

Sine Die Report



2007 Session Summary

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This report and a complete listing of all legislation are 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

2007 Leadership

Senate

James E. Risch, President
Robert L. Geddes, President Pro Tempore
Bart Davis, Majority Leader
Joe Stegner, Assistant Majority Leader
Brad Little, Majority Caucus Chair
Clint Stennett, Minority Leader
David Langhorst, Assistant Minority Leader
Kate Kelly, Minority Caucus Chair

House

Lawrence Denney, Speaker
Mike Moyle, Majority Leader
Scott Bedke, Assistant Majority Leader
Ken Roberts, Majority Caucus Chair
Wendy Jaquet, Minority Leader
George Saylor, Assistant Minority Leader
John Rusche, Minority Caucus Chair

2007 Committee Chairs

Senate

Tom Gannon, Chair
Agricultural Affairs Committee

Denton Darrington, Chair
Judiciary and Rules Committee

John Andreason, Chair
Commerce and Human Resources Committee

Brent Hill, Chair
Local Government and Taxation Committee

John Goedde, Chair
Education Committee

Gary Schroeder, Chair
Resources and Environment Committee

Dean Cameron, Chair
Finance Committee

Curt McKenzie, Chair
State Affairs Committee

Patti Anne Lodge, Chair
Health and Welfare Committee

John McGee, Chair
Transportation Committee

House

Tom Trail, Chair
Agricultural Affairs Committee

Jim Clark Chair
Judiciary, Rules and Administration Committee

Maxine Bell, Chair
Appropriations Committee

Lenore Barrett, Chair
Local Government Committee

Max Black, Chair
Business Committee

Bert Stevenson, Chair
Resources and Conservation Committee

Robert Schaefer, Chair
Commerce and Human Resources

Dennis Lake, Chair
Revenue and Taxation Committee

Bob Nonini, Chair
Education Committee

Tom Loertscher, Chair
State Affairs Committee

Dell Raybould, Chair
Environment, Energy and Technology Committee

JoAn Wood, Chair
Transportation and Defense Committee

Sharon Block, Chair
Health and Welfare Committee

Rich Wills, Chair
Ways and Means Committee

Introduction

Due to pressing timetables surrounding the Capitol restoration project, legislative leadership, committee chairs and the membership at large kept the Legislature's business well focused throughout the 2007 legislative session. The committees effectively screened and prioritized legislation, resulting in fewer pieces of legislation being drafted, introduced and passed than in recent years, enabling the Legislature to meet aggressive target dates set by the Legislative Council in November.

The 2007 Idaho Legislature tackled a wide range of important issues, beginning with a reconfigured Capitol Building Master Plan, which reflects a compromise between the Governor and Legislature to restore and revitalize Idaho's most preeminent public building and to provide expanded hearing rooms in the new atrium wings for public participation in the legislative process. The Legislature approved several new, important substance abuse and mental health service initiatives and adopted several energy initiatives, including the first comprehensive statewide energy plan since 1982. The Legislature also clarified the procedures for starting new community college districts and provided incentive start-up funds, strengthened child abuse statutes, developed strategies and infrastructure to address a nursing shortage, provided need-based scholarships in higher education, raised public school teacher salaries and state employee compensation, and provided for significant parks and recreation enhancements. The Legislature also provided State Tax Anticipated Revenue (STAR) financing for transportation infrastructure and approved the second bonding phase for GARVEE-funded highway projects.

Although the Legislature also increased the grocery tax credit, that legislation was vetoed. The House overrode that veto, but the Senate chose not to address an override. Both the House and Senate, however, overrode the Governor's veto of a bill banning smoking in bowling alleys.

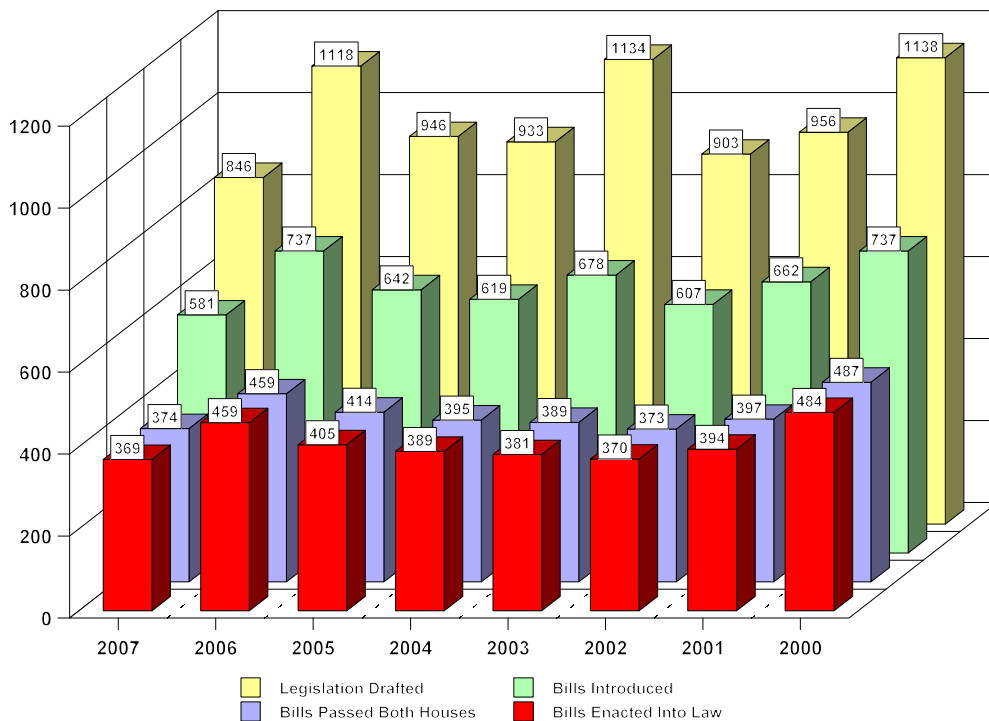
The Legislature developed a far-reaching, balanced budget that provided a 5.9% increase for public schools and an 8.4% increase for colleges and universities, and at the same time held Medicaid spending to 5.4%, which is the first time in two decades that educational spending outpaced the fast-growing Medicaid budget. The Joint Finance-Appropriations Committee and the Legislature also made sure that cash reserves were given high priority, and the state now has \$121 million in the Budget Stabilization Fund, \$101 million in the Public Schools Stabilization Fund, and \$60 million in the Economic Recovery Reserve Fund. The Millennium Fund endowment, although not a cash reserve, now has \$58 million, and \$98 million was moved into the Permanent Building Fund to catch up on critical building facility needs. The Legislature's budget blueprint is a cornerstone accomplishment of the 2007 legislative session, along with energy policy, mental health and substance abuse initiatives, and higher education.

Volume of Legislation and Length of Session

During the 2007 legislative session 846 proposed pieces of legislation were prepared for legislative committees and individual legislators. From that initial group of draft proposals, 581 bills were actually introduced, along with another 73 various resolutions, memorials and proclamations. By the end of the session, 369 bills had been passed, although six bills were vetoed by the Governor (see p. 18). After final legislative action and following the Governor's review, 62% of introduced bills became law, with the majority of the new laws to become effective July 1, 2007.

From Drafting to Enactment

7-Year Comparison



Length of Session

With the Legislature adjourning sine die on March 30, the 2007 legislative session had lasted 82 days, not as short a session as legislators had hoped for, but just about the median length of sessions over the past decade.

Length of Recent Sessions									
<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
82	93	87	69	118	68	82	87	68	71

Rules Review

The Legislature's annual review of the pending rules, pending fee rules and temporary rules promulgated by the state's administrative agencies is a demanding but critically important task. Under Idaho statute, the Legislature is empowered by the Administrative Procedures Act to exercise legislative oversight over the rulemaking authority granted to state agencies by rejecting those administrative rules that do not reflect legislative intent.

In the 2007 legislative session, Senate and House standing committees reviewed some 225 individual rule dockets comprising 2,280 pages. The Senate Health and Welfare Committee carried the heaviest burden, reviewing 76 individual rule dockets comprising 1,345 pages.

While most rules reviewed this session passed legislative intent muster, the Legislature adopted a number of concurrent resolutions rejecting administrative rules found to be objectionable:

HCR 16 – A pending rule of the Idaho Fish and Game Commission governing licensing and relating to deer and elk tag allocation.

HCR 19 – Several Division of Vocational Rehabilitation pending rule standards governing Extended Employment Services and relating to the certification of providers.

HCR 21 and **SCR 117** – A pending docket of the Department of Health and Welfare governing the Idaho Child Care Program and the corresponding chapter rewrite submitted as a pending fee rule docket.

SCR 105 – An Idaho State Police, Alcohol Beverage Control pending rule relating to the definition of a “multipurpose arena.”

SCR 112 – Two pending rules of the Department of Health and Welfare concerning Medicaid Enhanced Plan Benefits and relating to participant eligibility for enhanced outpatient mental health services.

SCR 113 – A Board of Pharmacy pending rule docket concerning rules of the board.

SCR 114 – A pending rule of the Industrial Commission relating to acceptable charges for medical services under the Idaho Workers' Compensation law.

SCR 115 – Four pending rules of the Department of Commerce and Labor concerning unemployment insurance tax administration and relating to proving that a worker is free from control or direction in his work.

SCR 120 – Several Division of Human Resources and Personnel Commission temporary rules relating to compensation issues.

SCR 121 – Two pending rules of the Panhandle Health District relating to water quality control.

2007 Legislative Action on Major Issues

Agriculture

H 26 – Eliminates specific date requirements and makes annual payments for grazing leases due as provided in each lease.

H 42aaS – Authorizes the Department of Agriculture to administer the Rural Economic Development and Freight Transportation Program.

H 56aaS – Creates the Idaho Rural Development Partnership to act as a clearinghouse for rural development resources and information, seek solutions to unnecessary impediments to rural development and establish strategies to improve the quality of life in rural Idaho.

