



IPM&CSA Statehouse Summary: Legislative Update from 2014 Session

February 24, 2014

2014 Legislature Off to a Quick Start: Short Session Predicted by Leadership

Lawmakers came back to the Statehouse in Boise with a common view: Wrap up the State's business quickly and get home to run their re-election campaigns. Governor Otter kicked off the session on January 6 with his annual State of the State Address and a modestly optimistic budget, and both were met with general approval. Lawmakers got right to work, and the activity at the Statehouse picked up earlier than usual. The hallways were buzzing with lawmakers and lobbyists from the start. Committees spent early days reviewing administrative rules from state agencies and legislation trickled in.

In early February the action ramped up as deadlines for bill introductions loomed large, and everyone scrambled to get their proposals into the hopper. The session has now moved from "start up" to "fully engaged" with full committee agendas and lengthening floor sessions. From here on out legislative activity will build to a final frenzy. Many issues will end in the ditch and those deemed high priority by the Governor and leadership will keep legislators working long hours as lawmakers move to sine die.

Industry Update: Legislation Related to Petroleum Marketers & Convenience Stores Introduced Legislation

- **H363 Motor Fuel Tax Law** (Idaho Tax Commission) Technical changes to eliminate a redundant section of the law.
- **H473 Eliminating the EPA** (Rep. Paul Shepherd) Declares that EPA is not authorized by the US Constitution and directs state to prevent enforcement of certain EPA regulations.
- **H481 Motor Fuel Tax Rate Increase** (Idaho Trucking Association) – Raises the fuel tax by 6 cents per gallon, at two cents per gallon per year for three years beginning on July 1, 2014. Each \$0.01 of fuel tax generates about \$8.8 million in the Highway Distribution Account for annual revenue of \$17.6 million. Total over three years is estimated at \$52.8 million in additional revenue after July 1, 2017.
- **H494 Transportation Funding** – Diverts a portion of the sales tax to the highway distribution account once specific triggers of general fund revenue (\$2.91 billion) and public school appropriations (\$1.4 billion) are reached. The shift then generates \$1.6 million to the highway distribution account for every \$10 million in sales tax revenue growth.
- **H505 Transportation Funding** – Diverts a portion of the Sales Tax (2% after certain deductions) to State and Local highway entities. This amount approximates the amount of Sales Tax paid on

tires and vehicle accessories. The shift decreases the General Fund by \$22 million and increases transportation funding by the same amount. Effective date July 1, 2015.

- **H513 Cigarette Tax Distribution** – Redirects cigarette taxes (previously used to pay for Capitol renovation) in FY 2015 to payoff GARVEE bonds and to reallocate funding on a number of existing accounts.
- **S1334 Minimum Wage Increase** - Increases Idaho's current rate of \$7.25 to \$8.50 in 2014, to \$9.75 in 2015 and links to the CPI in 2016. The bill also raises the wage rate for tipped and seasonal employees.
- **HJR2 Rulemaking Authority** - This Joint Resolution proposes an amendment to Section III of the Constitution of the State of Idaho. The amendment empowers the legislature to delegate rulemaking authority to executive agencies and to approve or reject the administrative rules issued by those agencies.
- **SJM105 SNAP Benefits** -- Senate Joint Memorial calling upon the President, the Secretary of Agriculture and Congress to give Idaho the flexibility to have control over foods authorized for purchase with Supplemental Nutritional Assistance Program (SNAP) benefits and to encourage healthy eating and lifestyle choices.
- **H541 Cash Law** – NW Grocer's Association has proposed a repeal the "Cash Law" requiring cash on delivery for the sale of beer and wine. Recent changes provide for payment within 5 business days if distributor allows. IPM&CSA and the Idaho Retailers join the NW Grocers in this effort.
- **H516 Repeal of the "Below Cost Selling" Act** – Rep. Jason Monks proposes to repeal the so called 6% or "Below Cost Selling" Act. IPM&CSA opposes this effort.

Legislation in the Works:

- **ABC – Liquor Licensing** – A coalition of retailers and bars propose moving liquor licensing out of ABC and into the State Liquor Dispensory. Enforcement will stay in ABC.
- **Dig Bill** – Group effort to update Idaho's "dig law" to improve public awareness, improve tracking and enforcement for digging in area of utilities ("Call before you Dig").
- **Local Option Sales Tax** – Senator Winder plans to introduce a new variation of the Local Option tax proposal to give local government sales tax authority. It would require local entities to identify specific projects and collect the tax before funding the project.
- **LNG Tax Equivalency** – A Utah company, BluLNG, has proposed legislation to change the taxation method for LNG to a diesel gallon equivalent. The original proposal was to give LNG a tax incentive that would phase out between 2015 and 2019. IPM&CSA opposed this, as it would provide a competitive advantage to LNG. The bill as now proposed removed the tax advantage.

The Big Picture: Major and Emerging Issues for 2014

Here are some of the major issues emerging for the 2014 Legislative session:

Education Funding & Governor's Task Force Recommendations:

The governor proposes spending \$54.7 million to implement some of the 20 recommendations from his task force. Superintendent Luna proposes a \$66.9 million, which is more than the 2.9%, \$37 million recommended by the Governor. The legislative budget committee, JFAC, will be sorting out the final number as one of the legislature's biggest priorities for 2014.

Tax Cuts Possible, but Only After Ed Reform is Funded:

Governor Otter has set aside \$30 million in his budget proposal for tax relief, but tax relief trails education funding on his priority list. Two possible options include increasing the personal property tax exemption for business equipment from \$100,000 to \$250,000 and further reducing Idaho's top individual and corporate tax rates. We have long advocated reducing these taxes. Continuing to chip away at both of these taxes would be welcome relief to Idaho's small and independent businesses.

Affordable Care Act In Idaho: Idaho Health Exchange Gives First Annual Report to Legislature / Is Medicaid Expansion Next?:

The Idaho Health Exchange was passed by the 2013 legislature and a board was appointed by Governor Otter to establish and run "Your Health Idaho," Idaho's state-based health insurance exchange. They gave their first annual report to the legislature in January. You can find out more at www.yourhealthidaho.org Here are some of their accomplishments from the annual report:

- Established a website to act, for this first year, as a portal to the federal exchange.
- Created Idaho-based resources for consumers including tools to estimate tax credits, find consumer assistance and compare plans.
- Built a network of more than 500 agents and brokers who have the primary role to help Idahoans shop for and select a plan on the marketplace.
- Established more than 300 In-Person Assistants across the state requiring background checks and formal training.
- Report that nearly 20,000 Idahoans had secured insurance coverage through the exchange as of December 31, 2013.

Affordable Care Act Part Two: Next Step - Medicaid Expansion?

Last years legislature created the state-based health exchange, and caused some serious heartburn within the Republican Party. Republican lawmakers were badly split on whether the state should create their own exchange, or let the feds do it. The next big policy step of the Affordable Care for Idaho is whether or not to expand Medicaid to cover with federal dollars low income Idahoans who meet certain criteria under federal law.

Health care providers (hospitals, doctors and insurance carriers) are strongly supportive of expanding Medicare and argue that federal dollars will relieve the counties (and their property tax payers) of the burden of indigent care. These costs to counties and the state are growing every year. But many legislators, and many Idahoans are wary not only that federal dollars might not last, but that expanding government entitlements, yet again, is not good for the state's bottom line in the long run.

The Affordable Care Act is ever divisive, and like the health exchange debate in 2013, battle lines are already drawn on Medicaid Expansion. Governor Otter doesn't want the program until it can be reformed. In fact, he formally took it off his agenda for this session. But that doesn't mean proponents won't push forward. Stand by for another legislative battle over the Affordable Care Act at the Statehouse if that happens.

Minimum Wage Increase Proposed:

Proponents of increasing the minimum wage have proposed legislation **S1334** in addition to their ballot initiative. They are gathering signatures to put the issue before voters in November. Idaho matches the federal minimum wage, but the push to provide a so-called "living wage" is showing up in a number of states as part of a national campaign. **S1334** increases Idaho's current rate of \$7.25 to \$8.50 in 2014, to \$9.75 in 2015 and links to the CPI in 2016. The bill also raises the wage rate for tipped and seasonal employees.

Local Option Tax in the Works:

A bill to allow "local option" sales tax for cities and counties is likely to be proposed as a way of allowing local government another tool to raise revenue to fund projects. Small and independent businesses have long opposed local option sales tax, and we await the details of the latest proposal. Cities and Counties have long endorsed the concept, but despite several attempts, adding more taxing authority at the local level, has not succeeded in the legislature.

By the Numbers: How Much Money Do We Have and Where Should We Spend It?

Gov. Butch Otter's State of the State Address on January 6 outlined his plans for the 2015 budget year and kicked off discussions for the 2014 legislative session. Here are a few of the Governor's proposals and announcements:

- Proposes a \$2.885 billion budget in state general funds, a 3.7% increase from the current year's \$2,781. The entire budget in total reflects a 2.5% increase when one-time expenditures are counted.
- Set aside \$71 million in the state's rainy-day funds
- Spend about \$54.7 million to implement some of the 20 recommendations from his Task Force for Education. Public schools would see a 2.9% increase in general funds.
- Reject Medicaid expansion in the state for at least one year.
- Announced that Idaho's standard unemployment insurance rate for 2014 is down almost 31%, saving Idaho employers almost \$75 million.
- Supports a third consecutive year of tax relief, but only after ed reform is funded.
- Met Project 60 goal of growing Idaho's total economic activity to \$60 billion a year.
- Proposed a one-time \$15 million investment in water supply improvement projects statewide.
- Proposed one-time spending of \$2 million to creat a Wolf Control Fund.