MINUTES
Approved by the Committee
Property Tax Working Group
Monday, October 21, 2019
9:00 A.M.
Room EW41
Boise, Idaho

Co-chair Collins called the Property Tax Working Group to order at 9:08 a.m.; a silent roll call was taken.

Committee members in attendance: Co-chair Gary Collins and Co-chair Kelly Anthon; Senators Dave Lent, C. Scott Grow, and Grant Burgoyne; and Representatives Mike Moyle, Robert Anderst, Rod Furniss, and Mat Erpelding. Absent and excused: Senator Jim Woodward. LSO staff present were: Kristin Ford, Keith Bybee, and Jennifer Kish.

Other attendees: Luke Kilcup - Lobby Idaho; Sara Westbrook and Kelli Brassfield - Idaho Association of Counties; Justin Baldwin - Good Co.; Don Hall and Brent Reinke - Twin Falls County; Matthew May - Idaho Policy Institute; Eric Bilimaria, Travis Black, and Mike Sherack - City of Boise; Chelsea Wilson - City of Caldwell; Chris Yamamoto - Canyon County; Ryan Arbruster - Redevelopment Association; John Evans, Benn Brocksome, and Justin Ruen - Association of Idaho Cities; Brody Aston - Westerberg Associates; Cheong Kim - Idaho Policy Institute; Brad Smith - Ada County Assessor; Betsy Russell - Idaho Press Tribune; Representative Britt Raybould - Idaho House of Representatives; Quinn Perry - Idaho School Boards; Julie Hart - Strategies 360; Sara Toevs - Center for Study of Aging; Gina Turner - Boise County; Tom Shaner and Kathlynn Ireland - Idaho State Tax Commission; Fred Birnbaum - Idaho Freedom Foundation; Karen Echeverria - Idaho School Boards Association; and Mary May, Tyler Wood, and Ann Youtz - self.

Idaho Property Taxes - Kathlynn Ireland, Property Tax Policy Specialist, Idaho State Tax Commission (ISTC)

Co-chair Collins called upon Ms. Ireland to begin her presentation on Idaho property taxes. Ms. Ireland commented that, at this time of the year, they do not have all of the comparative data for 2019 at the ISTC and that most of the data would be from 2018. She added that the data for 2019 would be compiled at ISTC within the next few weeks and she would share the information with the working group at that time. She stated that, in Idaho, there is a current market value of all properties assessed either by the county assessor's offices or the ISTC. She said that the current market value of all property in Idaho is $249.6 billion, which is assessed annually. She noted the increase in current net taxable value of $175.3 billion from the net taxable value in 2018 of $153.2 billion. She commented that values are increasing across the state at a precipitous level. She emphasized the importance of the net taxable value since it is used in the levy rate calculation. She noted that the difference between the net taxable value and the current market value is the exemptions placed on parcels; there are ten exemptions that the ISTC tracks year after year. She added that two matrixes are the most important in examining the exemptions; the highest value in exemptions occurs with the homeowner's exemption and the speculative portion exemption that is found on agricultural and timber land.

Ms. Ireland stated that property tax is levied on all real property and business personal property. Idaho has a personal property exemption for the first $100 thousand per company per county. She said that, in 2019, local units of government will receive $2.035 billion, which is a 6.5% increase over 2018 in the amount of $125 million. In addition, urban renewal agencies received $73.5 million in property taxes in 2018; the data for 2019 was not yet available. She directed the working group to slide 4 that showed net taxable values by major property categories. She noted that residential parcels represent the highest value within Idaho. She commented that while the agriculture trend line appears rather flat, the value has increased in the last couple of years.

Ms. Ireland stated that in 2018 owner-occupied residential properties consisted of 45.2% of the overall value of all residential properties within the state of Idaho. From 2017 to 2018, the total net taxable value increased by 13.4%. She commented that, when excluding new construction, existing homes increased in value by 10.6% in the same time period. She noted that in 2018 taxes on existing homes increased by 6.1%. In the commercial sector, including new construction, real property increased in value by 7%, existing commercial property increased by 4%, and taxes on existing commercial property increased by 0.2%.

