

Legislative Session Summary



2005
Sine Die Report

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This report and a complete listing of all legislation is available on the Idaho Legislature's Internet site. Full text of all bills is included, along with statements of purpose, fiscal notes and legislative action. The Legislature's Web site is:

www.legislature.idaho.gov

Introduction: Key Actions

Time was running out on a one-year compromise to avoid a shutoff of water from hundreds of wells pumping water from the Eastern Snake Plain Aquifer. Tax increases that carried the state budget through two tough economic years were due to sunset at the end of the fiscal year. With these challenges to deal with, the First Regular Session of the 58th Idaho Legislature could have been excused for spending all of its time on budget and water issues. While these concerns did occupy center stage, they shared the spotlight with such issues as highway bonding, business tax breaks, telephone line price deregulation, property taxes, Medicaid reform and whether to ask voters to ban gay marriages. Legislators boosted prison budgets, kept the cigarette tax increase in place and raised Department of Fish and Game fees. They debated legislation dealing with college tuition, public transportation, homeowner association liens, speed limits on highways, contractor registration and corporate tax breaks for research and development. They said “no” to mandating ethanol levels in fuel, “yes” to college tuition at most state schools and began setting aside money for the Capitol restoration. When the 87-day session adjourned, legislators had:

- < Ratified a multimillion dollar water agreement with the Nez Perce Tribe that calls for the Nez Perce to drop their claims to nearly all the water in the Snake River Basin in exchange for annual rights to 50,000 acre-feet of water in the Clearwater River, \$80 million in cash and land, and a pledge from the state and federal governments to provide additional moneys for fish habitat and other environmental improvements. (H 152, H 153, H 154)
- < Authorized the state to borrow money against the federal transportation funds that are received each year by issuing Grant Anticipation Revenue Vehicles, or GARVEE bonds, and listed 13 highway projects across the state that would be eligible for construction funding, but capped the amount of federal funds that can be used for bond payments without approval and said the Idaho Transportation Board could substitute different projects if any of the 13 projects are ineligible. (S 1183)
- < Enacted a series of business tax breaks and incentives by:
 - Joining about 29 other states in creating a sales tax exemption for equipment and supplies used in research and development, and exempted “clean rooms” used in semiconductor manufacturing from sales and use taxes. (H 261)
 - Exempting from property tax “significant capital investment” by a business that employs over 1,500 full-time employees, by capping property tax values at \$800 million within a single county. (H 319)
 - Passing a package of sales, income and property tax breaks for top companies that bring in 500 high-paying jobs, with benefits, and spend \$50 million on facilities. (H 306)
 - Enacting the “Idaho Small Employer Incentive Act,” to give similar sales, income and property tax breaks to small companies that create new jobs and invest in new facilities and equipment. (H 323)

- < Adopted measures to ease conflicts between water users in the area of the Eastern Snake Plain Aquifer by:
 - Giving the Idaho Water Resource Board authority to issue revenue bonds to acquire water rights to be funded by revenues received from assessments, leases or fees paid by water users. (H 373)
 - Authorizing the Department of Water Resources to collect a special annual assessment from water users within water districts on the Eastern Snake River Plain to pay the added state administration costs attributable to implementing monitoring and enforcement provisions involving the Eastern Snake Plain Aquifer. (H 374)
 - Appropriating \$24.4 million to purchase water rights owned by the Bell Rapids Mutual Irrigation Company, and then authorizing the Idaho Water Resource Board to lease part of those water rights to the Bureau of Reclamation. (H 392)
 - Making membership in groundwater districts and payment of assessments mandatory for all groundwater irrigators, unless granted an exclusion. (H 394)
 - Asking the Idaho Water Resources Board to work with the Legislature's Natural Resources Interim Committee to assess water supplies and develop a plan for a managed recharge program for the Eastern Snake Plain Aquifer. (HCR 28)
- < Adopted legislation to allow Boise State University, Idaho State University and Lewis-Clark State College to charge students tuition fees for costs that the state previously has paid from the General Fund. (H 231)
- < Passed the "Idaho Contractor Registration Act," to require building contractors to register with the State Bureau of Occupational Licenses and to hold workers compensation and general liability insurance. (H 163)
- < Kept Idaho's cigarette tax at 57 cents a pack and, starting in fiscal year 2007, sent a portion of tobacco tax revenues to the state's Permanent Building Fund to be used for the restoration of Idaho's Capitol Building. (H 386)
- < Told state agencies to publish notices when an administrative rule change proposed by the agency will have more than a \$10,000 negative fiscal impact on the state General Fund, to make legislators and the public aware of the cost to the state of certain agency policy changes. (S 1125, S 1161)
- < Increased the maximum age from four to six years that children would be required to be held in a child safety restraint while in a vehicle. (H 178)
- < Approved a special council to work on Treasure Valley air quality issues by creating a panel of 14 members, made up of local officials, industrial representatives and environmentalists, to raise public awareness and to write an air quality plan for Ada and Canyon counties. (S 1142)

- < Directed the Department of Health and Welfare to establish a program for the cleanup of clandestine drug laboratories, forcing former methamphetamine labs and homes to be cleaned up before being occupied. (S 1122)
- < Amended Idaho's parental consent law for minors seeking abortions by requiring lawyers and guardians ad litem to be appointed, in an effort to reinstate portions of the law struck down by courts, as well as requiring doctors to inform parents after an emergency abortion. (H 351)
- < Called on Congress to expand a federal program that would pay \$50,000 to Idaho residents ("downwinders") with diseases linked to fallout from Cold War-era nuclear weapons testing in Nevada. (HJM 2)
- < Added "disability" to the list of prohibitions against discrimination in public accommodations or employment, required removal of barriers to access where readily achievable, and provided recourse to mediation or enforcement through the Idaho Human Rights Commission, rather than the U.S. Department of Justice. (H 249)
- < Cleared the way for telephone line price deregulation by allowing Qwest Communications International, Inc. and other land-line telephone service providers to elect to set their own rates after a transition period, rather than having rates set by the Idaho Public Utilities Commission. (H 224)
- < Relaxed the Clean Indoor Air Act's ban on smoking in public places and state buildings to allow veterans living at state-owned veterans homes to smoke in specially ventilated rooms. (S 1023)
- < Authorized the State Tax Commission to contract with commercial collection agencies or attorneys for the collection of unpaid in-state taxes. (H 29)
- < Repealed existing state government strategic planning and performance measurement requirements and instituted a new system of planning and performance measures, along with reports to germane legislative committees. (H 300)
- < Launched a pilot project in three counties to help improve the reporting and monitoring system for guardianships and conservatorships, to be funded by court filing fees and administered by the Idaho Supreme Court. (H 131)
- < Created the Idaho Energy Resources Authority, with the authority to issue revenue bonds to help cities, electrical cooperatives and big utility companies borrow money at lower rates to pay for their needs to generate and transmit power to meet growing demand in the future (H 106), and also allowed the new Authority to finance developers (nonutility) of renewable energy projects. (S 1192)
- < Joined 21 other states in the National Crime Prevention and Privacy Compact, to improve criminal history record checks seeking state-level criminal history information. (H 96)

- < Adopted the Financial Fraud Prevention Act to let the Department of Finance seek injunctions and civil fines against persons who defraud financial institutions. (H 88)
- < Passed a series of bills to spell out the duties and responsibilities of court-appointed guardians, define the contents of reports by conservators, establish the duty of guardians for incapacitated persons to provide a written plan for the affairs of a ward, and to expedite temporary guardianships with a 90-day limit. (H 79, H 80, H 81, H 82)
- < Created a Snowmobile Search and Rescue Fund financed by snowmobile registration fees to defray costs of county operations to recover lost snowmobilers. (H 56)
- < To combat “joyriding,” increased the penalty for operating a vehicle without an owner's consent to a felony, when damages to the vehicle or property taken exceeds \$1,000. (S 1063)
- < Allowed the direct prosecution of a parent or guardian under the Juvenile Corrections Act for knowingly allowing a child enrolled in a public school to become a habitual truant. (S 1066)
- < Criminalized attempted strangulation, making it a felony. (S 1062)
- < Adopted changes recommended by the Idaho Supreme Court’s Child Protection Committee relating to child protection, adoption and termination of parent and child relationships, to comply with federal requirements and to provide added safeguards for the rights of parents and children. (H 325)
- < Increased the maximum fine for misdemeanors from \$300 to \$1,000, the first increase in the general maximum fine for misdemeanors since 1887. (H 326)
- < Used the additional revenues from increased misdemeanor fines to provide additional funding for drug and family court services, and expanded those services to include mental health assessments, treatment and supervision. (H 334)
- < Recognized the significant accomplishments of the late Morley Nelson, an incomparable advocate for raptors and birds of prey, and the changes he forged in the way people will think of eagles and hawks forever. (SJM 108)
- < Gave the Department of Health and Welfare permission to participate in a federally funded program to conduct criminal history and background checks on providers, employees and contractors who have access to vulnerable patients in long-term care settings. (S 1196)
- < Added 50 new violent or sexual felonies to the list of crimes that require a DNA sample and right thumbprint be given to the Idaho State Police. (S 1197)
- < Provided an exemption through July 1, 2011, from sales and use taxes for purchases of machinery and equipment used in directly generating electricity using fuel cells, low-impact hydro, sun, wind, geothermal resources, biomass, cogeneration, or landfill gas as the principle source of power. (H 110)

