

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, February 25, 2019

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Erpelding, Ellis, Mason

**ABSENT/
EXCUSED:** Representative(s) Chaney

GUESTS: Sean Coletti, City of Ammon; Kelli D. Brassfield, IAC; Russell Westerberg, Boise; Laura Lantz, ISCPA; Mark Mitton, City of Burley; Chelsea Wilson, PPA; Seth Grigg, IAC; Amber Pence, City of Boise; Jess Harrison, AIC; Leon Duce, City of Rathdrum.

Chairman Collins called the meeting to order at 9:00 a.m.

H 154: **Rep. Jason Monks** stated all the sales tax collected across the states gets distributed to cities and counties in a revenue sharing model. He provided the committee with a brief historical basis and the percentage breakdown for the current formula for revenue sharing distribution among cities and counties. Rep. Monks gave a comparison of the average distribution per capita for similar cities: Lewiston, population around 32,000, with an average per capita distribution of \$102 per person compared to Post Falls with the same population, with an average per capita distribution of \$60 per person; Hailey with an average per capita distribution of \$74 per person compared to Ketchum, which is in the same area, with an average per capita distribution of \$357; and McCall with an average per capita distribution of \$158 per person and Hayburn, similar population size, with an average per capita distribution of \$62 per person. Rep. Monks discussed the differences in the treatment of base averages in **H 154** and as it is calculated currently. Rep. Monks gave illustrated comparisons on why a population based formula is a fairer method of calculation. He also pointed out per capita distribution disparities in counties of similar population size. Rep. Monks asked that after the testimony concluded, the committee vote to hold **H 154** in committee to allow additional time to perfect calculations for a fair system.

In response to committee questions, **Rep. Monks** replied the formula was proposed several years ago to look at the base average and phasing it in over time. Similar legislation was introduced last year. Legislative Services Office has worked with him for a better way to phase it in over ten years time with as little impact as possible, and he has been communicating with cities and counties about everything he has done, which is why he wanted to have this hearing as well.

Sean Colletti, Mayor, City of Ammon, spoke **in support** of **H 154** saying they were surprised to find out sales tax revenue sharing is based upon inventory in 1965, and Ammon is harmed by the formula. Their population grew from 2,500 to 16,000, but they are stuck with a low tax levy based upon 1965 values when their population was 2,500, and that has only increased about 5% each year, making it extremely difficult to keep up with the infrastructure needs based on their growth. Any city that has grown massively has received a disproportionate share of tax dollars. An example is Salmon, Idaho, whose population was and remains close to 2,500, yet they receive \$125 per capita compared to Ammon's \$60 per capita. Mr. Colletti expressed disappointment with the Association of Idaho Cities who focuses on the proposed formula's first year of growth rather than the long term. He respectfully

disagrees with the damage of a freeze under the new formula because cities like Ammon are frozen in time to 1965 and have been for a long time.

Those speaking **in opposition** to **H 154** were **Mark Milton**, City Administrator, Burley, Idaho; **Seth Griggs**, Idaho Association of Counties; **Jess Harrison**, Executive Director, Association of Idaho Cities; **Leon Duce**, Rathdrum, Idaho, and Revenue Task Force, Association of Idaho Cities, who expressed concern that changes to the distribution formula will have unintended consequences, have a negative impact on rural counties across the state because it is based on population and no longer replaces the loss of property tax revenue, and does not have reliable and verifiable data, stability and predictability in city budgeting, simplicity and ease of implementation, and a hold harmless that includes some kind of indexing so communities don't entirely miss out on growth dollars eaten away over time by inflation. Ms. Harrison openly acknowledged the existing formula does not meet all of the listed requirements but has provided stability in budgeting for 20 years. She further stated the current formula is becoming a more population driven formula over time. If the business inventory replacement stays frozen, the population becomes more of a factor in the formula. It is not happening as quickly as some would like, but over time it is correcting itself. Mr. Duce further opined the current formula fixes itself, stabilizes and becomes more effective each year with a base that changes over time and over a longer period. **H 154** provides less certainty than the current system.

During committee questioning of those **in opposition** to **H 154** committee members expressed concern that cities and counties have known about this problem for three years, have opposed three previous attempts to rectify the widely disparate treatment among Idaho cities and counties, and have either failed to attend any meetings **Rep. Monks** held to come up with a solution or failed to come up with a solution on their own to resolve the problem. The committee further stated they believed the proposals in **H 154** have merit, and the sales tax distribution inequities should not continue another year but be resolved during this legislative session.

MOTION: **Rep. Anderst** made a motion to **HOLD H 154** subject to the call of the chair

Speaking **in support** of the motion were **Reps. Anderst, Ricks, Furniss and Moyle** who stated the current 50-year old system is not fair, many cities have expressed unhappiness with it, and it does not allow for growth.

VOTE ON MOTION **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 10:18 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary