

IPM&CSA Statehouse Summary: Day 74 “It’s a Wrap” for the Shortest Legislative Session in a Decade

April 14, 2014

An Overview of the 2014 Legislative Session: The Media, The Substance, The Outlook & What Matters Most

2014 LEGISLATIVE SESSION IN REVIEW

Looking back on the 2014 legislative session a few themes emerge. Here’ an overview of what happened, and what didn’t, now that the gavel has fallen on the shortest session in a decade or so:

What the Media Covered: Lighting rod issues abounded in the 2014 legislative session – guns on campus, “add the words”, and “ag gag” bills received national attention and brought activists, protestors and heightened security to the Idaho Statehouse. Idaho was in the spotlight, but not for the issues we all expected to be the focus of lawmaker’s attention. Two of three big issues – transportation funding and Medicaid expansion didn’t get much ink with the press or discussion among lawmakers. The third, education funding (and reforms) did occupy the legislative agenda, and in the end, was viewed by many as the most substantive accomplishment of the 2014 session.

What Mattered Most (to legislators, that is):

From under the dome, many insiders will point to more education funding as the most prominent achievement of the 2014 session. Lawmakers more than doubled what Governor Otter proposed, upping his ante by \$66 million in additional general fund dollars to increase the K-12 education budget by more than 5.1% in FY2015, bringing the total to \$1.37 billion, which is 47% of general fund dollars. When dedicated and federal funds are added, the total for K-12 rises to \$1.68 billion. The legislature also implemented several recommendations from the Governor’s Task Force for Improving Education, including leadership premium payments to public school educators, strategic planning and professional development, increasing teacher compensation, classroom technology and Wi-Fi services.

And Speaking of Budgets.....Just How Big Is Idaho’s?

Here are a few big picture statistics about the State of Idaho’s budget, revenues and expenditures for Fiscal Year FY2015 beginning on July 1, 2014:

The legislature’s estimated a 6.4% growth rate in revenues for FY 2015 compared to 2.1% in FY2014. This represents the fourth straight year of revenue growth, and a allowed for an overall spending increase of 5.6%

Here are a few key budgets and how they changed from the previous year:

- Public Schools received a 5.1% increase
- Higher education received a 6.6% increase

- Medicaid received a 3.1 increase
- Department of Corrections received an 11% increase
- State employees received a 2% increase
- Teachers received a 3.8% increase

Where the money comes from (General Fund): Individual income tax (47%), Sales tax (41%) Corporate income tax (7%) and all other taxes (5%) for a total in General Fund Revenue of \$2.812 billion.

Where the money goes (General Fund): Public schools, other education and colleges and universities (60%), Health and Human Services (24%), Public Safety (10%), General Government (4%) Natural resources (1%) and economic development (1%) for total in **General Fund appropriations of \$2.789 billion.**

But Wait, There's More Here's the Rest of the Big Spending Story:

Now here's an interesting note: We mostly refer to the Idaho General Fund, which comes from income and sales taxes. But looking at all appropriations, Idaho's budget more than doubles when dedicated funds and federal funds are included. Idaho's spending jumps from \$2.789 billion to \$6.688 billion when all funds are accounted for. For contrast with "General Funds" (a smaller number) and all funds, here are the same categories, now including all appropriations:

Where the Money Comes from: General Fund (44%), Federal Funds (36%), Dedicated Funds 20% for a **total of all funds of \$6.688 billion.**

Where the Money Goes: Health and Human Services (38%), Education (36%), Economic Development (11%), Public Safety (6%), General Government (5%), Natural Resources (4%) for a total of \$6.688 billion.

The State's Piggy Banks: Idaho Lawmakers sock away more in "Rainy Day" Funds:

Idaho lawmakers have created and funded several so-called "rainy day" funds, totally \$260 million and change. This year lawmakers transferred \$56 million more into these reserve funds. Here's how this individual funds break out:

- Budget Stabilization Fund: \$161,514,000
- Public Education Stabilization Fund: \$72,827,000
- Economic Recovery Reserve: \$57,000
- Idaho Millennium Fund: \$19,855,000
- Higher Education Stabilization Fund: \$3,227,000
- Emergency Funds: \$3,324,000

What Got Left "In the Pipeline":

In the final days of any legislative session, Leadership in the House and the Senate pick their priorities and determine "the going home bills." Anything not on the list doesn't make the cut, and is often left hanging somewhere in the process, effectively derailed for the session. This year, the Speaker of the House quipped that lots of bills would "get left in the pipeline," Some of these were introduced for discussion purposes but weren't ever likely to become law. Some were intentionally held up - "stuck in a drawer"- meaning a committee

chairman refused (for whatever reason) to give the bill a hearing. And some simply run out of time before the process shut down. Here are a few of the bills that got left in the pipeline and did not become law in 2014.

