

MINUTES
Approved by Council
Legislative Council
Friday, June 16, 2017
8:30 A.M.
Room WW17
Boise, Idaho

Legislative Council members in attendance were Chairmen Speaker Scott Bedke and Pro Tem Brent Hill; Senators Bart Davis, Steve Bair, Steve Vick, Michelle Stennett, and Cherie Buckner-Webb; and Representatives Mike Moyle, Clark Kauffman, Jason Monks, Mathew Erpelding, Phylis King, and Paulette Jordan. Absent was Senator Grant Burgoyne.

Also in attendance were Legislative Services Office staff: Eric Milstead, Terri Kondeff, Michelle O'Brien, Ben Cumber, Eric Glover, Jenna Knobloch, Janet Jessup, Rob Sepich, Christine Otto, Glenn Harris, April Renfro, Anastasia Leonova, Nic Moore, Diba Paymon, Lindsay Castano, Chris Prochaska, Tetiana Kanashuk, Dianne Smith, Paul Headlee, Keith Bybee, and Robyn Lockett; Idaho House of Representatives: MaryLou Molitor and Susan Werlinger; Idaho Senate: Mary Sue Jones; Office of Performance Evaluations: Rakesh Mohan; and Senator Chuck Winder.

Representative King moved to approve the November 11, 2016, and March 21, 2017, minutes, seconded by Representative Kauffman, and the motion passed by unanimous voice vote.

Director's Report

Eric Milstead, Director, Legislative Services Office (LSO) introduced new LSO staff hired after the June 17, 2016, Legislative Council (Council) meeting: Ben Cumber, Programmer Analyst, Information Technology; Eric Glover, Legislative Librarian, (taking over for Kristin Ford), and Jenna Knobloch, Research Assistant, Legislative Library; Janet Jessup, Rob Sepich, and Christine Otto, Policy Analysts, Budget & Policy Division; Anastasia Leonova, Diba Paymon, Lindsay Castano, and Chris Prochaska, Staff Auditors, and Nic Moore, Staff Auditor III, Audits Division; Tetiana Kanshuk, Administrative Assistant, and Dianne Smith, Gift Shop Assistant Manager, Central Administration.

Director Milstead announced LSO staff promotions and departures: Paul Headlee, Budget & Policy Division. Mr. Headlee was appointed Division Manager, succeeding Cathy Holland-Smith who retired in May 2017. Keith Bybee, Budget & Policy, was appointed Deputy Division Manager, taking over for Mr. Headlee. Jackie Gunn, Editor, Research & Legislation, after nine years with LSO, is moving on to a different line of work, and Ray Houston, Principal Analyst, Budget & Policy, is retiring in August after 28 years of service. Director Milstead acknowledged that both Ms. Gunn and Mr. Houston will be greatly missed.

General Fund Update

Paul Headlee, Division Manager, Budget & Policy, stated that he looks forward to serving the Legislature as division manager. He commended the quality of staff and noted that only three managers have served in the 45-year history of the division, which speaks to the commitment to the institution and budget process.

Mr. Headlee stated that the General Fund appropriation and revenues are in good position at \$64.7 million ahead of forecast and \$15.7 million ahead of budget. Speaker Bedke asked if the \$64.7 million included the \$50 million unrecognized in fiscal year 2015. Mr. Headlee confirmed that the \$50 million has been recognized. Mr. Headlee noted the fiscal year 2018 revenues totaled \$3.51 billion and appropriations totaled \$3.45 billion, leaving a \$63.8 million ending balance.

Mr. Headlee provided a 22-year history of the General Fund and highlighted fiscal year 2018 appropriations. He noted the decreasing percentage trend for education, whereas an increasing

(although, now leveling) trend in Health & Welfare and Adult & Juvenile Corrections percentages. The 22-year history provides perspective, trends, and stories behind the General Fund appropriations. Senator Davis asked if there was also a history for reserve fund balances. Mr. Headlee confirmed that data was available and would be provided to the Council.

Mr. Headlee provided a fiscal year 2017 General Fund update including revenues, transfers, and appropriations with an ending balance of \$73.4 million. When calculating in the \$64.7 million ahead-of-forecast and \$50 million recognized, the ending balance is now \$89.1 million - \$15.7 million ahead of budget. Mr. Headlee stated there was no update for fiscal year 2018, since it has not started; however, the bottom line is \$63.8 million plus surplus. Details of the revenues, transfers, and appropriations were also provided to the Council for reference.

