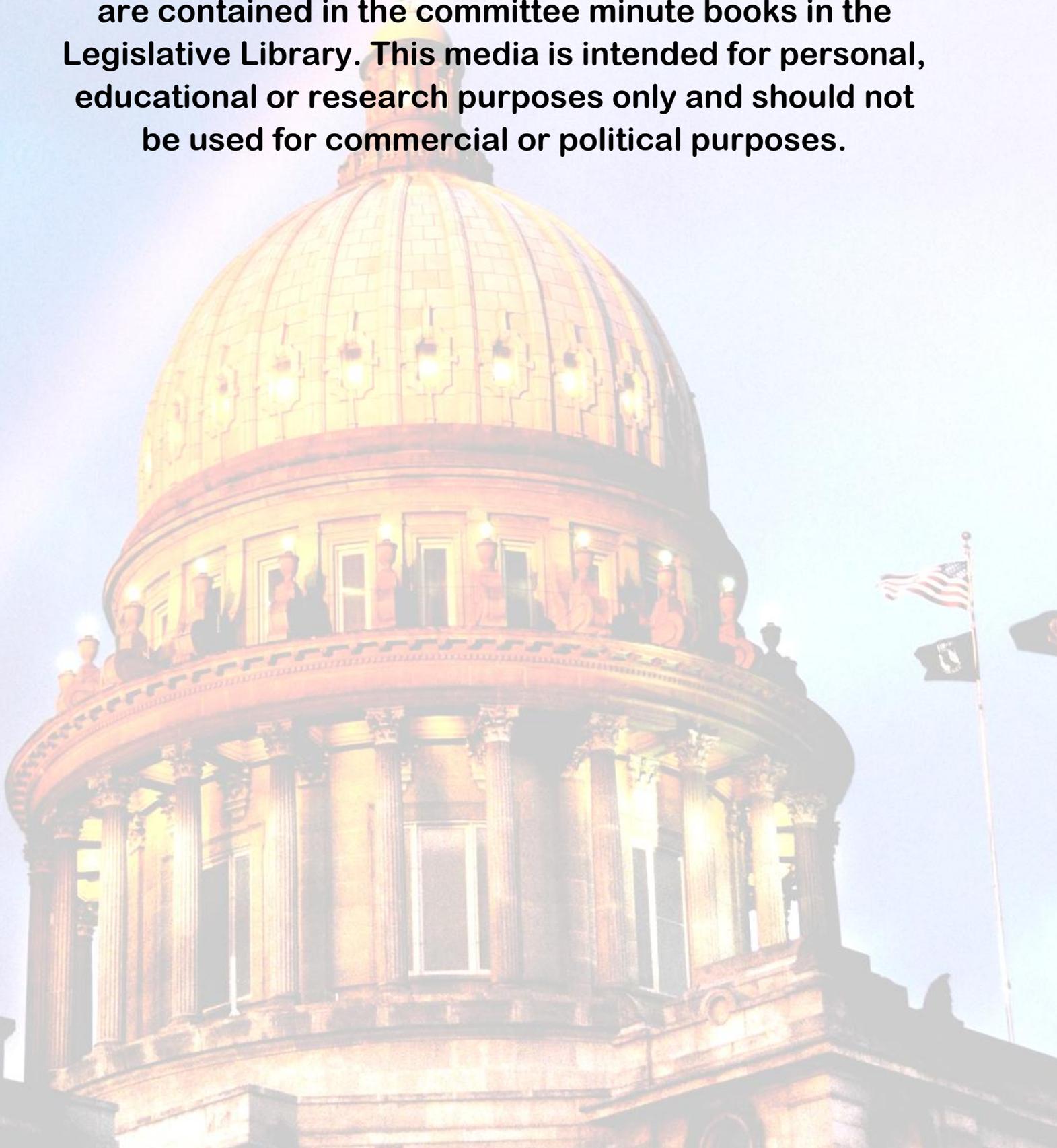


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JFAC COMMITTEE MEETING MINUTES

2/1/13

The hearing was held in Room C310, Statehouse, commencing at 8:00 a.m. and concluding at 10:50 a.m. with Chairman Cameron presiding.