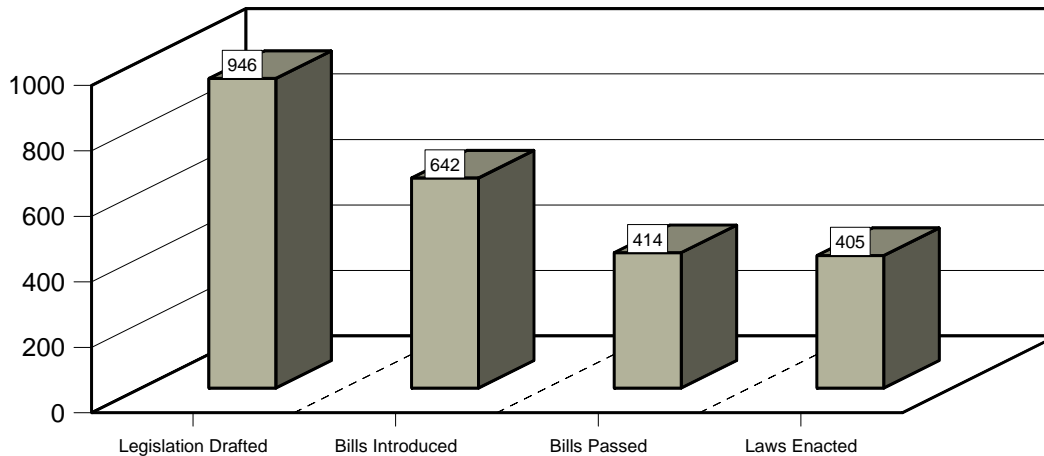
- < Established a volunteer license for retired physicians and osteopathic physicians who practice medicine in free or sliding-fee clinics with no remuneration. (H 41)
- < Gave judges handling Juvenile Corrections Act or Child Protective Act cases the ability to order a mental health assessment and treatment plan for juveniles who appear to be suffering from a serious emotional disturbance. (S 1165)
- < Exempted some records of academic research in the development stage at public institutions of higher education from disclosure under Idaho's Public Records Act, until the research is completed. (H 238)
- < Increased Department of Fish and Game fees by an average of 10 percent. (S 1191)
- < Extended from three to five years the period within which an individual can be required to pay medical expenses before the counties and their catastrophic health care cost program must pay those expenses. (H 282)
- < Established the Board of Naturopathic Medical Examiners in the Department of Self-Governing Agencies to license and regulate naturopathic physicians. (S 1158)
- < Required state child protective services workers to receive training on legal rights of children, parents and those under investigation, to meet federal protections required under the "Keeping Children and Families Safe Act of 2003." (S 1240)
- < Mandated that children under 18 years of age wear helmets while riding all-terrain vehicles on- or off-road, except on private property or in farming operations. (S 1130)
- < Instituted a special Idaho license plate commemorating Basque heritage (H 187), as well as special plates for science and technology (S 1091) and private colleges. (S 1110)
- < Clapped "Happy Hands," voted for Pedro, acknowledged Tina the llama, and otherwise commended "Napoleon Dynamite" filmmakers Jared and Jerusha Hess and the city of Preston, for showcasing the positive aspects of Idaho's youth and rural culture. (HCR 29)

Volume of Legislation and Length of Session

During the 2005 legislative session, 946 proposed pieces of legislation were prepared for legislative committees and individual legislators. From that initial group of draft proposals, 642 bills were actually introduced, along with another 84 various resolutions, memorials and proclamations.

2005 Legislative Session

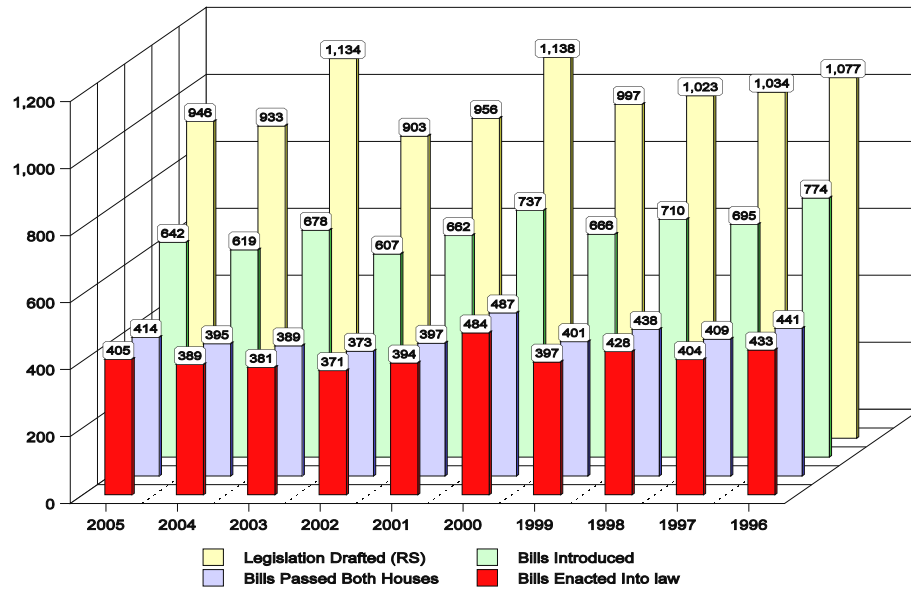
Workload From Drafting to Enactment



By the end of the session, 414 bills had been passed by both houses. Nine bills were vetoed by the Governor. Following his review, 63 percent of introduced bills entered the law books. In all, 405 bills became law, the majority of which become effective on July 1, 2005.

From Drafting to Enactment

Ten-Year Comparison



Length of Session

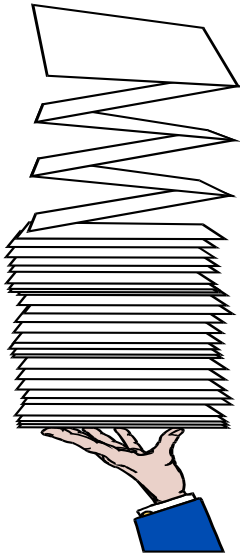
When the Legislature adjourned sine die on April 6, the 2005 legislative session had lasted 87 days, tying with 2000's 87-day session as the fifth-longest in Idaho history. The 1967 and 1992 sessions both lasted 89 days, while 1983's 95 days and 2003's record 118-day session eclipse them all.

Length of Recent Legislative Sessions

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
87	69	118	68	82	87	68	71	73	68

Rules Review

During the first few weeks of each legislative session, the Legislature conducts a structured review of rules adopted by state agencies under the Administrative Procedure Act. This little-noticed activity allows legislative committees to hear public testimony from agencies and interested parties on the impact of state agency rules. Under Idaho law, the Legislature has the power to reject agency rules that do not reflect legislative intent, thereby performing an important oversight function in the rulemaking process.



During the 2005 legislative session, standing committees in the Senate and House of Representatives reviewed 411 separate dockets or collections of rules totaling approximately 3,918 pages of text — a slight decrease from last session's 425 dockets and 4,200 total pages.

While the bulk of agency rules met with legislative approval, a number of concurrent resolutions to reject agency rules were adopted following legislative committee review:

- < Idaho Transportation Department rule governing overlegal permittee responsibility and travel restrictions. (HCR 11)
- < Department of Insurance rules relating to rebates and illegal inducements to obtain title insurance business. (HCR 13)
- < Division of Building Safety rules governing installation of heating, ventilation, and air conditioning systems. (HCR 14)
- < Board of Tax Appeals rules relating to representation and practice before the board, notice of appeal and agency discovery rules. (SCR 105)
- < Department of Agriculture rule pertaining to the Idaho commercial feed law. (SCR 106)
- < Rules of the Bureau of Occupational Licenses governing the Board of Social Work Examiners. (SCR 107)
- < Certain standards for commercial driving schools incorporated by reference into the rules governing uniformity of the State Board of Education. (SCR 112)

2005 Legislative Action on Major Issues

Idaho legislators dealt with questions vital to every Idaho citizen during the 2005 legislative session. The following summary includes legislation passed this session by the Idaho Legislature on major issues:

Agriculture

- < Defined one of the prerequisite conditions to the open burning of crop residue, that being that there is no other “economically viable alternative” to burning available, to mean an alternative to thermal residue disposal that achieves agricultural objectives comparable to thermal disposal and allows growers to experience a financial rate of return over the short- and long-term consistent with the rate of return that would occur if thermal residue disposal were utilized. (H 33)
- < Prohibited local regulation or ordinances relating to fertilizers but did not preempt county or city local zoning ordinances governing the physical location or siting of fertilizer manufacturing, storage and sales facilities or protecting the quality of ground water or surface water in accordance with applicable state and federal law. (H 36)
- < Established a preventive action level for stray current or voltage, which may affect dairy cows, for public utilities regulated by the Idaho Public Utilities Commission and required the commission to develop and adopt a standardized protocol to measure, investigate and, if necessary, remediate stray current or voltage on dairy farms. Limited civil actions against regulated utilities for damages due to stray current or voltage to negligence and negligence per se actions, limited the time within which actions are required to be filed and during which damages may accrue, and required timely notice of claims of damages to the regulated utility. (H 214)
- < Prohibited local regulation or ordinances relating to soil and plant amendments but did not preempt county or city local zoning ordinances governing the physical location or siting of soil and plant amendment manufacturing, storage and sales facilities or protecting the quality of ground water or surface water in accordance with applicable state and federal law. (H 37)
- < Provided that state law relating to pure seed preempts any prohibition or attempted regulation by political subdivisions regarding seeds but does not preempt county or city local zoning ordinances governing the physical location or siting of seed facilities. (H 401)
- < Authorized the Idaho beef council to increase its cattle assessment from the current fifty cents a head to one dollar a head in the event the federal beef promotion and research act is no longer in effect, but also provided a refund request process for any person wanting a refund of the entire assessment or a portion thereof. (S 1056)

Commercial Transactions

- < Enacted the Financial Fraud Prevention Act to authorize the Department of Finance to investigate and bring civil enforcement actions against persons who perpetrate fraud against financial institutions and their customers and to allow referral of actions to criminal law enforcement agencies. (H 88)
- < Enacted the Idaho Escrow Act to authorize the Department of Finance to regulate escrow agencies for the protection of Idahoans who use the escrow agency services. (H 159)
- < Enacted the Idaho Contractor Registration Act to create a registration system for contractors, to require all contractors to be registered with the state Bureau of Occupational Licenses, and to allow the state to remove contractors from the registry system for misconduct. (H 163)
- < Revised provisions, relating to public works

contracting, applicable to the contracting and procurement practices of political subdivisions of the state. (H 263)

- < Enacted provisions for the creation and enforcement of purpose trusts in Idaho. (S 1070)

Legislative Council Interim Study Committees

Six interim committees were authorized during the 2005 legislative session:

SCR 110 – Cervical Cancer Elimination

HCR 16 – Energy, Environment and Technology

HCR 18 – Human Trafficking

HCR 22 – State Employee Compensation

HCR 23 – Property Taxes

HCR 25 – Natural Resources

procedures for identifying and summoning prospective jurors. (H 245)