Ms. Ireland directed the working group to slide 7 and reported that in 2018 owner-occupied residential properties paid 46.8% of all property taxes in the state. She elaborated that one reason for this is because most owner-occupied parcels are located within city boundaries and typically have the highest levy rate. She added that, in 2018, industrial/commercial properties paid 27% of the overall tax burden. She noted that agricultural land paid 2.6% (on average statewide) of the overall property taxes in the same time period. She clarified that the figure would be higher in counties with more predominant agricultural land usage.

Ms. Ireland proceeded to slide 8 and stated that the blue bars represented the actual maximum homeowner's exemption over time between 2006 and 2020. She noted the cap of $100,000 as of 2017. She said that the red bars represented what the homeowner's exemption would have been since 2017 if it had not been capped at $100,000 but instead had continued to receive housing price index increases. She explained that in that hypothetical situation of the homeowner's exemption being continuously indexed, Idaho would have a homeowner's exemption in 2020 of $135,850. The green bar represents what Idaho's maximum homeowner exemption would be if the indexing was restarted again from 2019: in that case, the homeowner's exemption would be $112,0000 for 2020.

Ms. Ireland referred to slide 12 and noted that school districts utilize the most property taxes followed by, respectively, counties, cities, and highway districts.

Ms. Ireland directed the working group to slide 13 and commented that there are limits to property tax budgets. She said that funds that not exempt from budget increase limits are generally used for general operations of a district. She noted that while there is the ability to increase the budgets, but they are subject to the 3% cap on the district's overall budget. The budget can be increased:

- Up to 3% over the highest of last three years;
- With a calculation for new construction value and annexation; and
- With any forgone amount (i.e., amount of previously allowable increases not taken).

She added that the increase is allowed only if the result does not create a levy rate that exceeds the statutory limit. She noted that the exempt funds are not subject to the 3% cap and are usually voter approved funds, like bonds, but also includes the school emergency fund, which is not voter-approved but is based on attendance. She provided an example of a levy rate calculation on slide 14.

Ms. Ireland proceeded to slide 15, which provided a pie chart depicting causes of budgetary property tax increases from 2017 to 2018. She stated that there are three main areas that account for most of the increases in the budgeted process: 3% increase overall to the districts' budgets, school exempt funds, and new construction that would be multiplied by the previous year's levy rate to increase the budget capacity for the districts. She noted that the increase on the slide equated to about a 6.4% increase ($114.4 million) in 2018.

Ms. Ireland directed the working group to slide 18 and stated that non-exempt property tax funds generally grow uniformly. Her next slide demonstrated patterns for the use of exempt funds. She commented that the vast majority of exempt funds are used by school districts (slide 20) and noted that non-school taxing districts utilize exempt funds very little in comparison.

Ms. Ireland referred to a study out of Washington D.C. from 2017 (slide 22) and explained that they selected the most populous city in each state for their study and reviewed the different income levels of a family of three and how their tax burden compares to the national average of the 51 cities. She explained that a family of three living in Boise, earning $50,000 a year, would generally pay 1% higher than the national average in income tax, 4% higher in sales tax, and 34% lower than the national average in property tax. She contrasted this with a family of three living in Boise, earning an annual income of $100,0000, who would generally pay 9% higher than the national average in income tax, 7% lower in sales tax, and 14% lower in property tax. She proceeded to slide 23 that depicted FY2016's property tax burden for Idaho compared to neighboring states. She reported that Idaho is paying 25% less in property taxes than the national average; Montana is paying 10% more than the national average. She noted that Wyoming is an outlier at 134% of the national average, but they have other classes of property that they pay property taxes on such as motor vehicles and minerals. She added that Idaho ranked 38th highest in the nation for property taxes. She proceeded to slide 25 and stated that the trend line for Idaho's property tax per $1,000 of personal income has been quite flat over the last several years.

Ms. Ireland summarized three stated aided property tax relief programs on slide 26. She referred to slide 30 and stated that the percentage of claimants that received 100% of their taxes bill paid by the circuit breaker program has decreased over the last several years. The percentage of property taxes paid by the circuit breaker program for individuals that still had an out-of-pocket payment of property taxes was roughly 65% in 2018.

Discussion

Representative Moyle asked whether the personal property tax burden shifts to real property as it depreciates. Ms. Ireland explained that if there are no new additions to personal property and the existing inventory is depreciating and reducing in value over time, then it was her understanding that the tax burden would shift to real property, in a world where no new personal property is being added.

