

AGENDA
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE
12:30 P.M.
Room EW05
Wednesday, January 09, 2013

SUBJECT	DESCRIPTION	PRESENTER
	Organizational Meeting	

COMMITTEE MEMBERS

Chairman Hartgen
Vice Chairman Anderson(31)
Rep Loertscher
Rep Anderst
Rep Hancey
Rep Harris

Rep Holtzclaw
Rep Mendive
Rep Romrell
Rep VanOrden
Rep King
Rep Woodings

COMMITTEE SECRETARY

Mary Tipps
Room: EW06
Phone: 332-1149
email: hcom@house.idaho.gov

MINUTES

HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE

DATE: Wednesday, January 09, 2013
TIME: 12:30 P.M.
PLACE: Room EW05
MEMBERS: Chairman Hartgen, Vice Chairman Anderson(31), Representatives Loertscher, Anderst, Hancey, Harris, Holtzclaw, Mendive, Romrell, VanOrden, King, Woodings
**ABSENT/
EXCUSED:** Representative King
GUESTS: Woody Richards, Insurance Entities; Pam Eaton, Idaho Retailers Association and Idaho State Pharmacy Association; Paul Jackson, Farmers Insurance Group

Chairman Hartgen called the meeting to order at 12:33 p.m.

Chairman Hartgen introduced himself to the committee, and allowed each member to make introductions as well. The Committee Secretary was introduced, as well as the Committee Page, **Weston Durland**.

Chairman Hartgen stated that the committee will be hearing rules next week on Tuesday, January 15, and Thursday, January 17, and plans to complete the rule review process in those two days. There are eight rules before the committee this year. He is not aware of any controversy surrounding these rules. Chairman Hartgen explained that the committee will have the collective authority to approve the rules or reject them in part or in whole, but will not be able to rewrite the rules. He assigned proofreaders for the committee's meeting minutes. Proofreaders will be **Rep. Anderst** and **Rep. Woodings**.

Chairman Hartgen discussed the areas that are typically reviewed by the Commerce and Human Resources Committee. Those areas include labor and the creation of jobs through the Department of Commerce and the private sector. Legislation and rules related to the Workers' Compensation Fund, the Crime Victims' Compensation Fund, the Rural Block Grant Program, the Public Employee Retirement System of Idaho (PERSI), vocational rehabilitation and job retraining will come before the committee. Additionally, the committee can expect to hear from the Division of Human Resources and the Department of Administration on items such as employee compensation. Departments and agencies may provide informative presentations to the committee in addition to presenting and testifying on legislation.

Chairman Hartgen said that there are bills pending the committee's review, and they will be heard after the rules review process has been completed. He provided a brief overview of Rules Governing Committee and stated that the Committee Page will have Legislative Rules of Decorum available for testifiers during upcoming hearings.

In response to questions, **Chairman Hartgen** and **Rep. Loertscher** stated that Fee Rules must be affirmatively approved by both bodies. If either the House or Senate fails to approve a Fee Rule, it does not go into effect. Pending and Temporary Rules will go into effect on their own unless they are specifically rejected.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 1:01 p.m.

Representative Hartgen
Chair

Mary Tipps
Secretary

AGENDA
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE
1:30 P.M.
Room EW05
Tuesday, January 15, 2013

SUBJECT	DESCRIPTION	PRESENTER
	<u>Rules of the Department of Labor</u>	
Docket No. 09-0104-1201	Unemployment Insurance Benefit Fraud and Overpayment Rules	Bob Fick, Department of Labor
Docket No. 09-0130-1201	Unemployment Insurance Benefits Administration Rules	
Docket No. 09-0135-1201	Unemployment Insurance Tax Administration Rules	
	<u>Rules of the Public Employee Retirement System of Idaho (PERSI)</u>	
Docket No. 59-0103-1201	Contribution Rules of PERSI	Don Drum, PERSI

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Hartgen	Rep Holtzclaw
Vice Chairman Anderson(31)	Rep Mendive
Rep Loertscher	Rep Romrell
Rep Anderst	Rep VanOrden
Rep Hancey	Rep King
Rep Harris	Rep Woodings

COMMITTEE SECRETARY

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MINUTES
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE

- DATE:** Tuesday, January 15, 2013
- TIME:** 1:30 P.M.
- PLACE:** Room EW05
- MEMBERS:** Chairman Hartgen, Vice Chairman Anderson(31), Representatives Loertscher, Anderst, Hancey, Harris, Holtzclaw, Mendive, Romrell, VanOrden, King, Woodings
- ABSENT/
EXCUSED:** None
- GUESTS:** Matt Keenan and Austin Hill, Idaho Reporter; Don Drum and Joanna Guilfooy, Public Employee Retirement System of Idaho (PERSI); Donna Weast, Department of Human Resources; Clark Corbin, Post Register; Michael Johnson and Bob Fick, Department of Labor; Kolby Jones, House of Representatives intern; Bill Roden, citizen; Marty Durand, Idaho Building Trades Counsel (Idaho BTC); Fred, citizen
- Chairman Hartgen** called the meeting to order at 1:30 p.m.
- MOTION:** **Rep. Anderst** made a motion to approve the minutes of January 9, 2013. **Motion carried by voice vote.**
- DOCKET NO. 09-0104-1201:** **Bob Fick**, Department of Labor, presented **Docket No. 09-0104-1201**. He stated that this Proposed Rule clarifies that all information a claimant of unemployment benefits is asked to provide is material information used to determine a claimant's eligibility for those benefits. Additionally, a new rule is being added to clarify that claimants must repay all benefits received as a result of a willful false statement or willful failure to report a material fact. This change is being made because claimants are allowed to earn up to 50% of their benefit amount without penalty. Certain claimants, knowing this, have failed to report earnings below that 50%, which constitutes fraud because it is failure to report a material fact.
- In response to questions, **Mr. Fick** stated that oral statements are allowed during appeal hearings and are recorded, however, statements made in the course of conversations are not binding.
- Michael Johnson**, Department of Labor, stated that there are costs involved with adjudicating cases of fraud. The goal of this rulemaking is to reduce fraud cases and associated costs.
- MOTION:** **Rep. Hancey** made a motion to approve **Docket No. 09-0104-1201**. **Motion carried by voice vote.**
- DOCKET NO. 09-0130-1201:** **Bob Fick**, Department of Labor, presented **Docket No. 09-0130-1201**. He said that this Proposed Rule would define 'corporate officer' for unemployment insurance benefit purposes the same way it is currently defined for unemployment insurance tax purposes. The definition to be added is as follows: "Corporate Officer. Any individual empowered in good faith by stockholders or directors in accordance with the corporation's articles of incorporation or bylaws to discharge the duties of corporate officer." This rule seeks to bring the rule into compliance with the law.
- In response to questions, **Mr. Fick** said that corporate officers who had control of their time and decided when and if they worked and how much they were paid, were allowed to collect unemployment benefits if they were not working due to lack of work. During the recent recession, approximately 5,000 of 30,000 corporate officers collected roughly \$42 million in benefits. Corporate officers have been allowed to opt out of paying related taxes if they also opt out of collecting benefits. This has stopped a drain on the Unemployment Insurance Trust Fund.

MOTION: Rep. King made a motion to approve **Docket No. 09-0130-1201**. **Motion carried by voice vote.**

DOCKET NO. 09-0135-1201: **Bob Fick**, Department of Labor, presented **Docket No. 09-0135-1201**. He stated that this Proposed Rule would bring consistency to the treatment of members of a limited liability company, under both federal income tax law and Idaho's Employment Security Law. It states, "Any member of a limited liability company that has elected to be treated as a corporation for federal tax purposes shall be treated as a corporate officer for State Employment Security Law purposes." It also clarifies that a person hired as a contractor to do contract work must have a business connected with the work he's going to perform as a contractor.

In response to questions, **Mr. Fick** stated that corporations pay unemployment insurance taxes, however if a business is set up as a sole proprietorship or partnership, it is not the same as a corporation under the law. A form is available that will exempt corporations from certain tax liabilities.

Michael Johnson, Department of Labor, stated that for a person to be an independent contractor, he or she must be free from direction and control, in an independently established trade or business. This rule seeks to clarify that, for example, an independent contractor who is doing drywall must have a drywall company, not a bookkeeping service. He stated that an independent contractor must have a business related to services being rendered.

MOTION: Rep. King made a motion to approve **Docket No. 09-0135-1201**. **Motion carried by voice vote.** Rep. Holtzclaw requested to be recorded as voting **NAY**.

DOCKET NO. 59-0103-1201: **Don Drum**, Public Employee Retirement System of Idaho (PERSI), presented **Docket No. 59-0103-1201**. He said that this Proposed Rule addresses contribution rates and would delay scheduled contribution rate increases for employers and employees from July 1, 2012, to July 1, 2013. The contribution rate increase was initially addressed by the PERSI Board in 2009. The amortization rate had increased at a rate that required Board action.

In response to questions, **Joanna Guilfooy**, Public Employee Retirement System of Idaho (PERSI), stated that the rate increases are delayed for both employers and employees. The employees' rates would be raised from 6.23% to 6.79%, and employers' rates would move from 10.39% to 11.32%. This rule only addresses the scheduled increases.

MOTION: Rep. Hancey made a motion to approve **Docket No. 59-0103-1201**. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 2:04 p.m.

