

IDAHO CREDIT UNIONS

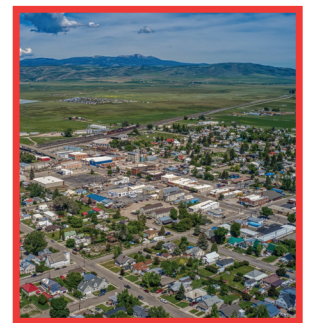
IDAHO 2023 LEGISLATIVE SESSION



Credit union advocates' voices were heard clearly this session, as we worked in unity to educate new lawmakers about the Credit Union Difference, supported priority legislation, and staved off legislation that would have been potentially harmful to credit unions.

General Overview and Themes of the 2023 Legislative Session

In the 2023 Idaho Legislative Session, we saw 630 bills introduced and 210 bills enacted into law. A legislative session that started out relatively slowly started to pick up quite a bit once we hit February and ended on par with other years in regards to the amount of work that was accomplished. On Thursday, April 6th, the legislature officially Sine Die adjourned, after 88 legislative days of a very active Legislative Session. For the first time in Idaho's history, the legislators will be able to call themselves back into session without the Governor's approval, within 15 days of a written request of 60% of each the House and Senate membership. This change to governmental operations is historic and was made following a successful ballot initiative on the 2022 November ballot (**SJR 102**), which was agreed to by a majority of Idahoans.



Overall, the legislative session was everything we expected it to be with 48 out of the 105 members of the Idaho Legislature being new. We saw good legislation passed, we saw poor and unnecessary legislation introduced and passed, and a lot of discussion and debate on contentious social issues that may or may not have been necessary for the positive future of the State.

Finally, if you recall earlier this year, we highlighted the need to make meaningful connections with new legislators and educate them on the importance of Idaho's credit unions and the essential role they play throughout the state. I can report back that we were successful in starting those meaningful relationships. Below we have outlined the major issues your GoWest team worked extensively on for the last three months. There are many ways we gauge success. Oftentimes it's measured through passing legislation that advances the Idaho Credit Union Act; however, this year's success was gauged through the amount of poor public policy we fought off that was aimed at the financial services industry.

Financial Literacy:

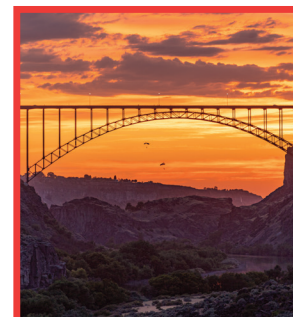


The GoWest advocacy team is pleased to announce the final passage of official financial literacy requirement legislation for the State of Idaho, which we have had as an objective over the course of the last few years. **House Bill 92** is a great piece of legislation that mandates high schools to provide a financial literacy class to all students in grades 9 through 12. As many of you know, trying to strike the right balance on what financial literacy legislation looks like in Idaho can be an art, which must balance mandated requirements with stakeholder feedback. It has taken many years working with the right legislators, the education stakeholders, and the right personnel at the Idaho Department of Education to bring this to fruition. We were able to get HB 92 across this finish line, this year unanimously in both the House and the Senate,

A little bit more background on how we were able to accomplish this effort: many of you worked extensively on your own financial literacy programs and partnering with schools all around the state. GoWest, and many of our Idaho credit union leaders started having meetings with the then State Superintendent of Public Instruction candidate, Debbie Critchfield, about the importance of introducing and passing financial literacy legislation. These conversations continued to evolve, and we were able to connect with the right legislator who had personal experience and saw the value of learning about personal finance in high school. Fast forward to the 2023 Legislative Session, and it was an easy sell with many legislators seeing the true value in the policy. It sailed through the legislative process, and across Governor Little's desk. Thank you to all of you who played a role behind the scenes getting this impactful legislation passed through the Idaho Legislature, as it has been many years in the making and we could not have done it without all of you. This is certainly a win for Idahoans.

ESG Related Legislation

The GoWest Credit Union Association worked closely with Idaho State Treasurer Julie Ellsworth on House Bills 189 and 190 leading up to the 2023 Legislative Session to ensure Idaho's credit unions were protected from overly burdensome or draconian legislation that focused on the issue of Environment Social Governance (ESG) policy, which was one of the main policy themes this year. Both pieces of legislation would have directly impacted Idaho credit unions negatively and we worked diligently to alter and amend the language to lessen the blow. There was no question that the Idaho Legislature (across the board) had an appetite to pass ESG legislation this year, so it was in our best strategic interest to work with them, rather than put our heads in the sand or dig-in to try and stop the legislation completely. As we were unlikely to win the symbolic policy battle, we made adjustments to protect our members.



