

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, February 10, 2021

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Harris, Vice Chairman Addis, Representatives Moyle, Chaney, Gestrin, Dixon, Nichols, Kauffman, Adams, Cannon, Hartgen, Manwaring, Okuniewicz, von Ehlinger, Weber, Necochea, Ruchti

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

GUESTS: Fred Birnbaum, Idaho Freedom Foundation; Miguel Legarreta, Associated Taxpayers of Idaho; Brody Aston, Westerberg and Associates; Phil McGrane, Ada County.

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

MOTION: **Rep. Weber** made a motion to approve the minutes of the February 5, 2021 meeting. **Motion carried by voice vote.**

RS 28376: **Rep. Linda Wright Hartgen** said **RS 28376** is an amendment from the Idaho Board of Tax Appeals, in accordance with the Red Tap Reduction Act, that keeps transparency and deletes one paragraph not used in 25 years. There is no fiscal impact.

MOTION: **Rep. Kauffman** made a motion to introduce **RS 28376**. **Motion carried by voice vote.**

RS 28409: **Rep. Brooke Green** said **RS 28409** amends existing law to allow a qualified veteran who has applied for, and been granted, the existing veteran special property tax reduction to transfer that reduction or occupancy tax benefit to their new home as long as the application and granting of the reduction happens before April 15. This allows the property tax reduction benefit to follow the veteran rather than stay with the home, preventing non-veterans who have no qualifying service-related disability from reaping the benefits.

In response to committee questions, **Rep. Green** acknowledged **RS 28409** has a pro-noun issue, and the Idaho State Tax Commission has indicated there will be no costs to existing property owners.

MOTION: **Rep. Ruchti** made a motion to introduce **RS 28409** with the following changes: change pronoun references to be gender neutral throughout Idaho Code §63-702.

Chairman Harris questioned whether the Legislative Service Offices's drafting style was within the committee's purview.

**SUBSTITUTE
MOTION:** **Rep Necochea** made a substitute motion to introduce **RS 28409**. **Motion carried by voice vote.**

H 73:

Rep. Jim Addis presented **H 73** as legislation promoting uniformity and transparency for local taxing districts and governmental entities to account for budgets and spending in a like manner. The Idaho State Controller (Controller) collects, organizes and publicizes the expenditures of all state agencies on the Transparent Idaho website, so Idaho taxpayers can know how their taxes are spent. **H 73** proposes to do the same with all Idaho taxing districts and authorizes the Controller to create a uniform accounting manual, require all taxing districts to account for their spending, and post the data it collects on Transparent Idaho. Transparency helps local elected officials because it allows for benchmarking, so a city can see how other cities handle spending. It is invaluable for efficiency. Rep. Addis shared that neither the Idaho Association of Counties nor the Legislative Services Office (LSO) were able to provide him data on how many unfunded state mandates there are and how much it costs cities, counties and local taxing districts because they use different accounting methods and ledger systems at the local level. To make proper policy decisions, the state needs to start with correct and uniform data. Combining transparency and uniform data provides a powerful tool for both local elected officials and property tax payers. **H 73** does not tell anyone how to spend their money, although transparency affects behavior. Rep. Addis shared the fiscal cost to the state for implementation and ongoing administration utilizing four FTEs. The Controller will build the program, and there is a 5-year roll out. Small local districts are not intended to change what they are doing, but to work with the Controller's Office.

Rep. Addis introduced **Rep. Wendy Horman** who said **H 73** will provide transparency with a higher degree of security for school districts who will post specific fields of financial data to the Transparent Idaho website instead of the local school district website. This information is already public record and puts no new burden on the school districts. They will continue to upload data on the Idaho System of Educational Excellence where it will be transferred to the Controller's Office for posting on Transparent Idaho. She outlined the amounts and sources of school district funding involved. They hope to get some data uploaded this year. Analyses of spending in Idaho and data in an accessible format for taxpayers, local officials and legislators are critical needs. The data is no good without assistance in analyzing it, so the new FTE in the Legislative Services Office is urgent. Idaho has FTE vacancies in each agency which may be able to help make a net reduction or a net zero in total FTEs overall.

In response to committee questions, **Rep. Addis** said 44 counties, 202 cities, 177 school districts and 1,112 other taxing districts will be reporting data within five years. Any savings will pass through to taxpayers, and the new committee formed under **H 73** would be permanent. He explained the reason for the committee is the subject is a living subject and the document a living document which will change over time. It is important that legislators, as the elected voice of the people, have a voice in addressing those changes. Rep. Addis also explained the new FTE for LSO would continue to have the auditing and fining authority it currently has.

Josh Whitworth, Chief Deputy, Controller's Office, said the Controller is currently working on how to bring Idaho's local districts onto Transparent Idaho. Pulling data together with many local districts and putting it online involves a lot of up front, back and forth effort, as well as help to ensure the data is accurate. Data changes, laws change, new expenditures change, so the process is ongoing. **H 73** is valuable legislation because transparency creates a culture of openness, increases accountability and provides data-driven decision making. The cost estimate includes FTEs for business analysts to help gather information, put it into a format for local districts, and provide ongoing help. One FTE is for software programming because experts are needed that can provide fixes and solutions over

time. It would be a good investment in the long run, without which the burden would transfer to local districts.

Rep. Weber spoke in support of **H 73** saying it would help local elected officials to understand the often confusing budgets and different accounts.

Also speaking in support of **H 73** were **Miguel Legarreta** President, Associated Taxpayers of Idaho, and **Phil McGrane**, Ada County Clerk. Mr. Legarreta stated he works with property tax, which is very complex, difficult to understand, and involves a great deal of data that he spends months gathering and compiling every year. He needs to have the ability to look at the budget side of the equation and specific budget data is not available. He sees a whole host of district budgets each year and has to contact each district individually for the information. Transparent Idaho has billions of easily searchable data points that give consistency of reporting. Without consistency in reporting, it is impossible to do a comparative analysis of budgets.

Answering committee questions, **Mr. Legarreta** said it is difficult to compare budgets from one year to the next in the same district, but once we have uniform accounting, it will no longer be an issue.

Mr. McGrane said Ada County voluntarily participates with the Controller because they recognize transparency is important so the public can know what is done with their money. **H 73** gives the public tools to look at transaction data and budget information.

Fred Birnbaum, Freedom Foundation, spoke in opposition to **H 73** saying if four FTEs could be found to reduce costs to true net zero then he would withdraw his objections to the proposed legislation. He has concerns with passing **H 73** first and then trying to find FTEs.

Rep. Horman closed by saying a commitment to net zero FTEs over all cannot be made until the Joint Finance Appropriations Committee starts the budget setting process, but she would encourage moving **H 73** forward.

Rep. Addis closed by saying having information will empower the person working his job to see the data they need, and the data will ensure that better decisions are made for Idaho taxpayers.

MOTION:

Rep. Hartgen made a motion to send **H 73** to the floor with a **DO PASS** recommendation.

Rep. Necochea spoke in opposition saying she would rather start with a pilot rather than commit to the full project.

Answering committee questions **Rep. Addis** said **H 73** will not increase expenses at the local level, and he expects the new committee will try to figure out the infrastructure to work with local governments.

VOTE ON MOTION:

Chairman Harris called for a vote on the motion to send **H 73** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Addis** will sponsor the bill on the floor.

ADJOURN:

There being no further business to come before the committee, the meeting adjourned at 10:45 a.m.

Representative Harris
Chair

Lorrie Byerly
Secretary