Representative Hartgen
Chair

Mary Tipps
Secretary

AGENDA
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE
1:30 P.M.
Room EW05
Thursday, January 17, 2013

SUBJECT	DESCRIPTION	PRESENTER
	<u>Rules of the Idaho Department of Commerce</u>	
Docket No. 28-0205-1201	Rural Community Block Grant Program	Jeff Sayer, Department of Commerce
Docket No. 28-0206-1201	Idaho Small Business Federal Funding Assistance Act Rules	
	<u>Rules of the Industrial Commission</u>	
Docket No. 17-0204-1201	Workers' Compensation Law - Benefits	Jane McClaran, Industrial Commission
Docket No. 17-0209-1201	Medical Fees	Patti Vaughn, Industrial Commission

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Hartgen	Rep Holtzclaw
Vice Chairman Anderson(31)	Rep Mendive
Rep Loertscher	Rep Romrell
Rep Anderst	Rep VanOrden
Rep Hancey	Rep King
Rep Harris	Rep Woodings

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MINUTES

HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE

- DATE:** Thursday, January 17, 2013
- TIME:** 1:30 P.M.
- PLACE:** Room EW05
- MEMBERS:** Chairman Hartgen, Vice Chairman Anderson(31), Representatives Loertscher, Anderst, Hancey, Harris, Holtzclaw, Mendive, Romrell, VanOrden, King, Woodings
- ABSENT/
EXCUSED:** Representative Loertscher
- GUESTS:** Megan Ronk, Dennis Porter and Gloria Mabbutt, Department of Commerce; Pam Eaton, Idaho Retailers Association and Idaho State Pharmacy Association; Kris Ellis, Benton Ellis; Mindy Montgomery, Jane McClaran, Patti Vaughn, Tom Limbaugh and Lindsay Egbert, Industrial Commission; Ed Hawley, Office of Administrative Rules; Donna Weast, Department of Human Resources; John Foster, Kestrel West
- Chairman Hartgen** called the meeting to order at 1:31 p.m.
- MOTION:** **Rep. Anderst** made a motion to approve the minutes of January 15, 2013. **Motion carried by voice vote.**
- DOCKET NO. 28-0205-1201:** **Jeff Sayer**, Department of Commerce, presented **Docket No. 28-0205-1201**. He explained that this Pending Rule affects the Rural Community Block Grant Program. This program deals with money that is given and dedicated specifically for rural communities. The total amount is roughly \$750,000 per year. Inside the larger grant are Gem Grants, which allow communities to work on small projects throughout each year. The rule change would increase the population of eligible cities from 10,000 to 25,000. Rural cities with a population between 10,000 and 25,000 are experiencing private sector job growth opportunities, but lack the financial ability or economies of scale to help fund public infrastructure needs for private business expansion. The current rules related to this program have not been updated in approximately ten years, and increasing the limit is essentially keeping up with population growth and right sizing the Rural Community Block Grant Program, to capture critical communities that need help. Mr. Sayer stated that the change would not necessarily add new cities from the original creation of the program. Communities that would specifically benefit from the change are Burley, Blackfoot, Hayden, Jerome and Kuna.
- In response to questions, **Mr. Sayer** stated that in developing the rule change, a list of all the rural communities in the State was compiled, and data was examined to determine what would most benefit Idaho's communities. The words "generally less" in the rule could allow some flexibility in defining a community's population, however, the grantors do try to stay consistent with the intent of the Grant, which is to assist rural communities.
- Dennis Porter**, Department of Commerce, responded to a question, stating that currently no new applications have yet been received.
- In response to additional questions, **Mr. Sayer** said that funding comes from the Department of Commerce's budget. It is a dedicated grant fund. The Department of Commerce wants to ensure that the Rural Community Block Grant Program is able to assist communities successfully. As they look at getting monies out to rural Idaho communities, they want to deploy the funds to appropriate locations. If the population limit is not raised, they may not be able to get money to the communities that truly need it. There has not been a problem with giving this grant money

to communities. The Department also oversees the giving of six to seven million dollars in Housing and Urban Development (HUD) monies annually, which are dedicated to infrastructure. The Rural Community Block Grant monies come from the State General Fund. In the early 2000s, the Grant received roughly \$3 million from the State General Fund, and currently the amount is \$750,000. The Department is not requesting any additional funding. The Department is asking for the ability to consider as many rural communities as possible and to have more flexibility in distributing help to Idaho's smaller communities. If the rule is rejected, some small communities would not be eligible for Grant assistance. There is no intent to take money from the smallest of Idaho's rural communities. Individual persons may have differing definitions of "rural".

Responding to additional questions, **Mr. Sayer** stated that there are several resources available to communities and companies. In making decisions on grant awards, those resources are considered. The Department of Commerce works closely with cities and counties to determine how to best meet the needs of communities. He discussed the City of Ucon, where the Rural Community Block Grant was able to assist in bringing in a fairly large employer, benefitting the community. Cities apply for the Grant with formal proposals. Building infrastructure and bringing in jobs are the two major components that the Department looks for in approving grants.

Chairman Hartgen reminded the committee that a Pending Rule must be rejected by both houses, or it will go into effect.

MOTION:

Rep. Hancey made a motion to approve **Docket No. 28-0205-1201**. **Motion carried by voice vote.** **Rep. Harris** requested to be recorded as voting **NAY**.

**DOCKET NO.
28-0206-1201:**

Jeff Sayer, Department of Commerce, presented **Docket No. 28-0206-1201**. He said that the State intends to provide incentive funding for Idaho companies that commit private resources toward the process of attracting federal Small Business Innovation Research (SBIR) Grants. Applying for these grants is a fairly extensive process that often requires consultancy and can be expensive. If a small business is able to successfully acquire the first phase of a SBIR Grant, it can generally be awarded the other phases of the Grant and operate successfully. This Pending Rule adds the definition of "State Coordinator". The State Coordinator awards grant and incentive funds to eligible small businesses to assist them in applying for SBIR Grants. Small business proposals must meet program requirements. Eligibility for grant and incentive funds is determined through an extensive review and evaluation of proposals by the State Coordinator and other professionals, who together form an evaluation team. If the small companies are awarded a over certain amount of SBIR Grant money, they will be required to reimburse the State. Language in the rule has been changed to reflect that proposals will be sent to the State Coordinator and not a federal agency so that proposals can be evaluated before they go to a federal agency. In the section addressing the grant application process, there is a change to clarify that proposals must now be sent to the State Coordinator and to provide a deadline for that filing. This deadline precedes the federal filing deadline to allow time for proposals to be evaluated before they go to a federal agency.

In response to questions, **Mr. Sayer** stated that the changes and additions were recommended by the Department of Administration. There is a State Coordinator inside the Department of Commerce. Under this program, the Department of Commerce becomes a coach to small businesses that are seeking these grants. The program already exists but has had limited exposure across the State. There are already applications in process. The language changes do not adjust the way the program operates; they are merely clarifications.

Rep. Anderson(31) requested to be recorded as stating that he applauds the efforts of **Mr. Sayer** and the Department of Commerce in this area.

Mr. Sayer responded to additional questions, stating that the request for reimbursement is a good faith agreement and they have not had difficulty with repayment. Under the federal program, companies applying for the SBIR Grants must have 500 employees or fewer.

MOTION: **Rep. VanOrden** made a motion to approve **Docket No. 28-0206-1201**. **Motion carried by voice vote.**

DOCKET NO. 17-0204-1201: **Jane McClaran**, Industrial Commission, presented **Docket No. 17-0204-1201**. She stated that this Pending Rule is a housekeeping measure that has resulted from the passage of **H 570** during the 2012 Legislative Session. That legislation, proposed by a representative of the Idaho Fraternal Order of Police, amended IC §72-1104 on compensation and costs associated with the Peace and Detention Officer Temporary Disability Reimbursement Fund. The Industrial Commission administers that fund and the language added under this rule mirrors the language used in the amended statute, including the July 1, 2015 sunset clause.

In response to questions, **Ms. McClaran** stated that this new provision will be in place for a three-year period. On July 1, 2015, only this single provision will sunset. The rest of the rule will remain in place. She believes that when the rule was proposed, the fiscal impact was unknown. Funding comes from fines from misdemeanor and felony convictions, and has been increasing. These fines are distributed to many entities. When this was originally implemented there was a desire to review in three years after funding was established. The rule expands the criteria under which an employer would be eligible to seek reimbursement. Injuries would have had to occur during the line of duty for eligibility.

Rep. King clarified that this is a pilot project that was passed in the House State Affairs Committee last year. **Rep. Anderst** stated an example was given to him: A police officer was accompanying someone to the hospital and was injured while on duty. His injury would be covered under the Fund.

In response to additional questions, **Ms. McClaran** stated that an officer's on-duty status is in existing language. Officers are eligible for workers' compensation benefits like any other employee. The proposal before the Committee uses the same language that is currently in statute. This deals with workers' compensation claims. In order to have a workers' compensation claim, an employee must have been working at the time of the injury on which the claim is based.

MOTION: **Rep. King** made a motion to approve **Docket No. 17-0204-1201**. **Motion carried by voice vote.**

DOCKET NO. 17-0209-1201: **Patti Vaughn**, Industrial Commission, presented **Docket No. 17-0209-1201**. She stated that Idaho Code § 72-803 requires physician payments for workers' compensation medical services to be based on the Resource Based Relative Value Scale (RBRVS) reimbursement method used by the Centers for Medicare & Medicaid Services (CMS). There are two components under this scale: (1) A numerical relative value unit assigned by CMS to each coded procedure weighted according to the work, practice, and malpractice expenses associated with providing that service; and (2) A monetary conversion factor. The allowable amount for a particular medical service under the fee schedule is its assigned relative value unit multiplied by its monetary conversion factor. The RBRVS scale was designed with a single conversion factor. In order to preserve access to care to certain specialists who refused to treat injured workers, the Commission's early fee schedules adopted multiple conversion factors. Although multiple conversion factors pacified those specialists, other physicians noted the distortion of the relative value scale when using multiple conversion factors. The Commission recognized the need to reduce both the disparity among the conversion factors as well as the number.

Ms. Vaughn went on to state that in 2007, the fee schedule included 35 conversion factors. The fee schedule today has seven. The changes to the physician fee schedule were determined in collaboration with representatives from the medical and insurance communities participating on the Healthcare Subcommittee of the Commission Citizens' Advisory Committee. The Subcommittee endorsed a proposal to eliminate two conversion factors, but subsequent written testimony received from some affected specialists reported the reduction was too severe and would again jeopardize access to care. The Commission wants to reduce both the number of conversion factors as well as the disparity between the specialties without jeopardizing access to care for Idaho's injured workers. Changes include an overall inflationary increase of 2.3%, a reduction (-3.6%) of the Surgery Group 1 conversion factor from \$140 to \$135, a reduction (-3.9%) of the Surgery Group 2 conversion factor from \$129 to \$124, a convergence of the Surgery Groups 3 & 4 conversion factors to \$88.54, an increase (+4.3%) to the Medicine Group 1 conversion factor from \$47 to \$49, and an increase (+2.2%) to the Medicine Group 2 conversion factor from \$68.50 to \$70.

In response to questions, **Ms. Vaughn** stated that this was a negotiated rule to some extent. There were meetings with representatives from the medical and insurance industries and the Subcommittee was formed, however, there was not formal negotiated rulemaking. This was not dealt with as a Fee Rule because it deals with fees between providers and insurance companies and is regulatory in nature.

Ed Hawley, Office of Administrative Rules, stated that this is not a Fee Rule. It was not a negotiated rule.

Patti Vaughn, Industrial Commission, responded to additional questions, stating that she received written testimony from several hand doctors who stated that the reduction in fees was too steep and could cause them to no longer be able to treat workers' compensation patients. She has not looked at the Medicaid Fee Schedule. She says that she believes that the fee schedule being used here is much higher.

