CSCM plus any excess after statutory distributions.

The timing for the statutory transfer to the budget stabilization fund (BSF) is changed. With the current revenue forecast, for FY2017 there will be a \$31.8 million transfer to BSF and in FY2018 there will be a \$18.1 million transfer to BSF. The transfer in FY2018 is a positive impact of \$15.2 million compared with the General Fund Daily Update.

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