Roll Call:

Senators: Cameron, Keough, Mortimer, Vick, Nuxoll, Johnson, Bayer, Thayn, Schmidt, Lacey

Representatives: Bolz, Eskridge, Thompson, Gibbs, Stevenson, Youngblood, Ringo, King

Excused: Bell

Staff present: Tatro

Others Present: Dale Higer, Chairman, Commission on Uniform Laws, and Christopher Rich, Ada County Clerk

STATEWIDE COST ALLOCATION PROCESS (SWCAP)

Presenter: Jared Tatro, Budget Analyst, Budget & Policy Analysis

- ❖ Statewide Cost Allocation (SWCAP) Process
 - Legislature appropriates a General Fund amount to the central service agencies listed below:
 - State Controller
 - State Treasurer
 - Attorney General
 - Also included is Risk Management (Department of Administration)
 - At the same time the Legislature appropriates to the central service agencies, it also appropriates a like amount to all other state agencies from either the General Fund, dedicated funds, or federal funds (or some combination)
 - The central service agencies then provide their services to other state agencies
 - Division of Financial Management (DFM) administers SWCAP. In July, DFM bills and subsequently collects, the amounts due. The agencies are to pay the amounts due from the fund(s) from which they were appropriated.
 - DFM then transfers the SWCAP receipts into the General Fund at the end of each fiscal year.
- ❖ Budgeting Statewide Cost Allocation

- State Controller
 - Accounting: \$0.31 per transaction
 - Payroll: \$3.92 per employee/month
 - The Controller is responsible for providing central accounting and reporting services for all agencies including disbursing funds, maintaining accounting records of all accounting transactions and preparing the state Comprehensive Annual Financial Report (CAFR). The Controller is also responsible for processing payroll and maintaining personnel information for all state employees.
 - Statewide cost allocation does not include the computer services provided by the Controller's office that are direct billed.
- State Treasurer
 - \$0.90 per warrant
 - The Treasurer is the central depository for funds collected by state agencies. It provides banking services for state government, including processing all warrants disbursed by the Controller's office.
 - The Treasurer's investment of state funds and investment funds are not reported as part of SWCAP
- Attorney General: \$54.37 per hour
 - The AG is the chief legal officer for Idaho and is required to prosecute and defend all causes (legal or criminal) when Idaho is a party
 - Also provides legal advice and guidance to all agencies
 - Costs associated with providing legal services to state agencies have been allocated based on hours of service
 - Costs associated with the consumer protection unit, criminal division, and lawsuits against the federal government are not allowed nor are they included in the SWCAP calculations
- Risk Management (Dept of Administration):
 - Projected costs for some insurance, bonds, and premiums
 - Not an indirect cost: added to SWCAP to ensure agency budgets reflect changes in "risk"
 - Risk management is Idaho's property and casualty insurance manager for several types of coverage including property, liability, and auto. Idaho is self-funded and commercially insured. Commercially, the State is self-funded to the amount of its deductible
- ❖ How agencies request their SWCAP appropriation change
 - State Controller
 - FY 2013 SWCAP appropriation: \$ 5,913,900
 - FY 2014 SWCAP recommendation: \$ 5,816,914
 - Change in General Fund: (\$24,500)
 - Change in Dedicated Fund: (\$35,000)
 - Change in Fed Fund: (\$ 7,300)
 - FY 2013 Gen. Fund appropriation: \$ 6,206,800