Ms. Vaughn went on to explain the pharmacy portion of the Proposed Rule. She said that the Commission proposes a new pharmaceutical fee schedule using the benchmark of the Average Wholesale Price (AWP). The AWP is the price reported by the pharmaceutical manufacturers to industry publications as a benchmark for cost to the dispensing provider for each drug as identified by its National Drug Code (NDC) number. Although the AWP is the price reported as paid by pharmacies, it is not an exact benchmark as pharmacies may have negotiated volume discounts or received rebates from the manufacturer that are not reflected in the AWP. Approximately 32 states are using the AWP as the benchmark for their workers' compensation pharmaceutical fee schedules. Under the proposed pharmacy fee schedule, the standard for the acceptable charge is the Average Wholesale Price plus a \$2 dispensing fee for brand drugs, and a \$5 dispensing fee for generic drugs. Compound drugs would be allowed the sum of the AWP for each drug included in the compound medicine, plus a \$5 dispensing fee and a \$2 compounding fee. Over-the-counter drugs would be allowed a reasonable charge without dispensing fees. The pharmaceutical fee schedule would also be applicable to physicians dispensing medications following the warnings of industry organizations including the National Council for Compensation Insurers (NCCI), the Workers' Compensation Research Institute (WCRI), and the International Association of Industrial Accidents Board. Their research has revealed physician dispensing of pharmaceuticals to be a significant cost driver to the workers' compensation systems in multiple other states, resulting in increased cost to employers. Dispensing physicians are often paid a much higher amount than a pharmacy for the same medication. Pharmaceutical repackaging companies, who are not the original manufacturers, are assisting physicians with repackaging drugs

from their original form, assigning a new NDC code, and then repricing the drugs, often at markedly elevated prices. WCRI reports indicate some drugs may be marked up as much as 60% to 300%. The Commission has received no specific information to indicate similar behavior by Idaho physicians, but available data does indicate an additional cost to employers of at least 30% for repackaged drugs. As other states adopt stricter regulations on physician dispensing, it may cause Idaho to be considered a friendly market to the repackagers who market to physicians. The Commission believes it is prudent to adopt preventative measures to avoid increases in premiums for Idaho employers. Ms. Vaughn said that the Commission received testimony from some Idaho physicians' offices that they have resorted to using repackaging services as a necessary means to get paid an amount at or above their cost. Reimbursement to physicians who dispense pharmaceuticals would be the amount equivalent to what would be allowed under the pharmacy fee schedule, although without the dispensing fees. Drugs that have been repackaged from the original manufacturer's form would be allowed the AWP for the medicine prior to repackaging as identified by the original manufacturer's NDC number. Ms. Vaughn said that it is important to note that the rule does not prohibit physicians from dispensing medications, it merely equalizes the reimbursement between pharmacies and dispensing physicians. She said that the Commission has no reason to believe that injured workers will be denied appropriate care as a result. Research conducted in a state where similar reform was passed showed no significant reduction in physician dispensing patterns. Medication compliance is also not expected to be affected since injured workers are most often prescribed medications for pain relief. There is no available evidence suggesting a higher compliance rate with physician vs. pharmacy dispensed medications.

Ms. Vaughn stated that changes are also proposed to the required coding sets for medical billing. CMS will require providers to migrate from the ICD-9 to the ICD-10 diagnostic coding set in October 2014. The changes in this rule will help to keep providers and payers using a common coding language.

In response to questions, **Ms. Vaughn** said that in looking at available data, many pharmacies are under contract with Pharmacy Benefit Managers (PBMs) and those contracts will not be disturbed by this rule change. The Commission does not expect to see a marked change in reimbursement to pharmacies. A public hearing was held last fall and physicians expressed concern about their ability to continue dispensing medications.

Pam Eaton, Idaho State Pharmacy Association, stated that AWP is being phased out nationwide. Medicaid and private providers are moving toward something that is "a little more accurate". She stated that dispensing fees offered under this rule are "quite low," and that, on average, a pharmacy spends \$11 to \$11.50 to dispense a medication. Additionally, workers' compensation claims take longer to process and pharmacy staff members spend additional time searching out information for claimants. She said that workers' compensation insurance also takes longer to pay claims and is prone to rejecting claims or requiring resubmission of claims. She stated that the Idaho State Pharmacy Association would like an opportunity to work with the Industrial Commission to address problems with this Pending Rule.

In response to questions, **Ms. Eaton** stated that her concern is with Section 033. of the Proposed Rule. It is her understanding that the Legislature can elect to strike a single rule section.

Responding to additional questions, **Patti Vaughn**, Industrial Commission, stated that the Commission would be happy to work with the Idaho State Pharmacy Association to develop or change the fee schedule. There is generally a three-week comment period following the publication of rule changes in the administrative bulletin.

Ed Hawley, Office of Administrative Rules, responded to a question. He stated that the three week comment period allows 7 days to request a public hearing, followed by 14 days to turn in public comments.

Patti Vaughn, Industrial Commission, stated that the Industrial Commission would be more than happy to meet with any parties with information to share. A new Temporary Rule can be adopted at any time, however, any changes for next year need to be worked on with stakeholders and ready for proposal before next August.

Ed Hawley, Office of Administrative Rules, responded to a question. He stated that the Commission can not come back with a new or changed rule this year.

Tom Limbaugh, Industrial Commission, stated that the Commission would like the opportunity to research adopting a new Temporary Rule to adjust the dispensing fees, which could go into effect at the same time as this Pending Rule.

MOTION: **Rep. Hancey** made a motion to approve **Docket No. 17-0209-1201**. **Chairman Hartgen** stated he was in doubt regarding the voice vote.

ROLL CALL VOTE: Roll call vote was requested. **Motion failed by a vote of 3 AYE, 8 NAY, 1 Absent/Excused.** **Voting in favor** of the motion: **Reps. Hancey, King and Woodings.** **Voting in opposition** to the motion: **Reps. Anderson(31), Anderst, Harris, Holtzclaw, Mendive, Romrell, VanOrden and Chairman Hartgen.** **Rep. Loertscher** was absent/excused.

MOTION: **Rep. Anderst** made a motion to hold **Docket No. 17-0209-1201** until time certain, Wednesday, January 23, 2013. **Motion carried by voice vote.** **Rep. King** requested to be recorded as voting **NAY**.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 3:13 p.m.

Representative Hartgen
Chair

Mary Tipps
Secretary

AGENDA
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE
1:30 P.M.
Room EW05
Wednesday, January 23, 2013

SUBJECT	DESCRIPTION	PRESENTER
RS21655	Economic Advisory Council	Jeff Sayer, Department of Commerce
RS21660	Employment Security Law Related to the Federal Trade Adjustment Assistance Act of 2011	Bob Fick, Department of Labor
Docket No. 17-0209-1201	Medical Fees	Tom Limbaugh, Industrial Commission
	Overview of the Public Employee Retirement System of Idaho (PERSI)	Don Drum, PERSI

COMMITTEE MEMBERS

Chairman Hartgen	Rep Holtzclaw
Vice Chairman Anderson(31)	Rep Mendive
Rep Loertscher	Rep Romrell
Rep Anderst	Rep VanOrden
Rep Hancey	Rep King
Rep Harris	Rep Woodings

COMMITTEE SECRETARY

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email: hcom@house.idaho.gov

MINUTES

HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE

- DATE:** Wednesday, January 23, 2013
- TIME:** 1:30 P.M.
- PLACE:** Room EW05
- MEMBERS:** Chairman Hartgen, Vice Chairman Anderson(31), Representatives Loertscher, Anderst, Hancey, Harris, Holtzclaw, Mendive, Romrell, VanOrden, King, Woodings
- ABSENT/
EXCUSED:** None
- GUESTS:** The sign-in sheet will be retained in the Committee Secretary's office until the end of the Session. Following the end of the Session, the sign-in sheet will be filed with the minutes in the Legislative Services Library.
- Chairman Hartgen** called the meeting to order at 1:31 p.m.
- MOTION:** **Rep. Woodings** made a motion to approve the minutes of January 17, 2013.
Motion carried by voice vote.
- RS 21655:** **Jeff Sayer**, Department of Commerce, presented **RS 21655**. He stated that this proposed legislation would amend the membership requirements of the Economic Advisory Council to clarify that no more than four (4) members from any one political party can serve, which is consistent with other boards and councils. It also contains clean-up language to confirm that advisory council members serve at the pleasure of the Governor. There are three advisory councils at the Department of Commerce, and Mr. Sayer stated that the Department does try to ensure that a balanced political presence exists on each one.
- MOTION:** **Rep. Hancey** made a motion to introduce **RS 21655**. **Motion carried by voice vote.**
- RS 21660:** **Bob Fick**, Department of Labor, presented **RS 21660**. He stated that the Federal Trade Adjustment Assistance Extension Act of 2011 requires states to amend their unemployment insurance law to impose a monetary penalty on benefit claimants whose fraudulent acts result in overpayments. It also requires states to require the first 15% of an assessed civil penalty to be paid into the Employment Security Fund, and to prohibit employers from being relieved from charges to their unemployment insurance accounts when their actions lead to improper benefit payments. It states that an experience rated employer's account may not be relieved of charges and a reimbursing employer may not be relieved of liability for benefits paid to a claimant that are subsequently determined to be overpaid in certain cases including a failure to respond to inquiries in a period of seven days from the date the inquiry is mailed. Additionally, in this proposed legislation, the definition of "rehire" in the State Directory of New Hires will be amended to include individuals previously employed by an employer who were separated from that employer for at least 60 consecutive days prior to reemployment.

In response to questions, **Mr. Fick** stated that there will be a seven calendar day period during which employers are required to respond to inquiries. At the end of seven days, the Department of Labor will contact the employer by phone to attempt to secure a verbal response. If no response is gathered, the employer will be liable for benefits paid. All changes in this proposed legislation are required by the United States Department of Labor. It does not change any penalties that are currently in place under the law. Last year, approximately 150 million dollars were paid out for cases that involved quits or dismissals. Twenty percent of employers in those cases did not respond to inquiries, meaning that approximately 30 million dollars were paid out with information received only from the claimant.

MOTION: **Rep. King** made a motion to introduce **RS 21660. Motion carried by voice vote.** **Rep. Harris** requested to be recorded as voting **NAY**.

DOCKET NO. 17-0209-1201: **Tom Limbaugh**, Industrial Commission, presented **Docket No. 17-0209-1201**. This Proposed Rule was before the Committee on Thursday, January 17, 2013, and was held until time certain, today, January 23, 2013. Mr. Limbaugh thanked the Committee for allowing the Industrial Commission the opportunity to discuss this Proposed Rule with concerned parties and return to the Committee today. He requested that the Committee approve the Rule, which will be adjusted with a new Temporary Rule before the July 1, 2013 effective date.