House Bill 189 originated out of Treasurer Ellsworth's office, and it focused on prohibiting companies that contract with the State of Idaho (and political subdivisions) from boycotting certain industries. These industries included fossil fuel-based energy, firearms, agriculture, timber, minerals, nuclear power, and hydroelectric power. As expected, HB 189 ran into a major headwind from the greater business community. There were debates about whether there would be a significant impact on Idaho's credit unions due to their relationships with "political subdivisions," local governments and/or taxing districts, and if those relationships would fall under the definition of a contract. Ultimately, HB 189 passed the House of Representatives 53-17 but was never given a hearing in the Senate due to the work of a coalition of business groups and businesses, including GoWest.

House Bill 190 could have had a direct and significant impact on Idaho's credit unions and banks, especially those who hold state deposits. HB 190 also originated out of the Idaho Treasurer's office, where she added an additional step during the application process, if you chose to become a state depository. Following the passage of the legislation, you will now have to sign an affidavit claiming you do not boycott the industries mentioned in HB 189.

GoWest had been in negotiations with the Treasurer on HB 190 since September so we were able to tone down additional requirements as well as provide an appeals process if the Treasurer felt financial institutions were guilty of discriminating practices against any of the named industries. Ultimately, this was a win for the association and Idaho's credit unions. What the Treasurer was proposing to accomplish was well within her jurisdiction, since she oversees the public funds programs in the State; however, through tough negotiations, we were able to limit her abilities regarding doing business as a state depository, while providing an ESG win for the Legislature.

House Bill 191 puts more requirements on state procurement statutes and the metrics Idaho agencies use in determining who is awarded State contracts. In other words, procurement departments at state agencies cannot award a state contract to a company based on an ESG criteria. This was a reaction to an incident where legislators felt a state agency awarded a construction company a contract that legislators felt was based off a particular social criterion, rather than merit or capabilities. HB 191 had little to no impact on Idaho's credit unions.

Merchant Category Codes (Guns and Ammunition)

Rep. Ted Hill (R-Eagle) introduced **House Bill 295a**, in early March, in order to push back on the newly approved guidelines passed by the International Organization for Standardization (ISO), which established gun and ammunition merchant category codes for use in the financial sector. The ISO created these new codes in order to assist law enforcement with tracking major gun and ammunition sales in the event of a mass shooting or other illicit activity. Conservative lawmakers in Idaho viewed this as a surveillance mechanism on law abiding citizens and wanted to just outlaw these codes from being used in Idaho outright. GoWest worked with the Idaho Bankers Association along with Rep. Hill to introduce legislation that would do just that; however, the punishment on financial institutions was not severe enough if they were caught tracking these purchases in the view of the Representative, along with other interest groups, like the NRA. The conversation rapidly developed into another ESG policy component that the author and others felt compelled to implement on Idahoans, which could not have been further from the truth.

Shortly thereafter, Rep. Hill and the NRA introduced a new version of HB 295 that went after ALL financial institutions that are involved in this process (issuers and acquirers) even if they had nothing to do with assigning these codes and merely just processing their member's transaction. After working with legislators, we were able to provide an amendment that removed credit unions and banks entirely from the legislation, which removed any liability concerns moving forward.

This was a huge win for Idaho's credit unions, as it removes the opportunity for the NRA to bring this issue back next year because the codes are already outlawed for use in the state. It is no easy task when you are working directly in opposition to an organization such as the NRA in a state like Idaho, and legislators were not shy about letting us know that.

Thank you to those who reached out to Senate leadership and committee members to voice concerns regarding HB 295. It truly made a difference.



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Legislative Issues That May Come Back In 2024

Idaho Bankers Association Legislation:

At the start of the 2023 legislative session, the IBA intended on bringing three pieces of legislation:

1. ATM and branching updates to the Idaho Bank Act;
2. Credit Opportunities for Rural Idahoans (agriculture loan tax exemption); and
3. IRS anti-disclosure legislation.

Only one of the three bills was introduced and it did not advance.

We do anticipate the IBA to bring the Idaho Bank Act updates back next year, along with the agriculture tax exemption. This is similar to a piece of legislation circulating in the U.S. Congress. It reflects the bankers' approach to how they are working to push back against their perceived inequities in competing against credit unions. Moving forward, it seems they have shifted their talking point to no longer looking to go specifically after the tax structure differential; rather, they are looking for opportunities to decrease their own tax burden. GoWest has worked extensively with the Chairs in both the House and Senate Revenue and Tax committees to voice our concerns on why this conversation should not be had and how those tax "savings" will not go back into lower rates for the customers, but rather be shifted to benefiting their shareholders outside of Idaho. So far GoWest has been successful in preventing a hearing or bill introduction and we will work to keep it that way.

