

Minutes of the Joint Legislative Oversight Committee

January 30, 2019

EW42, Capitol, Boise, Idaho



Cochair Senator Mark Harris called the meeting to order at 3:02 p.m. Attending the meeting were Senators Dan Johnson, Michelle Stennett, Troy Rohn (substituting for Cherie Buckner-Webb), Representatives Mat Erpelding, Caroline Nilsson Troy, Paul Amador, and Elaine Smith. Also present were Rakesh Mohan, director, Margaret Campbell, administrative coordinator, and other Office of Performance Evaluations' staff. Some audience members included the following:

Representatives Berch, Gestrin, and Lickley
Director Bobbie Jo Meuleman, Intergovernmental Affairs, Office of the Governor
Executive Director Seth Grigg, Idaho Association of Counties

Approval of minutes from January 17, 2019

Representative Smith moved to approve the minutes from January 17, 2019. Representative Erpelding seconded the motion, and it passed by voice vote.

Report release: *Impact of State Mandates on County Governments*

Representative Erpelding moved to receive the report *Impact of State Mandates on County Governments*. Representative Smith seconded the motion, and it passed by voice vote.

Cochair Harris called on Rakesh to introduce the report. Rakesh said the office was asked to evaluate the impact of mandates on local governments. Because of the large size of the request, the office limited its scope to counties. The evaluation was requested by 12 legislators, including Senators Harris, Johnson, and Representative Troy. He thanked the counties and the Idaho Tax Commission for their assistance. The Tax Commission provided the office with property tax data and performed a quality control review of that data. The report had formal responses from the Governor and the Idaho Association of Counties.

Amanda Bartlett, principal evaluator, and Lauren Bailey, evaluator, summarized the report. Amanda said a collaborative relationship between counties and the state would improve the implementation of mandates. She recommended policymakers use a checklist for new or revised state mandates when drafting legislation or rules. Lauren identified six themes of problematic mandates. She shared survey responses which indicated poor collaboration between counties and the state. Insufficient revenue was most consistently reported to be counties' biggest concern.

Amanda said an analysis of Tax Commission data showed that two-thirds of counties were constrained by mandated tax and expenditure limitations in county fiscal year 2018. Rural counties were more likely to be constrained than were urban counties. She recommended policymakers conduct an analysis to more precisely understand how counties were impacted by property tax and revenue sharing policies.

Representative Troy asked what types of counties were included in the category of constrained by the budget cap. Amanda said she used four population categories to determine which counties were constrained. On one end were nine counties considered urban and the other end

were 22 open rural counties. Most counties constrained by the budget cap were open rural counties.

Cochair Harris said the report was well done. He had been excited to see it.

Representative Troy said the report was fantastic and what she had hoped for. She asked which measures could be used to determine fiscal stress. Amanda said Ohio looked at 21 indicators, such as maximum revenue the county could generate compared with actual revenue generated, property values, and federal land.

Representative Troy said the checklist was extensive and asked who would be able to analyze the checklist items. Amanda said some states used the equivalent of the legislative Budget and Policy Analysis Division. She suggested the Idaho Association of Counties might be available to do analysis. She said counties must be willing to provide data.

Representative Troy asked about the response rate of the surveys. Amanda said 35 of 44 counties responded to the first survey and 69 of 132 county commissioners responded to the second survey.

Representative Amador said counties' identification of which mandates were most difficult to implement included those popular in the moment. Addressing these mandates would potentially mean others would soon surface in popularity. He asked if there was a way to look at what was at the root of frustrations. Amanda recommended using the checklist and involving counties early in the process. She said the state needed a clear understanding of who would resolve problems resulting from mandates and who would analyze whether a mandate had reached its goal. If these elements had been in place more tangibly, counties would not have been as frustrated.

Representative Erpelding said the top six mandates seemed to impact small, open rural counties more than large counties. He asked about the stress on counties and how the Legislature could help. Amanda said the more specific the mandate, such as paying for jail facilities, the more specific the solution should be. As for what those solutions should be, she said she did not have enough data to fully answer the question. Potential policy options were outlined on page 49 of the report. Though it was not mentioned by the majority of counties, the challenge of passing a bond was frequently mentioned as a barrier, especially for high, upfront costs of infrastructure. Passing a bond required two-thirds of the majority and many counties had to go back to their residents many times. Changing bonding policies may be one option that would help counties pay for infrastructure costs.