H 243 – Exempts from disclosure certain results of laboratory tests conducted by the Idaho Department of Agriculture Seed Laboratory on samples submitted by seed producers and seed companies.

H 244 – Exempts from disclosure certain results of laboratory tests conducted by the Idaho Department of Agriculture Animal Health Laboratory on samples submitted by veterinarians and animal owners.

Business and Economic Development

H 88 – Incorporates into law a new trend test for risk-based capital levels of property and casualty insurers.

H 90 – Increases from three years to five years the maximum period for examination by the director of the Department of Insurance of insurers and certain organizations.

H 91 – Clarifies that a newly formed domestic mutual property insurer is subject to the same

limit of risk that all other property insurers are subject to and limits the net amount of risk an insurer can retain for property coverage to 10% of surplus to policyholders.

H 92 – Authorizes the Department of Insurance to share confidential information with foreign regulatory or law enforcement agencies.

H 100 – Updates licensing requirements for manufactured housing manufacturers, retailers, installers, service companies and salespeople to require background checks, increase bonding requirements and add enforcement provisions.

H 109 – Requires liquefied petroleum gas facilities to procure and have in effect a general liability insurance policy of not less than \$1 million.



Idaho Capitol Rotunda

H 111 – Authorizes the Department of Insurance to promulgate rules to protect members of the armed forces from unscrupulous insurance sales practices.

H 132 – Simplifies certain licensing, permitting and inspection requirements for heating, ventilation and air conditioning (HVAC) installations.

Criminal Justice

H 155aa – Establishes the Nursing Workforce Advisory Council to advise on nursing workforce issues and a Nursing Workforce Center to investigate such issues.

H 157 – Creates the position of a certified medication assistant to administer non-narcotic medications under the supervision of a licensed nurse.

H 184aa – Sets the minimum wage in Idaho to the rate set by the federal government and changes the minimum for tipped workers from 33% of the minimum wage to a flat minimum rate of \$3.35 per hour.

H 198 – Permits the financing of industrial, commercial and other projects to promote economic development throughout the state, in partnership with private financial institutions and state or local economic development entities, and allows the pooling of loans for such projects to save financing transaction costs.

H 223 – Requires that calls placed by an automatic dialing-announcing device must disclose specific information at the start of the call.

S 1019 – Establishes the Idaho Entity Transactions Act, allowing conversion of one kind of business organization to another or the merger of two or more business organizations into one organization.

S 1092 – Creates a volunteer's license for retired dental hygienists who satisfy applicable licensure requirements.

S 1151 – Clarifies that physicians who act as supervising physicians for governmental ambulance services will be considered employees of the governmental entity solely pertaining to their supervisory duties.

H 124 – Extends from one year to four years the statute of limitations against those who fail to report child abuse or who cover up abuse.

H 125aa – Allows child sexual abuse victims up to five years to sue after they realize abuse has occurred, and allows victims to sue abusers' employers if they have shown gross negligence in hiring or training practices or have covered up a worker's abusive behavior.

H 127 – Provides that courts may set conditions on bail including home detention, electronic monitoring and global positioning system tracking, and may require those on bail to bear the cost of such monitoring.

H 129 – Makes it a separate criminal offense of escape for those on bail or sentencing orders to intentionally leave a restricted area based upon home detention, electronic monitoring or global positioning system tracking.

H 158 – Allows prescription and patient information to be released to law enforcement agents upon presentation of a search warrant or other appropriate court order.

H 174aa – Increases from \$500 to \$2,500 the amount of damages that may be assessed against a person who knowingly makes a false report or allegation of child abuse, abandonment or neglect.

H 194 – Makes it a misdemeanor to maliciously and willfully disturb the dignity or reverential nature of any funeral, memorial service, funeral procession, burial ceremony or viewing of a deceased person.

S 1032 – Increases to 15 years the maximum penalty for intentional and unlawful discharge of a firearm at an inhabited dwelling or occupied motor vehicle.

S 1123aa – Provides a full salary to police and detention officers who are temporarily disabled due to an injury received on the job.

S 1164 – Allows for the service of search warrants by mail, facsimile or electronic means.

Education: Colleges and Universities

H 181 – Decreases the maximum allowable levy on taxable property within a community college district from a maximum of \$160 to \$125 per \$100,000 of taxable property.

H 217 – Creates the Idaho Opportunity Scholarship, a needs-based scholarship for Idaho students attending Idaho colleges and universities.

H 237 – Clarifies procedures for formation of community college districts, requires that signatures on formation petitions be checked by county clerks to ensure validity and requires that elections to form community college districts be conducted by county clerks.

H 239 – Closes a loophole in the tax deduction allowed for accounts opened under the Idaho College Savings Plan when the funds are transferred to another state's college savings program to provide that transfers from the program are taxable income.

H 283 – Includes in the appropriation for the Office of the State Board of Education the Legislature's intent to make newly formed community college districts eligible for up to \$5 million in ongoing General Fund moneys.

H 295aa – Extends access to the Robert R. Lee Category A Scholarship to home-schooled students.

H 325 – Appropriates funds for the construction of health sciences buildings at College of Southern Idaho and Lewis-Clark State College.

H 329 – Appropriates \$11,925,000 to the State Board of Education for the Idaho Opportunity Scholarship and \$75,000 to the Office of the State Board of Education for start-up and implementation of the Idaho Opportunity Scholarship.

HCR 30 – Authorizes Idaho State University to purchase 102,000 square feet within the former Jabil Circuit building in Meridian to be used for health sciences education.

HCR 31 – Authorizes Boise State University to construct a Student Health, Wellness and Counseling Center/Department of Nursing Building.



Lewis-Clark State College

HCR 32 – Authorizes construction of a Health Sciences Building at Lewis-Clark State College.

S 1089aa – Changes terms of community college trustees from six to four years and requires that elections correspond to major Idaho election dates.

S 1095 – Extends scholarship benefits to Idaho high school graduates who are dependents of military members stationed in Idaho at the time they were deployed, although not residents at

enlistment, who are subsequently killed or missing during armed conflict.

SCR 101 – Recommends that the state adopt a policy that moves toward standardizing tuition costs and fees for professional-technical courses

provided by the state's four-year postsecondary educational institutions at a rate commensurate with the rate charged by the state's community colleges.

SCR 102 – Encourages public schools and public and private institutions of higher education in Idaho to recognize American Sign Language course work for foreign language credit.

Education: Public Schools

H 183 – Makes it easier for school districts to implement school maintenance requirements by providing that districts must make an allocation for building maintenance, rather than establish a separate maintenance fund; permits districts to spend allocated maintenance money outside the school building, if it is spent on certain safety hazards; allows any maintenance spending above 4% of the replacement value of district school buildings to be carried forward as a credit for future fiscal years and applied against the 2% minimum allocation requirement; and excludes square footage of school buildings that are less than a year old from the maintenance allocation requirement.

H 202 – Allows retired Idaho teachers and administrators to be rehired as at-will employees without jeopardizing their state retirement benefits.

H 231 – Allows school districts to invest in the state's Local Government Investment Pool.

S 1053 – Increases the funds available to school districts for voter-approved school district bonds by raising the cap for the School Bond Guarantee Program.

S 1067 – Increases the money available to school districts to conduct consolidation plans and studies, makes available one-time employee severance payments, increases state subsidies paid on bonds passed, and increases the amount that goes to a district from savings realized as a result of consolidation.

S 1088aa – Provides for the creation of regional professional-technical charter schools.

S 1098 – Distributes to the Public School Permanent Endowment Fund those funds received from estates for which no heirs can be located and from unclaimed shares and dividends paid by Idaho corporations.

S 1234 – Appropriates a 3% base salary increase for school administrators, provides for a more rapid distribution of state funds to public schools, and allows public charter schools to grow more rapidly on an annual basis.

S 1235 – Appropriates a 3% base salary increase for teachers and increases the minimum teacher's salary from \$30,000 to \$31,000 per year.

S 1236 – Appropriates a 3% base salary increase for classified school employees and provides for standardized criteria and a more predictable process for the approval of waivers from the state's pupil transportation cost cap.

S 1237 – Includes a funding formula for the Idaho Digital Learning Academy to provide a more predictable flow of funding that will grow or shrink with program enrollment.

S 1238 – Allows school districts to receive state Bond Levy Equalization Fund subsidies for bonds that refinance existing debt, if the existing debt already qualifies for such subsidies, and increases the replacement value of school buildings for the purposes of school facility maintenance requirements.

HCR 10 – Urges the State Board of Education to explore ways to include in the public school curricula a financial literacy program.

HCR 24 – Encourages the State Board of Education and school districts to promote and advance programs that help parents communicate, train and interact positively with their children, and to develop and widely publicize a description of the skills and knowledge that prospective kindergarten children need to know before entering school.

Energy

H 30 – Authorizes cities to participate as joint owners or power purchasers in joint electric generation and transmission projects.

H 32aaS – Allows the Idaho Energy Resources Authority to manage and operate distribution facilities, provides conditions when the authority or an agent may operate a facility, provides contract provisions, and allows the State Treasurer to invest in fixed or variable rate bonds of the Authority as long as such bonds are not less than investment grade.

H 137 – Adopts the 2006 International Residential Energy Conservation Code, which has been revised to increase energy efficiency and to be more user-friendly for designers and builders.

H 150 – Creates a 50/50 matching grant program for Idaho retail fuel dealers who invest in qualified biofuel infrastructure projects.

H 152 – Gives limited authority to the Public Utilities Commission to act as the state transmission siting authority, if the U.S. Department of Energy designates a national interest electric transmission corridor in Idaho.

H 154 – Creates a system for cities and counties to request and receive information from departments of state government when considering an application for a permit to establish a new electrical generation facility.

H 177 – Provides an additional 3% investment tax credit to Idaho retail fuel dealers or fuel distributors for capital investment in biofuel infrastructure.

H 189 – Changes the method of taxation on producers of wind energy from a property tax to a tax on production.

HCR 13 – Adopts the *Idaho Energy Plan* as Idaho's first comprehensive, statewide energy plan since 1982.

