

CAPITOL



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“Patience is bitter, but its fruit is sweet.”

-Jean-Jacques Rousseau

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Issue 11**

THEY’RE STILL HERE

Greetings faithful readers of Capitol Notes! Jess here, writing the issue we thought would declare the Legislature had gone home sine die. Unfortunately, that is not the case; they’re still here!

As Karen wrote last week, we thought legislators would be going home on Friday March 24th, but the revolt on the Senate Floor that radiator capped the House’s income tax rate reduction bill has yet to be resolved. What we have instead are two competing tax proposals which I have outlined below. Also unresolved is a final bill on transportation funding. So we are left with two big issues that have huge funding implication - taxes and transportation - that will keep them into this week.

COMPETING TAX PROPOSALS

HB67aa – Repeal of Sales Tax on Groceries and Grocery Tax Credit

After the revolt against leadership on the Senate Floor last week, this bill was radiator capped into a bill repealing the sales tax on groceries and repealing the grocery tax credit. After that it was pulled back to the amending order again to correct some inconsistent implementation dates and ensure that cities and counties revenue sharing continued. Karen discussed the revenue sharing impact issue last week and much to the relief of our local government partners, that amendment passed.

Impact on the State General Fund

Repealing the sales tax on groceries means the state will collect less in sales tax revenue. And while we are happy that the revenue sharing issue was fixed for cities and counties, that also comes with an impact on the general fund. The Legislative Services Office just released an updated fiscal note on the radiator capped bill. For FY 2019, revenues to the State General Fund are estimated to be reduced by \$52.8 million (this includes the loss in revenue from sales tax collections on food and the offset to the General Fund from repealing the Grocery Tax Credit), while revenue sharing to local units of government are estimated to be an additional \$26.2 million reduction to the State General Fund. Thus, in total, this bill has an almost \$80 million dollar yearly impact on the general fund. Additionally, because food prices usually rise over time and the grocery tax credit is fixed, the revenue loss from this legislation will only increase in future years.

These figures demonstrate a substantial hit to the general fund where our public schools get a majority of their funding. Protecting the general fund revenue stream is important to ensure continued funding for schools. We encourage you to contact your legislators and indicate the importance of maintaining a sustainable revenue stream in the general fund.

What's Next

Due to the substantial changes by the Senate in the legislation, it was sent back to the House Revenue and Taxation Committee for a recommendation on concurrence because the grocery tax proposal has not been heard this year. The hearing is this afternoon at 1:30pm.

Should this bill get concurrence from the Committee and pass the House Floor it would still have to go before the Governor. The Governor has publically and repeatedly voiced his opposition to this tax proposal which may mean that he could veto the bill.

SB1195 – Unemployment Tax and Income Tax Rate Reduction

In their own surprise move this week, the House Revenue and Taxation Committee hijacked the Governor's bill to reduce the unemployment tax rate that business pay and instead sent it to the amending order with the intent of adding back in the income tax rate reductions that previously resided in HB67. Then, after this move, House leadership decided that rather than have the bill go up on the amending order and be subject to any amendments, they drafted a new RS that printed in the House Ways and Means Committee on Friday afternoon.