Senator Rohn said a major complaint for school districts was reporting requirements, not just the amount of data required but the duplicity of data. He had not seen that same concern from counties. Amanda said a similar concern was the mandate that required local governments to send financial audits to the Legislative Services Office. For this mandate, counties must ensure that local districts in their jurisdiction comply with the reporting requirement. In addition, issues with technology mandates mentioned reporting as well. If the reporting function of new technology was not working, counties had to maintain duplicate systems in order to report required data to the state.

Senator Rohn asked whether findings in the report would extrapolate across other local governments. Amanda said the findings would apply on a higher level and certain themes would reoccur, such as making sure everyone understood expectations of roles, deciding who was

responsible for paying for which part, and determining how problems were going to be resolved. However, specific mandates would be different for districts.

Representative Troy said she was pleased to see the Governor's Office represented. Some county frustrations were customer service issues that could be improved. She commended the Governor in his desire to improve relationships.

Cochair Harris said the report was well done and accurate when compared with what he had heard from his counties.

Representative Erpelding said there had been talk about the revenue sharing model and how it was out-of-date or not appropriately allocated for growing communities. He asked whether counties had any feedback on revenue sharing. Amanda said that reviewing the revenue sharing formulas was the second most popular policy option mentioned by county commissioners. The formula could be updated to incorporate a measure of fiscal stress. The new formula would help counties struggling to raise one type of revenue by increasing their revenue share.

Cochair Harris invited Bobbi Jo Meuleman, director of Intergovernmental Affairs in the Governor's Office, to speak. Ms. Meuleman said the Governor's goal was to ensure the state was collaborating. The intergovernmental affairs team would meet with all levels of government to ensure the state was making decisions that were best for everyone. She said it was fitting that the report came out, as it aligned with the Governor's goals and missions.

Representative Troy asked whether some of the recommendations were a role the Governor's Office could take on. Ms. Meuleman said she did not view the role of intergovernmental affairs to be diving into past policies or budgets, but rather talking with counties and getting their perspective on their challenges.

Cochair Harris invited Seth Grigg, director of the Idaho Association of Counties. Mr. Grigg thanked the requesters of the study and the office for the evaluation. He said it was relevant that counties were the focal point. While some considered counties to be the administrative arm of the state, he saw counties as the backbone. He concurred with the findings of the analysis. He said some mandates labeled as difficult to implement were pressure points in the moment. The real pressure points were in public defense. He encouraged the Legislature to consider using the checklist, adding that counties saw themselves as collaborative partners with the Legislature.

Representative Erpelding asked about waste water treatment plants and why counties were advocating for more local control. Mr. Grigg clarified that the concern was about solid waste. The issue was about which items could be discarded at nonmunicipal waste sites. Several years ago, counties operated under federal regulations, which had been easy to follow and interpret. After oversight was transferred to the Department of Environmental Quality, it interpreted regulations differently, making nonmunicipal waste sites more difficult to manage.

Representative Troy thanked Mr. Grigg for his work and asked where to go from here. Mr. Grigg said he would like to see a rule that anytime the Legislature considered imposing a mandate on counties, it would first use a checklist to determine fiscal impact and later follow up with analysis. He said he supported the recommendation to conduct additional analysis of fiscal stress. The recommendations were good starting points to ensure that the report would not sit on the shelf.

Representative Erpelding asked about granting discretionary spending to the counties. Mr. Grigg said cities and counties were two general forms of government. Cities have one general

fund bucket, so why would not counties. He recommended consolidating funds for counties into fewer buckets.

Cochair Harris recommended closing the report.

Representative Troy moved to close the report and commended the Office of Performance Evaluations' team on its great work. Representative Erpelding seconded the motion, and it passed by voice vote.

Other committee business

Cochair Harris said three reports were issued in October without being heard: *Pardons and Parole* report, *Design of Idaho Behavioral Health Plan* follow-up, and *Residential Care* limited follow-up. Rakesh said that if the office could complete an in-depth follow-up of *Residential Care* in the next several weeks, he would present it and the other three reports at the same meeting. Rakesh said the office would be releasing a report on the collection of court fines and fees in mid-February. The report on child neglect would hopefully be done in March.

The meeting adjourned at 4:18 p.m.