



Governor Brad Little
State Capitol :: Boise, Idaho 83720
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February 4, 2020

Rakesh Mohan, Director
Office of Performance Evaluations
954 W. Jefferson Street, Suite 202
Boise, ID 83702

Dear Director Mohan,

Thank you for the opportunity to respond to the Office of Performance Evaluations' (OPE) report on the Chained Consumer Price Index.

The way the state accounts for inflation is an important issue across many areas of government, as you note in the report. The impacts of inflation on the criminal justice system, tax policy, the Public Employee Retirement System of Idaho (PERSI), and the Division of Purchasing need to be carefully considered for future policymaking decisions.

Maintaining the purchasing power of retiree benefit payments is important to me. Offering good benefits with certainty about retirement is critical to maintaining a skilled and experienced workforce. The administration of a large retirement plan is a complex area of the law, however. As the report notes, "Changes to the method used to calculate cost-of-living adjustments, such as switching to the chained CPI, may invite legal challenge if applied to current members as a violation of the implicit contract with those members." With that, I would encourage OPE and the PERSI plan sponsor (the Legislature) to carefully consider and work with PERSI to fully understand these potential ramifications.

Additionally, continuing to improve the state procurement process is a priority of my administration. I appreciate the Division of Purchasing's success at maintaining a transparent, consistent, and lawful process for the acquisition of goods and services. I also welcome the opportunity provided by this report to strengthen procedures for incorporating contractual price adjustments as appropriate for the benefit of Idaho taxpayers.

I want to fully understand these recommendations in order to make state government as effective and efficient as possible. To that end, I would be interested in seeing an estimated fiscal impact statement for these recommendations, similar to legislative proposals. Also, in order to provide more meaningful feedback, additional time to review and provide comments would be useful, particularly during the busy time of year when the Legislature is in session.

Thank you again for your time, commitment, and efforts to study indexing dollar amounts in Idaho statute.

Sincerely,

A handwritten signature in blue ink, appearing to read "Brad Little".

Brad Little
Governor of Idaho