

MINUTES  
**HOUSE REVENUE & TAXATION COMMITTEE**

**DATE:** Monday, February 08, 2021  
**TIME:** 9:00 A.M.  
**PLACE:** Room EW42  
**MEMBERS:** Chairman Harris, Vice Chairman Addis, Representatives Moyle, Chaney, Gestrin, Dixon, Nichols, Kauffman, Adams, Cannon, Hartgen, Manwaring, Okuniewicz, von Ehlinger, Weber, Necochea, Ruchti  
**ABSENT/  
EXCUSED:** Representative(s) Chaney  
**GUESTS:** Carson Tester, Westerberg and Associates.

**Chairman Harris** called the meeting to order at 9:00 a.m.

**Kelley Packer**, Executive Director, Association of Idaho Cities, gave a brief summary of city budgets saying they are service organizations providing water, sewer, garbage, public safety, parks, libraries, roads and bridges, and snow removal, as well as administration of various utility needs and operational services for infrastructure. Idaho cities have service, growth, geographical and population differences. She said cities use six revenue streams: enterprise fees, which are limited to use for the specific services charged; state liquor distributions; sales tax revenue sharing; highway distribution funds earmarked for transportation needs; fines; and property taxes. Revenue streams fund savings, including restricted enterprise funds, rainy day funds and capital improvement savings. Cities with new development charge impact fees for increased service needs but not for day-to-day needs.

In response to committee questions regarding impact fees, **Ms. Packer** replied any city can choose to use impact fees which are set by city councils. She said cities had been unaware that new construction was driving up costs for existing residents, which was caused by a formula set by the state, and cities support changing it. She did not know the percentage of cities using impact fees to pay for new growth as opposed to putting it to existing taxpayers or how many cities use and don't use impact fees. She informed the committee she would provide that information.

**Ms. Packer** further responded to committee questions regarding non-enterprise fund balances by saying she would provide the number of cities with them and the exact dollar amounts.

**John Evans**, Mayor of Garden City, and Legislative Chairman, Association of Idaho Cities, reiterated and expanded on Idaho cities' general fund revenue sources mentioned by **Ms. Packer** and included fees for service, such as permits and licensing fees; grants; and franchise fees that benefit local jurisdictions whose right of ways and or public property is being used for private enterprise for profit or a utility governed by the utilities commission. He said property tax is allowed to increase year over year by 3% over the previous year's levy or the highest levy over the previous three years, to which cities are allowed to add the value of new growth construction revenue, computed currently at the assessed value of the new construction multiplied by the previous year's levy rate which creates a dollar amount added to the base budget. He indicated service loading for new growth comes before the revenue is received.

**Mayor Evans** replied to committee questions stating franchise fees go into the general fund and are not specifically earmarked for roads.

In response to further committee questions, **Mayor Evans** said impact fees occur at permitting and do not supplement current city obligations. He responded to questions on how the occupancy tax ties into the impact fee on the front end and new construction, by saying the impact fee is not connected because it is a capacity expansion component bought into as a fixed asset necessity, whereas occupancy and new construction taxes relate to service provision expense. He indicated the occupancy tax is not at full value until the annual assessment process is completed and a tax bill issued, and the value that comes on the tax roll is determined the January following occupancy. The occupancy tax is an estimate and does not impact the new construction roll. It is a gap filler between the time of occupancy and assessment completion.

**Mayor Evans** said he would provide a written response to committee questions on whether the occupancy tax or the new construction rolls come a full year after occupancy or whether the occupancy tax comes in January of the year occupied and is prorated. He told the committee that in addition to providing the timing of the occupancy tax and new construction, he would report on whether the estimated occupancy tax is readjusted the following year. Mayor Evans also indicated he would provide the committee with information on the growth rate of Idaho cities compared to unincorporated county areas.

**Mayor Evans** continued by saying city revenues include grants, and property tax is generally 45-60% of city revenues. The majority of city expenses are staffing related because cities are service organizations with insurance being a big expense. Cities have a small capital component. Per Idaho Code, cities are mandated to have a city attorney and prosecutor, which is the only state mandate and for which cities bear the expense.

Answering another question, **Mayor Evans** said passing bonds to pay for new growth is a valid discussion point for a complicated issue involving cash versus interest and risk management analyses.

**ADJOURN:**

There being no further business to come before the committee, the meeting adjourned at 10:16 a.m.

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Representative Harris  
Chair

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Lorrie Byerly  
Secretary