HCR 25 – Authorizes the appointment of an Energy, Environment and Technology interim committee to monitor the *Idaho Energy Plan*, to make recommendations for necessary changes in state law and the plan, and to monitor other issues related to energy, environment and technology.



Idaho Capitol Dome

Government

H 2 – Gives employees of the State Liquor Dispensary the right to participate in political activities.

H 166aa, aaS – Establishes in the Office of the Attorney General a Medicaid Fraud Control Unit for the investigation and prosecution of Medicaid fraud.

H 218 – Approves a revised Capitol Master Plan that includes restoration of the Capitol Building, construction of two single-story atrium wings and reconfiguration of space in the Capitol Building that assigns control of the first floor to the Legislature.

H 222 – Separates the Department of Commerce and Labor into two separate state agencies—the Department of Commerce and the Department of Labor.

S 1085 – Allows public agencies to meet in executive session to talk about risk management insurance issues, requires more detailed min-

utes of the closed sessions, and clarifies the need for legal counsel to be present if a closed session is called to discuss litigation.

S 1172 – Makes English the official language of the state of Idaho.

All Agency Appropriation Bills – Provide for a 5% salary increase for state employees and cover health insurance increases from reserves.

Health and Human Services

H 19 – Requires family court services coordinators to submit to thorough criminal history background checks.

H 20aaS – Provides for background checks for individuals acting as supervised access providers for children.

H 21 – Amends the Child Protective Act to provide that the Idaho Supreme Court will adopt rules and procedures to establish standards for guardian ad litem programs.

H 119aa – Sets forth provisions for the recognition of physician orders for scope of treatment (POST) forms, in addition to current do not resuscitate (DNR) forms, by all Idaho medical care providers and health institutions.

H 121 – Bans smoking in bowling alleys by eliminating the exemption. Vetoed; veto overridden by the House and the Senate.

H 158 – Permits disclosure of patient-specific information to law enforcement authorities pursuant to a search warrant, subpoena or other court order.

H 159 – Creates the Community Health Center Grant Fund to be used for grants for community health centers to improve access to health care services for Idahoans.

H 167aa – Permits a single provider to operate as both a personal assistance agency and a fiscal intermediary agency.

H 248 – Requires physicians using ultrasound equipment in the performance of an abortion to inform patients of their right to view the ultrasound image prior to the procedure.

S 1017aa – Updates Idaho's law regarding organ donation and names those family members who can make organ donation decisions for a decedent.

S 1061– Makes guardianship available as a permanent placement option for children who are within the jurisdiction of the Child Protective Act.

S 1069 – Permits physician assistants and advanced practice professional nurses to sign death certificates and stillbirth certificates.

S 1082aa – Requires a minor to get parental consent before obtaining a legal abortion.

S 1093 – Provides for geographical representation of voting members of the Board of Health and Welfare and makes legislator, Department of Health and Welfare director and governor's representative members of that board nonvoting members.

S 1103 – Removes the presumption that a transfer of assets between spouses, or to another for the benefit of a spouse, is for the purpose of sheltering assets to qualify for medical assistance.

S 1105 – Allows an unmarried dependent to remain on a parent's health insurance policy until the age of 21, or until the age of 25 if the dependent is a full-time student.

S 1157aa – Requires those over 18 years of age to provide proof of legal presence in the United States before receiving public benefits, with exceptions such as emergency health care, prenatal and postnatal care, and food assistance for dependent children under 18.

Natural Resources

H 33 – Authorizes the Department of Environmental Quality to inspect federally regulated underground storage tanks (USTs) and implements new requirements from the federal Underground Storage Tank Compliance Act of 2005 that will allow Idaho to continue to receive federal funding for clean up of leaking underground tanks.

H 130aaS – Authorizes the lease of state lands for a period of up to 49 years for those lands eligible for the federal conservation reserve enhancement program (CREP) and clarifies that wind and geothermal energy projects will be considered commercial purposes that also may qualify for a lease term of up to 49 years.

H 215 – Requires those claiming tax status for land used to protect wildlife and wildlife habitat to file annual applications and progress reports and requires that management plans include control of noxious weeds.

H 241 – Revises water district expense provisions relating to costs of the Department of Water Resources for administration of water rights from water sources hydraulically connected to the Eastern Snake Plain Aquifer, authorizes the director of the Department of Water Resources to establish criteria for the apportionment of the department's costs between surface water diversions and groundwater diversions, and authorizes a request by the Department of Water Resources for an appropriation from the General Fund for payment of a portion of the costs.

HCR 28 – Requests the Idaho Water Resource Board to expeditiously pursue development of a comprehensive aquifer management plan as documented in the Eastern Snake River Plain Comprehensive Aquifer Management Plan framework, to facilitate and encourage resolution of surface water and groundwater rights conflicts.

S 1086 – Creates a gray wolf tag that may be purchased by holders of a resident or nonresident hunting license when the gray wolf is delisted as an endangered species.

S 1128aa – Prohibits the use of devices accessed and controlled via the Internet to shoot or kill any birds or other animals.

S 1136aa – Authorizes the Idaho Water Resource Board to appropriate and hold in trust for the people of Idaho minimum stream flow water rights in designated reaches of the Big Wood River and the Little Wood River for purposes of enhancing stream flows and the water

supply for other existing downstream water rights.

S 1212 – Appropriates funds for maintenance and improvements at parks across the state, the purchase of a land parcel adjacent to Ritter Island on the Snake River near Hagerman, construction of a bridge at Eagle Island State Park, and purchase of land on the Snake River between Blackfoot and Firth for a new state park in eastern Idaho (line-item vetoed).



Big Wood River

Substance Abuse Prevention, Treatment and Mental Health

H 106 – Codifies the Office of Drug Policy within the Office of the Governor, creating a single point of budget coordination and program direction for substance abuse programs utilizing state funds.

H 180 – Shifts \$2 million a year in liquor proceeds from the General Fund to expand drug and mental health courts.

H 315 – Appropriates \$3,875,600 to fund expanded mental health and substance abuse programs.

S 1142 – Authorizes the courts to order comprehensive substance abuse assessments of juveniles and to order juveniles to receive substance abuse treatment.

S 1143 – Allows for ongoing substance abuse and mental health grants that can be used to establish community partnerships with local governments and local citizens.

S 1144 – Permits a licensed nurse to prepare and administer to a patient at a certified controlled substance facility a controlled substance and to deliver take-home doses of a controlled substance to a patient at that facility for subsequent use by the patient off-site.

S 1147 – Creates a three-year pilot project to establish a new model for providing Idaho school districts with clinically trained substance abuse and mental health counselors.

S 1149 – Authorizes judges to order substance abuse assessments and mental health examinations for certain convicted felons and to order treatment as a condition of probation.

S 1213 – Provides for an Idaho Security Medical Program to be maintained by the Idaho Department of Correction.

SCR 108 – Authorizes the Legislative Council to initiate an independent contract for the develop-

ment of an implementation plan for the improvement of Idaho's mental health and substance abuse treatment delivery system.

Taxation

H 12 – Corrects references in the Income Tax Act to the Idaho Engineering Laboratory, strikes the requirement that donations to the American Red Cross by check-off on the Idaho income tax return must equal \$10, clarifies that time for claiming refund or credit of income tax attributable to capital loss carrybacks is the same as that for refunds from carrybacks of net operating losses, and corrects the level of employment required for recapture of the new jobs credit under the Small Employer Incentive Act.

H 13 – Clarifies how depreciation is calculated for Idaho taxable income on the sale, exchange or other disposition of depreciable property.

H 15 – Clarifies when nonresident individuals are not required to pay Idaho income tax on investment income distributed by Idaho investment partnerships.

H 17 – Provides that S corporations shall be subject to tax on the amount of net recognized built-in gain attributable to Idaho and excess net passive income attributable Idaho for income tax purposes.

H 22 – Increases the time to appeal property tax valuations from five to ten working days.

H 71aaS – Makes three technical corrections to the Sales Tax Act by striking the requirement that retailers participating in promoter-sponsored events disclose taxpayer identification number, social security number, or employer ID number to the event sponsor; by clarifying that the exemption for glider kit vehicles enacted in 2006 applies to vehicles used substantially in interstate commerce; and by removing from the logging exemp

tion the provision excluding property used in research.

H 79aaS – Excludes from the new construction roll new construction located within a revenue allocation area until termination of the area.

H 81aaS – Raises the grocery tax credit for most Idahoans from \$20 to \$40 and from \$35 to \$60 for those aged 65 or over. Vetoed; overridden by the House, but not the Senate.

H 210aa, aa – Provides that, for school bond purposes, all property exempt from taxation may be included within the definition of "market value" for assessment purposes.

H 249aa – Gives to the receiving distributor responsibility for the tax liability for motor fuels, authorizes distributors to include an amount equal to the tax as part of the selling price, and provides the process for remittance of fuel tax when the distributor, retailer or consumer is exempt from the tax liability.

H 250 – Establishes a new method of financing transportation infrastructure utilizing a State Tax Anticipation Revenue (STAR) process which gives a sales tax rebate to a developer of a retail complex with stores selling tangible personal property or taxable services for project expenses incurred for transportation improvements.

H 265 – Provides that the exemption for pollution control equipment is available to businesses that qualify for the production exemption and purchase personal property that is primarily used to meet air or water quality standards, even if that property becomes a component, fixture or improvement to realty.

S 1243 – Requires taxing districts to mail notices to property taxpayers within 14 days of holding an election to create a new taxing district and exempts notice by publication.

Transportation

H 14 – Revises the definitions of the motor fuels "biodiesel" and "biodiesel blends" and includes them in products subject to the petroleum transfer fee.

H 35 – Brings Idaho into compliance with federal law by allowing saddle-mount tractor/trailer combinations up to 97 feet in overall length when traveling on the National Network System.

H 200 – Increases the fee for registering a boat in Idaho from \$13 to \$20.