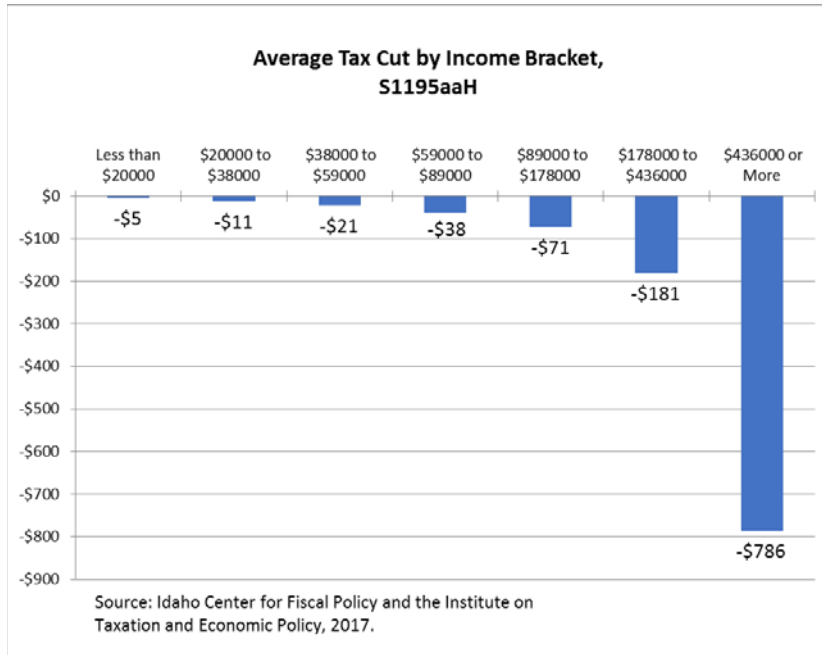
HB330 – Unemployment Tax and Income Tax Rate Reduction

This bill replaces SB1195 that I discussed above and combines the Governor's proposal to reduce the unemployment tax rate for businesses as well as reduce the income tax rates. Here is a breakdown of the provisions of the bill:

- Reduces the income tax by one-tenth of one percentage point across all income brackets;
- Reduces the corporate income tax by one-tenth of one percentage point;
- Retains a reduction in the unemployment tax rate multiplier from 1.5 to 1.3.

Impact on the State General Fund

According to our friends at the Idaho Center for Fiscal Policy (ICFP), the estimated cost of this proposal is \$29 million; \$26 million of which originate with the change in income tax rates while the remaining \$3 million would come from the reduction in the corporate rate. The ICFP provided the following chart outlining the impact of the tax cut by bracket:



What's Next

The bill will have to make it through the House as well as the Senate and the Governor. Proponents of the bill hope that by combining it with the Governor's proposal on unemployment taxes in addition to his previously stated support of reducing the income tax rates, that they will avoid the possible veto that is faced by the grocery tax bill.

TRANSPORTATION

As I briefly mentioned, neither the House nor the Senate has passed a transportation funding bill this session. SB1188 had several components, including shifting funding of the Idaho State Police from dedicated highway funds to a share of the sales tax (essentially moving them to the general fund), a five-year extension of the "surplus eliminator" that expires this year (it splits any surplus from the state budget at the end of each year between roads and the rainy-day savings fund), and \$300 million in GARVEE bonding for road work. That bill failed on the Senate Floor.

The Senate still has SB1162 which is a GARVEE-only bill for \$300 million. They will take up that bill on the Senate Floor this morning. Many in the House say they won't go home without a

transportation bill, including the entire Canyon County delegation that held a press conference last week to demand a transportation funding bill.

We will be watching closely any transportation bills that include general funds or shifts from dedicated to general funds like that proposed for the State Police. These proposals must be analyzed in conjunction with the tax relief proposals. We seriously doubt that the Legislature would pass a tax cut and a transportation bill that impacts the general fund, but if they did it could have serious implications for school funding.

ISBA LEGISLATION BASED ON RESOLUTIONS

Below is our progress on each of the ISBA Resolutions. If there is a change from last week, that text is *italicized*.

Public Notice Alternatives (2016) – Legislation Needed

Status: The Newspaper Association is adamantly opposed to this legislation. We have tried to find some language that they might be able to support but have, thus far, been unsuccessful.

Discussion of Sale of Public Property within Executive Session (2016) – Legislation Needed

Status: We attempted to come to consensus with the Newspaper Association on this issue last year, but were unable to do so. We are currently working with some of our partners who are also impacted by this legislation to assure that they are in agreement as well. We remain hopeful that we can draft legislation that will meet everyone's needs.

Optimize the Reimbursement of School-Based Medicaid Program (2016) – SB1095

Status: *The Governor signed the Executive Order that Karen discussed last week. In light of that, SB1095 will not move forward.*

Administrators in Districts with Remote Schools (2016) – Legislation Needed

Status: We continue to have discussions with the Senate Education Chair and the main sponsoring school district on this issue. We do not believe the Chair will hear this legislation.