Senator Burgoyne referred to the 6.1% increase in taxes on existing homes in 2018 and asked whether ISTC knew what the percentage would be had the cap on the homestead exemption and the repeal of the indexing by the legislature had not taken effect. Ms. Ireland did not have the figure, but stated that ISTC was reviewing this matter and would have information regarding the homeowner's exemption and how it affects all classes of tax properties in the next few weeks.

Representative Moyle noted that the majority of the new construction is residential property and that explains why the commercial property tax burden has had a lower increase than residential property. and referred to 2020's index of $112,000. He asked whether the percentage that homeowners pay would increase even if the value of the exemption increased. Ms. Ireland responded in the affirmative. She explained that the more that is exempted does benefit homeowners but the overall pie of the net taxable value utilized in the levy calculation is reduced, therefore, the levy would increase and everyone's burden would be affected in an upward motion.

Representative Erpelding asked for clarification regarding home values that are assessed at a 17% appreciation rate every year and commercial values that are assessed at a 6% to 8% appreciation rate every year. He said that even though home values are a larger piece of the pie, the appreciation rate is so much higher on the residential side, and taxes shift to the residential side because of the net taxable values as a result of people paying cash for homes that exceed their worth. He emphasized that the appreciating values of homes is a problem and asked whether the homeowner's exemption would help address it. Ms. Ireland responded that it was true that the residential side carries a significant weight for the entire state; the overall value is 45% just for the owner-occupied residential and about 69% of the total value are placed on all residential in Idaho. Rep. Moyle referred back to Slide 4 and commented that during the recession residential values dropped sharply while commercial properties mostly held their value. Commercial and industrial properties don't enjoy the exemptions that the other categories get and that may merit future discussion.

Senator Burgoyne referred to the charts on slide 7 and 9 and asked whether Ms. Ireland would be able to provide the actual values for agriculture, mining, timber, and the other categories so that the working group can compare them to each other, as well as their actual values, to get a sense of what the homeowner's exemption used to be worth, what it is worth now, and what the other categories' exemptions are worth both in percentages and dollars. Ms. Ireland responded in the affirmative.

Senator Grow referred to slide 9 and commented that the impact on property taxes for residential continued to increase even during 2012 when the market value of homes decreased considerably. He explained that market value is one piece of the equation and that a levy rate could be adjusted by a taxing entity; so even if the market values decrease, taxes may still increase.

Senator Burgoyne referred to slide 11 and asked whether the ISTC has reviewed the property tax rate increases to see if they accelerated during periods of growth. Ms. Ireland responded that the time period on the graph was from 2004 to 2019, which included the recession time frame of 2008 to 2012, and noted that the property tax growth continued in a linear fashion.

Representative Moyle referred to slide 15 and inquired about the percentages for each category. Ms. Ireland said she would provide a revised slide with that information.

Senator Lent asked whether the statutory levy limit was primarily for the cemetery districts or whether it had a broader application. Ms. Ireland responded that there are a myriad of levy limits and they vary from district to district.

Senator Burgoyne requested information regarding how much of the property tax increases are attributable to the various categories (i.e., schools, cities, counties, etc.). Ms. Ireland responded in the affirmative.

Representative Moyle referring to slide 23, inquired whether the bar graph for Idaho represented the state average or by areas. He requested information regarding the property tax burdens by area. Ms. Ireland responded that the state average was used, but the ISTC may be able to work with counties to obtain the information. Representative Moyle emphasized that it was important to review what areas of the state are struggling more with property tax burdens. Representative Moyle, referring to slide 26, asked why the state, and not the local taxing districts, is paying for these property tax relief programs, and how much the programs cost the General Fund. Ms. Ireland responded that, per statute, the state paid $18 million for the cost of the programs from the General Fund.

Local Property Taxes: The Role of Counties, County Trends, and Predicting the Future - Seth Grigg, Executive Director, Idaho Association of Counties (IAC)

Co-chair Collins called upon Mr. Grigg to begin his presentation. Mr. Grigg explained the differences between the taxing districts and why some property tax districts have larger budgets than others. In Idaho there are both general and special purpose governments at the local level. He stated that counties and cities are general purpose governments, provide more than one core service, and have police powers. He added that all other local governments are special purpose governments, perform only one government function, and lack police power. He summarized some of the differences between counties and cities on slide 3. He noted the major county service areas on slide 4. He commented that all counties provide the same services and operate under the same statutes, which can be challenging depending on the resources the counties have.