H 336 – Provides bonding authority for the issuance of up to \$250 million in Grant Anticipation Revenue Vehicle (GARVEE) bonds to finance six highway transportation projects, allocates a range of expenditures for each project, and provides that all allocations of GARVEE bond proceeds on and after July 1, 2008, shall be the sole responsibility and duty of the Idaho Transportation Board.

S 1118 – Increases the fee for a snowmobile user certificate from \$21 to \$31.

S 1119 – Extends the requirement for teen drivers to operate a vehicle using a Supervised Instruction Permit from four months to six months, provides that cancellation of a permit occurs upon violation of law for underage alcohol consumption, and limits the number of passengers new drivers under the age of 17 may have in the car for the first six months after the driver is licensed.

S 1131 – Creates a special Support Our Troops license plate program to support the families of the men and women from Idaho who serve in all branches of the United States military.

S 1138 and S 1180 – Add to the list of special pilot project routes in southern Idaho designated for overweight vehicle loads of up to 129,000 lbs.

Authorized Interim Committees

HCR 12 – Authorizes a two-year committee to study natural resource issues, including issues relating to water.

HCR 25 – Authorizes a two-year committee on energy, environment and technology to monitor the integrated state energy plan and other issues.

HCR 26 and **HCR 27** – These two resolutions authorize a committee to study the decline in receipts on national forest system lands, and also to study the feasibility of making large amounts of woody biomass available to be processed into value-added products.

SCR 119 – Authorizes a committee to study the aspects of existing tax exemptions, credits and deductions and to recommend a continuing strategy to evaluate them.

Vetoed Legislation

H 8 – Provides that a notice of levy and distraint be sent by regular first class mail instead of certified mail when collecting state taxes.

H 81aaS – Increases the amount of the grocery tax credit from \$20 to \$40 for most Idahoans and from \$35 to \$60 for those over the age of 65. *Veto overridden by the House, but not the Senate.*

H 105aa – Revises the limit on unused sick leave that is transferred to an employee's retirement account upon separation from a state employer by retirement.

H 121 – Amends the Clean Indoor Air Act to remove bowling alleys from the list of exemptions to the prohibition on smoking in public places. *Veto overridden by the House and the Senate.*

S 1125 – Requires automobile insurance companies to offer Idaho drivers underinsured motorists coverage in addition to uninsured motorists coverage.

S 1153 – Increases to \$50,000 from \$25,000 the maximum claim level that could be considered for arbitration under the Small Lawsuit Resolution Act.

S 1212 – Funding for a new state park in eastern Idaho (*line-item veto in the Department of Parks and Recreation appropriation bill.*)



JFAC Hearing Room

Budget Highlights

Fiscal Year 2007

The General Fund revenue estimate increased by \$43.83 million up to \$2,706.33 billion, compared to a \$2,662.50 billion projection just five months earlier during the August 2006 special session. With the one cent sales tax increase that began in October 2006, revenues were projected to increase by 11.3% over fiscal year 2006. By the end of March, revenues were running slightly behind projections with some softening in individual and corporate income tax collections.

The Legislature actually returned more money to the General Fund during the supplemental process than was paid out. Due to decreasing caseloads in Medicaid and delays in opening a new correctional substance abuse treatment facility, \$16.75 million from the General Fund was returned. An additional \$4.57 million was appropriated for deficiency warrants for fires, pests and hazardous materials cleanup; and \$7.27 million was appropriated in supplementals primarily to the Department of Correction, Department of Health and Welfare, and the State Board of Education. Overall, the General Fund budget for FY 2007 totaled \$2,595,086,800, which is a 16.3% increase over the previous year appropriation. Two-thirds of this increase is due to the larger public schools budget as a consequence of removing the maintenance and operations levy from property taxes during the special session and adding it to the state General Fund.

The Legislature continued to dedicate excess cash balances to one-time expenditures rather than dedicating any of the funds to ongoing program expansions. Just over \$99 million was transferred to the Permanent Building Fund for alterations and repairs and new building projects in FY 2008. Another \$5.2 million was transferred to the Capitol Building Income Fund to restore historic furniture and buy new furnishings for the return to the renovated Capitol Building. A year-end balance of \$139,440,600 is projected to carryover into FY 2008.

Fiscal Year 2008

The FY 2008 General Fund budget is based on a revenue estimate of 3.75%, which is the estimate of the Division of Financial Management and was accepted as the recommendation of the Legislature's Economic Outlook and Revenue Assessment Committee. The spending plan approved by the Legislature reflects an 8.8% increase over the original FY 2007 appropriation. Within the maintenance area of the budget, state agencies received the restoration of funding for a health insurance premium holiday removed last fiscal year, minor increases for contract inflation, full funding for replacement items, 5% change in employee compensation, statutory increases for Medicaid and foster care payments, and higher education workload enrollment adjustments. State employees may be asked to assume some increases in health insurance premiums if they exceed reserve balances that were counted upon to offset inflation.

Among the few new ongoing programs approved through the budget process were mental health and substance abuse treatment programs as an approach to stem the increasing prison costs associated with the lack of alternatives for the mentally ill and addicted, ongoing moneys to expand the community college system, and a new needs-based scholarship program for higher education. Public schools received statutory increases for 250 new support units, a 3% change in employee compensation that included an increase in minimum teacher salary, new funding for textbooks, classroom supplies, and remedial instruction for students not meeting state standards. Public schools received \$22 million of the total \$51 million approved for ongoing spending through line items in the FY 2008 budget.

Finally, the Legislature transferred \$60 million to the Economic Recovery Reserve Fund, with a limited amount appropriated in case something occurs that could precipitate economic instability. The funding transferred into the Economic Recovery Reserve Fund is also intended for the governor and Legislature to address prison space needs during the next budget cycle. Current estimates leave \$33,924,000 as an ending General Fund balance for FY 2008.

The following tables and charts, as well as highlights of state agency and institution appropriations, summarize key budget actions of the 2007 legislative session.

STATE OF IDAHO - 2007 LEGISLATIVE SESSION
GENERAL FUND BUDGET UPDATE
Prepared by Legislative Services Office, Budget & Policy Analysis

Status as of

SINE DIE

FISCAL YEAR 2007

<u>REVENUES</u>	<u>Gov. Original Recommendation</u>	<u>Legislative Action</u>
Beginning Cash Balance	\$ 302,252,000	\$ 302,252,000
Health and Welfare Reappropriation from FY 2006	7,249,900	7,249,900
Health and Welfare FY 2006 Reversion	1,497,300	1,497,300
Adjusted Beginning Balance	\$ 310,999,200	\$ 310,999,200
FY 2007 Revised Revenue Estimate (11.3%)	2,706,325,000	2,706,325,000
Transfer in from Revolving Development Fund (Water Loan)	21,300,000	21,300,000
TOTAL REVENUES	3,038,624,200	3,038,624,200
<u>TRANSFERS OUT</u>		
Transfers Out Approved in 2006 session	(179,864,200)	(179,864,200)
Transfer to Budget Stabilization Fund §57-814	(12,917,600)	(12,917,600)
Transfer to Disaster Emergency Fund (E.O. 2006-27 & 37)	(3,125,000)	(3,125,000)
S1034 Transfer to Def. Warrants (Fires, Pests, Haz. Mat.)	(5,902,200)	(4,569,800)
H277 Transfer to Permanent Building Fund	0	(839,000)
H277 Transfer to Capitol Building Income Fund	0	(5,150,000)
H325 Transfer to Permanent Building Fund for Projects	(113,663,600)	(98,363,600)
TOTAL TRANSFERS OUT	(315,472,600)	(304,829,200)
<u>APPROPRIATIONS</u>		
Original Appropriations	2,593,723,500	2,593,723,500
Reappropriations	10,844,000	10,844,000
Supplementals	9,010,000	7,267,300
Rescissions	(13,532,900)	(16,748,000)
Budgeted Reversions for State Dept of Education & Controller	(32,400)	(32,400)
Reversion from Attorney General Special Litigation Program	0	(700,000)
TOTAL APPROPRIATIONS	2,600,012,200	2,594,354,400
<u>ESTIMATED ENDING BALANCE</u>	\$ 123,139,400	\$ 139,440,600

STATE OF IDAHO - 2007 LEGISLATIVE SESSION
GENERAL FUND BUDGET UPDATE
 Prepared by Legislative Services Office, Budget & Policy Analysis

Status as of

SINE DIE

FISCAL YEAR 2008

<u>REVENUES</u>	Gov. Original Recommendation	Legislative Action
Beginning Balance	\$ 123,139,400	\$ 139,440,600
FY 2008 Revenue Estimate (3.75%)	2,807,723,000	2,807,723,000
Income Tax Withholding on Real Property Sales	3,000,000	0
H16 Internal Revenue Service (IRS) Code Conformity	(250,000)	(250,000)
H25 Land Board Fees to Earnings Reserve Fund	(25,000)	(25,000)
H141 Repeal Income Tax Exemptions for Non-Idaho Banks	1,000,000	1,200,000
H177 Income Tax Credit for Biofuel Infrastructure	0	(30,000)
H180 Liquor Account Distribution to Substance Abuse	0	(2,000,000)
H190 Cut Dental Insurance Premium Tax	0	(240,000)
H239 Close College Savings Plan Loophole	0	274,000
H240 Change Calculation of Income Tax Paid to Another State	0	(500,000)
H265 Exempt Pollution Control Equipment from Sales Tax	0	(1,050,000)
Grocery Tax Credit Legislation	(22,000,000)	0
S1098 Unclaimed Property Escheat to Public Schools	(3,900)	(3,900)
S1221 State Treasurer Interest - Bank Service Fees	0	455,000
S1238 Reduce Cigarette Tax for Bond Levy Equalization	0	(3,465,000)
TOTAL REVENUES	2,912,583,500	2,941,528,700
<u>TRANSFERS OUT</u>		
Transfer to Budget Stabilization Fund §57-814	(13,750,800)	(13,750,800)
S1206 Transfer to DEQ - Community Reinvestment Initiative	(1,500,000)	(1,500,000)
S1227 To Public School Permanent Endowment Fund (S1098)	(352,000)	(351,500)
Transfer to Perm. Building Fund for Early Bond Payoffs	(8,200,000)	0
H316 Transfer to Biofuel Matching Grant Fund (H150)	0	(690,000)
H320 Transfer to Water Management Fund (HCR28)	0	(638,000)
H329 To Opportunity Scholarship Program Fund (H217a)	0	(10,000,000)
H330 Transfer to Economic Recovery Reserve Fund	0	(60,000,000)
TOTAL TRANSFERS OUT	(23,802,800)	(86,930,300)
<u>APPROPRIATIONS</u>		
Ongoing Appropriations	2,738,748,500	2,764,587,800
One-Time Appropriations	101,492,900	56,086,600
TOTAL APPROPRIATIONS	2,840,241,400	2,820,674,400
<u>ESTIMATED ENDING BALANCE</u>		
Estimated Ending Balance from Ongoing Revenues	\$ 50,699,500	\$ 37,500,300
Estimated Ending Balance from One-Time Revenues	(2,160,200)	(3,576,300)
TOTAL ESTIMATED ENDING BALANCE	\$ 48,539,300	\$ 33,924,000