Mr. Headlee reviewed major reserve fund balance estimates for fiscal year 2017, which totaled \$474.5 million, and provided fiscal years 2016, 2017, and 2018 revenue and appropriation metrics for General Fund revenue collections and forecasts. He added that the Department of Financial Management revises the forecast every six months, which LSO tracks. Senator Davis asked if the Supreme Court reversal would have an impact on the forecast. Mr. Headlee confirmed that the effect would be reflected in fiscal year 2019 revenue forecast that is \$170 million above the fiscal year 2018 estimate. He added that if the veto of the grocery tax bill is overturned, it would decrease the forecast by \$80 million, resulting in approximately \$90 million in new revenue for fiscal year 2019. Speaker Bedke asked if that included the increase of revenue sharing to counties. Mr. Headlee responded yes. Mr. Headlee reminded the Council that these estimates are based on forecasts. Senator Vick asked if LSO was accounting for revenue from Amazon's collection of sales tax. Mr. Headlee replied no, but they may be reflected in the Division of Financial Management August revised forecast.

Mr. Headlee reviewed revenue and appropriation metrics for salary increases for state agencies and public schools and public schools General Fund increases for the past three years reflecting a 23% increase over fiscal year 2015. Speaker Bedke asked what the change in employee compensation (CEC) equivalent was for the fiscal year 2018 public schools career ladder. Mr. Headlee responded that the CEC equivalent was 6.3%. Mr. Headlee concluded by noting the total statewide budgeted appropriation for fiscal year 2018 is \$7.9 billion in all funds.

Senator Davis asked if the Governor's request for agencies to review their budgets in anticipation of a reduction of federal revenues is still ongoing. Mr. Headlee confirmed that the process is ongoing annually. Pro Tem Hill asked what dedicated funds were in Medicaid. Mr. Headlee deferred to Jared Tato, Principal Analyst, Budget & Policy, who responded that hospital costs settlements, pharmaceutical rebates, and refunds are the dedicated funds in Medicaid.

Fiscal Note Pilot Project

Keith Bybee, Deputy Division Manager, Budget & Policy, reported on the 2017 Legislative Session fiscal note project, which was approved by the Council last November. Mr. Bybee outlined how the process worked during its first session. The process began by the fiscal coordinator reviewing and assigning an RS to an analyst. The analyst would collect data and prepare a fiscal impact report, which would then be reviewed for quality control. If the draft was approved, the fiscal impact report would then be reviewed with the bill sponsor. The goal of the pilot was to understand the impact on staff and resources, provide non-partisan and easy-to-understand information to bill sponsors, and improve accuracy and transparency of fiscal notes. Mr. Bybee stated that thirteen RSs were reviewed, five were introduced, two were signed into law, and one went through, but was vetoed by the Governor. On each bill introduced and processed, which had gone through the process, the sponsor used the analyst's information. The average time staff spent working on each legislative idea was 5.9 hours and average turnaround was almost 11 days. It was concluded that time was a factor and that approximately four to five additional staff members would be required to continue the project. Senator Stennett asked whether, over time, the process could become more efficient. Mr.

Bybee responded that lessons were learned to improve the process. The Council discussed whether the project should be abandoned or continued through the next legislative session.

Senator Davis moved to continue the pilot project with LSO continuing to refine the process by employing lessons learned and make recommendation to the Council in November. Motion seconded by Senator Stennett and passed by unanimous voice vote.