In response to questions, **Mr. Limbaugh** stated that the Senate Commerce and Human Resources Committee approved this Rule yesterday, January 22, 2013.

Pam Eaton, Idaho State Pharmacy Association, thanked the Industrial Commission and the Committee for allowing discussions to take place. She stated that an agreement has been reached and she supports the approval of the Docket.

MOTION: **Rep. Anderst** made a motion to approve **Docket No. 17-0209-1201. Motion carried by voice vote.** **Rep. Harris** requested to be recorded as voting **NAY**.

Don Drum, Public Employee Retirement System of Idaho (PERSI), gave an informational presentation to the Committee. He stated that the contribution rate system for PERSI is complicated. He provided the following history: In 1996, the fund was 85.5% funded. In 1997, the fund was 97.3% funded. In 2000, a temporary rate reduction was made permanent. In 2002, the fund was 116% funded, and a portion of the assets in the fund were allocated back, which brought the fund down closer to 100% funding. By 2003, the fund was down to 83.5% funded due to a drop in the market. In 2004, the Board proposed three 1% rate increases. The first of those increases went into effect in 2004. The increase was split between employers and employees. The next two rate increases were delayed and by 2007, 100% funding was again achieved. In June of 2008, the fund had dropped to 93.3% but there was not a need for rate increases. There was concern at that time about how the market was performing. In June of 2009, the fund had dropped to the point that State Law required action from the PERSI Board. The Board decided to adjust contribution rates. At that time, the market curve was going back up and the Board understood that rate increases might or might not actually have to go into effect. Three rate increases were passed: the first was a 1.5% increase, split equally between the employer and employee. The second was another 1.5% increase, also split equally, and the third was a 2.31% increase, also split equally. The rate increases were postponed when the market improved. In 2010, the Board received letters from both the Governor and the Senate Pro Tem requesting a delay. The fund was recovering and the increases would have been difficult for contributors during already difficult financial times. A decision was made to delay the increases and in 2011, a funded status of 90.2% was reached. At that level, the Board could have removed all three rate increases. They decided to leave them in place due to concerns about problems in Europe and China, as well as concern about the Fiscal Cliff. While the rate increases were not removed, they were also

not implemented and were postponed until 2012. In June of 2012, funding status had dropped to 84.7%. A decision was made to postpone the rate increase from July 1, 2012, to July 1, 2013.

In response to questions, **Mr. Drum** stated that with a 1.5% rate increase, the employers' share would be a little over 24 million dollars. The State's portion would be a little over 11 million dollars. He estimates the employee portion at around 18 million dollars. The fund is not required to be 100% funded. The amortization period must be at or below 25 years. Since 1996, there have been four years when the fund was at or above 100% funded. Most public pension systems are not 100% funded. The idea is to take only what is needed. PERSI does not try to build a reserve. At 100% funding, the amortization period is zero. As the plan's sponsor, the Legislature sets the benefits of the plan. The Board cannot make changes to the benefit structure. They must allow the Legislature to vote and set guidelines and do what they are instructed to do by the Legislature and Governor, within Idaho Code. At this point in time, the State and all employers have unfunded liability. Upcoming changes in law will require unfunded liability to be reported on balance sheets. PERSI looks at historic returns and the worldwide economy when discussing expectations. Last summer, the Board took action to reduce the rate of return to a net rate of 7%. Inflation accounts for 3.5%, and the other 3.5% is real return. Seven percent per year is required to maintain the fund. The PERSI Board believes that 7% is an achievable number. Some reallocation was done in October of 2012. The Board can adjust rates and propose benefit changes. The Legislature would have to act on proposed benefit changes. Funding status is at 88.3% today. Gains and losses are impacted by inflation and assumptions of wage increases. There are individuals or groups who advocate using a lower rate of assumed return, which does increase unfunded liability. Historically, the PERSI fund has achieved in excess of an 8% rate of return.

Robert Schmidt, Milliman, appearing as an actuary for PERSI, responded to a question. He stated that corporate accounting standards are based on a market valuation of the company. This standard does not apply to a government entity or to public pension funds. If corporate accounting standards were applied, yes, liability could appear higher.

Mr. Drum responded to additional questions. He stated that almost all asset classes are part of the PERSI fund portfolio. They do stay in the main market. PERSI is the only public pension fund that Mr. Drum is aware of that receives a daily reconciled valuation. They do stay away from hedge funds and derivatives. The Cost of Living Adjustment (COLA) does impact funded status. A 1% COLA costs the fund an estimated 50 million dollars. If the Consumer Price Index - all Urban Consumers (CPI-U) is greater than 1%, the Board has the authority to recommend a COLA. They submit a letter with their recommendation to the Legislature, and the Legislature has 45 days to respond.

Mr. Drum stated that the fund's current asset value is approximately 12.8 billion dollars. This is an all-time high. Today the fund is 88.3% funded. PERSI is among the best funded pension systems nationwide. PERSI's Unfunded Actuarial Accrued Liability (UAAL) is among the lowest nationwide.

In response to questions, **Mr. Drum** stated that employers do understand that a rate increase is coming, and while they may not welcome it, they do understand it and want to protect the PERSI fund. Employers have indicated that this benefit is necessary for them to attract and maintain staff members. Rate increases can be adjusted. In 2008, a prediction was made that in five years, the PERSI fund would come back to 100% funded. It is now believed that 100% funding will be achieved again within two to three years.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 3:15 p.m.

Representative Hartgen
Chair

Mary Tipps
Secretary

AGENDA
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE
1:30 P.M.
Room EW05
Tuesday, January 29, 2013

SUBJECT	DESCRIPTION	PRESENTER
	State Employee Compensation Report	Vickie Tokita, Division of Human Resources
	Analysis of Total Compensation	Cheryl Mikuls and Malinda Riley, Hay Group

COMMITTEE MEMBERS

Chairman Hartgen
Vice Chairman Anderson(31)
Rep Loertscher
Rep Anderst
Rep Hancey
Rep Harris

Rep Holtzclaw
Rep Mendive
Rep Romrell
Rep VanOrden
Rep King
Rep Woodings

COMMITTEE SECRETARY

Mary Tipps
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MINUTES

HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE

- DATE:** Tuesday, January 29, 2013
- TIME:** 1:30 P.M.
- PLACE:** Room EW05
- MEMBERS:** Chairman Hartgen, Vice Chairman Anderson(31), Representatives Loertscher, Anderst, Hancey, Harris, Holtzclaw, Mendive, Romrell, VanOrden, King, Woodings
- ABSENT/
EXCUSED:** None
- GUESTS:** Sharon Duncan, Vickie Tokita, Donna Weast, and Jess Simonds, Division of Human Resources (DHR); Malinda Riley and Cheryl Mikuls, Hay Group; Julie Cloud and Scott Johnson, Idaho Department of Juvenile Corrections (IDJC); Mark Lowe, Lava Hot Springs Foundation (LHSF); Donna Yule, Idaho Public Employees Association (IPEA); Lisa Steele and Don Drum, Public Employee Retirement System of Idaho (PERSI); Donna Caldwell, Idaho Department of Lands (IDL); Monica Young, Sandy Kloefer Durland and Paul Spannkebel, Department of Health and Welfare (DHW); Barb Barrows, Idaho Public Utilities Commission (PUC)
- Chairman Hartgen** called the meeting to order at 1:31 p.m.
- MOTION:** **Rep. Anderst** made a motion to approve the minutes of January 23, 2013. **Motion carried by voice vote.**
- Vickie Tokita**, Division of Human Resources (DHR), gave an informational presentation. She stated that Idaho Code 67-5309C requires the Division of Human Resources to provide a report of the results of the annual salary and benefit surveys and recommendations for changes to meet the requirement of section 67-5309A, Idaho Code, together with their estimated costs of implementation, to be submitted to the Governor and the Legislature.
- Ms. Tokita** stated that DHR's analysis of salary survey results indicates that classified employees' salaries for 212 jobs combined are, on average, 18.9% below the market. The market includes public and private sector employees in the Western United States. When comparing Idaho with eight surrounding states, 127 of the 212 jobs were matched. Idaho's classified employees' salaries were, on average, 10.7% below these states. FY2012 has seen an increase in all classified employee turnover including retirements, voluntary and involuntary separations, layoffs and transfers. The top four reasons employees gave for separating were retirement, needing better pay, accepting jobs with other state agencies, and "other". Policy rates for classified employees were found to be, on average, 7.4% below the market, but on average, 2% ahead of the eight surrounding states. Challenges and considerations faced by DHR include low entry salaries, salary compensation, salary inequity, and ability to retain employees. DHR recommends a two-year plan to allow agency directors to continue to address compensation issues and prepare for a proposed salary structure adjustment in FY2015.

Ms. Tokita explained two options for FY2014. They are as follows: Option 1: If funding is available, it is proposed that a percentage be appropriated to agencies' personnel budgets and that agency directors be allowed to use salary savings to address their various compensation challenges. Option 2: If merit increases are not appropriated, allow agencies to use existing salary savings to address their specific compensation challenges. With legislative approval, agencies with limited salary savings may transfer funds from Operating Expenses to Personnel Costs on an ongoing basis. A 1% increase to agencies' personnel budgets as of October 23, 2012 would cost an estimated \$5 million in General Funds and \$6.6 million in all other funds, for a total of \$11.6 million. A 2% increase would cost an estimated \$10.1 million in General Funds and \$13.1 million in all other funds for a total of \$23.2 million. A 3% increase would cost an estimated \$15.2 million in General Funds and \$19.7 million in all other funds for a total of \$34.9 million. Ms. Tokita stated that for FY2015, it is proposed that the salary structure be adjusted towards market.

Donna Weast, Division of Human Resources (DHR), responded to questions. She stated that DHR participates in five salary surveys, one of which is strictly state government. Of 212 jobs that were compared between Idaho and eight surrounding states, Idaho was 2% ahead. Maximum rates are 125% of policy. Entry level rates are 68% of policy rates, which represents a drop. Idaho's actual rates of salaries were approximately 10.7% below the eight surrounding states.

Ms. Tokita responded to additional questions. She stated that the previously discussed 1%, 2%, and 3% increases did include benefits as well as salaries. The challenges that the State is facing have occurred over time, and cursory solutions have been provided. Those solutions have brought other challenges. A full compensation plan is needed to address the issues. DHR would be glad to pull together a team to address that plan, and Ms. Tokita stated that it should be a collaborative effort. DHR works closely with the Department of Administration and with Public Employee Retirement System of Idaho (PERSI).