General Fund Comparison

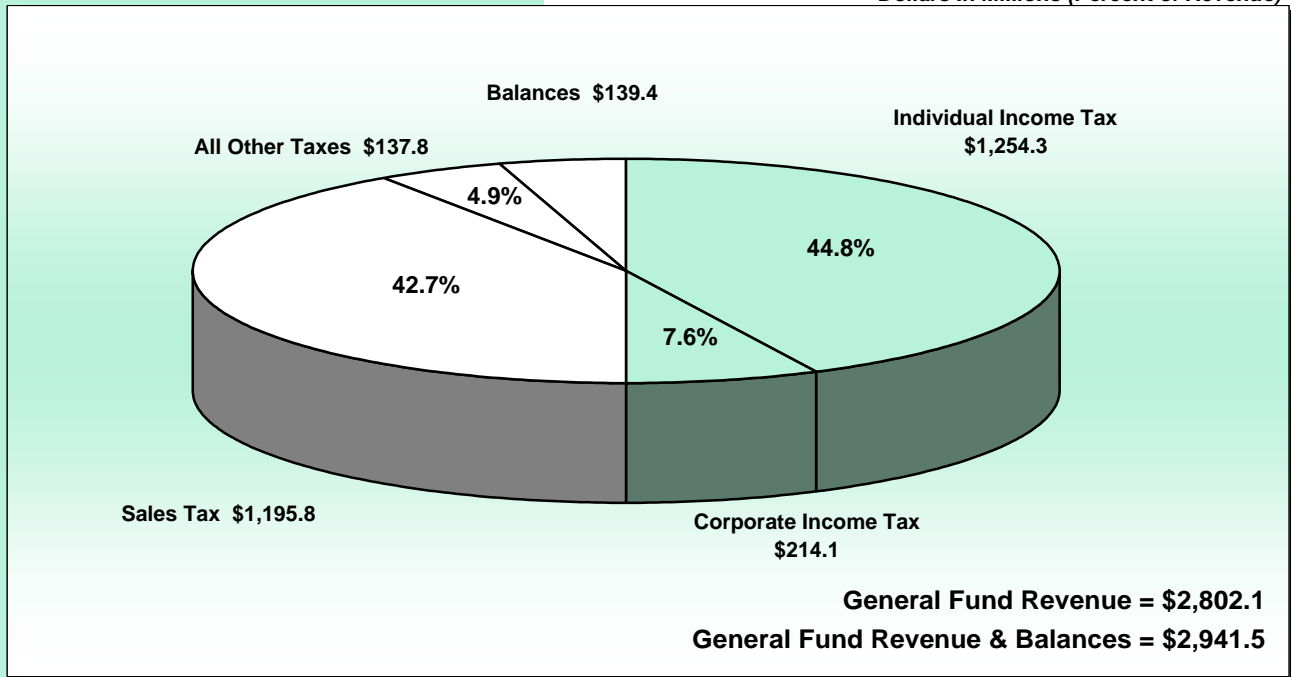
JFAC Action to Governor's Recommended Budget

Department/Agency	FY 2007 Appropriation	FY 2008 Gov's Rec.	Change from FY 2007	FY 2008 JFAC Action	Change from 2007 Approp.	Variance from Gov Rec.
Education	1,683,688,900	1,838,383,100	9.2%	1,797,748,800	6.8%	(40,634,300)
Public School Support	1,291,587,000	1,362,363,800	5.5%	1,367,363,800	5.9%	5,000,000
Ag Research Extension Service	26,129,000	27,665,700	5.9%	27,665,700	5.9%	0
College and Universities	243,726,400	275,659,600	13.1%	264,227,700	8.4%	(11,431,900)
Community College Support	22,067,200	23,058,300	4.5%	23,587,700	6.9%	529,400
School for the Deaf and Blind	7,694,100	7,922,400	3.0%	8,105,300	5.3%	182,900
State Board of Education	4,764,600	10,028,100	110.5%	10,820,700	127.1%	792,600
Health Education Programs	8,800,000	9,133,500	3.8%	9,180,700	4.3%	47,200
Historical Society	2,375,900	2,831,900	19.2%	2,972,200	25.1%	140,300
State Commission for Libraries	2,663,900	2,845,900	6.8%	2,879,800	8.1%	33,900
Professional Technical Education	48,714,300	51,420,700	5.6%	51,595,000	5.9%	174,300
Public Broadcasting System	1,658,600	3,259,100	96.5%	3,279,900	97.8%	20,800
Special Programs	9,971,800	48,129,100	382.7%	12,095,800	21.3%	(36,033,300)
Superintendent of Public Instruction	5,422,500	5,583,000	3.0%	5,621,500	3.7%	38,500
Vocational Rehabilitation	8,113,600	8,482,000	4.5%	8,353,000	3.0%	(129,000)
Health & Human Services	533,066,900	574,783,400	7.8%	576,005,200	8.1%	1,221,800
Medically Indigent Health Care	20,766,800	20,768,400	0.0%	20,768,400	0.0%	0
Dept. of Health & Welfare	145,101,800	161,623,000	11.4%	168,458,400	16.1%	6,835,400
Medical Assistance Services	357,268,900	382,138,800	7.0%	376,384,400	5.4%	(5,754,400)
Independent Living Council, State	119,700	120,300	0.5%	123,100	2.8%	2,800
Public Health Districts	9,809,700	10,132,900	3.3%	10,270,900	4.7%	138,000
Law & Public Safety	223,086,000	248,936,100	11.6%	253,216,500	13.5%	4,280,400
Department of Correction	143,643,600	160,305,400	11.6%	164,793,500	14.7%	4,488,100
Judicial Branch	27,749,100	30,056,600	8.3%	30,184,300	8.8%	127,700
Department of Juvenile Corrections	34,348,900	35,620,200	3.7%	36,384,800	5.9%	764,600
Police, Idaho State	17,344,400	22,953,900	32.3%	21,853,900	26.0%	(1,100,000)
Natural Resources	41,514,600	49,941,500	20.3%	55,812,300	34.4%	5,870,800
Dept. of Environmental Quality	16,247,000	17,199,100	5.9%	17,402,600	7.1%	203,500
Land Board	4,769,100	5,581,600	17.0%	5,634,500	18.1%	52,900
Department of Parks & Recreation	7,144,300	12,715,100	78.0%	17,650,400	147.1%	4,935,300
Department of Water Resources	13,354,200	14,445,700	8.2%	15,124,800	13.3%	679,100
Economic Development	23,383,100	33,319,100	42.5%	33,135,100	41.7%	(184,000)
Department of Agriculture	10,727,100	21,325,000	98.8%	20,533,300	91.4%	(791,700)
Department of Commerce	8,331,100	7,508,100	-9.9%	8,086,800	-2.9%	578,700
Department of Labor	567,600	568,300	0.1%	573,800	1.1%	5,500
Self-Governing Agencies	3,757,300	3,917,700	4.3%	3,941,200	4.9%	23,500
General Government	88,984,000	94,878,200	6.6%	104,756,500	17.7%	9,878,300
Department of Administration	9,016,600	0	-100.0%	8,955,100	-0.7%	8,955,100
Attorney General	16,064,400	16,858,700	4.9%	17,877,900	11.3%	1,019,200
State Controller	6,627,500	6,676,700	0.7%	7,013,000	5.8%	336,300
Office of the Governor						
Commission on Aging	5,088,900	5,328,600	4.7%	5,349,400	5.1%	20,800
Commission on the Arts	905,900	902,100	-0.4%	956,600	5.6%	54,500
Commission for the Blind	1,389,000	1,587,300	14.3%	1,599,600	15.2%	12,300
Office of Drug Policy	0	0		250,000		250,000
Division of Financial Management	2,081,000	1,692,800	-18.7%	1,710,700	-17.8%	17,900
Executive Office of the Governor	1,485,800	2,078,100	39.9%	2,084,900	40.3%	6,800
Human Rights Commission	675,600	676,000	0.1%	684,600	1.3%	8,600
Military Division	5,701,700	10,358,100	81.7%	13,348,100	134.1%	2,990,000
Office of Species Conservation	559,300	582,600	4.2%	585,300	4.6%	2,700
Women's Commission	40,200	40,600	1.0%	30,600	-23.9%	(10,000)
Legislative Transfer (House & Senate)	5,600,000	5,600,000	0.0%	6,480,000	15.7%	880,000
Legislative Support	5,159,300	5,470,500	6.0%	5,692,900	10.3%	222,400
Lieutenant Governor	119,500	122,600	2.6%	154,500	29.3%	31,900
Department of Revenue & Taxation	25,199,700	27,109,800	7.6%	27,818,700	10.4%	708,900
Secretary of State	2,020,300	2,307,200	14.2%	2,469,200	22.2%	162,000
State Treasurer	1,249,300	7,486,500	499.3%	1,695,400	35.7%	(5,791,100)
STATEWIDE TOTAL	2,593,723,500	2,840,241,400	9.5%	2,820,674,400	8.8%	(19,567,000)