- < Expanded the Idaho Drug Court Act to provide for the establishment of mental health courts. (H 301)
- < Revised and updated the Child Protective Act and the Parental Termination Act. (H 325)
- < Increased the maximum fine for misdemeanors where a maximum fine is not otherwise prescribed by statute. (H 326)
- < Enacted the Trust and Estate Dispute Resolution Act (TEDRA) to provide a nonjudicial method for the resolution of disputes and other matters involving trusts and estates and to provide for judicial resolution of disputes if a nonjudicial resolution is not obtained. (S 1071)
- < Authorized courts hearing Juvenile Corrections Act or Child Protective Act cases to order a mental health assessment and preparation of a plan of treatment for juveniles who appear to be suffering a serious emotional disturbance. (S 1165)

Courts

- < Established duties, rights and powers of guardians ad litem in guardianship and conservatorship proceedings. (H 79)
- < Detailed requirements of reports filed with courts by conservators in conservatorship proceedings. (H 80)
- < Specified petition and plan requirements for conservators and guardians in order to enable courts to better monitor how the affairs of a protected person or ward are to be handled. (H 81)
- < Raised the fees for filing guardianship and conservatorship cases in order to establish a pilot project in at least three counties to improve the reporting and monitoring system for guardianships and conservatorships. (H 131)
- < Revised the Uniform Jury Selection and Service Act to simplify and update the

Criminal Justice & Corrections

- < Authorized the director of the Department of Fish and Game to award to a conservation officer his badge, duty weapon and handcuffs upon retirement. (H 91)
- < Prohibited sexual contact between criminal offenders and probation or parole officers. (H 94)
- < Enacted the National Crime Prevention and Privacy Compact to improve the quality and completeness of criminal history records made available to the state when it conducts national fingerprint-based record checks for applicant or noncriminal justice purposes. (H 96)
- < Authorized county sheriffs to seek reimbursement for medical, dental, prescription drug and other costs of medical services incurred while housing nonindigent inmates in county jails. (H 157)

- < Prohibited operation of audiovisual recording devices in movie theaters without written consent of theater owners. (H 203)
- < Amended Idaho's crime victim's compensation law to increase funeral, burial and cremation benefits for victims of violent crime and to expand eligibility for mental health treatment for family members of victims of violent crime. (S 1038)
- < Criminalized attempted strangulation as a felony. (S 1062)
- < Increased penalties for operating a motor vehicle without the owner's consent where damages to the vehicle or property taken from the vehicle exceeds \$1,000. (S 1063)
- < Enacted the Clandestine Drug Laboratory Cleanup Act to establish a program to provide standards for the cleanup of clandestine drug laboratories and to set forth responsibilities of law enforcement agencies and residential property owners for such cleanup. (S 1122)
- < Created a criminal felony statute to penalize individuals who sexually abuse or exploit vulnerable adults. (S 1134)
- < Authorized the Attorney General to negotiate reciprocal agreements with other states related to the recognition of licenses to carry concealed weapons. (S 1135)
- < Made it a felony to intentionally abuse or neglect a vulnerable adult under circumstances likely to produce great bodily harm or death or to exploit a vulnerable adult in those cases where the monetary damages exceed \$1,000. (S 1153)
- < Made it a felony for a person to pretend to be a member of the U.S. armed forces or a state or federal officer or employee in order to obtain or attempt to obtain personal identifying information about another person. (S 1156)
- < Expanded the list of crimes for which persons are required to provide a DNA sample and thumbprint impression to the Idaho State Police. (S 1197)

Education, Colleges and Universities

- < Authorized tuition at institutions of higher education in the state of Idaho except at the University of Idaho. (H 231)
- < Exempted certain academic research records from disclosure. (H 238)
- < Limited a county's liability for a resident's out-of-district tuition to attend a publicly funded Idaho community college to the term of the curriculum for which the student is enrolled, with a maximum lifetime liability of \$3,000. (H 103)
- < Expressed the Legislature's continued commitment to attain funding equity among Idaho's four-year institutions of higher education; expressed the intent regarding development of a profile of the four institutions to identify how many credit hours per faculty member is spent in teaching, service and research; and expressed intent regarding a tracking and reporting system for faculty and staff turnover. (S 1187)
- < Recognized the prevalence of teen suicide in Idaho and urged colleges of education at Idaho colleges and universities to include a segment concerning risk factors, protective factors and teen suicide warning signs in teacher education curriculum. (HCR 17)

Education, Public Schools

- < Enhanced mentoring during the first two years of teaching, deleted the requirements for mentoring and urged the State Board of Education to create a task force to develop a test program modeling teacher mentoring and encouraging participation and cooperation from the Department of Education. (H 315, HCR 20)
- < Authorized a school district to add back the tax increment value to its market value for purposes of determining the full amount of its dollar certification for property within the school district that is also contained in a revenue allocation area, or within the bounds of an urban renewal district scheduled to terminate. This allows the district to assess

against the "increment value" and obtain those revenues that would ordinarily be distributed to the school district by the urban renewal agency. (H 264)

- < Made governing provisions of public charter schools more consistent; clarified the concept of a public virtual school; enhanced the authority of the State Board of Education relating to approval and transfer of charters, appeal procedure and distribution of federal funds; and assured that educational experience is counted by a school district for any teacher who has been employed in a public charter school. (S 1170)
- < Expanded Idaho Digital Learning Academy services to all secondary schools and required that an actual location be designated to house the academy's fiscal operations. (S 1149)
- < Revised the definition of "habitual truant" and strengthened the authority for prosecution of the parent or guardian of a child enrolled in a public school, or for a child not enrolled in any school who is not receiving an education, for knowingly allowing a child to become a habitual truant. (S 1066)
- < Provided that employees of a school district or charter school district who regularly work 20 hours or more per week are entitled to one day of sick leave, proportionate to the hours worked per day, for each month of service in which they work a majority of that month. (S 1173)
- < Allowed a school district board of trustees to apply for an exemption in order to adjust the tuition rate calculated pursuant to law to be charged for attendance in the schools within the district. (S 1050)
- < Expanded the provisions of the student education incentive loan forgiveness program for teaching and nursing students to allow an award of unused contracts by the State Board of Education and to designate Eastern Idaho Technical College as a participating institution. (H 18)

Elections

- < Clarified that voting systems in use in Idaho in the 2004 general election can continue to be used provided the systems meet the requirements of the Help America Vote Act and required that any touch-screen voting device print the voter's selection on paper for the voter to review before the vote is cast and recorded. (H 283)
- < Required county officials to accept voter registration materials during the 24-day period preceding an election. (S 1114)
- < Amended Idaho's "Sunshine Law" to set forth disclosure requirements for persons responsible for "electioneering communications," meaning communications that do not expressly advocate a certain position or candidate and have therefore been exempt under prior disclosure requirements. (S 1174)

Governmental Procedures

- < Authorized Idaho sheriffs to issue permits to retired law enforcement officers that will permit them to carry concealed weapons anywhere in the country in accordance with federal law. (S 1120)
- < Made emergency medical service providers eligible for the Idaho Law Enforcement and Firefighting Medal of Honor. (S 1119)
- < Required that a state agency include in a notice of proposed rulemaking a citation to the specific section of the Idaho Code that has occasioned the rulemaking, as well as a specific description of any negative fiscal impact on the state general account greater than \$10,000. (S 1125)
- < Required that a state agency include in its notice adopting a pending rule the section of the Idaho Code that has occasioned the rulemaking, as well as a fiscal impact description if greater than \$10,000 on the General Fund. (S 1161)

- < Created an oversight committee to protect and enhance the credit rating of the state of Idaho by monitoring state guaranteed indebtedness, such as bonds with state backing. (S 1076)
- < Further defined state procurement procedures, including a prequalification process for contractors, documentation of semi-formal purchasing and providing recourse for disappointed bidders. (H 263)
- < Required that Idaho Transportation Department surplus property be sold for not less than its appraised value. (S 1083)
- < Provided that certain county officials and employees performing functions and duties of district courts shall be considered employees of the state for purposes of the Idaho Tort Claims Act. (S 1166)
- < Authorized telephone corporations to elect to have all or part of their telecommunications services excluded from regulation pursuant to Title 61, Idaho Code, and to be subject to regulation pursuant to Chapter 6, Title 62, Idaho Code, and authorized the Public Utilities Commission to regulate telephone corporations for the purpose of implementing the Federal Communications Act of 1996. (H 224)
- < Created the Idaho Energy Resources Authority with authority to finance the construction of electric generation and transmission projects and to provide investor-owned, municipal and cooperative electric utilities serving Idaho customers a low-cost financing vehicle for building Idaho's electric infrastructure. (H 106, S 1192)
- < Gave the Public Utilities Commission a method to approve cost reduction charges or rates as a way of financing costs incurred by electric and gas utilities. (H 333)

Health and Insurance

- < Established a fee-exempt license for retired physicians and osteopathic physicians to practice medicine in free or sliding fee clinics if they receive no remuneration. (H 41)
- < Raised the statutory limit on the amount of credit life insurance that can be written under a group insurance policy. (H 90)
- < Revised the eligibility provisions for coverage under the Idaho Individual High Risk Reinsurance Pool plan. (H 111)
- < Required insurance producers who hold funds in trust for others to maintain and account for the funds separately from the producer's personal or business funds. (H 113)
- < Required that insurance producers who borrow money from customers to prepare and sign loan agreements setting forth the terms of the loan. (H 114)
- < Required insurance producers and certain companies that recommend annuity transactions to senior consumers to take reasonable steps to determine that the annuity is a suitable investment for the senior purchaser. (H 117)
- < Enacted the Interstate Insurance Product Regulation Compact to allow states to coordinate the regulation of annuity, life, disability income and long-term care insurance products. (H 120)
- < Allowed standard fire insurance policies to exclude coverage for loss by fire or other perils insured against if the fire or other perils were caused directly or indirectly by terrorism. (H 160)
- < Established the Speech and Hearing Services Licensure Board and defined licensing requirements for the practice of audiology, speech-language pathology and hearing aid dealing and fitting services. (H 247)

