A special meeting of the State Board of Education was held March 23, 2012. It originated at the Office of the State Board of Education, in the Len B. Jordan building, 650 W. State Street, 3rd Floor in Boise, Idaho. Board President Richard Westerberg presided and called the meeting to order at 9:00 a.m. A roll call of members was taken for the meeting.

Present:

Richard Westerberg, President     Emma Atchley
Ken Edmunds, Vice President     Bill Goesling
Don Soltman, Secretary       Rod Lewis

Milford Terrell joined the meeting at approximately 9:10 a.m.

Absent:

Tom Luna

INSTRUCTION, RESEARCH & STUDENT AFFAIRS

1. IGEM Program Guidelines

BOARD ACTION

M/S (Atchley/Goesling) I move to approve the guidelines for the Higher Education Research Council IGEM program awards as submitted. A roll call vote was taken and the motion passed unanimously. Mr. Luna was absent from the vote.

Ken Edmunds introduced the item and summarized this item is regarding the Governor’s Idaho Global Entrepreneurial Mission (IGEM) initiative and establishes the guidelines that will be followed by Higher Ed Research Council (HERC) to use the appropriated $2M.

Mr. Goesling questioned if a 30-day timeline would be better rather than a specific date as identified on Tab 1, page 6 of the Board materials. Mr. Edmunds responded that the schedule
was compressed to assist the universities, who did agree to the timeline and that the universities believe the schedule is adequate. Ms. Bent indicated HERC met on Tuesday and discussed the timeline, and all three Vice Presidents of Research (VPRs) did agree to it.

Mr. Goesling responded that BSU and ISU are on spring break next week and was concerned about them being at a disadvantage by that being a non-working week. Ms. Bent responded that BSU and ISU are in fact on spring break next week, but the timeline still gives them the 30 days that are customary with programs. Mr. Goesling responded after hearing these comments that he felt comfortable with the timeline.

Ms. Atchley questioned the section where it talks about the limits of the amounts not to exceed $700,000, stating it is not clear if it is $700,000 over a single year or over a three-year period. Ms. Bent responded it is $700,000 per year and the language will be clarified on the RFP.

Mr. Lewis asked for clarification if the grant was a $2M per year grant. Mr. Edmunds responded in the affirmative that the total sum of the funding is $2M per year.

PLANNING, POLICY & GOVERNMENTAL AFFAIRS (PPGA)

1. HB 559 – Economic Estimates Commission, Excess Revenues, Tax Reduction

BOARD ACTION

M/S (Soltman/Goesling) I move to oppose House Bill 559 and to authorize staff to testify in opposition to the bill. The motion passed with five votes in support of the motion. Mr. Terrell voted nay, Mr. Lewis abstained from voting, and Mr. Luna was absent from voting.

Mr. Soltman introduced the item and indicated HB 559 did pass the House vote on Monday. He asked Mr. Freeman for an explanation on this item. Mr. Freeman commented that this legislation was brought forward by Representative Moyle to amend a current expenditure limitation law. He summarized the current law reads the Legislature cannot appropriate ongoing General Funds in excess of five and one-third percent (5 1/3%) of the total personal income of the state for the following fiscal year. The 5 1/3% has been adjusted over the years since 1980 so that it now currently stands at 6.61%. H559 would return the expenditure limit back to its original limit of 5.33% and provide that any revenue in excess of the expenditure limit would be used in a number of specified areas. Those areas include a statutory transfer to Budget Stabilization Fund; if the remaining excess revenue is greater than or equal to $20M, it would go toward personal property tax relief. If both of those areas had been satisfied, any remaining excess would be used to incrementally reduce the top marginal rate of personal income tax to the level of corporate income and franchise taxes.

Mr. Freeman further commented that if H559 had been in effect for FY 2013, it would have reduced the State’s total General Fund appropriation by $108,510,300, for a net increase of only $3.8M for any growth in state government. Similarly, in FY 2012 the Legislature would have had to cut $91,854,300 from the total General Fund appropriation. Mr. Freeman commented that in working with the Governor’s office and Legislative Services in trying to arrive at estimates for the out-years, this bill is very complicated in terms of when the expenditure limitation hits and when the tax relief hits. Summarily, it would have a fiscal impact on the availability of revenue for any growth in appropriations. Additionally, Mr. Freeman added that as we have seen over the past
three or four fiscal years, Higher Ed has taken about a 26% cut and this bill could certainly impact funding for higher education.