FY 2008 General Fund Revenue & Appropriations

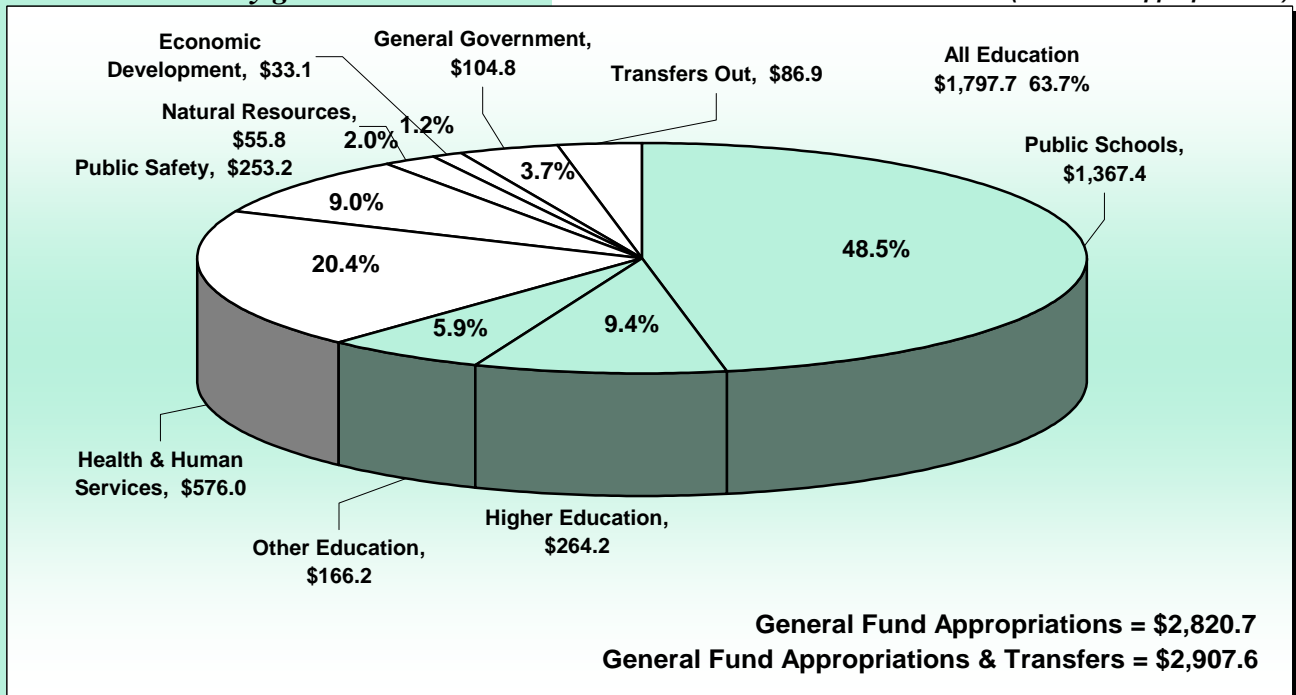
"Where the money comes from . . ."

Dollars In Millions (Percent of Revenue)



"Where the money goes . . ."

Dollars In Millions (Percent of Appropriations)



*Revenue & Balances less
Appropriations & Transfers = \$33.9*

Department of Health and Welfare

The General Fund appropriation for the Department of Health and Welfare increased from \$497.8 million in FY 2007 to \$544.8 million in FY 2008. This level of funding represents an increase of \$46.9 million, or 9.6% over the department's fiscal year 2007 total appropriation from the General Fund. Of the total \$46.9 million in new dollars, \$25 million or 53% of the increase was for Medicaid.

The department recorded \$7.2 million for a General Fund carryover from FY 2006 into FY 2007 and was provided three General Fund supplemental appropriations for FY 2007:

- P** \$750,000 for replacement of Temporary Assistance for Needy Families (TANF) funding for the Immunization Registry Information System (IRIS) and vaccine education outreach funding.
- P** \$830,100 for a Center for Medicare and Medicaid audit of state Medicaid staff funding.
- P** \$301,600 for modifications due to the Health Insurance Portability and Accountability Act (HIPAA) national provider identification requirements.
- P** \$13.6 million mid-year reversion of general funds from the Medicaid budget, due to a drop in actual Medicaid caseload and utilization.

Mental Health and Substance Abuse

Discussions regarding health and human services during the 2007 session were largely focused on improving mental health and substance abuse delivery systems. A resolution adopted in 2006, HCR 63, authorized an interim committee to study the current delivery systems. The recommendations of that committee all passed during the 2007 session, as did other legislation to create the Office of Drug Policy, expand the authority of judges related to treatment orders, and expand participant capacity of drug and mental health courts. New funding for statewide substance abuse and mental health treatment for 2008, detailed below, totals \$11,569,740.

S 1143 modifies the regional Mental Health Board Grant Program to broaden the scope of such grants to include multiple-agency, multiple-year programs to address mental health as well as substance abuse needs. The grants will be made on a competitive basis by a board consisting of membership from the Department of Health and Welfare, Department of Juvenile Corrections, Department of Correction, and the courts. One-time funding of \$2 million and \$1,400,000 in ongoing funding was appropriated from the General Fund.

H 310 appropriates \$6,500,000 in ongoing funding from the General Fund for substance abuse treatment statewide. The Department of Health and Welfare was at the end of a three year federal grant for substance abuse treatment, and the Joint Finance-Appropriations Committee approved the replacement of the federal funds.

S 1142 and **S 1149** create more options for judges to order substance abuse and mental health assessments and community-based treatments for juvenile offenders with substance abuse addictions, and adults and juvenile offenders in need of mental health treatment.

SCR 110 establishes the Idaho Psychiatry Residency Program, a joint financial effort of several institutions. The Veterans Affairs Medical Center has committed to fund 30% of the cost. St. Luke's Regional Medical Center and St. Alphonsus Regional Medical Center, both of Boise, have each committed to fund 30% of the cost, and the state of Idaho was asked to fund 10% of the cost. The program will ramp up over a five-year period, and \$40,640 was appropriated from the General Fund for the first year.

H 325 appropriates \$3 million in one-time funding from the General Fund for the design and planning of a secure mental health facility currently required by Idaho Code § 66-1304.

H 180 appropriates \$1,830,600 in dedicated funds from the liquor tax for the addition of 275 slots for drug and mental health courts statewide.

H 293 expands the Cottonwood Substance Abuse Treatment Facility to full capacity, adds 19 staff for mental health treatment within Department of Correction, and replaces lost federal substance abuse grant funds. Appropriated: \$1,769,600 in ongoing funding from the General Fund.

S 292 appropriates \$111,000 in ongoing funding from the General Fund for the expansion of a Juvenile Mental Health Court within the Judicial Branch budget.

S 1209 appropriates an additional \$389,000 from the General Fund for juvenile substance abuse and mental health treatment at the county level through county probation offices.

H 319 appropriates an additional \$947,700 from the General Fund for children's mental health treatment statewide

H 310 establishes the Office of Drug Policy, creates a new substance abuse budget request format to allow for statewide coordination, and changes the authority of the Interagency Substance Abuse Committee to direct the Department of Health and Welfare regarding statewide substance abuse treatment and prevention programs. Ongoing funding of \$250,000 from the General Fund and one-time funding of \$145,000 from dedicated funds was provided.

SCR 108 outlines a plan for the Legislature to hire an independent contractor to review Idaho's current mental health and substance abuse system and create an implementation plan for filling gaps within the system. The contractor(s) will assess treatment capacity, cost, eligibility standards and areas of responsibility, then make recommendations for how to improve Idaho's current system by creating appropriate oversight and service levels for a state system.

The Legislature's Health Care Task Force will be the oversight body for the implementation plan and the results of the plan will, at a minimum, be reported to the Health and Welfare and Judiciary and Rules germane committees during the 2008 legislative session. One-time funding of \$250,000 from the General Fund was appropriated.

Public Schools

The General Fund appropriation for public schools increased by 5.9% for FY 2008, from \$1.29 billion to \$1.37 billion. The total appropriation, including all funds, increased by 8.3%, from \$1.52 billion to \$1.64 billion. Base salaries were increased by 3% for teachers, administrators and classified staff. In addition, the Legislature increased the minimum teacher salary from \$30,000 to \$31,000. The Legislature also funded 250 new support units for FY 2008 in order to keep pace with student enrollment growth as projected by the state Department of Education. Key issues in the appropriation bills for public schools include:

Administrators, S 1234: General Fund increase of 4.3% and total funds increase of 4.7%. Funded statutory increases for enrollment growth. The estimated experience/education index for administrators is fully funded for FY 2008. Administrators received a 3% base salary increase. S 1234 amends Idaho Code to provide for a more rapid distribution of appropriated state dollars to public schools. This “frontloading” of funds will result in approximately \$6.75 million in additional statewide interest earnings for public schools. S 1234 also amends Idaho Code to increase the maximum amount of annual growth in any individual public charter school from 20 support units to 30.

Teachers, S 1235: General Fund increase of 5.3% and total funds increase of 6.7%. Funded statutory increases for enrollment growth and reflected decreased participation in the Master Teacher Awards program. The estimated experience/education index for teachers is fully funded for FY 2008. Teachers received a 3% base salary increase, and a 3.3% increase in the minimum teacher salary, from \$30,000 to \$31,000. The Legislature also provided \$5.18 million requested by the Superintendent of Public Instruction for classroom supplies, which equals approximately \$350 per teacher, and \$500,000 for training teachers to offer additional advanced placement (AP) courses, as required by the high school redesign rule of the State Board of Education.