Capitol Services Committee

Senator Chuck Winder, Co-chair, Capitol Services Committee, provided an update on capitol improvements:

- Exterior stairways. Failed caulking caused water to travel through sandstone walls and leak into the porticoes creating lime deposits. Caulking was replaced and methods to clean lime deposits are currently being explored.
- Legislative dome roofs. The Capitol Commission approved \$196,000 to replace torn copper roofing with heavier-weight copper panels. The torn panels have resulted in leaking above the House chamber. Replacement of copper roof panels, ice and water shields, and flashing is scheduled for mid-to-late September.
- Laminated wire windows. Windows laminated with chicken wire are delaminating. Negotiations with the contractor and independent evaluations of the glazing are ongoing.
- Finish cracking. Visible cracks in the finish material are currently being inspected by a structural engineer to determine the cause and a potential remediation plan.
- Miscellaneous maintenance:
 1. Problems with the alarm system are under investigation.
 2. Cell phone system is being upgraded to improve service, particularly in the lower level. Completion is scheduled for mid-fall 2017.
 3. Conference table in WW17 is cracking in various places and cannot be repaired. The Capitol Commission has authorized up to \$10,000 for replacement. The Capitol Services Committee recommends replacing the tabletop and keeping the current electronics. Senator Bair motioned to adopt the Capitol Services Committee recommendation to replace the tabletop and keep the current electronics, seconded by Representative Erpelding, and the motion passed by unanimous voice vote.

Campaign Finance Working Group - Membership Appointments by Speaker and Pro Tem

Senator Patti Anne Lodge, Co-chair	Representative Fred Wood, Co-chair
Senator Todd Lakey	Representative Thomas Loertscher
Senator Marv Hagedorn	Representative John Vander Woude
Senator Mark Harris	Representative Sage Dixon
Senator Michelle Stennett	Representative Mat Erpelding

Speaker Bedke recited the press release detailing the scope of the working group and added that Council approval is not required.

Pacific Fisheries Legislative Task Force - Membership Appointments approved by Legislative Council

Senator Lee Heider	Representative Fred Wood
Senator Michelle Stennett	Representative Sally Toone

Senator Davis moved to approve legislator assignments to the Pacific Fisheries Legislative Task Force, seconded by Senator Buckner-Webb, and the motion passed by unanimous voice vote.

Technology Update

Glenn Harris, Division Manager, Information Technology Division, provided a 2017 Legislative Session recap:

- New Legislature website. Feedback has been mostly positive and improvements are currently being implemented
- New House voting and Information Center programs worked well
- Members are using multiple computing devices
- Occasional Wi-Fi problems in both chambers occurred and are being addressed
- Increased GovDelivery usage over past sessions
- Helpdesk & Training ratings between 4.8 and 4.9 out of 5 scored high on member survey

Mr. Harris continued by providing a Technology Committee recap:

- New Website. Design of website was well received, aside from some initial performance issues and a difficult learning curve at start of session.
- Laptops: Legislator laptops are heavily used and are meeting their needs. Current model is a nice balance of weight versus serviceability.
- Network Security and Proposals: Recommendation is to remove Local Admin Rights, convert passwords to 12 characters, allow LSO to maintain approved software lists, upgrade to Next-Generation Anti-Virus, and make security training mandatory for legislators. The Council discussed need for a mandatory security training. Speaker Bedke advised Mr. Harris to send the training to the Council for review who will then approve or disapprove the mandatory requirement.
- Interim Projects: Projects due for completion during the interim include: Implement cyber-security controls, fix cellular coverage, set up new database servers, and enhance legislative website.
- Legislative Tech Budget Recommendation: Budget recommendations include upgrade to core network switches, wi-fi, antivirus, and MS/Office as well as the purchase of a Remote Support Tool.

Office of Performance Evaluations Update and Confirmation of Joint Legislative Oversight Committee (JLOC) Co-chairs

Rakesh Mohan, Director, Office of Performance Evaluations (OPE) presented an overview of the division's current evaluation projects.

Court-Appointed Special Advocates (CASA). CASA investigates and recommends to the court the best interests of the victims. OPE discovered implementation challenges, which included difficulty in recruiting, retaining and training volunteers. OPE will describe CASA's role and evaluate its implementation.

Improving Outcomes for At-Risk Children and Youth. OPE will build on the work completed by the 2016 foster care interim committee and its findings to expand OPE's evaluation of the child welfare system, including diverting children and youth from entering foster care, preventing youth from crossing between child welfare and juvenile justice systems, and preparing youth who are exiting child welfare and transitioning to independent living as adults.

Residential Care. Legislators raised concerns about the quality and timeliness of the licensing and certification process for residential care facilities and the difficulty of finding residential care beds for hard-to-place individuals. OPE will evaluate the division's practices and identify and address the barriers to care in residential settings.