Mr. Grigg proceeded to slide 6 and summarized the property tax administration process. He stated that the county assessors assess all property at market value and provide assessment notice to taxpayers. He commented that the taxpayer has a right to appeal the property tax assessment to the County Board of Equalization and, if they bring forth the right data, the board can reduce the value.

He stated that property taxes account for 44% of county revenues, for 42% of intergovernmental revenues and fees for service account, and for 14% of cash forward/reserves account.

Mr. Grigg directed the working group to slide 10 and stated that the Office of Performance Evaluations (OPE) did a study last year evaluating the impact of state mandates on state budgets. He explained that there are two ways to restrict/cap a local government budget: 3% cap and individual levy caps. He commented that each county has a specific statutory cap that cannot be exceeded. He noted that in 2017 AIC found that 15 counties were budget restricted (using the full 3% authorized by law), that 15 counties were levy-capped, and that 14 counties had no budget or levy restrictions. He added that counties that are budget/levy restricted are typically the more rural counties.

Mr. Grigg proceeded to slide 15 and explained that they looked at the median home value in Boise for the last ten years, as well as the exempted value and taxable value. He noted the sharp increase of taxable value in 2017 when the legislature enacted legislation for a cap on the homeowner's exemption. He also noted the significant increase in the median home value over the last three years. He directed the working group to a chart on slide 17 that summarized the annual change in property taxes paid by the median city of Boise homeowners over the last several years. He attributed much of the increase in the annual change in property taxes to the significant increases in home values.

Mr. Grigg directed the working group to slide 19 that summarized the distribution of county property taxes for 2018. He stated that there are dozens of levies at the county level and each levy has a restriction in statute. He explained that this provides significant budgetary limitations on how services are provided. He commented that the current expense levy is the largest property tax levy and is essentially the county's general fund levy. He proceeded to the next slide and stated that, in general, county property taxes increase at a consistent rate, partially due to restrictions placed in Idaho Code and how local governments budget.

Mr. Grigg proceeded to slide 23 that depicted maps of counties' new construction and foregone values . He noted that there tends to be more new construction in the more urbanized areas of the state. He also noted that the counties in gray on the map do not have foregone property taxes. He explained that these counties tend to be very rural in nature and tend to not have a lot of new construction on a year-over-year basis. He stated that revenue from new construction property taxes correlates closely to economic booms. He noted that during the time frame immediately following the beginning of the recession (2009 to 2012) there was a significant increase in county foregone property taxes. He elaborated that during this time period counties did not take the 3% and instead held their budgets relatively flat. He added that during this same time period counties saw significant decreases in revenue sharing.

Mr. Grigg briefly summarized the differences between urban and rural counties on slide 27. He noted that there is some concern about the budget growth in some of the urban areas of the state, but this was not the case in all jurisdictions across Idaho. He cautioned that if the legislature were to enact a policy to address this concern, it would potentially have adverse impacts on the rural jurisdictions. He briefly discussed the difference between budget-restricted counties and levy-restricted counties on slide 28. He stated that 23 of 30 open rural or rural commuting counties were property tax budget constrained in 2017. He added that 6 of 14 urban or rural center counties were property tax budget constrained. He briefly summarized a list of programs/services that drive budget growth at the county level such as: overcrowded jails, public defense, felony prosecution, involuntary mental/behavioral health commitments, etc.

Mr. Grigg stated that there are some policy pressures such as property tax exemptions and urban renewal. He explained that some of the property tax exemption pressures include:

- Fixed property tax replacement funding from the state;
- Removal of index on homeowner's exemption;
- IDL purchase of private timberlands; and

- Government and nonprofit ownership of property.

He noted that these actions have resulted in tax shifting.

Mr. Grigg referenced OPE's study regarding some of the impacts that legislative mandates have on counties such as interaction of two mandates. He explained that counties provide felony prosecution and public defense and as it becomes more expensive to provide public defender services and as more public defenders are added, more prosecutors and investigators are requested. He elaborated that as costs for public defenders increase so does the cost for prosecution. He summarized some of the other OPE findings on slide 33.

