MINUTES

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE:	Wednesday, February 08, 2023
TIME:	3:00 P.M.
PLACE:	Room WW53
MEMBERS PRESENT:	Chairman Ricks, Vice Chairman Schroeder, Senators Grow, Cook, Adams, Bernt, Trakel, Rabe, and Just
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 Ricks** called the meeting of the Senate Local Government and Taxation Committee (Committee) to order at 3:00 p.m.
	Chairman Ricks adjusted the agenda to hear the approval of the minutes of 2-2-23 first.
MINUTES APPROVAL:	**Approval of Minutes of 2-2-23**. **Senator Rabe** moved to approve the minutes of February 2, 2023. **Senator Grow** seconded the motion. The motion to approve the minutes of February 2, 2023 passed by **voice vote**.
MINUTES ADJUSTMENT:	The minutes of February 1, 2023 were approved as minutes of February 2, 2023. The actual minutes reviewed and approved were February 1, 2023 per Chairman Ricks.
RS 30191	**Cities, Annexation**. **Representative Young** presented **RS 30191**. She explained that this proposed legislation clarified, simplified, and reformatted the existing annexation statute. The bill included definitions of fundamental terms such as "landowner." In addition, **RS 30191** required the city to provide notice to each landowner and the board of county commissioners of its intent to annex land. The bill further required the city to comply with the notice and hearing procedures governing a zoning district boundary change. Finally, the bill provided flexibility for small municipalities.
DISCUSSION:	**Senator Grow** noted that Senator Lakey had done some work on annexation this past summer and asked whether Representative Young had discussed **RS 30191** with him. **Representative Young** replied that this was a separate issue and that the two issues were complementary.
MOTION:	**Senator Adams** moved to send **RS 30191** to print. **Vice Chairman Schroeder** seconded the motion. The motion to send **RS 30191** to print passed by **voice vote**.
RS 30147C1	**Natural Gas, Petroleum Pipelines**. **Vice Chairman Schroeder** explained that the purpose of this bill was to provide notification to a natural gas or interstate petroleum company when there was a proposed development within 1000 feet of the pipeline. This added the natural gas or petroleum pipeline company as a party required to be notified under **Idaho Code § 67-6519**. To receive notice, the natural gas or petroleum pipeline company were required to register with each county they wished to receive notice from.
DISCUSSION:	**Senator Cook** asked whether there was any current notice requirement. **Vice Chairman Schroeder** responded that there was not.

MOTION: **Senator Cook** moved to send **RS 30147C1** to print. **Senator Adams** seconded the motion. The motion to send **RS 30147C1** to print passed by **voice vote**.

RS 29965C2 **Relating to Development Impact Fees**. **Vice Chairman Schroeder** presented **RS 29965C2**. He stated that the first purpose of this bill was to add school facilities to the list of facilities that were eligible for development impact fees. In addition, **RS 29965C2** added school districts to the list of entities that were eligible to enter into intergovernmental agreements. **Vice Chairman Schroeder** further stated that Idaho Code Title 80, Chapter 82 contemplated impact fees.

Senator Trakel stated that he had a conflict of interest pursuant to Senate Rule 39(H), but intended to vote.

MOTION: **Senator Just** moved to send **RS 29965C2** to print. **Senator Adams** seconded the motion. The motion to send **RS 29965C2** to print passed by **voice vote**.

PRESENTATION: **County Budgeting 101**. **Seth Grigg**, Executive Director of the Idaho Association of Counties, gave a presentation on county budgeting (Attachment 1). He provided an overview of the statutory and constitutional authority of county government. He explained that counties had an October to September fiscal year whereas the state had a July to June fiscal year. **Mr. Grigg** outlined the county budget process. He explained that there were 4 main sources of revenue: fees for services, intergovernmental revenues, property taxes and fund balance or cash reserves. Because there was a 3 month gap between the beginning of the county fiscal year in October and December 20 when property taxes were due, most counties operated with 5 quarters of revenue and held at least 3 months of reserve. He informed the Committee about the state controller's website at transparent.idaho.gov that provided information regarding revenue and expenses of each county.

Mr. Grigg explained that about 52 percent of a county's revenue came from property taxes. Because counties didn't have water or sewer systems that was not a source of revenue for them. Counties received money from sales tax distribution for programs such as the Circuit Breaker program. Another key source of intergovernmental revenue for counties was state transportation revenue. State liquor funds also provided revenue to counties. In addition, counties received a payment in lieu of taxes through the federal government Payment in Lieu of Taxes (PILT) program. PILT was intended to compensate counties for the impact of tax exempt federal land on county budgets.

Next, **Mr. Grigg** discussed county expenditures. Those expenditures included public safety, highways and roads and so forth. He explained that public safety, which included the magistrate and district court system, was the largest county expenditure. Property taxes was the largest source of revenue for public safety, but counties also collected certain fees.

Mr. Grigg outlined the history of legislative property tax reform including the property tax exemption. He explained the impact of inflation on county budgets. He shared data relating to state tax collections and allocation of property taxes. **Mr. Grigg** also explained market valuation and the property tax assessment procedures.

Mr. Grigg provided information regarding the difference in the appraisal value of residential property and commercial property. He explained budget caps and caps on levies.

DISCUSSION: **Senator Trakel** asked whether the graph of school levies in 2006 took into account the effect property taxes had on school levies. **Mr. Grigg** explained that in 2005 and 2006 as the amount of property taxes levied decreased, there was at the same time a recession. This caused the state to decrease the funds distributed to school districts.

ADJOURNED: There being no further business at this time, **Chairman Ricks** adjourned the meeting at 4:05 p.m.

Senator Ricks	Meg Lawless
Chair	Secretary