Teresa Luna, Department of Administration, responded to a question. She stated that the yearly Change in Employee Compensation (CEC) Report is online and is updated. No changes to health insurance benefits are anticipated this fiscal year.

Ms. Tokita responded to additional questions, stating that allowing agency directors to make use of existing funds is an option that could perhaps be approved through the Joint Finance and Appropriations Committee (JFAC). If an agency has a limited personnel budget but has funds set aside elsewhere that are not being used, it is possible that the agency's director might want to utilize those funds for employee compensation.

Ms. Weast, in response to a question, stated that salary comparisons do not include lump sum payments such as bonuses.

Malinda Riley, Hay Group, presented an analysis of total compensation. She explained that the State of Idaho requested that The Hay Group provide a detailed benefits analysis including a review of the State's competitive position in health care, retirement benefits, death benefits, disability benefits, paid time off including sick leave, vacation and other holidays, and other benefits paid to general market organizations in Idaho, as well as Nevada, Oregon, Utah and Washington, and other public sector organizations in the Western United States, excluding California. They were also asked to conduct a high level review of the State's total compensation market position including benefits and salary, based on salary market data provided by the State. The Hay Group found that the State's total compensation program is below market average when compared to both private sector and public sector markets. Cash compensation for State employees lags behind the private sector by an average of 29%. The State's policy is 20% below the private sector market average. Idaho is trailing its counterparts in other states

by an average of 10%. Benefits are at or above the market average for both markets for all employees driven by strong retirement and health care programs. At all salary levels, the State's benefit program is at or above the 75th percentile of the general market. Total compensation is below the market average in the private and public sector markets, as the higher benefits program value does not offset the low cash compensation. Actual benefit costs to the State were not compared, as geography, demographics, and number of employees would be too varied to ensure an accurate comparison.

In response to questions, **Ms. Riley** stated that the analysis did not include federal employees. Benefits are shown as part of total compensation. Certain benefits, such as retirement or death benefits, involve dollar benefits.

Discussing key findings, **Ms. Riley** stated that although the State's aggregate salary market position is 29% behind the private sector market, the State does not need to increase salary on that scale to improve the market competitiveness of its total compensation. She stated that the State should consider strategic salary increases of approximately 3% to improve competitiveness and help attract and retain employees in key jobs. Additionally, adjustments to the salary structure that increase the minimum, midpoint and maximum, will improve competitiveness and the State will be better positioned to attract employees in the future. When viewed in the context of total compensation, the strength of the State's benefits program offsets some of the impact of the below market salary position, but not all. As a result, salary adjustments will have the greatest impact on improving the State's total compensation market position. No significant changes to benefits programs are suggested at this time.

Ms. Tokita, responding to questions, stated that the analysis did not include public school employees including public school teachers.

Cheryl Mikuls, Hay Group, responded to a question. She stated that when comparison groups are selected, databases will not always be the same.

Ms. Tokita responded to questions. She stated that approximately 50% of Idaho State employees are classified. Separations from employment were sorted by agency. Length of service of separated employees can be evaluated.

Ms. Riley, responding to questions, stated that the Hay Group did not compare salaries with cost of living. She stated that this information could be researched with Idaho's Division of Human Resources.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 2:44 p.m.

Representative Hartgen
Chair

Mary Tipps
Secretary

AGENDA
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE
1:30 P.M.
Room EW05
Thursday, January 31, 2013

SUBJECT	DESCRIPTION	PRESENTER
RS21771	Unemployment Eligibility for Poll Workers	Phil McGrane, Office of the Ada County Clerk
	Annual Update from Idaho's Overseas Trade Managers	Damien Bard, Division of International Business, Department of Commerce
	Follow-up Discussion on Employee Compensation	Jeff Youtz, Legislative Services Office

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Hartgen	Rep Holtzclaw
Vice Chairman Anderson(31)	Rep Mendive
Rep Loertscher	Rep Romrell
Rep Anderst	Rep VanOrden
Rep Hancey	Rep King
Rep Harris	Rep Woodings

COMMITTEE SECRETARY

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MINUTES

HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE

- DATE:** Thursday, January 31, 2013
- TIME:** 1:30 P.M.
- PLACE:** Room EW05
- MEMBERS:** Chairman Hartgen, Vice Chairman Anderson(31), Representatives Loertscher, Anderst, Hancey, Harris, Holtzclaw, Mendive, Romrell, VanOrden, King, Woodings
- ABSENT/
EXCUSED:** Rep. Romrell
- GUESTS:** Terri DeNinno, Division of Human Resources (DHR); Damien Bard, Karen Ballard, Eddie Yen and Xu Fang, Department of Commerce; Donna Caldwell and Andrea Ryan, Idaho Department of Lands (IDL); Tony Smith, Benton Ellis; Richard Caldwell, Toni Brinegar and Paul Tierney, citizens; Bryon Welch, Office of Performance Evaluations (OPE); Robyn Lockett, Legislative Services Office (LSO)
- Chairman Hartgen** called the meeting to order at 1:30 p.m.
- MOTION:** **Rep. Woodings** made a motion to approve the minutes of January 29, 2013. **Motion carried by voice vote.**
- RS 21771:** **Phil McGrane**, Office of the Ada County Clerk, presented **RS 21771**. He explained that during the past year, unemployment claims have been filed based upon temporary election work that occurs largely on Election Day. This proposed legislation would exempt temporary election workers, such as poll workers, from unemployment eligibility based on that work. Approximately 1500 temporary election workers are employed each election year by Ada County.
- MOTION:** **Rep. Van Orden** made a motion to introduce **RS 21771**.
- In response to questions, **Mr. McGrane** stated that this change is narrow and would be focused on temporary election workers. There is no indication that election workers have organized an effort to secure unemployment insurance benefits. It would be possible to examine restricting benefits to other temporary workers for future legislation.
- VOTE ON
MOTION:** **Chairman Hartgen** called for a vote on the motion to introduce **RS 21771**. **Motion carried by voice vote.**
- Damien Bard**, Department of Commerce, presented the Annual Legislative Update for the Division of International Business. He stated that the Division works with a team of three international offices in China, Taiwan, and Mexico. Exports continue to be a vital part of Idaho's economy despite the recession. He believes that Idaho benefitted from approximately 5.9 billion dollars in exports in 2012. Efforts are currently focused on assisting small and medium sized companies who do not have dedicated sales and marketing departments to reach out to overseas markets.

Eddie Yen, Trade Manager for Idaho's Taiwan Office, provided a brief overview of Taiwan. Taiwan is a small island, about 1/6 the size of Idaho. Currently the population is approximately 23.2 million and the Gross Domestic Product (GDP) is US \$474 billion. The GDP grew 1.13% in 2012 and 3.15% in 2013. Bilateral trade with the United States last year was at approximately US \$57 billion. Idaho exports to Taiwan accounted for US \$760 million in 2011, and represented 15% of Idaho's total exports. Idaho companies that have been involved in trade with Taiwan include Ray Core, Outdoor Gourmet, Koenig and Snyder wineries, Wild Touch Taxidermy, Dynamite Marketing, and Boise Cascade. In 2012, Taiwan hosted six trade shows, and eight events including four press events to assist the State of Idaho in increasing Idaho's exports to Taiwan. Industry specific marketing efforts have included the creation and distribution of two bilingual industry brochures with 17 participating companies. An inbound delegation to Idaho visited more than 35 Idaho companies. In November of 2012, a trade seminar in Taiwan saw over 150 companies and 210 people in attendance to learn about trade opportunities with Idaho. On November 1, 2012, the visa authorization time for Taiwanese people to visit the United States was reduced, and the fee was reduced from \$140 to \$14. This is expected to increase the numbers of individuals and groups coming to Idaho. Tourism has increased from 4 million travelers in 2008 to 7 million in 2012, and is expected to continue to increase. Tourism promotions that have taken place recently include the Taipei International Travel Fair, the My Dream Vacation USA program, and press conferences on travel themes including National Parks, Sports and Shopping. More than 750 visitors attended the Taipei Building Materials Show, which highlighted Idaho companies. Taiwan is the 5th largest export market for US beef in Asia, and imports were resumed on September 15, 2012. Idaho's interest in beef and pork exports involve an approximate \$3.5 to \$5 million increased sales potential. New export opportunities include technology for dealing with biomass, and technology and equipment for semi-conductor megafab, as well as green building materials, products and services for an aging senior population, pet products, and health and beauty products. Promotional programs for 2013 will include the Governor's Trade Mission to Korea, Taiwan and Vietnam in late April, as well as investment seminars, education and travel fairs, a food show, and a biotech show. Also, there will be a furniture show, a building materials show, and buying missions to Idaho.

Xu Fang, Trade Manager for Idaho's China Office, has experienced 7.8% Gross Domestic Product (GDP) growth in 2012. China is the fastest growing market for United States exports and was Idaho's second largest export market in 2011. Growth in Idaho exports to China from 2000 to 2011 increased 596%. During Idaho's Trade Mission to China in 2012, seventeen Idaho companies were represented and over fifty business meetings were arranged. Two receptions were held with over 400 attendees. Upcoming events include the China Housing Show, the United States Build Mission, the China Foreign Direct Investment Fair and the United States China Build Seminar Series.

In response to questions, **Mr. Bard** stated that assistance with trade and exports is available through the Export Import Bank of the US and the Small Business Association. These organizations help manage risk associated with export trade. The Taiwan office is located in Taipei's World Trade Center, and they have a small showcase of Idaho products and services in the office. The China office is located in Shanghai, in an independent commercial space. Both offices focus primarily on Idaho but do also work with other agencies such as the United States Department of Agriculture. Seeds are a major export commodity from Idaho to China, and canned corn is a significant export to Taiwan. Currently Idaho's largest trading partner is Canada.

In response to questions, **Mr. Yen** stated that the market in Taiwan is moving toward natural and organic food and Certified green building materials. Energy has also become an issue, and the Taiwanese government has offered US \$1.7 million for geothermal energy research projects.

In response to questions, **Mr. Fang** has stated that urbanization and environmental protection are concerns for China. There has been a large increase in cheese exports from Idaho to China recently, as well as bottled water. Food safety and nutrition have become concerns.

Jeff Youtz, Legislative Services Office, has requested to delay his scheduled follow-up discussion related to the informational presentation given by **Vickie Tokia**, Division of Human Resources, last Tuesday, January 29, 2013, regarding employee compensation.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 2:22 p.m.