Operations, S 1236: General Fund increase of 4.3% and total funds increase of 5.4%. S 1236 provides nearly \$10 million in new funding for textbook purchases, as requested by the Superintendent of Public Instruction. This equals approximately \$50 for each secondary student and \$25 for each elementary student. There is also approximately \$3 million provided from the Public Education Stabilization Fund for the second year of the planned five-year phase-out of the unequalized agricultural equipment personal property tax replacement funds. Also, by funding Idaho Standards Achievement Test (ISAT) remediation directly in S 1237, the full \$9.8 million appropriated for technology will be used exclusively for technology (over \$800,000 was previously used for remediation). While this budget does not provide a meaningful increase in the amount of discretionary funds that the state provides directly, public schools will see increases in the amount of discretionary money available at the local level. Both the passage of H 1 in August 2006 and the “frontloading” of state distributions in S 1234 will result in additional interest earnings for public schools (\$4.2 million and \$6.75 million, respectively). This will have the effect of increasing effective local discretionary funds by 3.1% per support unit. In addition, direct state line-item funding for classroom supplies, textbooks and ISAT remediation will have the effect of freeing up local discretionary dollars previously spent on these items. For a local district in which state line items fully displace local funds, the effective discretionary funds increase, in conjunction with the additional interest earnings, will be approximately 8.9%. S

1236 also amends Idaho Code to provide for a more regular, predictable process and standards for school districts seeking waivers from application of the cap on pupil transportation costs, and provides \$100,000 in one-time money to study challenges facing rural schools.

Children's Programs, S 1237: General Fund increase of 45% and total funds increase of 25.9%. In addition to statutory funding increases for Border Contracts, Exceptional Contracts/Tuition Equivalencies, and the Marian Pritchett program, S 1237 increases dedicated funds for Safe & Drug-Free Schools, from \$5.5 million to \$7.0 million, to make up for a reduction in federal funds. It also amends Idaho Code to provide for a funding formula for the Idaho Digital Learning Academy (IDLA). Prior to this, IDLA was funded by JFAC on an ad hoc earmark basis. It is estimated that this funding formula will provide IDLA with \$2.8 million in FY 2008, which is the amount provided in S 1237. S 1237 also charges IDLA with helping to meet two of the requirements of the State Board of Education's high school redesign rule, by providing additional advanced placement (AP) and dual college credit courses. There is also a new appropriation of \$5 million to help provide remedial instruction for students who fail to achieve proficiency in the ISAT, contingent on one dollar in local funds being pledged for every two dollars in state funds provided, and \$350,000 in one-time money to develop a Math Initiative, along similar lines as the Idaho Reading Initiative (IRI).

Facilities, S 1238: General Fund increase of 123.6% and total funds increase of 43.6%. S 1238 appropriates \$11.2 million for bond levy equalization. For the first time, the full cost of the bond levy equalization program is being paid by a General Fund appropriation, which will allow the public schools' full share of state lottery proceeds to go towards school building maintenance. As a result of this, and in conjunction with increasing lottery distributions and a carryover balance in lottery funds, schools will receive a record \$19.1 million in lottery proceeds in FY 2008, an increase of 78% over the amount appropriated in FY 2007. This surge in lottery distributions has actually reduced the amount of additional money that the state must supply to meet its school facilities maintenance match formula obligations, from \$5.65 million to \$2.3 million. S 1238 also amends Idaho Code to provide for a 1.81% inflationary adjustment in the replacement value of school buildings, under the school facilities maintenance match formula, and to allow for Bond Levy Equalization payments to be made on school district refinancing bonds, if the bond being refinanced was passed after September 15, 2002.

College and Universities

The FY 2008 appropriation for the four institutions in the state's college and universities system reflects a 5.8% increase over the FY 2007 original appropriation. The appropriation provides funding for replacement items, statewide cost allocation, and a 5% change in employee compensation. Four line items were included in this budget:

New Programs: Four and a half full-time equivalent positions (FTPs) and \$299,000 for one faculty position for Idaho State University's Boise Fast Track nursing program, and three nursing faculty positions and a half-time position for Lewis-Clark State College.

Occupancy Costs: \$103,900 for occupancy costs for Boise State University's new Interactive Learning Center, and \$200,000 for occupancy costs for Idaho State University's new Rendezvous Center.

Nursing Initiative: \$165,000 in one-time funding for the purchase of simulation mannequins (\$55,000 each) for Boise State University, Idaho State University and Lewis-Clark State College. Simulation mannequins are advanced, portable patient simulators. Their realistic anatomy and clinical functionality provide simulation-based education to test students' clinical and decision-making skills during realistic patient care scenarios.

Research Grants: \$1,560,000 in one-time funding for competitive research grants for projects specifically aimed at economic development. These grants will be awarded by the Higher Education Research Council (HERC).

Community Colleges

The FY 2008 appropriation for the state's two community colleges reflects a 6.6% increase over the FY 2007 original appropriation. The appropriation provides funding for replacement items, a 5% change in employee compensation, and enrollment workload adjustment. Two line items were included in this budget:

Nursing Program Expansion: \$241,000 to College of Southern Idaho for two full-time and two part-time registered nursing instructors and a health career advisor position, and \$60,000 for North Idaho College to increase the number of adjunct clinical faculty and to lease an outreach center clinical site in Sandpoint.

Workforce Development: \$56,600 to College of Southern Idaho for a workforce development coordinator and \$85,000 to North Idaho College for on-site workforce instructor training.

Department of Correction

The General Fund appropriation for the Department of Correction increased from \$143.6 million in fiscal year 2007 to \$164.8 million in fiscal year 2008. This level of funding represents an increase of \$21.2 million or 14.7 percent over the fiscal year 2007 original appropriation.

The appropriation includes the base amount of \$163,655,900, plus \$2,006,400 in inflationary adjustments for the medical services contract (\$1,177,000), the private prison contract (\$678,800), and increased rent costs for Community Supervision and Community Work Centers (\$150,600).

Also included in the maintenance level funding is \$2,197,100 for replacement items; \$115,200 for changes in the statewide cost allocation plan for attorney general, state controller, state treasurer, and risk management fees; and \$6,372,700 in annualizations. Annualizations include \$2,508,600 for the Correctional Alternative Placement Program, \$1,507,000 for the 242-bed expansion at the privately operated state prison, \$1,253,600 for changes made in the medical services contract, \$905,500 for county and out-of-state placements, and \$198,000 for supplements. In addition, \$3,313,000 was provided for a 5% change in employee compensation.

Several line items were also adopted in this budget, including:

- P** \$1,025,400 and seven positions were included to implement the web-based Correctional Integrated System (CIS)
- P** \$721,200 and 12 positions to make the North Idaho Correctional Institution at Cottonwood a full treatment facility.
- P** \$168,800 was shifted from federal funds to the General Fund for continued support of residential substance abuse treatment at the South Idaho Correctional Institution in Boise and at the Idaho Correctional Institution in Orofino.
- P** \$467,600 for seven probation and parole officers, one per district, and \$879,600 and 19 new positions to enhance mental health treatment services in the prison system.
- P** \$406,500 to construct a 2,000 square foot stand-alone facility to provide the programming space needed for offenders housed at the South Boise Women's Correctional Center.
- P** \$449,000 in federal spending authority to implement the Statewide Automatic Victim Information and Notification program.
- P** \$270,600 in dedicated spending authority to add four probation and parole officers to monitor offenders being diverted to drug and mental health courts, and \$160,000 for two probation and parole staff to monitor offenders being diverted from prison to local community-based services, pursuant to S 1143.
- P** General Fund carryover authority was granted to replace a loss of federal funding for the Maintaining Dignity in Idaho Jails Grant, to conduct a criminal justice study, and to cover one-time expenses related to moving offenders diagnosed with acute mental health disorders from the maximum security prison to Unit 16 at the Idaho State Correctional Institution.

Department of Commerce and Department of Labor

H 222 separates the Department of Commerce and Labor into two separate agencies—the Department of Commerce and the Department of Labor.

H 330, in part, transfers \$60 million from the General Fund to the Economic Recovery Reserve Fund at the beginning of fiscal year 2008. The bill appropriates \$15 million of the \$60 million transferred on a contingency basis for a six-month period before the Legislature returns for the 2008 session.

S 335 provides \$180,000 from the General Fund and two positions to the Department of Labor to implement the provisions of H 155aa, which establishes the Nursing Workforce Advisory Council and the Nursing Workforce Center to study the state's nursing needs.

Transportation Department

The Idaho Transportation Department's (ITD) fiscal year 2008 budget includes three line-item additions: \$591,600 in primarily federal funds, reflecting increases stemming from reauthorization of the federal Transportation Act for public transportation grants; \$1,765,000 in dedicated funds to complete construction of a new District Four facility in Shoshone; and a shift of \$3,500,000 from replacement items to contract construction and right-of-way acquisition.

H 336 provides bonding authority for the issuance of Grant Anticipation Revenue Vehicle (GARVEE) bonds to finance up to \$250 million for six highway transportation projects. The bill allocates a range of expenditures for each project, as indicated below:

- P** U.S. Highway 95, Garwood to Sagle, Kootenai and Bonner Counties – \$23,000,000 to \$77,097,000
- P** U.S. Highway 95, Worley North, Kootenai County – \$11,168,000 to \$12,000,000
- P** Interstate Highway 84 to Emmett – \$4,326,000 to \$17,000,000
- P** Interstate Highway 84, Caldwell to Meridian – \$58,120,000 to \$126,000,000
- P** Interstate Highway 84, Orchard to Isaacs Canyon – \$28,000,000 to \$30,019,000
- P** U.S. Highway 30, McCammon to Soda Springs – \$38,387,000 to \$40,000,000

The bill includes language allowing ITD to adjust the allocated amounts among the six listed projects when necessary due to unanticipated circumstances. The bill also provides that all allocations of GARVEE bond proceeds on and after July 1, 2008, shall be the sole responsibility and duty of the Idaho Transportation Board.