Mr. Grigg provided a list of solutions on slide 34. Some of the solutions include:

- Increase or index the homeowner's exemption;
- Increase maximum circuit breaker amount;
- Legislate a moratorium on future property tax exemptions;
- Remove mandated services and direct savings to property tax relief (public defense, Medicaid expansion, etc.); and
- Leverage online sales tax revenues for county property tax relief.

Mr. Grigg provided sample language (slide 35)from draft legislation in 2015 directing savings to the counties associated with Medicaid expansion to property tax relief.

Discussion

Senator Burgoyne asked whether payment in lieu of taxes (PILT) was an arbitrary political number established in Washington D.C. or whether a rationale correlated to the cost to the counties for not being able to tax the federal land. Mr. Grigg responded that in some counties there appears to be a link but not so in others. He explained that PILT was established in the 1970s and a specific formula, including a number of factors (e.g., number of acres managed by the feds, county population, other federal funds received), is used to calculate it. In reviewing some counties, the PILT generates roughly what you would receive in property taxes and in other counties (e.g., rural counties with a lot of federal land) it's actually significantly less than what you would receive in property taxes.

Representative Erpelding inquired about the drop in percentage for property taxes in 2017 and also asked whether the cap on the homeowner's exemption accounted for the significant increase in the percentage for property taxes in 2018. Mr. Grigg referred to the year 2017 and noted that even though local government budgets may increase by 3%, 5% or even 6%, individual taxes may decrease as well. He noted that reduction in the homeowner's exemption could have been a factor for the significant increase in 2018. Representative Moyle emphasized that the issue with property taxes is that significantly more homes are being built than businesses. He noted that businesses do not have an exemption. He reminded the working group that the homeowner's exemption matters less if homes comprise most of the pie.

Senator Burgoyne inquired about tax burden shifts. Mr. Grigg responded that one of the challenges in dealing with property taxes is that tax shifts will always occur, regardless of what is done. He explained that if the homeowner's exemption is raised, then a shift will occur onto commercial/industrial/agriculture property. He added that, conversely, tax shifts would be made to low income homeowners with values below the median value. He elaborated that this could be a way to provide relief to most homeowners but there would be a shift associated with it.

Representative Moyle asked how many counties across the state have taken the foregone increases this year. Mr. Grigg did not have the data for 2019 from the ISTC, but should have this information sometime in mid-November.

Presentation by Association of Idaho Cities (AIC) - Mayor John Evans, Garden City, Idaho

Co-chair Collins called upon Mayor Evans to begin his presentation regarding Idaho cities. Mayor Evans noted that not all the cities in Idaho are the same. He explained that 167 cities have a population of 5,000 or less, 11 cities have a population between 5,000 and 10,000, and 22 cities have a population of 10,000. He said that all cities rely on property tax revenue sharing as the primary/stable revenue source needed to provide essential services. He briefly summarized other city general fund revenue sources on slide 4.

Mayor Evans stated that Idaho cities are growing and that 70% of Idaho residents live in cities. He commented that cities are required to plan for the extension of their infrastructure and services necessary to serve a growing community. On slide 8 he provided a list of items that cities spend their property tax revenues on. He used Garden City to show the sources of revenue and said that 70% of revenue received is from a combination of property tax and revenue sharing, and the remaining 30% comes from local revenues. He provided a list of expenses by category on slide 10 and expenses by department on slide 11. He also provided this information for the city of Weiser on slides 14 to 16.

Mayor Evans provided a list of things to consider if property tax relief is the goal:

- Carefully research the impacts on **all cities** of altering the current distribution funding formula;
- Raise additional revenue from sales tax and dedicate it to property tax relief or dedicate a portion of internet sales tax;
- Provide additional state revenue for local road and bridge maintenance by adjusting the highway distribution formula, so that cities don't have to put as great of a burden on property taxpayers; and
- Target relief: consider modifying circuit breaker requirements to broaden eligibility.