- Minimum Wage increase and indexing to inflation
- Personal Property Tax reduction/elimination
- Income tax rate reduction – Corporate and Individual
- Transportation Funding – fuel and sales taxes raised or diverted to roads and bridges
- Repeal of Idaho Health Exchange
- Expansion of Medicaid under Affordable Care Act/Obamacare

2014 Legislature: Bill Tracking by the Numbers:

Just how busy were your lawmakers in 2014? Here's a brief review of the number of proposals introduced, modified and adopted, according to Mike Nugent, the Manager of Research and Legislation with Legislative Services Office (these are the folks toiling away to prepare legislation – they are the real workhorses of the legislature!)

- New legislation prepared, including changes: 1107
- Introductions (how many of the above actually saw the light of day): 542 bills & 66 Resolutions, Memorials and Proclamations.
- Bills Passed (both Houses): 357
- Resolutions, Memorials adopted: 43
- Length of Session (days): 74

Of note, these numbers don't change much over time. In the past five sessions, 1100-1200 proposals are prepared every year 600-700 are introduced, and 350-375 pass the legislature and become law.

What's the Outlook for the 2015 Legislative Session:

Remember the big issues going in to 2014? That's what's on deck for 2015 when elections won't be looming. Look for these backburner issues to move to forefront in 2015:

- Medicaid Expansion
- Transportation Funding
- More Education Reform from the Education Task Force, a continuation of 2014 as well as reaching back to the days of the "Luna Laws."
- Income tax and personal property tax reductions

2014 ELECTION CYCLE – DON'T FORGET TO VOTE!

What is going to happen between now and then: Elections! Don't forget to Get out and Vote!

For now, all eyes turn to the upcoming Primary Election. With only a few weeks to campaign, both Republican and Democrats have contested primary elections in some parts of the state, and complete passes in others. Following last cycle's redistricting when the legislature experienced a huge turnover in membership with 42 new freshmen, look for 2014 to be a much calmer cycle. There may be a few upsets along the way, but we can expect leadership and committee make up, as well as the general demographics of the body, to look much like it does now.

Key Dates for 2014 Elections:

May 20 – Primary Elections

November 4 – General Elections

Here are a Few Interesting Statistics about the Upcoming 2014 Elections:

*(*Thanks to Brent Olmstead of MPIIdaho for doing the research)*

- 214 candidates have filed to run for the 105 legislative seats
- 9 legislative seats are open – 4 of those legislators are running for higher office (Fulcher, Denney, Woodings and Ringo) and 5 are retiring (Anderson, Henderson, Bolz, Meline and Woods).
- In the Senate there are 8 Republican primary races, no Democrat primary races, and 1 Constitutional party primary race.
- In the House there are 27 Republican primary races and 7 Democrat primary races.
- Of the 105 legislative seats, only 59 will have a contested general election race (57 between Republicans and Democrats, 1 between Republican and Constitutionalist, 1 Republican and Libertarian.)
- The record-setting class of Freshmen numbered 42 in 2013, of these 13 have no opponent in either primary or general elections, 2 are not running for a second term (Meline and Woodings), 6 have a primary but no general, 12 have a general but no primary, 9 have both a primary and a general election.
- Members of Idaho's Congressional Delegation all face primary and general elections (Sen. Risch, Congressman Labrador and Simpson).
- In the Governor's race, both Republicans and Democrats face primaries.
- There is a Republican primary race for 5 other statewide elected officials: Lt. Governor, Secretary of State, Controller, Attorney General and Superintendent of Public Instruction.
- There is a Democrat primary for State Treasurer
- Contested general elections occur for Governor, Lt. Governor, Treasurer, Attorney General, and Superintendent of Public Instruction.
- There is a contested race for Supreme Court Justice.

2014 PRIORITIES AND BILL WATCH LIST

Watch List / A Recap of 2014 Legislative Issues Impacting Business

(Bills that passed in 2014 are indicated in **bold type** when referenced below)

GENERAL BUSINESS & EMPLOYMENT ISSUES

Rules and Regulations (IPM&CSA Members Support HJR002)

As the legislature drew to a close, House and Senate leadership held an unprecedented ceremony in the well of the Idaho House of Representatives. House Speaker and Senate Pro Temp gathered with majority and minority leadership teams in bipartisan agreement to retain and strengthen legislative authority to reject administrative rules. **HJR002** proposes an amendment to the Idaho Constitution by the addition of a new Section 29, relating to legislative delegation of rulemaking authority. This may sound like an obscure legislative function to some, but small businesses know the importance of reigning in red tape and bureaucracy in government. IPM&CSA supports **HJR002** and urges our members to vote in November to approve this measure.

Minimum Wage Increase: (IPM&CSA Members Oppose S1334 which did not pass)

Proponents of increasing the minimum wage proposed legislation S1334 after abandoning an effort 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 would have raised the wage rate for tipped and seasonal employees.