- State Treasurer
 - FY 2013 SWCAP appropriation: \$ 1,352,910
 - FY 2014 SWCAP recommendation: \$ 1,288,935
 - Change in General Fund: (\$23,500)
 - Change in Dedicated Fund: (\$ 4,500)
 - Change in Federal Fund: (\$18,700)
 - FY 2013 General Fund appropriation: \$ 1,341,600
 - FY 2014 Gov. recommendation for Gen. Fund: \$ 1,355,700
- Attorney General
 - FY 2013 SWCAP appropriation: \$ 9,800,531
 - FY 2014 SWCAP recommendation: \$10,026,187
 - Change in General Fund: \$116,800
 - Change in Dedicated Fund: (\$52,600)
 - Change in Federal Fund: \$ 92,700
 - FY 2013 General Fund appropriation: \$16,514,900
 - (Not all state agencies are required to use the Attorney General for legal services.) The \$6 million difference between the SWCAP and agency General Fund appropriation includes unallowable costs such as those from criminal cases, and lawsuits against the federal government.
- Risk Management
 - Fees are calculated based on estimates provided by a contracted actuary
 - FY 2013 SWCAP appropriation: \$ 8,065,720
 - FY 2013 collected amount: \$ 6,840,824
 - FY 2014 SWCAP recommendation \$ 9,227,981
 - Change in General Fund \$767,400
 - Change in Dedicated Funds: \$259,000
 - Change in Federal Funds: \$ 54,400
- ❖ Issues with current process and proposed solutions
 - Appropriation and collections are not consistent
 - Base amount needs to be evaluated
 - Risk management -- change does not need to be funded for FY 2014
 - General Fund savings: \$767,400
 - Found a discrepancy from what the Legislature has been appropriating to agencies and what the Department of Administration has been billing and collecting which leads to an inflated base amount shown on the SWCAP form sent to agencies from DFM.
 - Attorney General
 - At issue: Beginning in 2001, the AG staff was funded from the general fund and agencies would pay for their portion of legal services through statewide cost allocation. In the past few years, 5.5 legal service staff were added to the AG's office through a dedicated fund with agencies being directly billed for those services. To meet the intent of SWCAP and to provide consistency/accountability, the

positions should have been incorporated into SWCAP which aligns with what the AG is requesting in the budget request.

- Additionally, one of the FTPs is in Fish and Game and that position is included in SWCAP for calculating hours. The agency is paying SWCAP for services but the AG's office is compensating that staff member from the Consumer Protection Fund; that fund is intended to account for settlements and lawsuit money.
- Propose that the Legislature bring these 5.5 staff positions onto SWCAP either in the traditional path or a modified approach

❖ Idaho Code

- Title 67, Section 3524 Equitable Distribution of Government Overhead Expenses
 - "...declared the public policy....that governmental overhead expenses should be equally distributed among and between all....entities"
- Title 67, Section 3531 Annual Statewide Indirect Cost Allocation Plan
 - DFM in accordance with US Circular A-87 shall develop a plan for indirect cost recovery

❖ Summarizing the Issues

- Legislative Budget Book only reflects the change, not the total
- FY 2014 SWCAP is \$25.2 million
 - Treasurer: \$ 1.3 million
 - Controller: 5.8 million
 - AG: 10.0 million
 - \$17.1 million
 - Risk Management: \$8.1 million (\$9.2 if FY14 is funded)
- Risk management change does not need to be appropriated for FY 2014
- Attorney General funding is deviating from SWCAP

SECRETARY OF STATE

Presenter: Ben Yursa, Secretary of State

❖ Introductions

- Tim Hurst, Deputy Secretary of State
- Patty Weakley, Fiscal Officer
- Dale Higer and Rex Blackburn, Commissioners for the Commission on Uniform Laws
- Christopher Rich, Ada County Clerk

❖ Administration

- Registers official acts of Legislature/Governor
- Administers and certifies elections
- Maintains a registry of tort claims, extraditions, deed, official oaths and gubernatorial appointments
- Administers the Sunshine Law