- < Adopted a fee schedule of compensation for physician services for worker's compensation claims. (H 331)
- < Permitted smoking in Idaho state veterans homes in designated areas under certain conditions. (S 1023)
- < Enacted a revised Medical Consent and Natural Death Act to provide for the preparation of a document for a living will and durable power of attorney for health care. (S 1068)
- < Allowed the Department of Health and Welfare to participate in a pilot project requiring criminal history and background checks on individuals who have access to vulnerable adults or children in long-term care settings and provided immunity for providers who rely on the results of the background check. (S 1196)
- < Provided for licensure and regulation of naturopathic physicians and clarified who may practice natural health care and what titles they may use. (S 1158)
- < Streamlined and clarified the licensure, certification, program requirements and survey and oversight processes governing residential or assisted-living facilities and certified family homes. (H 265)
- < Encouraged development of a process to gather information for public and private prescription drug programs so that such information may be more available to Idaho residents and enable them to acquire prescriptions drugs at the most reasonable cost. (SCR 118)
- < Asked Congress to compensate "downwinders," Idaho residents exposed to radiation fallout from U.S. atmospheric nuclear weapons testing, in the same manner and to the same extent as those individuals previously compensated for similar exposures in other states. (HJM 2)

Natural Resources

- < Approved, ratified and confirmed the Snake River Water Rights Agreement of 2004. (The Agreement was reached as the result of mediation that began in 1998 between the Nez Perce Tribe, the United States, the State of Idaho and local communities and water users as part of the Snake River Basin Adjudication to resolve claims of the Nez Perce Tribe in the Snake River.) The bill also authorized and directed the Governor and the executive branch agencies with obligations under the agreement to execute and perform all actions consistent with the act necessary to implement the agreement. (H 152)
- < Implemented the Snake River flow component of the Snake River Water Rights Agreement of 2004 by authorizing the annual rental of up to 487,000 acre feet of water to the Bureau of Reclamation to augment flows for anadromous fish listed under the endangered species act through 2034, but recognizing that the water may not be available in all years due to drought. All water rentals must be from willing sellers and must be secured through the state water supply bank and local rental pools. (H 153)
- < This trailer bill corrected the effective date provisions of H 153, which implemented the Snake River Flow Component of the Snake River Water Rights Agreement of 2004, to provide that the provisions of H 153 would become effective upon certification by the Governor that relevant biological opinions had been issued. (H 399)
- < Established minimum stream flow water rights on 205 stream segments in the Salmon and Clearwater River Basins as adopted by the Idaho Water Resource Board and in accordance with the terms of the Snake River Water Rights Agreement of 2004. The Board is directed to hold the minimum stream flow rights in trust for the people of the State of Idaho. (H 154)

- < Appropriated \$34,150,000 for statewide water issues as follows: \$24,375,000 to purchase water rights owned by the Bell Rapids Mutual Irrigation Company, \$4,125,000 for loans to ground water districts to lease water, \$3 million for loans to ground water districts to implement the Conservation Reserve Enhancement Program, \$360,000 to the Soil Conservation Commission to implement the Conservation Reserve Enhancement Program, \$90,000 for a hydrology section manager in the Department of Water Resources, \$1.2 million spending authority for fees charged to water users to be used for monitoring and modeling, and \$1 million for specified water studies in North Idaho. Of the total, \$21 million is to be repaid to the General Fund by July 1, 2006, from leases of water rights to the Bureau of Reclamation. (H 392)
- < Authorized the Idaho Water Resource Board to fund and operate a program or projects to enhance water supplies and reduce demand for water through the financing of water rights acquisitions and managed recharge projects and to fund a water rights acquisition and mitigation program through the issuance of revenue bonds secured by revenue sources including revenues collected by or on behalf of water user entities and revenues received from the lease of water rights. (H 373)
- < Authorized the director of the Department of Water Resources to create or modify water districts to administer all water rights from water sources hydraulically connected to the Eastern Snake Plain Aquifer; directed water users in such water districts to include specified costs of the department relating to that administration when adopting budgets beginning in 2006; and authorized the creation of an advisory committee composed of water users. (H 374)
- < Required all ground water irrigators within the boundaries of a ground water district to be members of the district and subject to assessments unless the board grants a petition for exclusion and provided a process for inclusion of ground water irrigators who were not members as of March 31, 2005, that includes notice, hearing and appeal rights. Authorized ground water district directors at large and allowed ground water districts to increase their indebtedness from 10 to 30 years. Prohibited participation in any mitigation plan in the event a user is delinquent in payment of assessments or other mitigation costs and authorized districts to collect a proportional share of costs incurred under mitigation plans from any holders of ground water rights provided by law to be nonmember participants solely for mitigation purposes. (H 394)
- < Resolved that the Natural Resources Interim Committee, in conjunction with the Idaho Water Resource Board, work with interested parties to develop specific site investigations, assessments of the availability of water supplies and a plan for implementation of a managed recharge program for the Eastern Snake Plain Aquifer and to meet with potentially affected water right holders and federal agencies to resolve any potential institutional impediments to implementation of an effective managed recharge program. (HCR 28)
- < Expanded the allowable acreage for shooting preserves from 1600 acres to 4000 acres provided the land is owned by the licensee, does not encompass any public land or limit any existing access to public land. (H 92)
- < Provided a new method using the timber productivity valuation process for appraising, assessing and taxing forest land subject to the productivity option. (H 126)
- < Required the director of the Department of Environmental Quality to consult with watershed advisory groups to provide them with an opportunity to participate in the development, implementation and periodic review of total maximum daily loads and any supporting subbasin assessment for their watersheds and clarified that water advisory

- group membership shall include, where appropriate, representatives of the same categories of interest groups from which basin advisory group members are to be appointed. (H 145)
- < Authorized the Department of Environmental Quality to explore whether the state should operate a National Pollution Discharge Elimination System (NPDES) program by evaluating the costs and benefits to the state and reporting back to the Legislature by December 31, 2005. (H 176)
 - < Required the Department of Environmental Quality to develop rules that conform the state law to, but are no more stringent than, the Clean Air Act and regulations with respect to the scope of "regulated air pollutants" included for pollution source permit applicability and conformed state law to the federal Clean Air Act in providing that fugitive emissions are not to be included in calculations to determine the applicability of construction or operating permit requirements unless expressly designated under the Clean Air Act by the EPA administrator. (H 230)
 - < Required the use of surface water, where reasonably available, to be used as the primary water source for irrigation for all applicants proposing to make land use changes. (H 281)
 - < Expanded the duties of the Governor's Office of Species Conservation to include issues relating to candidate and petitioned species and rare and declining species. (H 336)
 - < Authorized the director of the Department of Fish and Game to reduce the bag or possession limit of any species of wildlife as an alternative to closing an open season. (S 1033)
 - < Ratified and approved the amended comprehensive state water plan for the Priest River Basin, as adopted by the Idaho Water Resource Board on August 22, 2003. The plan amendments allow modification of the fall operation schedule for the Priest Lake outlet structure to provide lake levels more favorable to Kokanee spawning. (S 1034)
 - < Ratified and approved the comprehensive state water plan for the South Fork Clearwater River Basin as adopted by the Idaho Water Resource Board on June 8, 2004, and provided for the designation of specified State Natural Rivers and State Recreational Rivers. (S 1035)
 - < Prohibited the retrieval of wildlife on real property without permission of the owner or person in charge of the property. (S 1052)
 - < Exempted small timber sales, not exceeding 200,000 board feet and not exceeding a maximum value established by the State Land Board, from statutory advertisement requirements for sales of timber on state lands. (S 1099)
 - < Transferred the responsibility for financial assurance for closure of cyanide facilities from the Department of Environmental Quality to the Department of Lands and required cyanide facilities to submit a closure plan for approval and financial assurance to cover 110 percent of the estimated cost of closure. Other regulatory provisions relating to cyanide operations will remain the responsibility of DEQ. (S 1169)
 - < Established the cyanidation facility closure fund and required that 33 percent of mine license taxes paid by operations that include cyanidation facilities, as well as any fines or penalties recovered relating to the cyanidation closure provisions of the Surface Mining Act, be deposited and used to complete permanent closure activities and to administer permanent closure provisions. (H 318)
 - < Combined the big game primary and big game secondary depredation accounts into a new fund to be known as the Nonexpendable Big Game Depredation Fund, created the Expendable Big Game Depredation Fund from which depredation payments are to be made and directed unexpended and

unencumbered revenue from the fund to sportsmen access programs in the Fish and Game set aside account and the animal damage control account. (S 1171)

Taxation

- < Granted relief to businesses that report taxable income they later have to repay and for which they are not entitled to an Idaho tax deduction, allowing an Idaho deduction in the amount of the federal deduction taxpayers could take if they opt for the federal credit instead of the deduction. If the original income was not taxed in Idaho, a deduction would not be allowed. (H 13)
- < Changed the Idaho income tax to include income earned in Idaho by a nonresident from the sale of a partnership interest or stock in an S corporation to the extent of the partnership's or corporation's business activities in Idaho in the year preceding the sale. (H 25)
- < Gave the State Tax Commission authority to contract with commercial collection agencies for the collection of assessments (tax liabilities on which all appeals have expired) from in-state taxpayers for all taxes administered by the commission. (H 29)
- < Amended the 3 percent cap law so that any taxing district may call an election to ask voters to approve, by $62\frac{2}{3}$ percent or more, a budget increase from property tax revenues beyond the amount authorized by statute. (H 99)
- < Provided a sales and use tax rebate for machinery and equipment used in alternative methods of generation of electricity using fuel cells, low-impact hydro, wind, geothermal resources, biomass, cogeneration, sun or landfill gas as the principal source of power. (H 110)
- < Created a new checkoff on the Idaho individual income tax return allowing individual taxpayers to contribute to the Idaho Guard and Reserve Family Support Fund for support of National Guard and reserve members and their families who are residents of Idaho or members of National Guard or reserve units located in Idaho. (H 125)
- < Shortened the holding period required for real estate transactions from 18 months to 12 months to qualify for long-term capital gains taxation. (H 165)
- < Allowed a business to voluntarily provide confidential financial information to a county assessor for use in the process of determining the fair market value assessment of the property. (H 222)
- < Excluded benefits paid by the U.S. Department of Veterans Affairs to dependents of deceased veterans under the definition of income for circuit breaker property tax relief purposes. (H 252)
- < Provided an incentive for the owners of defunct industrial sites to preserve imbedded infrastructure for possible use by a successor business by providing a property tax exemption. (H 253)
- < Provided an exemption from sales and use taxes for property used in research and development activities; amended the sales and use tax exemption to include clean rooms used for research and development; and amended the production exemption to remove property used for research and development as an exclusion from the production exemption. (H 261)
- < Allowed residential improvements to qualify for the 50 percent or \$50,000 homeowner's exemption when the property has been leased because the owner is absent by reason of active military service in a designated combat zone. (H 299)
- < Enacted the Idaho Corporate Headquarters Incentive Act providing income tax credits to qualifying companies — those that within a five-year period create at least 500 new jobs in Idaho with a starting annual salary of at least \$50,000 per year and invest at least \$50 million in new headquarters and administrative buildings. (H 306)