Representative Hartgen
Chair

Mary Tipps
Secretary

AGENDA
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE
1:30 P.M.
Room EW05
Tuesday, February 05, 2013

SUBJECT	DESCRIPTION	PRESENTER
<u>RS21797</u>	Lunch Breaks for Workers	Rep. King
<u>H 44</u>	Unemployment Insurance Law Amendments	Bob Fick, Department of Labor
<u>H 43</u>	Economic Advisory Council Membership	Jeff Sayer, Department of Commerce

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Hartgen	Rep Holtzclaw
Vice Chairman Anderson(31)	Rep Mendive
Rep Loertscher	Rep Romrell
Rep Anderst	Rep VanOrden
Rep Hancey	Rep King
Rep Harris	Rep Woodings

COMMITTEE SECRETARY

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MINUTES

HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE

- DATE:** Tuesday, February 05, 2013
- TIME:** 1:30 P.M.
- PLACE:** Room EW05
- MEMBERS:** Chairman Hartgen, Vice Chairman Anderson(31), Representatives Loertscher, Anderst, Hancey, Harris, Holtzclaw, Mendive, Romrell, VanOrden, King, Woodings
- ABSENT/
EXCUSED:** None
- GUESTS:** Marty Durand, Idaho Building Trades Council (Idaho BTC); Donna Yule, Idaho Public Employees Association (IPEA); Bert Marley, Idaho Education Association (IEA); Donna Weast, Department of Human Resources (DHR); Roger Madsen, Dwight Johnson, Bob Fick, Michael Johnson and Josh McKenna, Department of Labor; Aaron White, International Brotherhood of Electrical Workers 291 (IBEW 291); John Kierce, United Association 296 (UA 296); Pam Eaton, Idaho Retailers Association and Idaho Lodging and Restaurant Association
- Chairman Hartgen** called the meeting to order at 1:28 p.m.
- MOTION:** **Rep. Anderst** made a motion to approve the minutes of January 31, 2013. **Motion carried by voice vote.**
- RS 21797:** **Rep. King** presented **RS 21797**. She explained that this proposed legislation would give a thirty minute unpaid lunch break to employees who work a shift of more than 7.5 consecutive hours. Certain Department of Corrections employees would be exempt. The Department of Corrections currently has an 11% turnover rate, which Rep. King surmised might be reduced if employees were given lunch breaks. Rep. King stated that employers can end up spending more on employees who are not properly cared for, through increases in health care costs and employee assistance programs. Currently Idaho State employees are not entitled to lunch breaks. Twenty-one states have requirements for meal breaks. Washington requires a break for employees who work a shift longer than five hours, and Nevada requires a break for employees who work longer than eight hours in a single shift.
- In response to questions, **Rep. King** stated that the Department of Labor would take complaints related to enforcement. The words "insofar as is practicable" allow the employee and employer to reach an agreement about the timing of the break. Tracking of breaks can be addressed through rulemaking. Section 44-1508 (1), Idaho Code, addresses provisions for enforcement. She has considered employee abuse in sweatshops and stated that this situation is "much, much more minor" but does still have implications for employee health and safety. She does not believe that this proposed legislation would have a negative impact on employer-employee relationships and their natural right to associate. She has not received any negative comments or concerns from employers except the Director of the Department of Corrections. If the proposed legislation is introduced, all concerned parties will be welcome to testify. Special circumstances such as when an employee requests to work through his or her break in order to leave early, or when an employer has rented expensive equipment and needs to maximize time, are exceptions and not the rule for Idaho workers.
- Rep. Woodings** expressed her support for the proposed legislation, citing the story of a family member who had to work without breaks and sharing her concern that in many rural communities in Idaho, workers are not able to "vote with their feet" due to a lack of job opportunities.

- MOTION:** **Rep. Woodings** made a motion to introduce **RS 21797**.
- Rep. Holtzclaw** spoke in opposition to the motion. He stated that as a small business owner, sometimes he and his employees need to work when the work is there.
- VOTE ON MOTION:** **Chairman Hartgen** called for a vote on the motion to introduce **RS 21797**. **Motion failed by voice vote**.
- H 44:** **Bob Fick**, Department of Labor, presented **H 44**. He explained that the Federal Trade Adjustment Extension Act of 2011 requires states to amend their unemployment insurance law to impose a monetary penalty on benefit claimants whose fraudulent acts result in overpayments. Additionally, states are required to pay the first 15% of an assessed civil penalty into the Employment Security Fund, and to prohibit employers from being relieved of charges to their unemployment insurance accounts when their actions lead to improper benefit payments. States must also amend the definition of "rehire" in the State Directory of New Hires to include individuals previously employed by the employer who were separated from that employer for at least 60 consecutive days prior to reemployment. Under these changes, the amount of funds available for use from the State's Penalty and Interest Fund will be reduced by approximately \$460,000 per year. The change to the listing requirements in the State Directory of New Hires will allow more money to be saved and recovered, as those employees who fail to report that they have returned to work will be discovered earlier and more easily. Failure to adopt these provisions would result in Idaho's Unemployment Insurance Program to fall out of compliance with Federal regulations and would have a negative fiscal impact on employers and the State.
- In response to questions, **Mr. Fick** stated that the first 15% of assessed civil penalties that would now go into the Employment Security Fund have previously gone into the Penalty and Interest Fund. As the balance in the main Unemployment Insurance Trust Fund rises, tax rates go down, and when the balance declines, tax rates go up. The current balance of the Unemployment Insurance Trust Fund is approximately \$350 million.
- MOTION:** **Rep. Hancey** made a motion to send **H 44** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote**. **Rep. Harris** requested to be recorded as voting **NAY**. **Rep. Holtzclaw** will sponsor the bill on the floor.
- H 43:** **Jeff Sayer**, Department of Commerce, presented **H 43**. He explained that **H 43** would amend the membership of the Economic Advisory Council to clarify that no more than four members from any one political party can serve, which is consistent with other boards and councils. There is also clarifying language to confirm that advisory council members serve at the pleasure of the Governor.
- In response to questions, **Mr. Sayer** stated that council members do not have to be Republicans or Democrats to serve. Currently there are two Independents who serve as council members.
- MOTION:** **Rep. VanOrden** made a motion to send **H 43** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote**. **Rep. VanOrden** will sponsor the bill on the floor.
- ADJOURN:** There being no further business to come before the committee, the meeting was adjourned at 2:23 p.m.

Representative Hartgen
Chair

Mary Tipps
Secretary

AGENDA
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE
1:30 P.M.
Room EW05
Thursday, February 07, 2013

SUBJECT	DESCRIPTION	PRESENTER
H 91	Unemployment Eligibility for Poll Workers	Phil McGrane, Office of the Ada County Clerk

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Hartgen	Rep Holtzclaw
Vice Chairman Anderson(31)	Rep Mendive
Rep Loertscher	Rep Romrell
Rep Anderst	Rep VanOrden
Rep Hancey	Rep King
Rep Harris	Rep Woodings

COMMITTEE SECRETARY

Mary Tipps
Room: EW06
Phone: 332-1149
email: hcom@house.idaho.gov

MINUTES
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE

DATE: Thursday, February 07, 2013
TIME: 1:30 P.M.
PLACE: Room EW05
MEMBERS: Chairman Hartgen, Vice Chairman Anderson(31), Representatives Loertscher, Anderst, Hancey, Harris, Holtzclaw, Mendive, Romrell, VanOrden, King, Woodings
**ABSENT/
EXCUSED:** Representative Holtzclaw
GUESTS: None
Chairman Hartgen called the meeting to order at 1:29 p.m.
MOTION: **Rep. Woodings** made a motion to approve the minutes of February 5, 2013.
Motion carried by voice vote.
H 91: **Phil McGrane**, Office of the Ada County Clerk, presented **H 91**. He stated that during the past year, unemployment claims have been filed based upon temporary election work that occurs largely on Election Day. **H 91** would exempt temporary election workers, such as poll workers, from unemployment eligibility based upon that work.
In response to questions, **Mr. McGrane** stated that unemployment claims were recently received from poll workers stating that their work began on November 6, 2012, and ended on November 6, 2012, and claiming the reason for their recent unemployment status was "lack of work". The claims were paid because Statute did not prohibit these one-day employees from receiving benefits.
MOTION: **Rep. Harris** made a motion to send **H 91** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Harris** will sponsor the bill on the floor.
ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 1:37 p.m.

Representative Hartgen
Chair

Mary Tipps
Secretary

AMENDED AGENDA #1
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE
1:30 P.M.
Room EW05
Monday, February 11, 2013

SUBJECT	DESCRIPTION	PRESENTER
RS21990	Unemployment Claim Settlements	Rep. Burgoyne
	Overview of the Department of Commerce	Jeff Sayer, Department of Commerce

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Hartgen	Rep Holtzclaw
Vice Chairman Anderson(31)	Rep Mendive
Rep Loertscher	Rep Romrell
Rep Anderst	Rep VanOrden
Rep Hancey	Rep King
Rep Harris	Rep Woodings

COMMITTEE SECRETARY

Mary Tipps
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MINUTES

HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE

- DATE:** Monday, February 11, 2013
- TIME:** 1:30 P.M.
- PLACE:** Room EW05
- MEMBERS:** Chairman Hartgen, Vice Chairman Anderson(31), Representatives Loertscher, Anderst, Hancey, Harris, Holtzclaw, Mendive, Romrell, VanOrden, King, Woodings
- ABSENT/
EXCUSED:** None
- GUESTS:** None
- Chairman Hartgen** called the meeting to order at 1:30 p.m.
- MOTION:** **Rep. Woodings** made a motion to approve the minutes of February 7, 2013.
Motion carried by voice vote.
- RS 21990:** **Rep. Burgoyne** presented **RS 21990**. He cited a recent lawsuit that cost the State of Idaho \$1.3 million. In that case, Idaho Code prevented the Department of Transportation (the State) from talking to or negotiating with the claimant who ultimately sued the State and won. He stated that this proposed legislation would amend Idaho Code Section 67-5342 to permit the State to settle employment related claims made by classified and exempt employees in exchange for a release of those claims and upon approval of the Board of Examiners. He said that such settlements would be a matter of public record and would be reported to the Legislature at its next Regular Session. They would be the subject of a request for a supplemental appropriation, however, Rep. Burgoyne said that the intent of the proposed legislation is to save the General Fund money by providing the State better risk management tools. He stated that this change would give the State the same right exercised by private employers.
- In response to questions, **Rep. Burgoyne** stated that requests for supplemental appropriations would be retroactive. Once the Board of Examiners approved a settlement, the payment would go through. Agencies would submit formal reports to the Legislature and would make requests for supplemental appropriations during the Legislative Session. If the Legislature did not approve a supplemental appropriation, the agency involved would have to find the money within its own budget to cover the funds.
- MOTION:** **Rep. Anderst** made a motion to introduce **RS 21990**.
- Rep. Burgoyne**, in response to questions, stated that he will research the amount of money that could be requested through supplemental appropriations due to settlements. The Human Rights Act provides a process that assists employers and employees to broach the subject of settlements and severance. If an employee has an arguable claim but isn't able to negotiate with their agency, the employee could move beyond negotiations with the agency. Private sector employers routinely adopt strategies to deal with settlements. Interpretation of Idaho Statute is up to the courts. Rep. Burgoyne stated that private sector employees generally have tools to manage risk that the State of Idaho has not been allowed. This proposed legislation would only be applied to State employees and would not impact school district, city, or county employees. The statute in question only applies to State agencies. This proposed legislation would allow agencies to conditionally decide whether to settle or not. Agencies would then be required to secure a final determination from the Board of Examiners. The Board of Examiners is made up of the Governor, Secretary of State, Attorney General, State Controller, and Superintendent of Public

Instruction. Because the Legislature is not in Session year-round, the Board of Examiners makes many financial decisions for the State.

