



Idaho State Legislative Update March 7, 2011

2011 Legislature “Challenged” to Fill Budget Hole: Have We Hit Bottom Yet?

That is the question as legislative budget writers labor to squeeze a few more dollars out of the current year’s budget and guess about the future of the Idaho economy. The budget hole amounts to \$92 million and will impact all state agencies, but particularly the two biggest program budgets: K-12 Education and Medicaid.

The FY 2011 adjusted forecast (current year) stands at \$2,359 million, or 4.2% over the actual previous year collections. FY2012 budget revenues are currently forecast to grow 3% for a total of \$2,430 billion. For comparison, general fund revenue collections were at similar levels in FY2009 when they totaled \$2,465 million (a drop of 15.3% from the previous year) and in FY 2006 at \$2,431 million. The low point came in FY2010 when revenue collections hit \$2,264 million, an 8.2% drop from FY 2009, setting the state back to 2005 collection levels.

Governor’s Transportation Task Force: Lots of Ideas, No Legislative Proposals

Except to give back to the Idaho State Police and the Department of Parks and Recreation, the fuel tax revenues that were “taken away” two years ago when the task force was formed. Nevermind. It seemed like a good idea at the time, just like taking the one cent transfer fee away from the Petroleum Clean Water Trust Fund Account, better known as the PSTF, the insurance program that provides environmental clean up dollars for more than 90% of the USTs in the state.

The task force was expected to make recommendations to the 2011 legislature, but instead, opted to lay out a matrix of options to raise more money for Idaho’s roads and bridges in the future. Those included these fuel tax related ideas -- sales tax on fuel, raising the per gallon fuel tax, indexing fuel taxes to inflation, raising the transfer fee, and taxing dyed diesel. IPM&CSA has and will continue to work on these issues behind the scenes to derail those proposals that are damaging to the industry and difficult to implement. We don’t expect many of these options to be discussed this session, and even fewer to be passed into law.

2011 Legislative Issues Some Say it is Time for New Taxes, but Most Lawmakers Just Say No.

With the legislative session well underway, there are a number of issues simmering. Some are introduced in bill form, and some, like the tobacco tax, are still under wraps:

Here’s What’s Out There:

- H41 – DEQ / UST program – aligning penalties with EPA requirements
- H144 – Restoring Fuel Tax Distribution to Idaho State Police and Parks and Recreation.
- H161 – Dyed Diesel – imposing state tax on red diesel, exempt users apply for refund
- H196 – Tribal cigarette tax – closing the “loophole” on reservation sales of cigarettes
- S1125 – Repeals “Tied House” Cash on Delivery for beer and wine
- S1136 – Providing option for retailers to “prepay” beer and wine purchases

Here's What's Yet to Emerge:

- Tobacco tax increases proposed by health advocates -- \$1 per pack on cigarettes and increased taxes on other tobacco products. Although there has been lots of discussion, no bills have been introduced. We expect to see them as the session wears on and advocates seek to fill the Medicaid budget hole.
- Beer and Wine tax increases – proposals are in the works according to the rumor mill, but like the cigarette tax, nothing has yet emerged.
- Transportation funding – no legislative recommendations from Governor's Task Force, rather a menu of options (for future legislative discussion)
- Sales Tax -- extending taxes to labor and services, examining/revoking exemptions, raising the existing tax. Lots of proposals have been introduced in House Revenue and Taxation, but there is little stomach for any of these ideas this session.

Mark Your Calendar: August 3-5, 2011 Sun Valley Resort, Sun Valley, Idaho

In 2011 IPM&CSA returns to the Sun Valley Resort, one of our favorite venues. From fine dining and boutique shopping to hiking, biking and fishing, there is something for everyone in Sun Valley! Hold these dates -- you'll want to stay awhile with friends and family!

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