- < Exempted from property tax significant capital investment that would put the market value of a company's operations over \$800 million, if the taxpayer made a capital investment of at least \$25 million in the county each year prior to claiming the exemption and employed a minimum of 1,500 full-time employees. (H 319)
- < Enacted the Small Employer Incentive Act providing qualifying businesses with income tax credits, additional new jobs tax credits, a real property improvement tax credit for investment in headquarters or administrative buildings of up to \$125,000 in any one year, and a temporary sales tax rebate for materials used in new headquarters and administrative buildings. (H 323)
- < Made permanent a cigarette tax of 57 cents per package of twenty cigarettes, revised the percentage that wholesalers are compensated for affixing stamps to 3.3 percent and revised distribution of the moneys — FY 2006, all moneys from the increase to go into the Economic Recovery Reserve Fund; FY 2007 and after, all moneys will be distributed to the Permanent Building Fund for the repair, remodel and restoration of the Capitol Building until the Capitol restoration is adequately funded, at which time all moneys will be distributed to the Economic Recovery Reserve Fund. (H 386)
- < Exempted from state income tax the dividends, interest, capital gains or similar profits or returns owned by a partnership, limited liability company or other entity taxed as a partnership for federal income tax purposes. (H 400)
- < future federal-aid highway apportionments. (S 1183)
- < Required that children six years of age and younger, rather than under four years of age, be secured in a child safety restraint when transported in a noncommercial vehicle. (H 178)
- < Created a Treasure Valley Air Quality Council to develop and implement an air quality plan in order to protect, preserve and improve the quality of air in Ada and Canyon counties while accommodating private, public and commercial activities, and authorized establishment of regional air quality councils in other areas of the state as necessary. (S 1142)
- < Established a Basque special license plate program with revenues to be sent to the Cenarrusa Center for Basque Studies at the Basque Museum located in Boise, to be used for educational and outreach programs. (H 187)
- < Established a science and technology special license plate program, and created the Office of Science and Technology Fund with revenues from the fund to be used by the Science and Technology Division of the Department of Commerce and Labor for attracting science and technology companies to locate or to expand their operations in Idaho. (S 1091)
- < Expanded the special public college and university motor vehicle license plate program to include three private colleges and universities in Idaho: Albertson College of Idaho in Caldwell, Northwest Nazarene University in Nampa and Brigham Young University-Idaho in Rexburg. (S 1110)

Transportation

- < Authorized the Idaho Transportation Board to select from a suggested list highway development projects that may be financed by bonds or notes, commonly referred to as GARVEE bonding, which would be issued by the Idaho Housing and Finance Association and repaid with a limited portion of
- < Extended the final date to apply for special Idaho Capitol Commission license plates from December 31, 2006, to December 31, 2012. (S 1180)
- < Created a Motorcycle Safety Program fee of \$6.00 to be collected in addition to the annual motorcycle registration fee to pro-

- vide increased funding for motorcycle rider training courses. (S 1179)
- < Required anyone under 18 years of age who rides on or drives a motorcycle or an all-terrain vehicle to wear a safety helmet, except when on private property or when the vehicle is used as an implement of husbandry. (S 1130)
 - < Authorized the Idaho Transportation Board to designate sections of state highways over which all-terrain vehicles and motorcycles may cross even if the vehicle is not registered to be ridden on a state highway. (H 102)
 - < Allowed neighborhood electric vehicles to be titled, registered and operated on any highway with a posted speed of 25 miles per hour or less. (H 185)
 - < Allowed bicycle riders and persons operating a human-powered vehicle to proceed with caution through a steady red traffic-control light after first stopping and yielding to all other traffic. (S 1131)
 - < Revised the definition of "gasohol" in the motor fuels tax law as gasoline blended with 10 percent or more of anhydrous ethanol, a change from the previous definition which limited the blend to no more than 10 percent anhydrous ethanol, in order to accommodate vehicles of advanced technological design that can run on 85 percent ethanol blends. (H 322)
 - < Changed terminology referring to work in highway construction zones from "construction danger zone" to "work zone." (H 144)

Bills Vetoed by the Governor

- H 38** – Regulation of seed crops (subsequently passed as H 401)
- H 54** – Commercial vehicle driving privileges (subsequently passed as H 402)
- H 68** – Registration of utility type vehicles
- H 70** – Department of Parks and Recreation Board advisory committee guidelines
- H 188** – Training requirements for Department of Health and Welfare child protection workers in the rights of parents and families (subsequently passed as S 1240)
- H 193** – Idaho Transportation Department enforcement authority at ports of entry
- H 254** – Revision of property tax exemption for land in rural subdivisions
- H 277** – Income tax exemptions on certain investments (subsequently passed as H 400)
- H 280** – Time allowed to restore ditches and canals (subsequently passed as S 1239)

STATE OF IDAHO - 2005 LEGISLATIVE SESSION
GENERAL FUND BUDGET UPDATE
Prepared by Legislative Services Office, Budget & Policy Analysis

FISCAL YEAR 2005

REVENUES

Beginning Balance	\$ 100,244,100
FY 2005 Baseline Executive Revenue Estimate (7.8%)	1,973,727,000
H 400 (2003 session) Increase Sales Tax from 5% to 6%	183,138,000
H 10 - Annual IRS conformity bill	1,100,000
H 110 - Sales Tax exemption for certain energy generation purchases	(1,062,500)
H 261 - Sales Tax exemption, R&D Equipment	(1,000,000)
Cancellation of FY 2004 Attorney General encumbrance	1,300,000
Transfers to Water Resource Board Revolving Dev. Fund (H 843 & H 392)	(21,800,000)
Transfer to Budget Stabilization Fund	(20,971,000)
Transfers out for Deficiency Warrants	(1,675,100)
TOTAL REVENUES	2,213,000,500

APPROPRIATIONS

Original Appropriations	2,082,138,300
Reappropriations	1,820,700
H 805 - One-time 1% Salary Increase	5,001,000
Supplemental Appropriations	25,479,100
Budgeted Reversions (risk management, H 805 funds, Attorney General)	(2,124,300)
TOTAL APPROPRIATIONS	2,112,314,800

ESTIMATED ENDING BALANCE

\$ 100,685,700

FISCAL YEAR 2006

REVENUES

Beginning Balance	\$ 100,685,700
FY 2005 Baseline Executive Revenue Percent Increase (5.1%)	2,076,618,000
H 10 - Annual IRS conformity bill	(800,000)
H 12 - Exclude certain personal property from Sales Tax exemption	43,000
H 13 - Recalculation of business taxes, credits	(50,000)
H 25 - Income Tax, include income for out-of-state partners	1,000,000
H 27 - Collection of unpaid taxes, notifications	100,000
H 29 - Tax Commission contract with collection agencies	1,000,000
H 110 - Sales Tax exemption for certain energy generation purchases	(2,125,000)
H 165 - Reduce capital gains holding period, real property	(500,000)
H 220 - Trademark renewal fees	1,000
H 252 - War widow pension income exempt from "circuit breaker"	(150,000)
H 261 - Sales Tax exemption, R&D Equipment	(6,000,000)
H 386 - Cigarette Tax, make \$0.57 rate permanent	(863,800)
S 1054 - Divert General Fund revenue to POST Fund	(280,000)
Tax Commission - Field Services Software Upgrade	769,500
H 400 (2003 session) Increase Sales Tax from 5% to 6% (one month)	13,448,000
H 392 - Transfer to Water Resource Board Revolving Dev. Fund	(3,000,000)
S 1194 - Transfer to Endowments in deficit (Ag College; Charitables)	(4,600,000)
TOTAL REVENUES	2,175,296,400

APPROPRIATIONS

TOTAL APPROPRIATIONS	2,180,928,300
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Preliminary Ending Balance

\$ (5,631,900)

Transfer from Budget Stabilization Fund (automatically covers negative balances up to 0.5%, or \$10.9 million)	5,631,900
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ESTIMATED ENDING BALANCE

\$ 0

Budget Highlights

Fiscal Year 2005

The Legislature made its final adjustments to the current fiscal year based on a 7.8 percent revenue increase. Through March, revenues exceeded that estimate by about \$25 million, which is the most encouraging revenue situation in several years. Overall, the General Fund budget for FY 2005, after major midyear adjustments for supplemental appropriations for Medicaid and corrections, totaled \$2,114,439,100 which is a 6.2 percent increase over the previous year appropriation. The key overriding factor in the Legislature's approach to the budget was to maximize the ending balance to carry over into FY 2006 to help offset the impacts of the sunset of the temporary one cent sales tax increase authorized in the 2003 session. Even after transferring \$21.8 million in general funds for the water settlement and approving over \$25 million in supplemental appropriations, the Legislature was still able to approve a spending plan that will leave an estimated year-end balance of just over \$100 million. If, however, the year-end balance hits \$124 million, a temporary merit-based salary increase funded at 1 percent is triggered for state and public school employees for FY 2006.

Fiscal Year 2006

The FY 2006 General Fund budget is based on a revenue estimate of 5.1 percent, which is the estimate of the Governor's Division of Financial Management and the recommendation of the Economic Outlook and Revenue Assessment Committee. The temporary one cent sales tax increase expires June 30, 2005, so that revenue was not included in the budget plan for FY 2006. The cigarette tax increase slated to sunset was made permanent, although the additional moneys do not accrue to the General Fund. Next year the Legislature may have to transfer those cigarette tax revenues from the Economic Recovery Reserve Fund to the General Fund in order to balance the General Fund budget and cover the costs of water agreements.