Discussion

Representative Moyle asked if cities only paid for the planning for enterprise operations or both the planning and installation. Mayor Evans responded that some installations are covered by cities. Representative Moyle noted that operations and maintenance (O&M) are paid by service fees and not by property taxes. He noted that cities pay for the planning, but do not cover the installations. Mayor Evans commented that he wouldn't underestimate the planning process.

Senator Grow inquired about coordination between county and cities regarding law enforcement. Mayor Evans responded that in Ada County they cross-deputize their law enforcement and assign certain tasks, depending on resources available, to either the county or city. He further explained that the county's primary obligation is to manage the county jail and perform patrol services, but they mutual aid each other whenever needed.

Representative Moyle inquired how much revenue is generated by law enforcement. Mr. Evans clarified that cities keep 90% of the fine and not the revenue generated by law enforcement. He explained that a ticket of $90 may only have a fine amount of $30. He stated that Garden City's fine revenue for last year was $116,000. He added that the city's misdemeanor/infraction contract to perform prosecutions cost $129,0000 and noted that the city's revenues from fines do not cover the cost of the contract, not to mention the cost of actual enforcement.

Senator Burgoyne asked whether the suggestion to carefully research the impact on all cities of altering the current distribution funding formula referred to the ratio as between the state and the cities in the aggregate. Mayor Evans responded in the affirmative.

Representative Erpelding asked, particularly as it relates to the Idaho Constitution and with respect to providing property tax relief, whether it would be wise for the State to review how to avoid the high number of supplemental levies for education in districts. Mayor Evans opined that to provide property tax relief it would best to review the issue as a whole. Representative Erpelding noted that cities do not have the same constitutional requirements and asked what would happen to cities if they are held to some type of lesser growth pattern. Mayor Evans responded that the cities would reduce services.

Representative Moyle inquired about Garden City's new construction component of the previous budget. Mayor Evans was unsure, but believed it was $8 million. Representative Moyle suggested that new construction is compounding the property tax budgets and believed that if the legislature removed new construction it would, over time, alleviate some pressure and would not harm the rural counties. Representative Moyle requested the figures for new construction for Garden City. Mayor Evans responded that he would provide this information and would see if he could obtain information for some other cities as well. He noted that, with regard to new construction, sometimes the service load associated with new construction is immediate, but the property tax for new construction is delayed a year. He added that not every bit of new construction constitutes new loading, but much of it does, particularly on the residential side.

The committee recessed for a lunch break at 11:37 a.m.

The committee reconvened at 1:00 p.m.

Costs of Community Services Study (COCS), Results from Four Idaho Counties - Dr. Allan Walburger, Professor of Economics, Brigham Young University - Idaho *(via Zoom)*

Co-chair Collins called upon Mr. Russ Hendricks to introduce Dr. Walburger, who was joining via Zoom. Mr. Hendricks defined tax shifting as a tax that should normally be paid by one property owner that is somehow exempted or otherwise statutorily not required for that owner, but somebody else picks up that tax. He explained that broad classifications of property where they may in one year pay 30% of the tax overall but in another year pay 15% of the tax overall did not constitute a tax shift but merely a reflection of the valuation of the underlying property.

Professor Walburger began by stating that he would be presenting a comparison study on the cost of community services from four Idaho counties: Bonneville, Canyon, Cassia, and Kootenai. He listed the purposes for the study:

- To revise and update the 1997 Idaho COCS case studies;
- To assess how the changing conditions may have resulted in different tax burdens;
- Perform sensitivity analysis on important determining factors; and
- Offer guidance on potential changes to property tax code.

Professor Walburger explained that there are case studies that attempt to identify the sources of tax revenues, by land classification, and the associated expenditures for services, also allocated by land type, for a specific city, community, or even county. He stated that the study examines the burden of property taxes by land classification and compares those to the services provided to the land classification or the tenants on the land classification; it does not look at marginal changes. He explained that most of the limitations expressed about these studies are more in their inability to take a look at a specific land development project and assess it. He briefly summarized the interpretation on slide 4.

Professor Walburger stated that the general patterns observed in 151 studies were:

- Residential land uses usually receive more money in services than they generate in tax revenue;
- Commercial and industrial lands generate more tax dollars than they receive in turn through public services; and
- Agriculture lands generate more tax dollars than they receive in return through public services.