Rep. Anderst spoke to his motion, saying that if **RS 21990** is introduced, he has a concern and will require more information.

In response to additional questions, **Rep. Burgoyne** stated that severance payments are illegal. This proposed legislation would allow an exception for settlement payments. Generally something has to be given up in order to get a release of claims. Settlements can involve an agreement to provide a positive letter of reference or other non-financial items, although generally settlements do involve money. Providing a settlement must be weighed against attorney fees, time, and other costs, as well as the risks involved in litigation. "Any and all claims" means "absolutely everything". The Attorney General (AG) did not provide an opinion on this proposed legislation but is not opposed. Generally the AG does not support or oppose legislation. Rep. Burgoyne has not yet asked agencies for their support. Rep. Burgoyne does believe that if **RS 21990** is introduced, discussions and interest will take place. State agencies are currently capable of settling claims, but under current law they cannot pay money. Rep. Burgoyne stated that certain people, when they feel wronged, will seek out legal assistance and attempt to secure a payment. He does not believe that this proposed legislation would cause more or fewer of those individuals to seek financial settlements. He believes all incentives are against agencies presenting claimants with financial settlements. To do so would involve being examined by the Board of Examiners and the Legislature. This proposed legislation would simply allow an agency that believes a settlement is prudent and financially responsible to make that settlement.

**ROLL CALL
VOTE:**

Chairman Hartgen requested a roll call vote on the motion to introduce **RS 21990**. **Motion carried by a vote of 11 AYE, 1 NAY.** Voting in favor of the motion: **Reps. Anderson(31), Loertscher, Anderst, Hancey, Harris, Holtzclaw, Mendive, Romrell, VanOrden, King and Woodings.** Voting in opposition to the motion: **Rep. Hartgen.**

Chairman Hartgen announced that the presentation from **Jeff Sayer**, Department of Commerce, will be rescheduled.

ADJOURN:

There being no further business to come before the committee, the meeting was adjourned at 2:12 p.m.

Representative Hartgen
Chair

Mary Tipps
Secretary

AGENDA
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE
1:30 P.M.
Room EW05
Wednesday, February 13, 2013

SUBJECT	DESCRIPTION	PRESENTER
	Presentation on Group Insurance	Teresa Luna, Department of Administration

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Hartgen	Rep Holtzclaw
Vice Chairman Anderson(31)	Rep Mendive
Rep Loertscher	Rep Romrell
Rep Anderst	Rep VanOrden
Rep Hancey	Rep King
Rep Harris	Rep Woodings

COMMITTEE SECRETARY

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MINUTES

HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE

DATE: Wednesday, February 13, 2013
TIME: 1:30 P.M.
PLACE: Room EW05
MEMBERS: Chairman Hartgen, Vice Chairman Anderson(31), Representatives Loertscher, Anderst, Hancey, Harris, Holtzclaw, Mendive, Romrell, VanOrden, King, Woodings
**ABSENT/
EXCUSED:** Representative Loertscher
GUESTS: Nicole Fitzgerald and Amy Johnson, Department of Administration; Melody Rose, Division of Human Resources

Chairman Hartgen called the meeting to order at 1:32 p.m.

MOTION: **Rep. Woodings** made a motion to approve the minutes of February 11, 2013.
Motion carried by voice vote.

Teresa Luna, Department of Administration, gave a presentation about the State of Idaho's Office of Group Insurance (OGI). The OGI has six employees and an annual operating budget of \$896,500. It administers nine plans including active employees' medical and dental plans, retiree medical plans, life and disability insurance, short and long-term disability and flex spending. There are currently over 44,000 plan participants including employees, spouses and dependents. Achievements of the OGI include a wellness benefits initiative, remarketing of life and disability insurance and remarketing of medical and dental plans, collaborating with Higher Education to provide premium tier changes for part-time employees, an expanded open enrollment period, elimination of the flex spending enrollment waiting period, enhanced vision benefits, and expanded voluntary term life insurance. The State of Idaho is required to provide benefits for employees who work more than 20 hours per week. The PPO medical plan is the most popular plan, with over 85% of active employees and 50% of retirees selecting this plan. The State of Idaho has paid at least 90% of employee premiums since 2008. Employees experienced a 1% increase in their share of premiums in 2011. The projected FY2014 appropriation per employee is \$9,100. There is a Group Insurance Advisory Committee (GIAC) that meets quarterly and is very active. The average age of a State active employee participating in OGI programs is 47, and the average age of a State retiree participating in OGI programs is 61.

In response to questions, **Ms. Luna** stated that Higher Education is a political subdivision. While they do participate in Group Insurance, they are entitled to break off and handle their own insurance needs, should they so choose. The College of Southern Idaho (CSI) handles their own insurance needs but it is Ms. Luna's understanding that they are not as satisfied with their experience as they once were. The Affordable Care Act could affect the OGI. The programs currently being offered are very close to what the Affordable Care Act requires, but a tax increase could have approximately a 1% impact. There was a minimal increase in premium costs in FY2013. Previously the State covered premium increases out of reserves, because employees did not receive Change in Employee Compensation (CEC) increases. Ms. Luna pointed out that while CEC has not been given, healthcare costs and premiums continue to rise. In 2010, there was an approximate \$80 million reserve. It is projected that in 2014, that reserve will be \$25 million. The Department of Administration manages the OGI, with assistance from the GIAC.

Rep. King, as a member of the Group Insurance Advisory Committee (GIAC), responded to questions. She stated that the State of Idaho is essentially self-insured. The GIAC has been focusing on wellness, because healthier employees will equate to lower costs.

Ms. Luna responded to additional questions. She stated that Higher Education has unique needs for their employees due to the on-and-off nature of class schedules. The OGI has collaborated with Higher Education to meet their needs. The changes made as a result of that collaboration extend to all State employees. Premium costs for employees are relatively inexpensive when compared with other plans. Prescription drug coverage is strong and deductibles are low. The OGI is considering increasing orthodontic benefits and has received requests to cover bariatric surgery. A Total Compensation Statement, which outlines the value of their health insurance, sick and vacation leave, PERSI contributions and other benefits, is sent to each employee at the end of each fiscal year. Ms. Luna believes that there continues to be a need for increased communication about benefits and total compensation so that employees can better understand the value of the benefits package they have as State employees.

Rep. King stated that she recently learned that the State pays 11% of employees' gross income to PERSI, while the employee contribution is 6%.

Nicole Fitzgerald, Office of Group Insurance (OGI), outlined the State's wellness program proposal. She said that the top five disease states in Idaho are diabetes, coronary artery disease, asthma, heart failure, and Chronic Obstructive Pulmonary Disease (COPD). These are common across the United States, and four of the five are preventable. A wellness program seeks to increase health and decrease the number of claims that need to be paid. The national average Return on Investment (ROI) is \$3.27:1 over a time frame of two to five years. The top three wellness programs in the United States are in Utah, Nebraska, and Rhode Island. Focus groups revealed that participants support a State-sponsored wellness program and that the State should reward healthy employees. A wellness program should reduce health risks, increase quality of life, enhance personal effectiveness and benefit the organization's bottom line. The State of Idaho recommends developing an in-house wellness program with a strategic plan. During year one, employees would be asked to establish a relationship with a primary care provider and complete screening for cholesterol, triglycerides, tobacco use, blood glucose, waist circumference, and blood pressure, to gain an overall picture of wellness. Education and support for those who have numbers out of healthy ranges and those who need tobacco cessation assistance would take place. For year two, employees would complete health screenings at an on-site health fair and would continue to receive coaching and incentives for health. They would receive premium incentives for achieving good health. For year three, employees would be screened again with their primary care providers. A higher premium incentive would be given for year three and support programs would continue to be provided.

In response to questions, **Ms. Fitzgerald** stated that the costs of the wellness program are expected to be offset by the decrease in healthcare costs. A program that rewards employees for simple participation (rather than results) will not yield a good ROI. In the public sector, there is a cost of approximately \$100 to \$500 per employee for wellness programs. The OGI is requesting \$250 per State of Idaho employees. Marketing costs are projected to be \$324,000 per year. Employees would be welcome to enter into the wellness program at any time.

Ms. Luna responded to a question. She stated that there was not an appropriation request for the wellness program for FY2014 because the first year does not include any incentives.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 2:32 p.m.

Representative Hartgen
Chair

Mary Tipps
Secretary

AGENDA
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE
1:30 P.M.
Room EW05
Tuesday, February 19, 2013

SUBJECT	DESCRIPTION	PRESENTER
	Overview of the Department of Commerce	Jeff Sayer, Department of Commerce
H 91	Unemployment Eligibility for Poll Workers	Phil McGrane, Office of the Ada County Clerk

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Hartgen	Rep Holtzclaw
Vice Chairman Anderson(31)	Rep Mendive
Rep Loertscher	Rep Romrell
Rep Anderst	Rep VanOrden
Rep Hancey	Rep King
Rep Harris	Rep Woodings

COMMITTEE SECRETARY

Mary Tipps
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email: hcom@house.idaho.gov

MINUTES
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE

DATE: Tuesday, February 19, 2013

TIME: 1:30 P.M.

PLACE: Room EW05

MEMBERS: Chairman Hartgen, Vice Chairman Anderson(31), Representatives Loertscher, Anderst, Hancey, Harris, Holtzclaw, Mendive, Romrell, VanOrden, King, Woodings

**ABSENT/
EXCUSED:** None

GUESTS: Jeff Sayer and Megan Ronk, Department of Commerce

Chairman Hartgen called the meeting to order at 1:31 p.m.