Beyond the Smarter Balanced Assessment Consortium Test (2016) – Work with the State Department of Education and the State Board of Education

Status: We continue to work with the State Department of Education and the State Board of Education to assure that we are involved in discussions with any next steps when it comes to statewide student testing.

Information on Past Job Performance Requirements (2016) – Held at the request of the sponsoring school district

Status: The sponsoring school district (Moscow), has asked us to hold off on legislation for this year.

Retention of Retired Teachers (2017) – HB113

Status: The State Board of Education has drafted legislation that will allow school districts to rehire teachers who have retired at the age of 60 – it is currently age 62. This legislation passed the House and the Senate and is awaiting the Governor's signature.

Funding School Construction (2017) – Legislation Needed

Status: The sponsoring district is working with their local legislator in hopes of drafting some legislation to address this issue. There are several ways to address it but most would include a tax increase. After meeting with the sponsoring district, West Ada, they have decided not to move forward with this legislation this year. The district has some ideas about how to address this, but they would like to get input from districts throughout the State on their proposal and try to move it through the Public School Funding Formula Committee.

Reducing the Supermajority for School District Bonds (2017) – HJR3

Status: It requires a constitutional amendment so would take 2/3 of the House and 2/3 of the Senate to approve it. At that time, it would go on the ballot for the citizens to determine if this is good public policy. As noted previously, HJR3 printed, but has been held at the desk. We will continue to see if we can make progress on this issue.

Reduce the 2/3 Majority Vote Requirement to go into Executive Session – Legislation Needed

Status: This legislation is drafted. As we feared, the Newspaper Association is opposed to this legislation. We are also hearing that the Attorney General may be opposed as well. The Newspaper Association is opposed to anything that allows Boards to do business behind closed doors. We are still working to see if we can narrow the language down to include instances when there are so many vacancies on the Board that the remaining Board members would not be able to make the 2/3 majority. For instance, if there are two vacancies on a five member Board, that constitutes a quorum but does not meet the 2/3 majority requirement.

Opposition to Amending Article IX Section V of the Idaho Constitution (Blaine Amendment)

Status: This resolution requires ISBA to oppose any legislation that would ask for an amendment to the constitution. This amendment would allow public funds to flow to private and parochial schools. We are hearing that this legislation will not receive a hearing this year.

Rural School Centers – HB223

Status: This bill passed the House and is headed to the Senate. However, neither the public education budget nor Superintendent Ybarra’s budget contained funding for rural schools. *Chairman Mortimer will not hear the bill. However, he has formed an ad-hoc committee to work on this issue over the interim. The committee met for the first time last week and will meet again this week. ISBA, IASA, and others are represented on this committee.*

Salary Based Apportionment for Classified Employees – Legislation Needed

Status: There are many ways to address an increase in funding for classified staff. That could include changing the factor or simply increasing the total dollars in this line item. Because of the significant amount that will likely be placed in teacher’s salaries this year, we may need to wait until next year before we begin addressing this issue. We will, however, continue to ensure that the Funding Formula Interim Committee is aware of our needs in this area.

STAY TUNED

You can view any bills that are moving through the Legislature at the following link:

<https://legislature.idaho.gov/sessioninfo/2017/legislation/>

If you want to listen in to committee meetings or watch debate in JFAC or on the floor of either chamber, that link can be found at:

<http://idahoptv.org/insession/leg.cfm>

We will provide a final listing of the outcome of all the legislation we’ve been tracking in our last issue next week.