Commission of Pardons and Parole. Since 2010, the commission has experienced changes in personnel, technology, statute and policy, which have affected the parole process. OPE will provide an update on the effect of these changes and identify opportunities for improvement.

Senator Stennett moved to approve Senator Cliff Bayer and Representative Mat Erplending as Co-chairs of the Joint Legislative Oversight Committee, seconded by Representative Kauffman, and the motion passed by unanimous voice vote.

Audit Division Update and Local Government Issues

April Renfro, Division Manager, Audits, stated that Idaho Code Section 67-450E established the Idaho State Central Registry, which resides on the Legislature's website and intends to serve as a unified location for reporting administrative and financial information of local governing entities in Idaho. Senator Davis asked if the division relied strictly on the statute or were there administrative rules. Ms. Renfro responded that only the statute governed the registry guidelines. Entities are required to update the registry each year before December 1. The division reviews compliance and reports noncompliance to the Tax Commission and county commissioners by September 1 each year, and each January a list of registered entities is posted on the website. Statute provides that local governing entities that fail to comply shall be prohibited from budget increases and that annual distribution of sales tax shall be withheld by the Tax Commission until the entity becomes compliant.

Ms. Renfro reviewed registry results from 2015, wherein 1,524 entities were required to register with 1,404 entities being compliant resulting in \$2,574 in withheld taxes. Results from 2016, which are still ongoing, include 1,370 entities required to register, 829 compliant entities, and 541 noncompliant entities. She pointed out that the number of entities required to register is down from 2015 because some entities were identified as a part of other governments and were not required to register separately. Additionally, noncompliant entities include entities that are not registered, or have incomplete registrations, or have not uploaded required audit reports.

Ms. Renfro noted that the division currently has 28 full-time staff; 5 were hired within the last year and 11 are Certified Public Accountants. The division has an 18% turnover rate, which is typical for the audit and CPA field.

The division has three main focuses:

1. Statewide Comprehensive Annual Financial Report (CAFR) and Internal Control Report. The division issues an opinion on the state's financial statements as part of the CAFR, then issues the Internal Control Report describing the findings identified during the audit. The 2016 CAFR was issued on December 23, 2016, and the Internal Control Report was issued on February 13, 2017, and no findings were issued.
2. Statewide Single Audit Report. The statewide Single Audit is the annual review of federal funds awarded to state agencies. The state expended \$2.8 billion in federal assistance. Eleven major federal programs were audited across four state agencies, and nine findings were issued.
3. Management Reviews. The division is responsible for reviewing state agencies. In 2015, of the 20 reviews scheduled, 13 have been issued with 2 findings, and 7 are in the final process. In 2016, 24 reviews were scheduled.

Speaker Bedke asked what the criteria was for materiality. Ms. Renfro responded that the Governmental Audit Standards Board, American Institute of CPAs, and yellowbook all govern the division's work and that materiality is based on revenues and expenditures and at the auditor's prerogative. Pro Tem Hill asked if every executive branch and department is audited. Ms. Renfro responded no, although the division has the authority to do so. She added that some agencies, such as the Governor's Office, State Controller's Office, the Lottery Commission, and PERSI, have elected to contract out their audits. Representative Jordan asked if there were consequences to not resolving findings. Ms. Renfro responded that with regard to federal findings, the federal

government could impose penalties; however, they typically choose not to and will work with the agency to resolve the issue.

Update on House Constituent Services Pilot

Susan Werlinger, House Constituent Services, provided an update on the House Constituent Services Pilot Project. The project included providing services for representatives during the interim, such as responding to e-mails and letters and responding to phone calls. Additionally, Ms. Werlinger completed some research projects, several newsletters, and a summary legislator report. She stated she works 20 hours a week with a steady, but not overly busy, workload. Senator Davis asked what the purpose was of the project. Speaker Bedke responded that citizens issues often do not coincide with when people are manning the phones and that the project was intended to provide members with more staff to handle their needs.

Miscellaneous Announcements and Adjournment

There were no miscellaneous announcements before the Council. Representative Kauffman moved to adjourn at 11:38 a.m., seconded by Representative Erpelding, and the motion passed by unanimous voice vote.