Professor Walburger provided a list of methods used on slide 6. He noted that aggregated expenditures and revenues from the municipal/city/county budget are allocated to the three different land classifications. The results of the study can be found on slides 13-15. He stated that some of the factors associated with the growing disparity are: population growth and the resulting urban development, changes to school funding, and changes to the Idaho homeowner's exemption.

Discussion

Senator Burgoyne asked whether Professor Walburger could provide his underlying report or underlying study to the committee to review the methodology. Professor Walburger responded that a colleague is currently reviewing the report, but would provide a copy of the report to the committee once he's received his colleague's feedback. Senator Burgoyne asked whether the study credited any benefits to commercial properties from the maintenance of the K-12 education system in the counties. Professor Walburger responded that any indirect benefits that commercial properties may receive as a result of expenditures on education are not accounted for in the COCS study.

State and Local Funding - Keith Bybee, Deputy Division Manager, LSO Budget and Policy Analysis

Co-chair Collins called upon Mr. Bybee to begin his presentation. Mr. Bybee stated that for fiscal year 2019, there were $6.48 billion of local and state revenue collections. He directed the working group to slide 2 that depicted the collection and distribution of major state and local taxes. He proceeded to the tables on slide 3 that can also be found in LSO's Fiscal Facts publication. He explained that the Fiscal Facts publication tracks intergovernmental transfers from state revenues to the county levels. He explained that the total for sales tax transfers for fiscal year 2019 was $217.3 million. Other fund sources that come from sales tax include: agriculture and personal property tax replacement, circuit breaker, and election consolidation. He said that in total there was almost $260 million of sales tax revenues transferred to local units of government. He noted that $510.5 million of state resources were transferred to local units of government.

Mr. Bybee proceeded to slide 4 and noted that the property tax numbers tie into the 2018 property tax budget with the exception of public schools, which have a slight variance. He explained that each county submits a form to the ISTC that provides the total budget approved for the taxing district, other revenue sources, carryforward balances, and the balance (property taxes). He noted that the chart included the entire range of the taxing districts. He stated that, regarding sales tax distributions, 45% goes to cities and 47% goes to the counties. He explained that the schools budget is 43% of the General Fund appropriation in State FY 2019, which is the proportion of total General Fund revenues from sales tax. The amount of sales tax that went to schools was $767.6 million. He commented that special purpose taxing districts includes all other taxing districts. They receive 7.7% of revenue sharing if they were created before 2001, and property tax replacement funds.

Mr. Bybee stated that the total budget per capita in the cities is $1,972 per person and on property taxes it is $417 per person. He commented that the city of Jerome is the closest to the statewide average for cities per capita property taxes. He also noted that Twin Falls and Kootenai counties are closest to the statewide average for county per capita property taxes. He surveyed city clerks regarding what services cities provide that are either entirely or partially paid by property taxes. He briefly summarized the reporting on slide 7.

Discussion

Representative Moyle asked whether the charts on slide 3 incorporated all the revenue sharing or just the counties's portion. Mr. Bybee responded that the charts included all the revenue sharing. Representative Moyle inquired about the liquor distribution. Mr. Bybee referred to Fiscal Year 2018's distributions that are actually transferred in Fiscal Year 2019. He stated that the general fund received 40.2%, the cities received 28.4%, and the counties received 19%.

Representative Moyle inquired about the franchise fees and whether the fees go only to the cities or both the cities and counties. Mr. Bybee requested additional time to look into this question. Representative Moyle inquired about the correlation between what services each city provides and their respective tax rates. Mr. Bybee responded that he would continue to work with the city clerks and review any trend lines.

Working Group Discussion

Co-chair Anthon stated that the presentations and discussions demonstrated the complexities of the issue. He noted that there is a great diversity in the ways that cities approach some of these issues. Senator Grow asked whether there would be input from the Associated Taxpayers of Idaho. Co-chair Collins responded in the affirmative.

Senator Burgoyne solicited ideas on the proposed legislation that he and Representative Erpelding had distributed. He voiced his concern regarding comparing items that are not alike (e.g., cities to counties) and stressed that a city can vary greatly from another city. He asked that future presenters be mindful of comparisons especially with regard to data.

Co-chair Collins requested that the working group members submit agenda items to the co-chairs.

The working group selected November 18th for their next meeting.

The working group adjourned at 2:10 p.m.