The spending blueprint approved by the Legislature for FY 2006 reflects a 4.7 percent increase over the original FY 2005 appropriation, and a 3.1 percent increase over the final FY 2005 appropriation. The final appropriation incorporated carryover, supplementals and a one-time 1 percent Change in Employee Compensation. Included in this very lean "maintenance level" budget plan are increases for state employee health insurance costs, statutory increases for Medicaid and public schools, an enrollment workload adjustment for higher education, and direct costs of keeping pace with inmate growth in corrections. The basic philosophy of the budget approach was to cover only those costs associated with current statutory program responsibilities and not to expand state services or programs. The outlook for FY 2007, in light of the current \$110 million structural deficit, is still very much in doubt, so a very cautious and conservative spending plan prevailed.

These key revenue and spending issues, as well as highlights of the state agency and institution appropriations, are profiled in the following pages.

Department of Health and Welfare

The General Fund appropriation for the Department of Health and Welfare increased from \$407.6 million in fiscal year 2005, to \$457.7 million in fiscal year 2006. This level of funding represents an increase of \$50.1 million, or 12.3 percent over the department's fiscal year 2005 original appropriation from the General Fund. Of the total \$50.1 million of new dollars, \$43.1 million, or 86 percent of the increase, was for Medicaid.

The Legislature authorized 127 new positions, for a total of 3,021 full-time equivalent positions (FTP) for the entire department. This represents a growth factor of 4.4 percent. The new positions were added in the following programs:

- < 15 new child protection workers were added in the Child Welfare Program;
- < 2 grant management positions for the Independent Councils;
- < 15 clinical support positions for adults and children in Mental Health Services;
- < 3 positions to manage the Access to Recovery grant in the Substance Abuse Services Program;
- < 1 position to support methamphetamine cleanup standards in the Physical Health Program;
- < 50 positions for the eligibility and child support caseworkers in the Self-Reliance Programs;
- < 27 positions in Indirect Support Services Program, of which 20 were to convert existing contract employees to state employment, and 7 were to support criminal background checks for employees of assisted-living facilities and nursing homes; and
- < 14 positions for Medical Assistance Services to implement the Adult Access Card Program, support estate recovery efforts, provide additional health facility surveyors, and add capacity for program development and cost containment evaluations.

A subcommittee appointed by the co-chairmen of the Joint Finance-Appropriations Committee reviewed the budget structure and expenditure history of the department during the interim. As a result of the subcommittee's work, substantive changes were made during the appropriation process for fiscal year 2006.

- < All budgets were reviewed and voted on by program rather than by division – there are now 19 budgeted programs in the department. Subsequently, there were nine appropriation bills representing functional areas rather than five representing organizational lines.
- < All budgeted programs now have an associated full-time equivalent position cap.
- < Carryover authority was granted throughout the department, but in the Child Welfare and Children's Mental Health Programs, carryover was limited to foster care, adoption assistance, and mental health treatment for children.
- < Automatic authority to spend all new state or federal receipts that were in excess of the appropriation was limited to the Medical Assistance Services (Medicaid) and Indirect Support Services Programs. The majority of these receipts are from pharmaceutical rebates and excess payments to hospitals by Medicaid.

Finally, the Legislature faced a major challenge when the Governor's recommendation for projected inflationary increases in Medicaid was underfunded by approximately \$17 million from the General Fund, by the Governor's own estimate. An additional \$10 million was added to the final appropriation for Medicaid in an effort to minimize the potential shortfall in fiscal year 2006.

Public Schools

For the current year, the Legislature provided public schools with a \$5 million cash infusion from the Budget Stabilization Fund to the Public Education Stabilization Fund (PESF), to cover costs associated with unexpected levels of enrollment growth. These funds have been added to the \$7.15 million in PESF, which should provide a fund balance sufficient to cover a shortfall currently estimated at approximately \$10 million. Of the new classrooms in Idaho, roughly a third were in the Meridian School District, a third in charter schools and a third in the remaining 113 school districts.

The General Fund appropriation for public schools increased by 2.3 percent for FY 2006, from \$964.7 million to \$987.1 million. The public schools appropriation bills included several changes to the public schools funding statutes. These included the removal of requirements that the state fund and school districts participate in the Idaho Student Information Management System (ISIMS), since the J.A. & Kathryn Albertson Foundation has abandoned further development of ISIMS and will not be delivering a product for the state to maintain.

Amendments pertaining to charter schools include the requirement that new charter schools must be authorized by no later than January 1 of the prior school year (does not apply to new charters opened in fall 2005), and a provision limiting the growth of individual charter schools to 20 new support units per year. These changes will make it possible for the state to plan and budget for charter school growth in a more orderly way.

Other amendments phased out the funding floor, which guaranteed the state's three or four wealthiest school districts at least 90 percent of their previous year's state funding, despite the fact that they would normally be entitled to receive none under equalization. These districts will now receive a 50 percent floor in FY 2006 and none in FY 2007.

In terms of the five divisions in the public schools budget, the following highlights summarize the key issues provided in the appropriation bills:

Administrators: General Fund and total funds increase of 3.3 percent. Funded statutory increases for enrollment growth. The estimated experience/education index for administrators is fully funded for FY 2006.

Teachers: General Fund increase of 1.9 percent; total funds increase of 2.1 percent. Funded statutory increases for enrollment growth and a 15 percent increase in the Early Retirement Program. The estimated experience/education index for teachers is fully funded for FY 2006.

Operations: General Fund increase of 2.6 percent; total funds increase of 2.5 percent. Provided a 13.1 percent increase in the amount of money that can be used for technology, with all \$9.5 million now appropriated as ongoing funding. Within this category, there was an approximately 30 percent increase in the amount of money that schools could use to hire information technology staff. Districts were also given more flexibility in the use of technology equipment dollars, with districts having the option to use their share of these funds to pay for the cost of providing remedial instruction to students failing to achieve full ISAT profi-

ciency. Increased the level of total discretionary funding by 1 percent, from \$24,450 to \$24,695 per classroom. Funded statutory increases for enrollment growth and pupil transportation costs, including the cost of bringing electronic instruction to virtual charter school students.

Children's Programs: General Fund increase of 10.6 percent; total funds increase of 5 percent. Provided funding increases for Exceptional Contract/Tuition Equivalencies (15 percent) and Limited English Proficiency programs (4.3 percent). Doubled funding for Idaho Digital Learning Academy, to \$900,000, and made the provision of remedial instruction for children failing to achieve full ISAT proficiency the highest priority use for such funds. Provided additional flexibility to school districts in the use of cigarette tax moneys, with such funds being eligible to be used not only for Safe & Drug-Free Schools programs, but also for the costs of paying community resource workers.

Facilities: Funded entirely by State Lottery proceeds. Provided \$4,527,500 in funding for Bond Levy Equalization. The amount of general facilities funds provided is \$8,922,500, the same amount as was provided in FY 2005.

Colleges and Universities

The FY 2006 appropriation for the four institutions in Idaho's college and university system reflects a 2.5 percent increase in general funds and a 2.6 percent increase in total funds. The appropriation provides for increases in personnel benefits for health insurance and retirement, and for four additional adjustments to adequately fund a maintenance-level budget:

Statewide Cost Allocation Charges: Includes \$48,000 for the controller, treasurer and risk management costs.

Enrollment Workload Adjustment: This Enrollment Workload Adjustment (EWA) is not based solely on student enrollment, but is a calculation based on a three-year rolling average of the increase in credit hours, weighted by course level (lower division, upper division, masters, doctoral and law) and also weighted by discipline. The appropriation provides full funding (\$2,745,800) for the EWA. Keeping pace with growing enrollments was the highest priority in this year's budget process for higher education.

Occupancy Costs: Includes \$825,200 for maintenance, janitorial and utility costs for three new facilities.

- < The Stephens Performing Arts Center at Idaho State University received \$378,900 for the general education portion of that facility, which is about 80 percent of the square footage. The grand concert hall and two smaller theaters were not included in the occupancy costs. The original legislation authorizing this privately funded facility clearly outlined the intent in its fiscal note, which states that funded occupancy costs would be expected when the facility was completed.
- < The University of Idaho received \$205,800 for the space used for general education in UI Water Center, which is about 29 percent of the square footage of that facility.
- < The Lewis-Clark State College Activity Center received \$240,500 for occupancy costs. Original funding to construct this facility began in phases nine years ago, with the last and largest portion funded in the bonding package in 2003.

The higher education appropriation also includes a one-time fund shift to cover the pooled endowment shortfall, which will not affect the overall funds available for higher education. This one-time "fix" required in the budget process affected several agencies. In this case

general funds are reduced (and replaced with available earnings in higher education's endowments) so that general funds can be used to cover endowment losses in other charitable institution budgets.

There is one new legislative intent section in the appropriation bill that directs the State Board of Education to develop a standardized reporting system to profile faculty workload at each institution. This is an effort simply to get a better understanding of how many credit hours are taught by faculty members and how many hours are spent in service or research.

Department of Correction

The General Fund appropriation for the Department of Correction increased from \$110.5 million in fiscal year 2005 to \$118.6 million in fiscal year 2006. This level of funding represents an increase of \$8.1 million, or 7.3 percent, over the department's fiscal year 2005 original appropriation. Of that increase, about half was provided through ongoing supplemental appropriations to cover unexpected prison growth.

In addition, full-time equivalent positions (FTP) increased by 6.7 percent, from 1,426 authorized by the Legislature in fiscal year 2005 to 1,522. This represents an increase of 96 positions. Of this number, 37 were authorized by the Governor during the current fiscal year to deal with the growing inmate population problem.

The changes in this appropriation from last year include \$1,059,000 for personnel benefits; \$18,100 for miscellaneous capital outlay; \$1,412,400 in nonstandard adjustments for changes in the medical contract with Prison Health Services, the statewide cost allocation plan and the privately operated state prison; and \$1,019,500 for annualizing approved supplemental appropriations. In addition, \$1,517,900 was shifted from the General Fund to the Endowment Income Fund as part of the Endowment Reallocation Plan. Also, \$138,000 was shifted from federal grant moneys to the General Fund for continued support of substance abuse treatment services at the South Idaho Correctional Institution in Boise and the North Idaho Correctional Institution at Cottonwood.

