

**MINUTES**  
**Approved by the Committee**  
**Property Taxes and Revenue Expenditures**  
**Thursday, November 19, 2020**  
**9:00 A.M.**  
**Room EW42**  
**Boise, Idaho**

Cochair Addis called the Property Taxes and Revenue Expenditures Study Committee meeting to order at 9:08 a.m.; a silent roll call was taken.

Committee members in attendance: Cochair Senator Jim Rice and Cochair Representative Jim Addis; Senators Jim Guthrie and C. Scott Grow; and Representatives Mike Moyle, Jason Monks, Rod Furniss, Lauren Necochea, John Vander Woude, Terry Gestrin, and John Gannon. Senators Kelly Anthon, Grant Burgoyne, and Jim Woodward participated via videoconference, as did Legislative Services Office (LSO) staff Kristin Ford, Keith Bybee, and Ana Lara.

NOTE: presentations and materials distributed to members are posted to the Legislature's website: <https://legislature.idaho.gov/sessioninfo/2020/interim>; and copies of those items are on file with the Legislative Services Offices located in the State Capitol.

**Opening Remarks by Cochair Addis**

Cochair Addis began by calling for public testimony. Seeing none, he moved to the next item on the agenda.

**Presentation: Josh Whitworth, Chief Deputy Controller of the Idaho State Controller's Office**

Cochair Addis called on Mr. Whitworth to give his presentation on the implementation of uniformity and transparency in local and state budget reporting. Mr. Whitworth gave an overview of what a potential system of reporting could look like. His presentation included cost estimates, personnel needed, software types, constraints, and benefits of the project.

- Representative Gannon asked whether context would be provided along with the data. Mr. Whitworth cautioned that some context could fall under policy-making, which is outside the boundaries of this project. However, the current platform could allow context to be added around the hard data in order to provide background on the data but would add another level of maintenance and labor.
- Senator Grow inquired whether there was an opportunity to use a software system that has already been developed. Mr. Whitworth explained they had examined systems in other states and that a ready-made system could be purchased and configured to meet their specific needs.
- Cochair Rice expressed concern about providing context behind the data because there could be potential for political influence. Mr. Whitworth agreed, adding that the data should rely on fact alone.
- Representative Furniss inquired about the job responsibilities of the analysts hired for this process. Mr. Whitworth detailed some of the responsibilities and stated that the Controller's Office would be prepared to have the analysts present their findings to the Legislature.
- Representative Vander Woude asked whether Mr. Whitworth anticipated resistance from local entities. Mr. Whitworth replied yes, but also said the Controller's Office is prepared to make it as easy as possible for local entities to submit their data. Representative Vander Woude inquired who would be responsible for providing oversight on local entities' budgets. Mr. Whitworth responded that the Legislature can choose to do so, but emphasized that because everyone would have access to this data, anyone is welcome to provide oversight.

- Representative Gannon stressed the importance of having context alongside budget information, such as what the Legislative Budget Book provides.
- Cochair Addis pointed out that more answers will be available if a committee is formed.
- Senator Guthrie asked if the budget reporting process would be the same for both local entities and state entities. Mr. Whitworth replied that the process would be similar but the intent of the project was to make it simpler for the local entities. Senator Guthrie was curious if any local entities were currently using their own budget-reporting contracts and if those contracts would end upon implementation of the proposed system. Mr. Whitworth was unaware of these specifics. Senator Guthrie asked what kind of data would be included on the proposed software. Mr. Whitworth stated that any budget data that is not protected by privacy laws would be included. For any budget data that was protected by privacy laws, the dollar amount would be included but the description and further details may not be. Senator Guthrie asked if contracting a service from out of state would be an option. Mr. Whitworth stated that, due to the variations of state law, an out-of-state contract would not be the best option. Senator Guthrie asked if there would be a pilot project to help with implementation. Mr. Whitworth said that a pilot project was intended.
- Cochair Rice asked Mr. Whitworth to clarify some details about the software. Mr. Whitworth explained that the project staff will not be developing new software, but integrating more data from local entities into current software. The staff will maintain the software with the most current data and provide analysis. Mr. Whitworth added that using outside platforms for analytical purposes would be an option.
- Representative Vander Woude asked whether there would be a feature on the software to allow the public to make comparisons between entities. Mr. Whitworth expressed that it was their intention that the project would have such a feature.
- Cochair Addis asked whether the Legislative Services Office and legislators would have access to the data for the Legislature's use. Mr. Whitworth confirmed that it would.
- Representative Necochea inquired about the potential costs local entities could experience if they were to switch to this system. Mr. Whitworth explained that the Controller's Office still needs to collaborate with the local entities to determine that information.

