



Idaho Association of
Commerce & Industry
The Voice of Business in Idaho®



Legislative Report — January 15, 2010 • Week 1

Friday, January 15, 2010

NEWS TO USE — Governor Otter Shares Budget Plan

Governor Otter kicked off the 2010 Legislative Session with his annual State of the State Address in the newly renovated state Capitol building. This was the longest of his four addresses as Governor. The majority of the time was spent discussing the struggling economy and its effects on the state budget. The Governor recommended a balanced budget for FY2011 based on zero growth from FY2010. To achieve this objective, the Governor advocated for the removal of several boards and commissions from the general fund as well as the Idaho Department of Parks and Recreation. The Governor's plan is based on his commitment to five fundamental principles, which he noted:

(1) We must not raise taxes; (2) We must continue to maintain some level of cash reserve against the prospect of our economic recovery taking longer and being less robust than we hope; (3) We must do whatever we can to protect the educational opportunities and safeguard the potential of the next generation of Idahoans; (4) We must do whatever we can to protect the health, safety and well-being of our citizens; and (5) We must do whatever we can to avoid any duplication of effort or any waste of the taxpayers' hard-earned dollars.

The Governor also discussed various ideas for helping the state's economy rebound, which were mentioned in both his Business and Technology Summits last year, including eliminating the personal property tax on business, and creating a home buyer tax credit much like the state of Utah did last year. The Governor's budget also asks for the majority of the "rainy day" funds to be spent.

We would also like to thank Wayne Hammon, Administrator of the Division of Financial Management, for attending our first Legislative Committee meeting of the year on Tuesday. Wayne presented Governor Otter's FY2011 budget recommendation which he presented to JFAC earlier in the day. Following his presentation Wayne answered questions from the group on many of the Governor's budget items.

Rules, Rules, Rules

In an annual rite of passage, each state agency is currently being scrutinized for the rules they implement to enact statutes and policy directed by the Idaho Legislature and Governor. These rules are annually reviewed to ensure they are not exceeding the intent of the laws that are passed. IACI is engaged in the rule-making process throughout the year and obviously has several members interested in a variety of issues.

The two main rules IACI is currently supporting come from the Department of Environmental Quality. The first rule deals with allowing an air quality permit holder to blend fuels on site as long as the resulting emissions do not exceed the permitted level for sulfur. This rule is modeled largely after Utah law, but Oregon has a similar provision. There was no opposition expressed to this rule. The second rule implements the auto emission program for both Ada and Canyon counties. This rule was supported by a number of IACI's members with operations in the Treasure Valley. Implementing this rule is an important step in continuing the valley's ability to grow while ensuring we do not exceed federal standards for air quality.

Comprehensive Aquifer Management Plan — Funding Implementation

It is likely there will be legislation in the coming weeks to implement the next, and perhaps the most difficult, phase of the Comprehensive Aquifer Management Plan. IACI will be engaged in this process. Negotiations are ongoing to institute a fee that will be paid to implement the various portions of the plan, including aquifer recharge pro-

Legislative Committee Meetings Begin

With the Idaho Legislature in session, the weekly meetings of the **IACI Legislative Committee** have begun. This Committee is open to all members every **Tuesday at 10:00 a.m.** The meetings will be held in our new office conference room at 816 West Bannock Street, Suite 5B. Agenda and relevant meeting documents are sent on Mondays the day before each meeting. We encourage you to participate in person or by phone!

IACI Environment Committee Meets at 10:00 a.m. next Thursday, January 21. Agenda to follow early next week.

Federal Health Care Reform

President Obama spent most of Wednesday meeting with Democratic leaders in both houses to finalize a bill on health care reform. The current issues yet to be resolved are regarding (1) how to fund the bill, and (2) how the legislation will deal with abortion coverage. The President hopes to have an agreement by mid-February on this issue so he can announce the deal in his annual State of the Union address. Today the White House announced it thought it had a plan in place after cutting a deal with organized labor on how to tax high-cost insurance plans.

Cap and Trade

Regarding cap and trade legislation being debated in Washington DC, the EPA has announced it would regulate greenhouse gas emissions under the Clean Air Act due to a lack of action in the US Senate. This has led to discussion of possible amendments being made by Senator Lisa Murkowski of Alaska, which would limit the EPA's authority to regulate this

jects. The legislation will likely utilize a hybrid of processes within water districts and county offices to assess the fee at the rate of \$1 per acre foot for surface water and \$2 per acre foot for ground water. There are other allocations outlined for spring users, power interests, municipalities and industrial customers. Also, in a welcome development, the Governor allocated \$1 million in federal stimulus money to the project. Considering the current budget issues facing the state, it is a clear indication that this issue is a very high priority for the administration.

EFAS authority to regulate this issue, which is coming up next week when the Senate debates raising the debt ceiling.

IACI Bill Tracking:

Watch for this listing in the coming weeks, which tracks all legislation on which IACI takes a position.

◆ Questions or comments? Email us at iaci@iaci.org or call 208-343-1849. ◆

F-35 Prospect for Idaho



IACI has been invited to be part of the team working to secure the location of the world's first "Fifth Generation" fighter, the Lockheed Martin F-35. What makes it a new generation fighter is the advanced avionics, which are laid out in a flat screen and appropriated to ensure the pilot can focus on the battle rather than just trying to keep the aircraft flying. Out of 250 possible locations, the list has been narrowed to 11, with Idaho being the only state with two locations. First is Gowen Field in Boise, which is being considered as an international training facility. The other is Mountain Home AFB, where they are competing to receive the aircraft as part of their regular operations. The selection of either of these locations would result in the hiring of thousands of new employees to service and support the new squadrons. "We want these aircraft in Idaho because we want to ensure that our neighbors and friends, sons and daughters, and moms and dads are flying and working with the most advanced and safest equipment possible when they are being sent into harms way," said Alex LaBeau, President of IACI.

Personal Property Tax Elimination Efforts

IACI is currently still engaged in negotiations with the Idaho Association of Counties in an effort to develop a plan for the state to eliminate the personal property tax on equipment, machinery and tools. So far, there are seven basic elements IACI has agreed to develop in drafting the legislation:

1. The Legislation should establish a threshold baseline for replacement dollars of the personal property tax.
2. Any legislation to eliminate the PPT must be at least revenue-neutral for local government to assure there are no shifts in tax liability to other classifications of property.
3. Legislation should not be based on an appropriation process (repeal the current provision), as the current language inherently indicates that the Legislature will remove the appropriation in the future. We must have certainty in the revenue source.
4. Legislation should consider a mechanism whereby inflation or growth are accounted for in the revenue replacement, i.e. a revenue-sharing method.
5. Administration of the personal property tax will be eliminated.
6. This legislation must be based on triggers that come from growth in state revenue beyond the 2008 revenue level, either in a one year or a phased-in approach. This ensures that state programs are held whole and lawmakers are not forced into a choice between cutting programs or tax relief.
7. We must fix the hastily conceived operating property exclusion. The current exclusion of operating property is likely unconstitutional because similar property is being tax differently. Operating property is a method of assessment by the state and no different than locally assessed property.

Our thoughts and prayers are with the following public servants today:

Rep. Jim Marriott who lost his wife this week; Rep. Gary Collins who recently lost his grandson; and former Sen. Atwell Parry who is being cared for after a serious car accident yesterday morning.