Other line item changes related to inmate population growth were also funded, including \$513,400 to cover medical costs for another 365 inmates who are forecast to enter the system in 2006; \$699,600 and 14 FTP to cover a 6.4 percent increase in the number of offenders who will be supervised in the community; \$41,100 and one FTP to provide clerical support for those offenders participating under the Interstate Compact program; \$250,000 to establish Intermediate Sanction & Revocation programs at two facilities to help reduce prison overcrowding and increase offender accountability; \$93,700 and 1.6 FTP to help eliminate sexual assaults and rapes in detention centers, jails and prisons, as federally mandated; \$677,200 and 12 FTP to staff low-cost inmate housing at the Idaho Correctional Institution in Boise for an additional 100 inmates; and \$1,940,700 and 30 FTP to provide for an additional 136 beds at the South Boise Women's Correctional Center.

Finally, intent language was included in the bill that granted carryover authority to the department for any unexpended and unencumbered balance of the General Fund to be used exclusively for the expansion of community-based mental health and substance abuse services.

Change in Employee Compensation

Section 67-5309B(d), Idaho Code, provides that the Division of Human Resources and the Governor shall submit recommendations on proposed changes in salaries and benefits to the Legislature. "The failure of the legislature to accept, modify or reject the recommendations prior to adjournment sine die shall constitute approval of the governor's recommendations." The CEC Committee adjourned its February 15, 2005, meeting without passing a resolution to accept, modify or reject the Governor's recommendations for funding for a 1 percent CEC for salary increases provided to state employees based upon performance, and funding for compensation to employees of public schools for distribution through discretionary allocations as individual districts may determine.

The Legislature approved H 395, an omnibus CEC appropriation bill, which authorizes a one-time 1 percent CEC if the State Controller certifies to the Secretary of State that the ending balance in the General Fund at the end of fiscal year 2005 exceeds \$124,000,000. The fiscal impact would be \$14,072,800 in general funds, \$2,089,400 in dedicated funds and \$1,190,600 in federal funds for a total of \$17,352,800.

Idaho Transportation Department

The FY 2006 budget for the Idaho Transportation Department includes an enhancement of \$42,418,300 for contract construction and right-of-way acquisition. This reflects higher estimated levels of federal funding based upon Congress' most recent extension of the Federal Surface Transportation Act. The enhancement also reflects forecasted increases in state dedicated funds. The Legislature also passed S 1183, which authorizes the use of GARVEE [Grant Anticipation Revenue Vehicle] bonds to finance certain transportation projects across the state.

Permanent Building Fund Projects

During FY 2006, the Permanent Building Fund once again will be used primarily to address building maintenance projects. Of the \$21,058,900 appropriated for Permanent Building Fund projects, \$17,548,500 was allocated for maintenance. Four other projects were also authorized:

- < \$2.2 million was appropriated to renovate the facility for the Commission for the Blind and Visually Impaired. This project will renovate the current facility, which is located in Boise, and will address safety, mechanical and electrical problems. The renovation will result in a safer and more secure facility for clients and staff.
- < \$450,000 was appropriated for the planning and design of an addition to the State Historical Museum. This will provide a 9,600 square foot addition and allow for the expansion of educational programs through exhibits, demonstrations, lectures, and audio-visual presentations.
- < \$745,000 was appropriated for low-cost inmate housing for the Department of Correction at ISCI. This will provide funding for a stressed membrane structure providing a semi-permanent solution to inmate overcrowding at a fraction of the cost of conventional construction. This new structure will provide 100 new beds for the facility.
- < \$115,000 was appropriated for permanent fixtures at the new Idaho History Center. This will pay for fixed shelving and ladders at the new facility to provide storage for and access to such materials as historical documents, photographs, books, maps, oral histories and research guides.

Endowment Fix

In January, the Legislature learned that the Endowment Fund Investment Board had ceased payouts to the Agricultural College and Charitable Institutions, two of the seven pooled endowments. Two of the entities affected by the suspension, Veteran's Services and the School for the Deaf and the Blind, indicated they would be able to absorb the loss of funds in FY 2005 amounting to \$281,490. This left a shortfall of \$1,506,300 that was not accounted for in the FY 2005 budget. The attorneys general assigned to the Investment Board also recommended that the earnings reserves be put in a positive position as soon as possible, amounting to \$4.6 million. Furthermore, an additional impact of \$3,387,300 would be felt if no payments could be made to the Agricultural College and Charitable Institutions in FY 2006. The total impact would have been \$9,493,600. Fortunately, the attorneys concluded that had each of the pooled endowments been examined separately when calculating disbursement amounts for each fiscal year, the beneficiaries of each of the deficit funds would not have received endowment distributions in those years in amounts that resulted in deficit balances.

JFAC's approach was to increase General Fund support for those programs whose endowment distributions were stopped and decrease General Fund support and increase endowment spending authority for the other pooled endowments. JFAC approved S 1162, adjusting the endowment fund appropriations in three parts:

- < The Normal School and University endowments took care of the Agricultural College and the ISU portion of Charitable Institutions;
- < The Penitentiary Endowment took care of Juvenile Corrections; and
- < State Hospital South Endowment took care of State Hospital North.

The total impact was \$1,506,300 increased spending authority in the healthier endowments and a reduction in the same amount for the less healthy endowments.

For fiscal year 2006, S 1194 took the same approach to keep the Agricultural College and Charitable Institutions whole without impacting the General Fund. Starting with known FY 2005 beginning balances and using estimated revenues, expenditures and distributions for each of the seven pooled endowments, staff calculated the need for \$2.13 million to the Agricultural College and \$2.47 to the Charitable Institutions, for a total of \$4.6 million to bring those Earnings Reserves out of deficit. Also, since no distributions could be made from those two endowments in FY 2006, staff put a plan together to increase distributions from the healthy endowments with off-setting adjustments in General Fund support saving the General Fund \$3,387,300.

Total savings to the General Fund was \$9,493,600 over the two fiscal years. These are General Fund dollars that would have had to be injected into the budget that were instead offset by endowment earnings reserves. However, in FY 2007, the distributions must be re-adjusted and \$4.6 million must be reinstated to the General Fund appropriation base.

Statewide Water Funding Package

JFAC appropriated \$34,150,000 for statewide water issues as follows: \$24,375,000 to purchase water rights owned by the Bell Rapids Mutual Irrigation Company; \$4,125,000 for loans to ground water districts to lease water; \$3 million for loans to ground water districts to implement the Conservation Reserve Enhancement Program; \$360,000 to the Soil Conservation Commission to implement the Conservation Reserve Enhancement Program;

\$90,000 for a hydrology section manager in the Department of Water Resources; \$1.2 million spending authority for fees charged to water users to be used for monitoring and modeling; \$100,000 for the Rathdrum Aquifer Collaborative USGS Study; \$150,000 for Rathdrum Aquifer spring and well monitoring; \$450,000 for Palouse Basin Aquifer Projects; and \$300,000 to do a study of water use and reuse on the Rathdrum Prairie. Of the total, \$21 million is to be repaid by July 1, 2006 to the General Fund from leases of water rights to the Bureau of Reclamation.

Department of Fish and Game

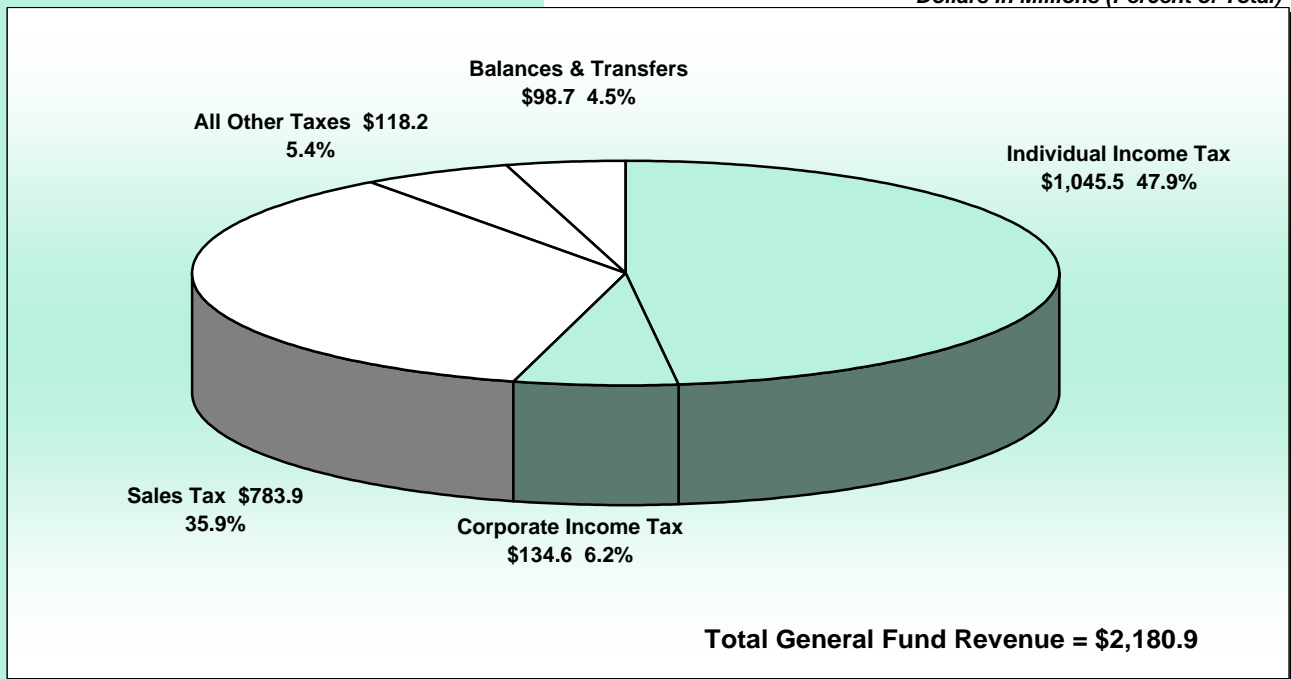
JFAC took a four-pronged approach to the Fish and Game Budget. First, it set the FY 2006 budget based on no fee increase. S 1176 authorized 525 full-time equivalent positions and \$72.2 million from all fund sources. Second, S 1230 authorized funding of \$1.4 million for the 27th payroll. Third, JFAC approved S 1237 authorizing an additional \$1.5 million from all fund sources. The total of these three components amounted to a budget of \$75.1 million, of which \$33.4 million was from licenses and fees. Finally, even though the Department of Fish and Game doesn't get any General Fund support, JFAC approved H 395, a 1 percent, one-time change in employee compensation contingent upon the ending balance in the General Fund being at least \$124,000,000. The fiscal impact of a 1 percent CEC to Fish and Game is \$382,400, with \$182,400 or 48 percent from license and fees.