Break 10:19 am - 10:38 am.

### **DRKMF106 Discussion**

Cochair Addis brought [DRKMF106](#) before the committee for discussion. DRKMF106 pertains to the uniformity and transparency of the reporting of the financial information of local governmental entities project just presented by the State Controller's Office.

**Representative Moyle made a motion to send DRKMF106 to the Legislature for consideration. Cochair Rice seconded the motion. A voice vote was taken and the motion was passed.**

- Representative Necochea expressed concern about the cost of this proposal and would like to see a smaller pilot project to start with.
- Representative Furniss appreciated the potential for cost savings.
- Cochair Rice highlighted the benefits, including the availability of data to citizens.
- Senator Burgoyne remarked that the topic of discussion was outside the scope of the committee's charge as outlined in SCR134. Cochair Rice called for a point of order, stating that the topic of discussion was relevant to the overall intent of the committee. Senator Burgoyne continued, stating the need to have more property tax-related drafts on the agenda and that he wanted to make clear his concerns about the focus of the committee. Cochair Addis suggested that the current discussion should focus solely on the agenda before them.

- Representative Monks assured members that the purpose of the committee is to make recommendations to the Legislature. He stated his support for this motion.
- Representative Vander Woude appreciated how this proposal would save the taxpayers' money.
- Representative Gannon urged for more context to accompany the data.

### **DRKMF117 Discussion**

Cochair Addis brought [DRKMF117](#) before the committee for discussion.

- Senator Guthrie explained that the intent of the draft was to save taxpayer money by reducing excess fund balances.
- Cochair Addis pointed out the importance of keeping local government operating with normal expenses while still bearing in mind the needs of the taxpayer.
- Representative Necochea asked whether this proposal would have local governments turn toward other sources of funding. Senator Guthrie explained that if more funding is needed, local governments have the legal right to request the funds from the taxpayers.
- Representative Vander Woude suggested that local governments and state entities include information about their current balances. Senator Guthrie agreed.
- Representative Gannon asked for clarification on the \$1.3 billion amount mentioned during Senator Guthrie's explanation of the draft. Senator Guthrie explained that \$1.3 billion is the surplus amount in the hands of local districts. Representative Gannon sought further clarification on forgone balances. Senator Guthrie explained that forgone is not what the taxing districts have not spent; rather, it is the percent increase the taxing districts are permitted to request from the taxpayer but have decided to reserve for later.
- Representative Monks gave an example of a city that is charging its current taxpayers more now in order to save for an upcoming project. He highlighted that the problem with this method is that new residents are not paying for the project when they may be the reason the project is needed. He appreciated that the draft could help avoid this.
- Representative Moyle referenced an example of Ada County using forgone balances for a project, then taxing citizens at the same rate and rolling the funds into the next year's budget. He gave his support for the draft.
- Senator Burgoyne suggested that this proposal would also work on the state level. Senator Guthrie agreed.
- Cochair Rice expressed his appreciation for the draft and also provided suggestions, such as voter approval to save for projects and authorizing the saving of impact fees.