Permanent Building Fund Projects

H 325 approves a one-time transfer of \$98,363,600 from the General Fund into the Permanent Building Fund, providing resources to more aggressively address repairs and maintenance of state-owned facilities and for various other capital projects. The Legislature appropriated a total of \$137,974,000 from the Permanent Building Fund, \$69,558,900 for repair and maintenance projects and \$68,415,100 for the following 12 capital projects:

- P** \$12,019,500 for a secure facility to house the operations of the Idaho State Police in Coeur d'Alene. This facility will help consolidate and co-locate existing ISP programs that are currently scattered in separate facilities several miles distant from one another.
- P** \$750,000 for a renovation of the Idaho Falls Armory.
- P** \$770,000 for an addition to the Pocatello office of the Department of Fish and Game.
- P** \$1,000,000 for a new laundry facility for the Department of Correction at the South Idaho Correctional Institution. The new facility is necessary to meet current capacity needs and will provide improved security.

- P** \$1,414,000 for the Department of Health and Welfare for the renovation of the Utility/Storage Building at State Hospital South.
- P** \$10,000,000 for the University of Idaho for a new dairy research facility—the Center for Livestock and Environmental Studies (CLES). This bill includes intent language that this appropriation is contingent upon Congress amending the Morrill Act allowing the sale or exchange of Agricultural College Endowment Lands. Intent language also states that upon amendment of the Morrill Act, the University is required to seek final authorization and approval to move forward with the construction of CLES from the State Board of Education, the University's Board of Regents, and the Joint Finance-Appropriations Committee.
- P** \$37,111,600 for two health sciences-related facilities:
 - R** \$16,000,000 for Lewis-Clark State College for a new Health Sciences Building. This facility of approximately 50,000 square feet will be comprised of laboratory and specialized classroom space as well as faculty offices, conference rooms, and general-use classrooms.
 - R** \$21,111,600 for a new Health Sciences and Human Services Building at the College of Southern Idaho. This facility will provide approximately 67,000 square feet for classroom, specialized health science labs, conference rooms, offices and faculty.
- P** \$900,000 to complete the Biological Safety Level 3 laboratory in Boise. This appropriation will be combined with federal funds to complete the laboratory.
- P** \$3,000,000 for the Department of Correction to begin planning for new facilities related to the security medical program.
- P** \$150,000 to expand the experimental fish rearing capacity for the University of Idaho's Hagerman Fish Culture Experiment Station.
- P** \$1,300,000 to complete the 300-bed pod at the Idaho Correctional Center.

Department of Administration

H 327 authorizes the FY 2008 transfer of \$2,440,000 in dedicated funds and 23 positions from the Public Safety Communications Program to the Military Division. This trailer appropriation bill is in response to H 305, which authorizes the transfer of the Public Communications Program and the Emergency Communications Commission from the department to the Military Division.

Department of Parks and Recreation

S 1212 provides \$43,763,900 for the FY 2008 budget for the Department of Parks and Recreation and the Lava Hot Springs Foundation. Highlights of the bill include \$7,596,500 for replacement items and general capital improvements at parks across the state. The bill also includes \$3 million to obtain a bridge at Eagle Island State Park. The bridge will permit a new entrance into the park and will accommodate heavy equipment related to gravel extraction and park development. The bill includes funding of approximately \$2.9 million for the purchase of

land along the Snake River for a new state park in eastern Idaho. However, the governor used a line-item veto to eliminate part of the funding for that purchase and thereby effectively stopped the land purchase.

Department of Agriculture – Pest Issues

S 1207 provides \$41,774,100 for the FY 2008 budget of the Department of Agriculture. The budget provides \$100,000 for a nematologist to deal with the potato cyst nematode problem in eastern Idaho and potentially statewide. It includes \$4 million one-time funding for the next round of treatments for the Eurasian Watermilfoil statewide. The budget also includes additions for an agricultural investigator, animal control districts, Ag in the Classroom, and funding for two pickups for the confined animal feeding operation investigators added last year. Finally, the budget provides \$5 million for a noxious weed initiative to be spent over a two-year period, \$1 million of which is ongoing and remains in the base.

S 1168 provides \$200,000 in additional FY 2007 spending authority from the Quality Assurance Laboratory Services Fund. This supplemental appropriation allows the laboratory to spend revenues generated through a contract for services with the U.S. Department of Agriculture for soil tests performed by the lab to determine the presence of the Potato Cyst Nematode (PCN).

S 1034 transfers \$124,400 from the General Fund to the Pest Control Deficiency Fund in FY 2007 to reimburse actual expenditures as follow: \$17,000 for gypsy moth survey, \$103,600 for exotic pest survey, and \$3,800 for unreimbursed costs of potato cyst nematode survey.

Department of Water Resources – Water Issues

S 1205 provides \$25,538,600 for the ongoing operations of the Department of Water Resources. It includes the transfer of 11 positions and \$732,900 from the Snake River Adjudication program to the Water Management program, and it removes two positions in the Energy Division due to the elimination of federal funding by the U.S. Department of Energy. It provides for 2,177 square feet of additional lease space at the Water Center for future growth. The bill provides a lump-sum appropriation for the Northern Idaho Adjudication and includes legislative intent that work on the Northern Idaho Adjudication be limited to the Rathdrum Prairie and cross-border issues for fiscal year 2008. This language will not stop the commencement of the adjudication of the Coeur d'Alene–Spokane River Basin, but will reinforce the Legislature's desire to support plans of the Department of Water Resources to focus on the lower sub-basin this first year.

H 316 transfers \$690,000 from the General Fund to the Idaho Economic Development Biofuel Infrastructure Matching Grant Fund. This is a trailer bill to H 150 to provide first-year funding for the 50/50 matching grant program for Idaho retail fuel dealers who choose to invest in qualified fueling infrastructure projects dedicated to providing biofuels to their customers. The program is housed in the Division of Energy in the Department of Water Resources.

H 317 provides \$557,000 one-time from the General Fund to the Department of Water Resources for the purpose of administering water rights from sources hydraulically connected to the Eastern Snake River Plain Aquifer. This is a trailer bill to H 241, which amends the statute relating to who

will pay for updating the groundwater model, updating the surface water modeling tool, updating accounting for water rights, and for monitoring conditions of the Eastern Snake Plain Aquifer. This appropriation is for the full amount of the estimated fiscal year 2008 costs, which will give the Department of Water Resources and the water users a one-year window of opportunity to refine the apportionment of costs between the surface water diversions and the groundwater diversions.

H 320 transfers \$638,000 from the General Fund and \$212,000 in dedicated funds for a total of \$850,000 to the Water Board's Water Management Fund. This is a trailer bill to HCR 28, which recommends approval of funding for technical studies, facilitation services, and interim measures as described in the Eastern Snake River Comprehensive Aquifer Management Plan Framework. The source of the dedicated funds is the remainder of \$300,000 appropriated in 2004 to develop and implement a long-term aquifer management plan. The Water Management Fund is continuously appropriated to the Water Board so appropriations do not lapse. Interest on unspent balances accrues to the General Fund.

Millennium Fund

The Joint Millennium Fund Committee recommended that nine projects be funded with the annual distribution from the tobacco settlement moneys for fiscal year 2008. In **S 1210**, the Joint Finance-Appropriations Committee and the Legislature supported the recommendation with the distribution of \$2,533,600 on a one-time basis as follows:

- P** \$500,000 to the Public Health Districts to provide prevention and smoking cessation services to all Idaho citizens, with primary emphasis on youth and pregnant women.
- P** \$500,000 to the Physical Health Services Program in the Department of Health and Welfare for targeted tobacco counter-marketing programs.
- P** \$420,000 to the Idaho Supreme Court for youth courts and the status offender services program.
- P** \$94,000 to Idaho State Police to offset the cost of youth tobacco investigations.
- P** \$300,000 to the State Board of Education for a study to determine the need and feasibility of increased medical education opportunities in Idaho.
- P** \$416,700 to Family Medical Residency Programs to expand family practice residency in Idaho.
- P** \$82,100 to the American Lung Association for a tobacco control intervention program targeting primary and secondary school students.
- P** \$73,300 to the Boys and Girls Clubs of Idaho for the Positive Action Program, which teaches positive behaviors to school age children and teenagers.
- P** \$147,100 to Idaho Drug Free Youth for the ParenTeen PowerLines program, a statewide parent and teen tobacco, drug and alcohol-use prevention and education program.

Change in Employee Compensation

The Change in Employee Compensation (CEC) Committee adopted the governor's recommendation of a 5% salary increase for state employees. The funding for the 5% increase was included in all agency appropriation bills for fiscal year 2008. The committee also adopted covering health insurance premium increases for fiscal year 2008 with insurance reserve funds. Intent language regarding this policy was included in the Department of Administration's appropriation bill. The Joint Finance-Appropriations Committee restored funding for the insurance premium holiday that was removed from all agency budgets during the 2007 fiscal year. Finally, the CEC Committee directed the Department of Administration to create a third health insurance plan during fiscal year 2008 to give employees more choice in health benefit coverage. The new plan must modify the health insurance plan by increasing the deductible, reducing covered benefits, or a combination of both, but premiums in the third plan must not increase.

Liquor Distribution Formula Changes

H 180 amends existing law relating to the distribution of moneys in the state liquor account for the purpose of expanding drug and mental health courts in Idaho. The changes include:

- P** Creating the Substance Abuse Treatment Fund in the state treasury.
- P** Replacing references to the Alcoholism Treatment Fund with the Substance Abuse Treatment Fund by amending certain sections of Idaho Code.
- P** Increasing the annual distribution from the liquor account to the Substance Abuse Treatment Fund from \$1,200,000 to \$2,080,000, for an increase of \$880,000.
- P** Providing for the annual distribution of \$680,000 from the liquor account to the Drug Court, Mental Health Court, and Family Court Services Fund for the purpose of court coordination and drug testing.
- P** Creating the Drug and Mental Health Court Supervision Fund in the state treasury.
- P** Providing for the annual distribution of \$440,000 from the liquor account to the Drug and Mental Health Court Supervision Fund for the purpose of offender supervision by the Idaho Department of Correction.

It is estimated that these changes will make it possible for an additional 275 offenders to be diverted to drug and mental health courts in fiscal year 2008. The fiscal impact is an annual reduction of \$2 million in the amount that is distributed to the General Fund. There is no impact on the distribution of funds to cities and counties.