It should be noted that S 1191 increased fishing and hunting license fees by an average of 10 percent including the vendor increase. There were some notable exceptions and footnotes. First, vendor fees were increased 17 percent, from \$1.50 to \$1.75, with the entire \$.25 going to the vendors. That means the department will retain \$.75 to maintain the system and the vendor will get \$1 beginning July 1, 2005. Second, there are exceptions to the average 10 percent. Controlled hunt application fees remained at \$4.50; controlled hunt permits remained at \$6.00; trapping licenses remained the same; senior licenses rose from \$3 to \$10 (333 percent increase); and nonresident hound-hunter permits actually fell by 21 percent. And finally, the fiscal note states the fee increase is to generate an additional \$3.1 million to the department, bringing estimated revenues for FY 2006 to \$31.5 million. That represents an 11 percent increase. Even after accounting for the variations in the fee increases, the department is assuming an increase of 2 percent to 3 percent in sales volume.

FY 2006 General Fund Revenue & Appropriations

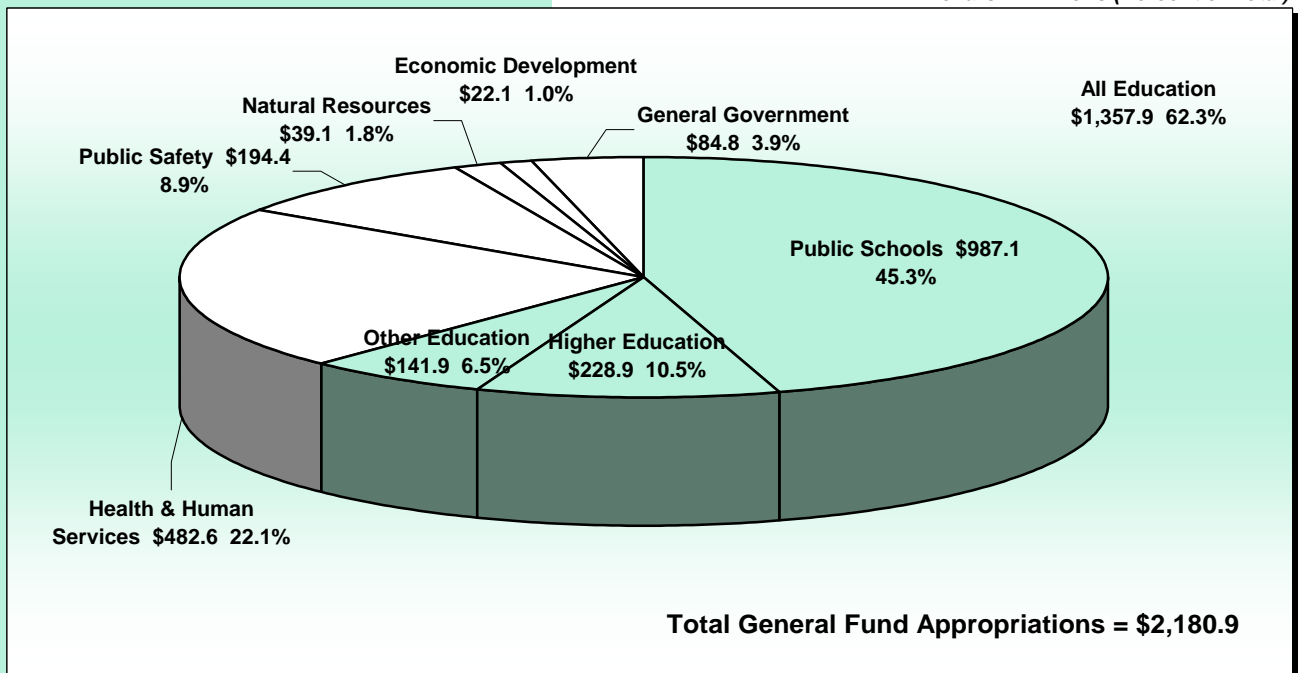
"Where the money comes from . . ."

Dollars In Millions (Percent of Total)



"Where the money goes . . ."

Dollars In Millions (Percent of Total)



Revenue less Appropriations = \$.0 million

General Fund Comparison by Agency

	FY 2004 Actual Expenditures	FY 2005 Original Approp.	FY 2005 Final* Approp.	FY 2006 JFAC Action	Percent Change from Orig	Percent Change from Final
1 Education						
Public School Support	943,000,800	964,706,500	964,706,500	987,110,000	2.3%	2.3%
Agric. Research and Extension	23,816,700	24,679,100	24,865,700	24,993,900	1.3%	0.5%
College and Universities	217,953,500	223,366,200	225,655,900	228,934,100	2.5%	1.5%
Community Colleges	19,223,900	19,755,400	19,885,500	20,523,900	3.9%	3.2%
Deaf and Blind, Idaho School	7,187,000	7,449,300	7,505,500	7,663,900	2.9%	2.1%
Education, Office of the State Bd.	3,287,500	4,097,100	4,107,200	4,584,900	11.9%	11.6%
Health Education Programs	7,519,500	7,846,100	7,884,700	8,380,300	6.8%	6.3%
Historical Society	1,923,700	1,961,600	1,973,800	2,200,000	12.2%	11.5%
Library, State	2,418,600	2,537,100	2,552,200	2,594,700	2.3%	1.7%
Professional-Technical Educ.	44,144,900	45,691,600	46,055,100	46,583,100	2.0%	1.1%
Public Broadcasting System	1,528,200	1,586,700	1,595,000	1,586,800	0.0%	(0.5%)
Special Programs	9,140,000	9,717,600	9,742,600	9,759,000	0.4%	0.2%
Superintendent of Public Instr.	5,130,900	5,211,000	5,232,400	5,249,300	0.7%	0.3%
Vocational Rehabilitation	3,673,000	7,738,600	7,676,800	7,722,600	(0.2%)	0.6%
Total Education	\$1,289,948,200	\$1,326,343,900	\$1,329,438,900	\$1,357,886,500	2.4%	2.1%
2 Health and Human Services						
Medically Indigent Health Care	12,126,700	12,160,500	15,835,500	15,260,300	25.5%	(3.6%)
Health and Welfare, Dept. of	360,386,900	407,551,900	425,024,200	457,682,300	12.3%	7.7%
Independent Living Council	0	0	74,800	61,800		(17.4%)
Public Health Districts	9,166,300	9,488,400	9,557,600	9,624,600	1.4%	0.7%
Total Health & Human Services	\$381,679,900	\$429,200,800	\$450,492,100	\$482,629,000	12.4%	7.1%
3 Public Safety						
Correction, Department of	107,650,800	110,511,000	115,090,300	118,566,400	7.3%	3.0%
Judicial Branch	24,455,100	25,182,500	25,246,700	25,535,400	1.4%	1.1%
Juvenile Corrections, Dept. of	31,843,900	32,273,100	32,799,700	33,620,300	4.2%	2.5%
Police, Idaho State	16,858,400	16,419,000	16,530,200	16,635,800	1.3%	0.6%
Total Public Safety	\$180,808,200	\$184,385,600	\$189,666,900	\$194,357,900	5.4%	2.5%
4 Natural Resources						
Environmental Quality, Dept. of	15,146,000	15,146,000	15,234,100	15,706,700	3.7%	3.1%
Fish and Game, Department	0	0	0	0		
Land, Board of Commissioners	4,489,500	4,809,800	4,835,600	4,696,200	(2.4%)	(2.9%)
Parks and Recreation, Dept. of	6,639,800	6,819,300	7,268,900	6,963,600	2.1%	(4.2%)
Water Resources, Department	9,686,200	10,514,000	10,825,800	11,723,800	11.5%	8.3%
Total Natural Resources	\$35,961,500	\$37,289,100	\$38,164,400	\$39,090,300	4.8%	2.4%
5 Economic Development						
Agriculture, Department of	9,442,800	9,497,600	9,554,100	9,962,800	4.9%	4.3%
Commerce and Labor, Dept. of	6,687,600	7,877,100	7,898,400	7,595,200	(3.6%)	(3.8%)
Finance, Department of	0	0	0	0		
Industrial Commission	0	0	0	0		
Insurance, Department of	0	0	0	0		
Public Utilities Commission	0	0	0	0		
Self-Governing Agencies	3,392,900	3,443,900	3,714,900	4,588,300	33.2%	23.5%
Transportation Dept., Idaho	0	0	0	0		
Total Economic Development	\$19,523,300	\$20,818,600	\$21,167,400	\$22,146,300	6.4%	4.6%
6 General Government						
Administration, Department of	8,699,900	8,887,900	8,901,500	8,985,900	1.1%	0.9%
Building Fund Advisory Council	0	0	0	0		
Attorney General	13,078,100	15,042,200	16,115,100	15,360,300	2.1%	(4.7%)
Controller, State	4,973,500	5,113,400	5,193,800	5,145,600	0.6%	(0.9%)
Governor, Executive Office of	15,792,200	16,245,300	16,320,600	16,563,000	2.0%	1.5%
Legislative Branch	9,187,100	10,259,100	10,293,500	10,398,700	1.4%	1.0%
Lieutenant Governor	83,700	117,800	118,300	118,600	0.7%	0.3%
Revenue & Taxation, Dept. of	24,319,900	24,847,100	24,959,400	24,953,200	0.4%	(0.0%)
Secretary of State	1,956,900	2,338,200	2,351,300	2,069,500	(11.5%)	(12.0%)
Treasurer, State	1,186,400	1,249,300	1,255,900	1,223,500	(2.1%)	(2.6%)
Total General Government	\$79,277,700	\$84,100,300	\$85,509,400	\$84,818,300	0.9%	(0.8%)
Statewide Total	\$1,987,198,800	\$2,082,138,300	\$2,114,439,100	\$2,180,928,300	4.7%	3.1%

* Includes \$1,820,700 for reappropriations, \$5,001,000 for H805 One-time 1% Salary Increase, and \$25,479,100 for supplementals.