Mr. Terrell was concerned about the impact this bill may have on higher education dollars, stating those monies are already considerably short. Mr. Soltman responded in agreement with Mr. Terrell’s concerns that this bill does have the potential to adversely affect Higher Ed funding. Mr. Terrell quoted from the bill, “If income tax rates are reduced due to excess revenues above the expenditure limitation, general fund revenue will be affected once the rates are reduced, but no sooner than the second half of fiscal year 2015 and thereafter.” He followed by stating that his feeling is the impact on Idaho’s institutions is already too great. Mr. Terrell questioned if this was something the Board needs to debate or if they are just supposed to accept it.

Mr. Freeman responded that the House passed the bill with a fairly high margin. At this time staff does not know if the bill will have a hearing in the Senate Local Government Tax Committee or not. He stated staff has heard from the Chairman of the Committee that it would certainly be helpful for the Board to take a position on this legislation.

Mr. Edmunds questioned how the bill got this far and why the Board was just now hearing about it. Mr. Freeman responded the bill was introduced during the middle of the legislative session and because of it is complexity it took a while for the Governor’s office and Legislative Services to analyze it. Additionally, the Governmental Affairs Directors from the institutions have been analyzing the fiscal impact of the bill this week. He also commented the bill uses concepts and terms unique to the Federal government, which has taken a lot of work to figure out what will happen if this bill passes.

Dr. Rush from the Board office added that as an additional complexity it also subtracts income out of the total amount for which it applies the percentage. Essentially, it takes a good deal of Federal income, including Social Security payments, out of the calculation so the percentage is applied to a smaller number which is why the impact is greater than under previous pieces of legislation. Dr. Rush said in direct response to Mr. Edmunds that the Board office became aware of this bill on Monday and has been working very hard to get information together for Board members.

Mr. Terrell asked where the three lobbyist universities stand on the bill. Mr. Freeman responded the Governmental Affairs Directors are strongly opposed to the bill. They are not lobbying until the Board takes a position.

Mr. Lewis asked if it is wise for the Board to step into this issue. He commented his understanding is this bill will likely not move forward in the Senate. He further commented he understands why the institutions are concerned about it. Mr. Lewis expressed concern about the Board stepping into an issue regarding whether or not there should be caps on government spending in the state. Mr. Lewis felt it is a higher level issue and cautioned the Board about its intervention right now.

Mr. Soltman said the current cap is 6.61% and this would in effect keep the cap at that rate and not reduce it back to the 5.13%. Mr. Freeman responded that was correct. Mr. Goesling said if the Board can establish a position on this bill, by taking a stand the Board can help identify what the impact would be on higher education.
Mr. Lewis continued to express concern about the Board taking a vote on this motion and suggested this is not a motion the Board should take up. Mr. Westerberg suggested the Board is taking a position in opposition of this bill because of its complexity and the fact that it has not been fully explored yet, and the Board and Staff do not understand the full effect of the bill. There was further exchange between Mr. Lewis and Mr. Westerberg regarding this bill. Mr. Lewis said he would be amenable to support the motion if it was in the spirit of lack of understanding about the bill, but it the motion is in opposition to the bill.

There was discussion between Mr. Terrell, Mr. Lewis and Mr. Westerberg about offering a substitute motion to defer voting on today’s motion until there was sufficient time to explore the bill. Mr. Westerberg responded that he felt the motion before the Board today is appropriate and the Board would be voting in opposition of it because they are in fact not really sure of its impact on Higher Ed funding.

Ms. Atchley felt that the approach taken with this bill is somewhat in opposition to the Governor’s desire to increase GDP in the state. Ms. Atchley commented if the Board believes this bill will have a negative impact on our institutions then it would be wise to vote against it. Ms. Atchley said the Board is not opposing any cap, just reducing the cap that currently exists. Mr. Soltman echoed the comments of Ms. Atchley.

OTHER BUSINESS

There being no further business, a motion to adjourn was entertained.

M/S (Terrell/Soltman): To adjourn at 9:44 a.m. The motion carried unanimously.