**Senator Guthrie moved to send DRKMF117 to the Legislature for consideration. Representative Moyle seconded the motion. A voice vote was taken and the motion was passed. Representative Necochea requested that her nay vote be recorded.**

### **DRKMF123 Discussion**

Cochair Addis brought [DRKMF123](#) before the committee for discussion.

- Cochair Rice explained that the intent of the draft is to allow a taxing district with less than 1% new construction to choose a 3% base budget increase rather than using the Consumer Price Index (CPI) and capping the total budget increase at 4%.
- Senator Grow asked how this proposal would affect school districts. Cochair Rice stated that it does not affect them.
- Representative Gannon asked if the tax formula in this draft would provide tax relief for rental property, even if commercial property value remains flat. Cochair Rice explained that

the formula is based on growth, so all types of property will see tax relief, including rental property. Representative Gannon expressed frustration with certain tax exemptions. Cochair Rice acknowledged Representative Gannon's frustration and stressed the importance of renewing this committee next year in order to address topics like tax exemptions.

- Senator Burgoyne provided an example of a local budget increasing its base by 3% along with a 2% new construction, bringing the total increase to 5%. Senator Burgoyne asked, provided that the maximum increase is capped at 4%, what would happen to the leftover 1%. Cochair Rice explained that the 1% would go into the base budget. Senator Burgoyne wondered if it was possible to get around the 4% maximum if needed. Cochair Rice responded that a taxing district could get authorization from the taxpayers to do so. Senator Burgoyne stated that there are some examples of a city's costs being higher than the CPI and asked if Senator Rice would comment. Cochair Rice explained that many factors influence the CPI and that some cities' costs grow faster than the CPI. Senator Burgoyne wanted to confirm that this draft would cut current property tax, not just limit future tax increases. Cochair Rice confirmed that it would cut taxes for counties that are growing and would act as a limiter in places that are not growing. Senator Burgoyne urged for more research on property tax legislation to ensure fairness.
- Representative Necochea expressed concern about potential loss of funding for essential services.

**Cochair Rice moved to send DRKMF123 to the Legislature for consideration. Senator Grow seconded the motion. A voice vote was taken and the motion was passed. Senator Burgoyne and Representative Necochea requested that their nay votes be recorded.**

Cochair Addis recognized Senator Grow for comments on the circuit breaker and Property Tax Deferral Program. His comments included the benefits of the Tax Deferral Program in comparison to the circuit breaker. Senator Grow explained that, in the Tax Deferral Program, the state covers the whole cost and places a lien on the home. The costs are recovered upon the sale of the home or the death of the homeowner. Senator Grow found issue with the \$500,000 dollar limit available for the state to use on this program and suggested that the committee look into legislation to increase that number. He also encouraged the committee to find a way to advertise this program.

- Cochair Addis gave praise to this program.
- Representative Gannon shared with the committee that there was only one applicant for this program in 2019. He also expressed concern that the interest rate charged in the program was too high and that those with reverse mortgages and home equity loans could not qualify for this program. He asked if there were more applicants in 2020; Senator Grow could not provide that information.
- Representative Vander Woude stressed that this program would not help with property tax relief.
- Representative Moyle stated that the circuit breaker program takes money away from state services. He expressed his opinion that neither the circuit breaker nor the Tax Deferral Program would help with tax relief.
- Cochair Rice warned the committee not to place government needs over the needs of the citizens.
- Senator Burgoyne stated that both programs were imperfect. He also cautioned against making blanket statements about citizens' motives in using or not using the programs because there could be exceptions.

**Cochair Rice moved to send a recommendation to the Legislature to have the committee renewed for another year. Representative Moyle seconded the motion. A voice vote was taken and the motion passed. Senator Burgoyne requested that his nay vote be recorded.**

- Representative Vander Woude commented that he would continue working on legislation for this committee.
- Representative Gannon expressed that future legislation should address tax shifts.

Cochair Addis and LSO staff made final comments.

The committee adjourned at 12:37 p.m.