

Idaho Legislative Update – January 2014

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Insight — 1/9/2014

The Idaho Legislature convened on Monday, January 6th, and it was highlighted by Governor C.L. "Butch" Otter's State of the State address to a joint session of the Idaho House and Senate. As I previously mentioned, the political makeup of both the Idaho House and Senate remain the same going into the 2014 session, with the House of Representatives consisting of 57 Republicans and 13 Democrats, and the State Senate at 28 Republicans and 7 Democrats. Also, 2014 is an election year in Idaho, and the primary election will be held in May, which should translate to a shorter session with less controversial bills.

State of the State: Governor Otter's State of the State address was highlighted by what the Governor called his highest priority for 2014 and beyond, and that is investing in "K-through-Career" education and workforce development in a way that is "targeted, responsible and sustainable." This includes a budget request for \$54.7 million toward achieving these goals by starting the implementation of his education stakeholders' task force recommendations, including a \$35 million "down payment" towards restoring education cuts as a result of the economic downturn. The Governor's address also included a budget recommendation that proposed a \$2.885 billion budget for next year in State general funds, a 3.7 percent increase from the current year's budget, including a 2.9 percent increase in general funds for K-12 education, one-time deposits in rainy day funds totaling \$71 million, as well as setting aside \$30 million in his budget proposal for some form of tax relief, in which he stated that his support for a third consecutive year of tax relief "must be in the context of advancing our goals for Idaho's education system." The Governor did not include expanding Medicaid in his budget proposal for the coming year; however, he did propose a 3.4 percent increase in the State's Catastrophic Care Fund. Governor Otter also proposed a one-time \$15 million investment in water supply improvement projects, and a one-time spending of \$2 million to create a Wolf Control Fund. The Governor concluded (in the context of it being an election year) by asking lawmakers to put aside partisanship and personal ambition in the public interest. A full reading of the Governor's State of the State address can be found [here](#).

Budget: Due to the fact that the Idaho Constitution requires that the Legislature balance the budget, the biggest challenge facing the Legislature once again will be meeting the funding needs of state agencies and public education, while still balancing the budget. The Joint Finance and Appropriations Committee will spend the first four weeks of the legislative session hearing budget request presentations from state agencies and departments. A summary of the Governor's proposed 2014-

2015 budget can be found here.

Key Issues Facing the Legislature: Given the fact that 2014 is an election year in Idaho, and the primary election is just months away (May 20), this year's session is sure to be shorter than the 88-day session last year, which proved to be the 7th longest in State history. Still, there are a few issues that are likely to be addressed during the 2014 legislative session. Here are just a few:

- **Personal Property Tax:** Last year the Idaho Legislature approved legislation that exempts Idaho businesses from paying up to \$100,000 in personal property taxes, which exempted approximately 90 percent of Idaho businesses from paying the tax. The Idaho personal property tax is an annual tax levied against equipment and machinery used by businesses, which provides revenues to cities, counties and local taxing districts. This session, business groups, led by the Idaho Association of Commerce and Industry are pushing legislation that will expand the exemption threshold to \$250,000 with an option for each county to waive the tax in its entirety. These proposals have a good deal of legislative support; however, past efforts have mostly been held up by the resulting loss in revenues to local governments and disagreements on how best to replace those lost revenues moving forward.
- **Education:** Governor Otter's 31-member education task force came out with its recommendations in the fall; highlights include: a teacher salary career ladder, a reversal of recession-era cuts in K-12 funding, and a renewed push for classroom technology. The recommendations of the task force come with a hefty price tag estimated at \$350 million. In response, Governor Otter has pledged a five-year education plan to overhaul Idaho education with gradual implementation. Additionally, legislative Democrats have drafted bills to implement some of the task force's recommendations, and State Superintendent of Public Instruction Tom Luna has already lent his support. One plank of the task force's platform is supporting the Idaho Core Standards, commonly known as "Common Core." The new and controversial math and English language arts standards allow Idaho to compare its student performances with other states.
- **Medicaid Expansion:** In response to President Obama's health care overhaul, commonly called Obamacare, last year's Legislature opted to establish a state-based health care exchange, rather than a federally-run exchange, where citizens can go online and compare rates and benefits of various policies. Because the health exchange issue became so contentious in 2013, the Legislature opted out of expanding Medicaid in Idaho last session but they could revisit the issue this year. Obamacare initially included overhauling Medicaid by adding many low-income earners to the program, but the U.S. Supreme Court left the final decision up to the states. Although the Governor didn't include Medicaid expansion in his budget recommendation, I predict that there will still be a push by some lobbyists and legislators to expand this

program in Idaho.

Other issues that could surface this session include proposals to restrict eminent domain, transportation funding, state control of wastewater permitting, lowering corporate income tax rates, health care legislation, and much more. An excellent resource for tracking bills, agendas, legislator information, and much more, can be found on the Idaho Legislature's website at www.legislature.idaho.gov.

Finally, last month I moderated a legislative panel hosted by Holland & Hart of the Northwest Environmental Business Council. Senator Monty Pearce, Chairman of the Resources and Environment Committee, and Representative Lawrence Denney, former Speaker of the House and current Chairman of the Resources and Conservation Committee, discussed environmental and public lands issues that will be considered by the Idaho Legislature this year. On March 20, Holland & Hart will play host again to the NEBC when the Rocky Mountain Chapter presents a luncheon with Dennis McLaren, Regional Administrator of EPA Region 10.

Please contact me with any questions or comments.

I hope you are having a happy and prosperous new year!

Jonathan

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