ISBA Bill Tracker 2017

Bills highlighted in purple are based on ISBA Resolutions

Bills highlighted in red are dead

Bills highlighted in green have become law

Bill #	TITLE	STATUS	POSITION
HB37	Vacant Land Owned by School Districts		Neutral
HB67aa	Repeal of Grocery Tax and Credit		Oppose
HB68	Business Personal Property Tax Exemption	Reprinted as HB117	Oppose
HB70	STEM School Designation		Neutral
HB74	Public Charter School Commission Appointment		Neutral
HB105	Teacher Preparation Programs		Neutral
HB113	Retired Teachers		Support
HB117	Business Personal Property Tax Exemption		Oppose
HB134	Public Expenditures on Elections	Reprinted as HB189	Oppose
HB181	Local Government Investment Pool		Neutral
HB186	Education Opportunity Act – Wireless Resources Added		Neutral
HB189	Government Interference in Elections	Reprinted as HB270	Oppose
HB196	School Closure on Election Dates	Died in Committee	Oppose
HB199	Pay for Success		Neutral
HB223	Rural Support Networks		Support
HB228	Parental Portal		Neutral
HB234	Scholarship Tax Credits		Oppose
HB240	Firearm Safety in Schools	Died in Committee	Neutral
HB241	Charter School Petitions and Exemptions		Oppose
HB242	Instructional Hours Waiver		Support
HB252	Student Data Security Systems		Neutral
HB253	Defining Instructional Staff		Neutral
HB254	Removing Term Limits on Charter School Commissioners		Neutral
HB258	Charter Schools – Removal of Teacher Certification	Pulled by the Sponsor	Oppose
HB262	Funding Distribution for Counseling Support		Neutral
HB264	Labor Negotiations – 50% +1 requirements		Neutral
HB270	Nongovernment Interference – Bonds and Levies		Oppose
HB271	Quality Educator Program		Neutral
HB279	Charter School Petitions		Neutral
HB284	Appropriations – Administrators		Support
HB285	Appropriations – Teachers		Support
HB286	Appropriations – Operations		Support
HB287	Appropriations – Children’s Services		Support
HB298	Appropriations – Facilities		Support
HB289	Appropriations – Central Services		Support
HB290	Appropriations – School for the Deaf and the Blind		Support
HB295	Appropriations – SBOE – CTE		Neutral
HB298	Appropriations – STEM Action Center		Neutral
HB311	Exceptional Children		Neutral
HJR3	Reducing 2/3rds Requirement for Bonds		Support
HCR12	Reauthorize Funding Formula Committee		Support
HCR14	Idaho Questions on Civics Test		Neutral
HCR26	Sonia Galaviz Recognized, Teacher of the Year		Neutral
HCR27	Education Rules Rejection		Neutral
SB1014	School Technology Plans		Neutral
SB1015	Education Definitions Revised		Neutral
SB1018	School Accountability Report Cards - Repeal		Neutral
SB1019	School Safety Patrol Penalties – Repeal		Neutral
SB1029	Defining Academic Credit to Mean Career Technical as well		Neutral
SB1030	Clarifies that Non-public students can utilize dual Enrollment in Charter Schools		Neutral
SB1033	Clarification in Student Data Privacy Requirements		Neutral
SB1034	Broadband Infrastructure Improvement Grant		Neutral

SB1041	Public Education Stabilization Fund		Neutral
SB1050	Immunization Exemptions		Oppose
SB1059	Master Educator Premiums		Neutral
SB1074	Procurement		Support
SB1094	Teacher Applicants – Criminal History Checks		Support
SB1095	School-Based Medicaid Reimbursement		Support
SB1096	Health Insurance Reimbursement – Line Item	Not funded by JFAC	Neutral/Support
SB1097	Master Schools Premium		Oppose
SB1103	School District Elections – Zone Boundaries, Date Change		Oppose
SB1121	Safe Routes to Schools		Neutral
SB1123	Activities Transportation		Neutral
SB1140	ParaPro Pathways to Certification	Pulled by the Chairman	Neutral
SB1148	Continuous Improvement		Neutral
SB1149	Career and Technical Ed Performance Measures		Neutral
SB1195	Income Tax and Unemployment Tax Reduction		Oppose
SCR117	Rejection of Literacy Plans and Mentoring Plans Rules		Neutral
SCR118	Rejection of School Bus Operation Rules		Neutral
SCR119	Rejection of portions of the High School Graduation Requirements		Neutral