- Maintains and operates the Centralized Uniform Commercial Code (relating to state, commercial, and farm product filings)
- ❖ FY 2014 Governor's recommended budget
 - Base budget of \$1,924,900
 - Decision unit 1 – Idaho Blue Book publication, \$40,000 one-time
 - Decision unit 2 – upgrade software/staff training \$35,800 one-time
 - Governor did not recommend \$2,700 for the Uniform Laws Conference or \$9,500 for the Electronic Recording Commission
 - Expenses down about 12% - no state elections this year
 - Will return about \$120,000 to the General Fund
- ❖ Audit Finding
 - One open item regarding Help America Vote Act
 - Working to keep better track of spending – to identify items at the time of expenditure
 - Implementation is not yet complete

Commission on Uniform State Laws

Presenter: Dale Higer, Chairman

- ❖ Purpose
 - Attend national conference on uniform state laws
 - Report to the Legislature an account of its transactions
 - Advise and recommend issues needing legislative action
 - Commission was established in 1890
 - Idaho has adopted 124 of the Commission's recommendations
 - Commission members are Dale Higer, Rex Blackburn, Mike Brassey, and Bart Davis
 - Members are appointed by the Governor
 - Commissioners serve without compensation
- ❖ Budget
 - Requesting increase of \$2,700 to cover expenses (not recommended by the Governor)

LEGISLATIVE BRANCH: Office of Performance Evaluation

Presenter: Rakesh Mohan, Director

- ❖ Division Description
 - Nonpartisan legislative office that promotes accountability and confidence in state government.
 - Works under the direction of the bipartisan Joint Legislative Oversight Committee (JLOC)
- ❖ Responsibilities
 - Conducts independent, objective, in-depth and timely performance evaluations of state agencies, programs, and functions

- Identifies financial savings and cost avoidance
- Makes recommendations to agencies for improvement
- Offers recommendations to the Legislature to help with policy and budget decisions
- ❖ OPE evaluations
 - Reported to JLOC and other legislative committees
 - Reported to state agencies to help them improve their operational efficiency and program effectiveness
- ❖ Awards/recognition
 - Excellence in Research Methods Award (2012 and 2010)
 - Alva and Gunnar Myrdal Government Award (2011) from the American Evaluation Association (AEA)
- ❖ Examples of OPE work
 - End-stage Renal Disease Program phasing out in June, 2013
 - Will save about \$500,000 annually
 - Delays in Medicaid claims processing
 - Saved \$2.7 million through contract amendments
 - Improved claims processing
 - Distribution and sale of liquor
 - Potential to save an estimated \$700,000 annually if 13 Idaho stores are converted to contract stores
 - Equity in Higher Education funding
 - Reframed the policy discussion about funding equity
 - Assisted policymakers with budgeting decisions
 - Reducing Barriers to Postsecondary Education
 - Linked education and employment
 - Offered solutions for reducing barriers, including revising the state's policies on scholarships
 - SB 1027 consolidated statewide scholarship program
 - Strengthening Contract Management in Idaho
 - Will improve monitoring of state contracts which could save the state millions of dollars
 - Workforce Issues affecting Public School Teachers
 - Informs policymakers on issues that are germane to public education reform efforts
 - Informs policymakers when making budget decisions
 - State Employee Compensation and Turnover
 - Informs policymakers when making budget and policy decisions
 - Recommends a task force that the Governor is implementing
- ❖ Impact of previous budget cuts
 - Lost one position
 - Conducted limited-focused studies
 - Relied less on consultants
 - Significantly reduced training that requires travel
 - Increased in-house training
 - Used interns and hired staff at entry level

- ❖ FY 2014 budget request
 - \$50,000 increase in operating expenditures
 - Support consulting costs for evaluation projects
 - OPE's operating expenditures declined over 50% during FY09-FY13
 - Consultants help by performing complex analyses and ensuring the quality of OPE's reports
 - \$70,000 for an additional performance evaluator
 - Position was lost in FY 2011
 - In recent years OPE received an average of 11 evaluation requests per year
 - Current staffing resources limit OPE to conduct only three to five new evaluations per year
 - The additional position will allow OPE to conduct at least one more evaluation every year

