

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Wednesday, March 03, 2021

TIME: 3:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Rice, Vice Chairman Grow, Senators Vick, Lakey, Souza, Bayer, Ricks, Nye, and Rabe

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 Rice** called the meeting of the Local Government and Taxation Committee (Committee) to order at 3:01 p.m.

MOTION: **Chairman Rice** asked for unanimous consent to send **H 154** to the floor for reassignment. There were no objections.

Chairman Rice asked for unanimous consent to send **RS 28757** to the State Affairs Committee for printing. There were no objections.

MINUTES APPROVAL: **Senator Lakey** moved to approve the Minutes of February 18, 2021. **Senator Bayer** seconded the motion. The motion carried by **voice vote**.

Senator Bayer moved to approve the Minutes of February 23, 2021. **Senator Lakey** seconded the motion. The motion carried by **voice vote**.

H 73 **Relating to the Finances of Local Governmental Entities and Education Providers; To Provide for a Uniform System of Accounting and Financial Transparency.** **Chairman Rice** informed the Committee that the Statement of Purpose for **H 73** contained transposed numbers that would be corrected.

Representative Jim Addis presented **H 73**, informing the Committee that the legislation was developed over several Legislative Sessions. **Representative Addis** attended a "Transparent Idaho" presentation by Controller Brandon D. Woolf, and including local taxing districts on the Transparent Idaho website became an objective. **H 73** authorizes the Controller to create and implement a uniform accounting manual for local taxing districts and entities, ensuring comparable entities account for their expenditures in a like manner. **Representative Addis** stated the streamlining will give all levels of government the factual, uniform, hard data necessary to make proper policy decisions. **H 73** also aids the taxpayer by simplifying data, which increases public trust, he said.

Representative Addis referenced a study by the Harvard Business School that reflects how transparency in government impacts behavior (see Attachment 1). He stated that larger government entities have the potential to save up to 10 percent of their budget if they implement certain transparency measures. Idaho levies over \$2 billion per year, which could result in \$215 million in aggregate taxpayer savings across the State. **Representative Addis** emphasized that even the lowest savings of 1 percent, based on smaller government entities, would still be an aggregate savings to Idaho taxpayers of \$21 million.

Representative Addis then detailed that **H 73** does not instruct any local entity how much or how little to spend, or on what to spend funds. The bill does require that expenditures and budgets are uniformly reported and posted on the Controller's website. **H 73** does not create new data to submit but takes information already required by statute to be submitted to the Legislative Services Office, and reroutes it to the Controller's office.

Representative Addis introduced Representative Wendy Horman to present the education portion of **H 73**. **Representative Horman** explained to the Committee that Idaho school districts upload their fiscal data to their individual website. **H 73** will require all school district information also be placed on the Transparent Idaho website. **Representative Horman** pointed out that public education requires a significant amount of funding from the State budget and she believes that budget transparency will offer substantial savings to the State. She related the intent is that eventually **H 73** will have zero impact to the state budget.

DISCUSSION: **Senator Souza** questioned if the reported data required by **H 73** would be in a language or format in which the average citizen could understand the budget for their school district. **Representative Horman** said there is a lack of clarity regarding expenditures on the local level and that she believes **H 73** will help rectify that issue. The legislation will allow citizens to compare revenues from the state and levies with expenditures across districts. **Representative Horman** clarified that the bill would not change the school funding formula.

Senator Lakey pointed out that **H 73** requires local entities define and classify the various funds, accounts, grants, and other financial structures by account and title, including estimates and actual revenues and expenditures. **Senator Lakey** questioned how this would assist counties any more than what is currently required. **Representative Addis** explained that the Controller's Office would take the data from all individually operated entities and put it in a uniform and common format that is easy to understand. **Representative Addis** assured the Committee members that the benefit of **H 73** to local entities will not be in crafting budgets but allowing benchmarking. In addition, the uniform accurate data will allow better decision making at the legislative level.

Senator Grow questioned if local entities support **H 73**. **Representative Addis** stated that the following organizations favor the legislation: Idaho Association of Counties, Associated Taxpayers of Idaho, Idaho Farm Bureau Federation, Idaho Bankers Association, Idaho Realtors, and the Legislative Services Office. **Senator Lakey** stated his desire that local government entities with experience be represented on the committee created by **H 73**.

Senator Rabe questioned the \$500 late fee that would be imposed 30 days after the due date if the local governmental entity had failed to provide the information required by **H 73**. **Representative Addis** informed the Committee that the \$500 late fee was a suggestion from the Legislative Services Office. It is important that the data be submitted on time or it would create a yearlong delay for the Legislature to take action and the data would no longer be germane.

TESTIMONY: **Josh Whitworth**, Chief Deputy Controller, Idaho State Controller's Office, testified in support of **H 73**. He stated that the Controller's Office believes if it is simple and easy for people to see information, it creates proper discourse to discuss issues and find solutions. **Mr. Whitworth** stated that many other states are pursuing this type of action, and he believes Idaho can be a leader in collaboration and transparency with **H 73**.

DISCUSSION: **Senator Grow** requested an explanation regarding the cost of **H 73**. Generally there is an initial cost to a program, then a considerable drop-off in the second year. He questioned why the cost did not decrease more in subsequent years. **Mr. Whitworth** explained that part of the cost is personnel as well as operating costs that include platform, accounting expertise, consulting work, business analysts, and software.

Senator Lakey asked if it is possible to track the number of citizens visiting Transparent Idaho's website. **Mr. Whitworth** replied that he believes approximately 300 to 400 citizens per day visit the site. **Senator Nye** asked if there was an estimate available for the indirect cost to each local entity for the implementation of **H 73**. **Mr. Whitworth** informed them there was no estimate available. He reminded the Committee that **H 73** requests data that is already required by the State.

MOTION: **Senator Nye** moved to send **H 73** to the floor with a **do pass** recommendation. **Senator Souza** seconded the motion.

DISCUSSION: **Senator Lakey** and **Senator Rabe** expressed concern with the cost savings claimed in the fiscal note of **H 73**. **Senator Souza** noted the significant amount of groups supporting **H 73**. Distrust in government is present in every level, from local to federal, to school districts, according to **Senator Souza**. She believes the transparency and accountability provided by **H 73** will stop the undermining of trust in government.

VOICE VOTE: The motion to send **H 73** to the floor with a **do pass** recommendation carried by **voice vote**.

ADJOURNED: There being no further business at this time, **Chairman Rice** adjourned the meeting at 4:16 p.m.

Senator Rice
Chair

Machele Hamilton
Secretary