

The Second Regular Session of the 60th Idaho Legislature ended on March 29th, 2010. Unlike last year's session which ran 117 days, the 2010 session lasted only 78 days, marking one of the shortest sessions in recent years. The state has been suffering from low revenues and budget cuts from the previous year. Those problems were only augmented during this year's session. Balancing the FY 2011 and FY 2012 budgets without raising revenue became the major theme during this legislative session. In order to accomplish this task, agency budgets that garner the lion's share of the General Fund had to be cut. Public education which makes up 65% of the budget and Health and Welfare at 19% saw the largest cuts while legislators turned over every stone to find much needed dollars to finish their work. Public education was cut \$138 million and the Department of Health and Welfare had over \$130 million cut out of its Medicaid and personnel budgets. The process was not easy. These budgets were difficult for many legislators and they exercised creativity in attempting to maintain funding for necessary programs.

Early in the session many state agencies started searching for funding in very creative ways. Most notably, Tom Luna, the Superintendent of Public Instruction, looked for a way to offset \$138 million in education budget cuts. With only \$18 million left in 'rainy day' funds, Luna looked at removing \$53 million from the Endowment Land Fund. The Land Board gave education an extra \$22 million-less than half of what the Superintendent requested-justified by the fact that the removal of these funds had never been done before. The Land Board rejected the \$53 million request because it would have come close to completely exhausting the fund and the board feared it had the potential to make FY 2012 education cuts deeper.

Revenues have continued to decline over the past few months. The total shortfall for the year-to-date is \$41.6 million. All departments took at least a 6% cut in funding with many programs and departments taking much deeper cuts. There was no extra money for new programs, making any bill with a negative fiscal impact virtually impossible to pass. Legislators were wary of raising taxes and fees or removing tax exemptions for additional revenue because of the impact on the producer and consumer alike. Legislators tried to balance the budget instead of potentially harming the economy even more by placing new fees and taxes on Idaho citizens.

Even as the 2010 Legislature was in its final days, lawmakers had already come to the realization that a special session is possible if the teetering economy continues to falter. April is a critical month as taxes come due and the bulk of the revenues will be seen. Idaho's fragile budget plan for the final four (4) months of this fiscal year could be putting the state on track for a special session before July if tax receipts do not improve. In one of the final actions of the session, the legislature allowed Governor Otter to access \$107 million in reserves to address any FY 2010 budget shortfalls that may arise.

Because 2010 is an election year the 2011 Legislature will see some new faces. Members retiring include Rep. Jim Clark (Hayden Lake-R) Chairman of the House Judiciary and Rules Committee, Rep. George Sayler (Coeur D'Alene-D), Sen. Kate Kelly (Boise-D) Senate Minority

Leader, Rep. Anne Pasley-Stuart (Boise-D), Rep. James Ruchti (Pocatello-D) House Assistant Minority Leader, and Rep. Donna Boe (Pocatello-D). Representative Braden Durst (Boise-D), who is currently in his second term in the House, will be running for the District 18 (Boise) Senate seat. Rep. Raúl Labrador (Eagle-R) and Rep. Russ Matthews (Idaho Falls-R) will vacate their legislative seats as they run for US House of Representatives seats in Idaho's 1st and 2nd Congressional Districts in this May's Republican primary.

The bulk of the legislature will continue to have a similar makeup. In the Senate all 28 Republicans currently serving are running for re-election with just under half of them facing primary opponents and only 11 facing Democrat challengers in the general election. On the other side of the aisle six (6) of seven (7) Democrat Senators will be seeking re-election all of which will face Republican challengers in the November general election. In the Idaho House of Representatives, 49 of 52 Republicans are running for re-election. Again less than half are facing Democrat challengers in the general while 19 are running completely unopposed. The House Democrats are looking at a much different ballot. Of the 18 Democrats currently serving only 13 will be running for re-election with ten (10) of those facing Republican challengers in the general election.

The state's seven (7) constitutional officers are also seeking re-election this cycle. Treasurer Ron Crane and Attorney General Lawrence Wasden are running unopposed while Secretary of State Ben Yursa and Superintendent of Public Instruction Tom Luna face Democrat challengers in the general election. State Controller Donna Jones will face a Republican challenger in the primary as well as a Democrat in the General if she is successful in May. Lieutenant Governor Brad Little will face two (2) Republican challengers in the May primary with one (1) Democrat and one (1) Constitutional candidate lined up for the general election. Topping the ticket is the Office of Governor. Incumbent Governor C.L. "Butch" Otter is seeking his second term in office with ten (10) others on the ticket. Two (2) Democrats, two (2) Independents, one (1) Libertarian, and six (6) Republicans lined up for the primary in May.