Interchange Fees

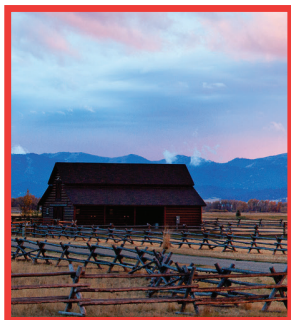
In the 2022 and 2023 legislative sessions, Senator Mark Harris (R-Soda Springs) brought legislation forward in an attempt to remove the sales tax on all interchange fees. **Senate Bill 1066** is identical to what was introduced last year and was pushed for strongly by the Idaho Retailers Association and the Northwest Grocers Association.

GoWest worked closely with the Idaho Bankers Association, and the Electronic Payments Coalition, to meet with legislators in the Senate, prior to the information hearing on this issue. We were able to educate members on what those fees are used for and why they are essential. SB 1066 did not advance out of committee; however, we would not be surprised if it was brought back again next year. It seems interest has continued to pick up in Idaho and other states on interchange and it most likely stems from the conversations being had in Congress regarding the Durbin Amendments.

Unclaimed Property

Treasurer Ellsworth introduced a fifty page repeal and replace bill, towards the middle of March, with the goal of overhauling the Idaho Unclaimed Property Act, introduced as House Bill 188. Many wondered why she did not take small bites out of the apple, by putting together a three- or four-year plan to overhaul the Act. Fifty pages sounds a little daunting; however, she was not rewriting most of the Act, instead it was mainly focused on reorganization and updating sections to reflect technologies that are now used to communicate and send notifications, etc. Many states are doing similar updates, and they typically follow the direction of the Uniform Law Commission (ULC), when they push out model legislation; however, the Treasurer did not earn the endorsement of the ULC in H188 because she self selected which sections she wanted to be updated or left intact.

There was an amended section that decreased the number of years dormant accounts had to be turned over to the Treasurer's office from five to three. I reached out to a handful of you to ask whether this negatively or positively impacted your credit union and what your preference would be in this section. The feedback I received was to keep the timeline at five years. We were successful in getting this amendment put into **HB 188**. Unfortunately, we ran out of time and the bill passed the House 65-1-4 but stalled in the Senate. I do think the Treasurer will bring this back next year, especially after she received the support of the Idaho Retailers Association and other stakeholders that are impacted by unclaimed property in Idaho. The GoWest advocacy team will work to include the developed amendment language in future versions of the legislation.



Homestead Exemption:

Another piece of legislation that was introduced, late in the legislative session, was **Senate Bill 1118**, which would have increased the Homestead Exemption in Idaho. The bill increased Idaho's homestead exemption from \$175,000 to \$250,000. This is a significant increase, especially after the last increase was passed just recently in 2020. There was speculation on why Senator Kelly Anthon (R-Burley) was interested in increasing the exemption, but it seemed there were some constituents that were dealing with personal bankruptcies, and this may be a way to help alleviate some of their problems.

In conversations with the Senator, he acknowledged we had some heartburn over this because it ultimately goes directly against what we can collect during a bankruptcy proceeding, but he seemed willing to work with the credit unions and banks on this issue to find common ground. There were conversations from other legislators on whether it would be a good idea to index the Homestead Exemption, which we were opposed to due to the subjective nature it presents in court; however, the consensus was that a roughly 15% increase would be adequate based on the increase in the valuation in Idaho's real estate. This would increase the exemption to around \$200,000. Conversations were still ongoing when the legislature adjourned for the year, so this is an issue that may come back next year.

GoWest Legislative Compliance Guidance Will be Forthcoming

The GoWest Compliance team will be issuing guidance information on the legislation that may have an impact on Idaho credit unions. Please be sure to review the Idaho-specific Legislative Compliance Bulletin to determine how new laws passed in 2023 may impact your credit union operations going forward.

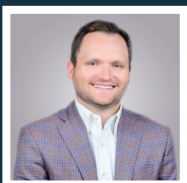
Preparing for the 2023 Idaho State Issues Work Group



As the 2023 Session of the Idaho Legislature comes to an end, our future-focused policy efforts begin anew. We have a great deal of additional work to do in the months and years ahead to continue modernizing the Idaho charter, to improve the operating environment, and to identify additional opportunities for Idaho credit unions. We will continue these efforts with the launch of our 2023 Idaho State Issues Working Group (I-SIWG), which will convene later this Spring, to renew our review of the Charter and to begin setting the policy agenda for 2024-2026. If you or a member of your team would be interested in participating in the 2023 I-SIWG, please reach out to Zach Forster, regarding the interest.

Additionally, our collective work to continue the education and outreach to all elected officials in Idaho, especially the significant number of freshman legislators, will continue for the remainder of 2023. I would urge you to join the GoWest advocacy team as we meet with these leaders, back in their home district, to continue discussing legislation and policy concepts and how it can impact your ability to continue serving Idaho constituents.

If you have questions about the 2023 legislative session or are interested in being a part of future Idaho advocacy activities, State Issues Work Groups, and/or Idaho Government Affairs Committee, please contact Zach Forster, Vice President of Legislative Affairs for Idaho at zforster@gowest.org.



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