Local Option Tax DOA: (IPM&CSA Members Oppose. A bill was not introduced)

A bill to allow “local option” sales tax for cities and counties was to be proposed in 2014 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. 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. 2014 was no different!

Tax Relief - Income Tax, Personal Property Tax, Incentives and Exemptions (IPM&CSA members support elimination of Personal Property Tax and reduction in income tax rates)

Tension between the House and the Senate is a natural condition at the statehouse, but when it comes to tax policy, an obvious trend emerges: The House likes to cut taxes, the Senate, not so much. The Senate Local Government committee, where all tax bills arrive if they pass the House, is the graveyard for most tax-cutting measures. This year was no different as the Chairman of the committee made clear early in the session and refused to give many key bills a hearing. Here are a few of the bills proposed in 2014:

- **H547 – Distribution, Cigarette Tax Monies** – (Bedke/Moyle) – Revises the current distribution of the cigarette tax for various programs (public schools, juvenile corrections, permanent building, cancer) and reallocate a portion of the tax that paid for the Capitol Renovation toward debt service on GARVEE bonds, and aquifer management.
- **H548 – Income Tax** – (Failed) (Bedke/Moyle) Decreases Idaho’s income tax rates by 1/10th of a percentage point in every tax year that has seen a three percent growth

in state general fund the preceding fiscal year, stopping when the top income tax rate and corporate tax rate reach 6.8%. (*IPM&CSA supports*)

- **H546 – “Reimbursement Incentive Act” Tax Incentive for New Jobs** – (Sayer-Dept. of Commerce) Provides for the state to negotiate a tax credit of up to 30% of a company’s corporate income tax, sales tax and payroll tax if the company reaches negotiated job creation goals. Both existing and new companies would be eligible.
- **H604 – Personal Property Tax** – (IPM&CSA Supported) Increased exemption from \$100,000 to \$250,000.

Retail & C-Store Issues

- **H516 - Unfair Sales Act Repeal: (IPM&CSA Members Oppose)** (Pulled) (Burgoyne/Monks) Repealed the Unfair Sales Act at request of IPM&CSA. Reps. Burgoyne and Monks agreed to present their bill to our board and work with us to move forward in a way that minimizes impact to our industry.
- **HJM105 SNAP Benefits** – (IPM&CSA Opposed) Passed House and Senate on voice vote / Senator Lodge
- **H541 – Cash Law Repeal** – (IPM&CSA Supported) Did not get a hearing / House State Affairs Chairman held
- **H623 - ABC Liquor Licensing** – (IPM&CSA Supported) Introduced for consideration in interim
- **Dig Bill** – Not introduced – likely will reappear in 2015, group effort
- **Local Option Sales Tax** – Not introduced
- **LNG Tax Equivalency** – (IPM&CSA Opposed as initially drafted) RS but not introduced - Didn’t get a hearing after we opposed the tax incentive portion of the bill.

Transportation, Fees and Fuels Tax

- **H481 Motor Fuel Tax Rate Increase** – 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. (Idaho Trucking Assn)
- **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. (Palmer)
- **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. (Kauffman)
- **S1284 Speed Limits – Interstates and Other Highways** – Amends existing law to allow increased speed limits if certain circumstances occur with the maximum speed limit on certain interstate highways not to exceed 80 miles per hour.

Health Insurance, ObamaCare & Medicaid

- **HJM6 – Urging HHS to suspend imposition of PPACA taxes on the health care industry. (IPM&CSA supports)**
- H418/H532 – Health Insurance Exchange – repeals existing law relating to the Idaho Health Insurance Exchange (Barrett).
- H497 – Hospitals – Cost transparency (Hixon)
- H533 – County Assistance – Amends and repeals existing law related to county assistance (Loertscher)
- H535 – Indigent Sick – Amends existing law to provide that medical indigency means those at or below 100% of the federal poverty level. (Trujillo)
- **H595 – Medical Savings Accounts Income taxes** – amends existing law to revise provisions regarding taxation and increase contributions to medical savings accounts for state income tax purposes. (Hixon)
- S1243 – Health Insurance – Adds to existing law to provide that medical retainer agreements shall not be regulated as health insurance. (Thayne/Luker)
- S1347 – Indigent Sick – Amends, repeals and adds to existing law to remove references to the Catastrophic Health Care Cost Program and to establish a program and funding to aid community health centers (Thayne/Nonini)

Other Items of Interest– Private Property Rights, Licensing, EPA

- H473 Eliminating the EPA -- Declares that EPA is not authorized by the US Constitution and directs state to prevent enforcement of certain EPA regulations. (Rep. Paul Shepherd).
- **H597 Private Property Rights** – Protects private property rights and clarifies that the Outfitters and Guides Licensing Board is authorized to license outfitters and guides upon public lands within the state of Idaho. (Boyle/Pearce – Farm Bureau)