The Federal ballot is also crowded. Senator Mike Crapo (Idaho Falls-R) is seeking his third term on the 2010 ballot. He faces one (1) Republican challenger in the May primary which also features two (2) Democrats and one (1) Constitution candidates. In Idaho's 1st Congressional District Representative Walt Minnick (Boise-D) will be seeking his second term unopposed in the primary. In the general election he will face one (1) Independent, one (1) Libertarian, and the winner of the five (5) way Republican primary. In Idaho's 2nd Congressional District Representative Mike Simpson (Idaho Falls-R) will face three (3) Republican challengers in May's primary with two (2) Democrats and one (1) Independent also seeking election.

As is the case every year, there were many pieces of legislation that we tracked and engaged in on behalf of the Idaho Building Contractors Association (IBCA). Below are a few that were of particular interest to the IBCA.

The Idaho Association of Counties introduced H. 501 that would have allowed Counties to provide electrical and plumbing inspections. Currently all county electrical and plumbing inspections are done by the Division of Building Safety. After hearing the concerns of IBCA and others in opposition, the counties decided to pull the bill from consideration and have put together a working group to decide if there is a common ground in going forward. The major concern from IBCA membership was the cost of such county inspections. Our goal in discussions is to include language that ensures the inspection fees cost no more than the actual cost of the inspection. We will be participating in this working group and will continue to assert the IBCA position at the working group meetings.

<http://www.legislature.idaho.gov/legislation/2010/H0501Bookmark.htm>

House Bill 605 is a bill that addressed three (3) recent Idaho Supreme Court decisions concerning zoning of certain properties. The bill will provide for judicial review of all zoning applications allowed under the Local Land Use Planning Act (LLUPA) - a right that was severely restricted by the three (3) Supreme Court decisions. This bill also requires that applicants receive notice of their right to request a regulatory takings analysis for all decisions. H. 605 helps to clarify the confusion that was created in the recent court decisions. H. 605 has been signed into law and is effective immediately.

<http://www.legislature.idaho.gov/legislation/2010/H0605Bookmark.htm>

There were a plethora of urban renewal bills introduced in the House Revenue and Taxation Committee this session. All were considered in a subcommittee and incorporated into one larger bill that was held in the committee. The smaller pieces of legislation were all aimed at reigning in some perceived abuses of the urban renewal law. H. 567 was aimed at clarifying some of these uses as well as provided for economic development. The result of hours and days of deliberation was H. 672. While H. 672 was a consensus product of the urban renewal subcommittee, it seemed to be a bill that nobody liked. In the end all urban renewal bills were held with the idea that discussions would be held in the interim and more legislation would be brought forward in the next session to address urban renewal concerns.

<http://www.legislature.idaho.gov/legislation/2010/H0567Bookmark.htm>

<http://www.legislature.idaho.gov/legislation/2010/H0672Bookmark.htm>

House Bill 667 was introduced to deal with the public health districts' rules regarding subsurface sewage and waste water systems. The bill originally would have repealed all health district rules for sewage systems, allowing the Department of Environmental Quality to create and regulate a unified statewide plan. It was later amended to specifically address the issues dealing with Panhandle Health District. Ultimately the bill has had the desired effect on the health districts, as they have met with DEQ and other stakeholders and created a working plan with deadlines to create a statewide plan to regulate wastewater and sewage systems. With input from IBCA members we were able to help H. 667 pass both houses. The bill will go into effect

upon signature of the governor.

<http://www.legislature.idaho.gov/legislation/2010/H0667Bookmark.htm>

Senate Bill 1325 creates a statewide exemption from the water supply and access requirements within the International Fire Code. The exemption applies to single-family homes built on parcels outside the city area of impact that are five (5) acres or larger. S.1325 was a product of an interim working group that met several times last summer with all the stakeholders including IBCA representatives. The fire marshals, counties, and fire chiefs supported the legislation with the only opposition coming from the fire commissioners. The bill has been signed into law by the governor.

<http://www.legislature.idaho.gov/legislation/2010/S1325Bookmark.htm>

Senate Bill 1381 is a bill that was brought by Senator Chuck Winder from Eagle. The bill would have allowed the Legislature to review all sales tax exemptions currently in Idaho Code and to provide for a five (5) year sunset of any new exemptions enacted after July 1, 2010. S. 1381 passed the Senate but was held at the speaker's desk in the House. This debate is heating up as revenues continue to fall short. We can expect to see multiple versions of this idea in the future as the legislature looks for more revenue.

<http://www.legislature.idaho.gov/legislation/2010/S1381Bookmark.htm>

For a complete review of all the legislation that we tracked for the IBCA this session please see the attached tracking report. If you have any questions or would like to know more about any of the bills on this report please contact me and I will be glad to get that information for you.