

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Thursday, March 10, 2016
TIME: 3:00 P.M.
PLACE: Room WW53
MEMBERS PRESENT: Chairman Siddoway, Vice Chairman Guthrie, Senators McKenzie, Johnson, Rice, Vick, Bayer, Stennett and Burgoyne
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 Siddoway** called the meeting of the Local Government and Taxation Committee (Committee) to order at 3:10 p.m. and asked the secretary to take a silent roll.

H 443aa **Justin Ruen**, Policy Analyst, Association of Idaho Cities (AIC), presented **H 443aa**, pertaining to the retention of city records. Current law requires cities to retain permanent records in paper form. **H 443aa** extends to cities the authority to retain permanent records using digital media, and **Mr. Ruen** stated the intention is to improve records management and make storage space available for historical records. **Mr. Ruen** stated that a definition is provided for "historical records," which are required to be retained in paper form in perpetuity. He noted that this legislation provides new language that authorizes the city to reproduce, retain and manage records in a photographic, digital or other non-paper medium, and the reproduced medium must accurately reflect the paper version. **Mr. Ruen** pointed out that for non-permanent records, once a digital copy is preserved, the original paper document is considered a copy and may be destroyed pursuant to the process outlined in provisions of the bill.

Jeri DeLange, Council Member, City of Hayden, spoke in support of **H 443aa**. **Ms. DeLange** commented that this legislation will help reduce storage requirements for paper documents that local governments would otherwise be required to maintain.

David Matte, Administrator, ISHS, spoke in support of **H 443aa**. **Mr. Matte** stated that the ISHS worked with the AIC in drafting this legislation, which he believes meets the best practices of his profession.

Senator McKenzie asked if there are guidelines that determine what constitutes a historical record. **Mr. Matte** explained that ISHS examines retention schedules and assesses the long-term value of records for the purposes of historical research.

Senator Johnson sought clarification regarding the technology used to preserve records and asked if these technological capabilities will evolve over time. **Mr. Matte** replied that technologies are constantly evolving and the ISHS implements archival best practices.

Chairman Siddoway asked if historical records are stored in one secure location or in several across the State, to which **Mr. Matte** explained that the majority of historical records are stored at the main State Archives facility in Boise; more active state records are kept in a satellite facility.

MOTION: **Senator Johnson** moved to send **H 443aa** to the floor with a **do pass** recommendation. **Senator Vick** seconded the motion. The motion carried by **voice vote**.

H 406aa **Representative Gestrin** introduced **H 406aa**, relating to annexation of recreational water and/or sewer districts. **Representative Gestrin** provided a brief history of recreational water and sewer districts in Idaho. He explained that this legislation provides a mechanism for cities and recreational water and/or sewer districts to consolidate services under one operating unit. **Representative Gestrin** then introduced William Gigray, Legal Counsel for the City of McCall and Payette Lakes Recreational Water and Sewer District.

Mr. Gigray explained that this legislation provides a way for governing bodies of a water and/or sewer district and a city to include or withdraw an area from that district by resolution or ordinance, similar to the manner in which areas are annexed in and out of fire districts. **Mr. Gigray** pointed out that both governing entities must be in agreement before a resolution or ordinance is passed; that agreement is reached through a process which includes public notice and hearing. If a resolution or ordinance is reached, it is then submitted to the District Court for approval. **Mr. Gigray** asserted that consolidating water and sewer services under one governance will reduce costs and improve efficiencies.

Senator Johnson asked how conflicts are handled with existing permits, such as those with Department of Environmental Quality. **Mr. Gigray** reported that this is handled through due diligence when drafting agreements; all permits are reviewed to determine what logistics are associated with consolidation.

Chairman Siddoway asked if there are bonding requirements associated with annexation, to which **Mr. Gigray** replied that it is dependent upon each situation and must take into account subdistricts of water and sewer districts.

Senator Stennett commented that in smaller areas, the same individuals often hold the same jobs across governing bodies; she asked if this would be the case if districts were consolidated under one governing body. **Mr. Gigray** responded that currently, the district elects directors who are required to reside in that district; however, resident zones could be created during the annexation process to preclude the same individuals from serving in multiple roles. He pointed out that this option to create resident zones was included in the legislation to ensure that all parts of the district and city were represented.

Senator Burgoyne expressed support for this legislation and acknowledged that while he generally does not support commissioned zones, he does support the notion that directors of resident zones will be elected on a district-wide basis.

MOTION: **Senator Burgoyne** moved to send **H 406aa** to the floor with a **do pass** recommendation. **Senator Stennett** seconded the motion. The motion carried by **voice vote**.

H 540

Russell Westerberg, representing Avcenter, introduced **H 540**, which provides a sales and use tax exemption for the sale, lease and purchase or use of fixed-wing aircraft primarily used for wildfire air tactical support under contract with the federal government. **Mr. Westerberg** indicated that until a recent Idaho State Tax Commission (Commission) audit, there was an understanding that sales and use taxes did not apply to aircraft leased or purchased by licensed aircraft operators used for wildfire suppression activities. The Commission audit determined that flights under contract with the federal government for wildfire suppression that take off and land at the same airport are not tax exempt per § 63-3622GG, Idaho Code. **Mr. Westerberg** emphasized that the 6 percent tax on these activities will put Idaho charter operators at a disadvantage with out-of-state companies when competing for contracts with the federal government.

Senator Rice sought clarification regarding the June 30, 2016, effective date referenced in the bill. **Mr. Westerberg** explained that this date was specifically provided to resolve issues involving the Commission audit.

Senator Stennett commented on recent wildland fire activity in her district and expressed support for the legislation.

John Blakely, Owner of Avcenter, an Idaho-owned aviation company operating in Pocatello, Nampa and Idaho Falls, spoke in support of **H 540**. **Mr. Blakely** indicated that most of the services his company provides are exempt from sales and use tax; however, 20-30 percent of Avcenter's annual sales consists of air support for wildfire suppression for the federal government. He explained that because these flights typically take off and land at the same airport, they do not meet criteria for tax exemption as defined in § 63-3622GG, Idaho Code; as a result, Avcenter must pay a 6 percent sales tax on this revenue. **Mr. Blakely** emphasized that federal contracts for fire fighting are competitive and the 6 percent tax will put Idaho companies at a disadvantage with out-of-state competitors.

MOTION:

Senator Rice moved to send **H 540** to the floor with a **do pass** recommendation. **Vice Chairman Guthrie** seconded the motion. The motion carried by **voice vote**.

ADJOURNED:

There being no further business, **Chairman Siddoway** adjourned the meeting at 4:00 p.m.

Senator Siddoway
Chair

Jennifer Carr
Secretary