SPECIAL HEARING

Evaluation Results by OPE: State Employee Compensation and Turnover

Presenter: Byron Welch, Senior Evaluator, OPE

- ❖ OPE examined the challenges of implementing statewide compensation policies in order to understand why employees leave their jobs.
 - Surveyed over 17,000 classified and non-classified state employees and did not include teachers
 - Looked at pay in relation to state benchmarks
 - According to Idaho Code, Legislative intent is to fund a competitive employee compensation and benefits package that attracts qualified applicants and retains employees who are committed to public service excellence
 - Policy pay rates in current compensation schedule for classified employees (established in 2009) were set 4 percent below relevant market comparisons.
 - Schedule consists of minimum, policy, and maximum pay rates for each pay grade
- ❖ Findings
 - Statistics
 - Ninety percent of classified employees are paid less than their policy pay rate.
 - More than 45 percent earn between 20 and 32 percent less than their policy rate
 - On average, classified employees earn 85 percent of their current policy pay rate. Contributing factors are:
 - Recent economic decline, both nationally and in Idaho, led to state budget shortfalls

- CEC increases (change in employee compensation) were not appropriated for fiscal years 2010, 2011, and 2012
- CEC increases during the past ten years have been less than inflation
- Turnover Data
 - National research shows a strong link between compensation and turnover
 - In Idaho's survey, poor pay was one of the top contributing factors, as well as lack of opportunities for career advancement
 - Idaho Data does not provide enough detail to conclusively answer why employees leave state employment
- ❖ Considerations for policymakers to strengthen compensation policies and develop strategies to reduce employee turnover. Two key questions about compensation:
 - What would be an acceptable number of classified employees who earn less than their policy pay rate?
 - How evenly should these employees be distributed below their policy pay rate?
- ❖ Recommendations for the Division of Human Resources in two key areas:
 - Updating the compensation schedule to better reflect current and relevant market comparisons
 - Improving efforts for collecting statewide turnover data to ensure that agencies are collecting the type of data necessary to answer policymakers' questions about turnover.

Evaluation Report by OPE: Workforce Issues Affecting Public School Teachers

Presenter: Lance McCleve, Senior Evaluator, OPE

- ❖ Education stakeholders want a more inclusive, more collaborative approach to implementing changes to the state's public school system
- ❖ Project scope
 - Educator recruitment
 - Teacher attrition
 - Teacher retention
 - With aging teaching workforce and a growing population, what are Idaho's anticipated needs for future educators
 - Teachers' skills/deficiencies
 - How does Idaho's retirement system (PERSI) treat educators moving from one pension to another
 - Identify challenges/opportunities to attract new teachers and retain current staff
 - Provide decade of historical data on supply of educators versus job openings
 - Segregate certified teachers associated with a classroom and examine class size variations in Idaho

- ❖ Considerations
 - Teacher profile and class size
 - Policymakers would be better served by studying class size at the district or school level
 - Examine other descriptive statistics in addition to an average, such as range of class sizes and factors affecting that range
 - Teacher preparation
 - Generally superintendent and principal respondents generally felt that new teachers are prepared to teach but identified three areas they would like to see improved in new teacher hires:
 - Multiple certifications or endorsements to broaden what a new teacher is qualified to teach
 - Better classroom management skills
 - An increased ability to integrate technology into classrooms
 - Recruitment, retention, and turnover
 - Superintendent and principal respondents attributed their recruitment and retention struggles to teacher compensation packages
 - Results from survey revealed a strong undercurrent of despair among teachers who seem to perceive a climate that disparages their efforts and belittles their contributions.
 - Expressed concern or dissatisfaction with specific aspects of their work or with conditions surrounding the public education environment in Idaho
 - Future workforce needs
 - Many respondents expressed concern about the long-term availability of dedicated, quality teachers to serve the state's public school system.
 - Teacher dissatisfaction and sense of being underappreciated could affect the state's ability to ensure a steady supply of dedicated/ effective teachers.

ADJOURNED

Senator Dean L. Cameron, Chairman

Peggy Moyer, Secretary