MOTION: **Rep. Anderst** made a motion to approve the minutes of February 13, 2013.
Motion carried by voice vote.

H 91: **Phil McGrane**, Office of the Ada County Clerk, presented **H 91**, which was previously heard in Committee on February 7, 2013, and received a **DO PASS** recommendation. The bill would exempt temporary election workers, such as poll workers, from unemployment eligibility based upon that work. **H 91** was brought back for a hearing today so that an amendment could be evaluated. Mr. McGrane presented the amendment, which reads, "On page 1 of the printed bill, in line 33, following "(f)" delete "As election personnel serving on a temporary basis" and insert: "As an election official or election worker"; and in line 35, following "board" insert: ", if the amount of remuneration received by the individual during the calendar year for services as an election official or election worker is less than one thousand dollars (\$1,000)". He said this is necessary to avoid conflict with Federal law regarding the exemption of election workers from unemployment. The term "temporary" is replaced with language matching Federal Code, which is more specific and only includes election workers who have earned less than \$1,000 for this type of work in a calendar year. If Idaho does not follow Federal requirements, there could be a negative impact on the \$28 million in Federal grants that fund the Department of Labor, and the 5.4% tax credit received by employers on the Federal Unemployment Insurance Tax levied against the first \$7,000 paid to each worker. Making this change would not have an impact on the General Fund or any local government funds.

MOTION: **Rep. Harris** made a motion to send **H 91** to General Orders with the amendment attached. **Rep. Mendive** seconded the motion. **Motion carried by voice vote.**
Rep. Harris will sponsor the bill on the floor.

Jeff Sayer, Department of Commerce, presented an overview of the Department of Commerce. He explained that the Department has three pillars of focus, which are protecting and retraining companies that already operate in Idaho, growing existing companies, and attracting new businesses. Emerging sectors include software, recreation technology (outdoor culture), aerospace, biotechnology, wine producing, and light manufacturing. The Department's focus areas include economic development including business and community development, tourism, international trade, the Leadership in Nuclear Energy (LINE) Commission, and the Idaho Global Entrepreneurial Mission (IGEM) program. The IGEM program has a twelve-person council working on creating a strong commercialization platform for Idaho. Idaho's annual exports have continued to increase and in 2012 reached an all-time high of \$6.1 billion. Electronics and manufacturing represent 56% of Idaho's exports, followed by mining products, food and agriculture. Wood and paper, fertilizer, transportation, office and home furnishings and personal care products are

also measurable exports from Idaho. Canada is Idaho's top international trading partner. Other international trading partners include Taiwan, China, Singapore, South Korea, Japan and Mexico. The Department believes three things are necessary for Idaho to move forward as a state. They are protecting Idaho's low-cost business environment, solving the skills-gap issues in Idaho's workforce by linking higher education with industry needs, and investing in infrastructure including transportation and freight.

In response to questions, **Mr. Sayer** said that the Department is concerned with having a qualified workforce. The challenge is matching and enhancing skills that are needed by industry. One of the most important conversations happening in Idaho relates to education, both at the lower and higher levels, and the challenges involved with refining the system to produce the results Idaho needs.

In response to additional questions, **Mr. Sayer** said Chobani is an Idaho success story; Idaho was one of three finalists, and then one of two, in their decision about where to locate their production. Twin Falls presented a competitive package and involved the Mayor, city engineers, colleges, the Department of Commerce and other parties. Ultimately, Idaho was able to secure their business because of the team approach and the benefits of doing business here. The City of Arco utilized grant money of approximately \$40,000 to \$50,000 to help expand a road so that they could build their first new building in 25 years. It was a dollar store. While the Department of Commerce is interested in helping larger businesses such as Chobani, they are also interested in helping Idaho's smaller communities with their individual needs, as in the case of Arco's dollar store.

In response to additional questions, **Mr. Sayer** said that The Department of Commerce employs approximately 43 to 45 people. The Division of International Business tracks funds that move in and out of Idaho through trade. Idaho is one of sixteen states that provide a trade surplus. Singapore is a large Micron customer. In light of the Federal government's funding drop, Idaho needs to find creative ways to self-fund infrastructure growth.

In response to additional questions, **Mr. Sayer** indicated Industry will get involved in education. The J.A. and Kathryn Albertson Foundation is offering scholarships for trade programs at the high school level. Mr. Sayer's brother worked with Mackie High School to create a bridge building project for a local citizen; the entire responsibility for engineering, bids, purchasing supplies, and building was taken by students. The Department reaches out to industries and sponsors symposiums by sector around the State, to have discussions about what industries need and what the Department can do to assist those industries to add value, to add customers, and to be more competitive. The Department of Commerce is looking at returns on investments and successes for industry in the State. When a company moves into Idaho, the Department has conversations with company representatives to determine their reasons for coming to Idaho. Additionally, they seek information from companies that decide against Idaho, in order to determine whether Idaho can make changes to be more inviting to new businesses. Idaho also studies what other states are doing. Tax credits are effective tools used in other states, as are opportunity funds. Idaho's exports to other states are higher than international exports.

In response to additional questions, **Mr. Sayer** said Chobani currently uses two to three million pounds of milk a day, but their goal is 9 million. To hit full production, they will need tens of thousands more cows and tens of thousands more feed acres for the cows. Idaho has an opportunity to be a leader in the agriculture sector, not only in business practices but also in advancing technology, research, and industry connections. The agriculture growth market will not disappear in our lifetimes.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 2:40 p.m.

Representative Hartgen
Chair

Mary Tipps
Secretary

AGENDA
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE
1:30 P.M.
Room EW05
Thursday, February 21, 2013

SUBJECT	DESCRIPTION	PRESENTER
S 1031	Electronic Transfers of Funds	Mike Brassey, Uniform Law Commission

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Hartgen	Rep Holtzclaw
Vice Chairman Anderson(31)	Rep Mendive
Rep Loertscher	Rep Romrell
Rep Anderst	Rep VanOrden
Rep Hancey	Rep King
Rep Harris	Rep Woodings

COMMITTEE SECRETARY

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MINUTES
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE

DATE: Thursday, February 21, 2013
TIME: 1:30 P.M.
PLACE: Room EW05
MEMBERS: Chairman Hartgen, Vice Chairman Anderson(31), Representatives Loertscher, Anderst, Hancey, Harris, Holtzclaw, Mendive, Romrell, VanOrden, King, Woodings
**ABSENT/
EXCUSED:** Representatives Loertscher, Anderst and Hancey
GUESTS: Mike Brassey, Uniform Law Commission; Dawn Justice, Idaho Bankers Association
Chairman Hartgen called the meeting to order at 1:32 p.m.
MOTION: **Rep. Woodings** made a motion to approve the minutes of January 19, 2013.
Motion carried by voice vote.
S 1031: **Mike Brassey**, Uniform Law Commission, presented **S 1031**, stating that there are State and Federal laws that govern the process for electronic transfers of funds. Idaho law is contained in Article 4A of the Uniform Commercial Code (UCC). State law does not apply to transfers governed by the Federal Electronic Funds Transfer Act. Recently Congress amended Federal law to expand its coverage, as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which created a new type of wire transfer known as "remittance transfer". This is a transfer by a consumer to a foreign country. It is not, by definition, an electronic funds transfer. This proposed legislation would assure that the relationship between Federal and State law remains as it was before the Federal expansion. It would only affect these new remittance transfers and would govern them under State law.
MOTION: **Rep. Anderson(31)** made a motion to send **S 1031** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Anderson(31)** will sponsor the bill on the floor.
ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 1:40 p.m.

Representative Hartgen
Chair

Mary Tipps
Secretary

AGENDA
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE
1:30 pm or Upon Adjournment of the House
Room EW05
Tuesday, March 19, 2013

SUBJECT	DESCRIPTION	PRESENTER
S 1068aa	Licensure, Certification or Registration for Service Members and Spouses	Senator Durst
S 1045aa	Definition of "Veteran"	Senator Hagedorn
S 1106aa	Health Savings Accounts	Senator Thayn

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Hartgen	Rep Holtzclaw
Vice Chairman Anderson(31)	Rep Mendive
Rep Loertscher	Rep Romrell
Rep Anderst	Rep VanOrden
Rep Hancey	Rep King
Rep Harris	Rep Woodings

COMMITTEE SECRETARY

Mary Tipps
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MINUTES

HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE

- DATE:** Tuesday, March 19, 2013
- TIME:** 1:30 p.m. or Upon Adjournment of the House
- PLACE:** Room EW05
- MEMBERS:** Chairman Hartgen, Vice Chairman Anderson(31), Representatives Loertscher, Anderst, Hancey, Harris, Holtzclaw, Mendive, Romrell, VanOrden, King, Woodings
- ABSENT/
EXCUSED:** None
- GUESTS:** Angela Crawford, citizen; Casey Turcato and Joe Webber, Department of Human Resources; Tamara Mackenthun, Idaho Division of Veterans' Services; Tony Smith, Benton Ellis
- Chairman Hartgen** called the meeting to order at 1:31 p.m.
- MOTION:** **Rep. Anderst** made a motion to approve the minutes of February 21, 2013.
Motion carried by voice vote.
- S 1068aa:** **Senator Durst** presented **S 1068aa**, which would authorize professional and occupational licensing boards within self-governing state agencies to promulgate rules expediting occupational licensure for active duty service members and their spouses. These seekers of expedited licenses would be required to have an equivalent license in another state, commonwealth, possession or territory of the United States, or District of Columbia. He said military families are sometimes asked to relocate with very little notice and need to quickly establish residency in a new state, where they must continue to provide for their families. The Department of Defense is attempting to establish this type of legislation across the country, to provide consistency for military service families.
- In response to questions, **Senator Durst** explained that if a licensing board has a backlog, military families would receive preference to allow them to normalize. The language in the bill is permissive and states that agencies and boards "may" expedite these licenses; they would not be required to provide preferential treatment to military families. If Idaho's licensing requirements were stricter than those of a state from which a military family was relocating, Idaho's licensing requirements would need to be met before a license could be issued. Boards and agencies would retain their authority to deny requests for licensure, if an applicant was found to be not qualified. Some agencies would need to make slight changes to their rules, however, rule changes would be minor in nature. The Department of Defense has explained that becoming relicensed in new states is an issue for some service member families. This change would apply to spouses as defined in Idaho Code.
- Rep. Wills** testified in support of **S 1068aa**. He provided an example: an airman gets transferred from Maryland to Mountain Home Air Force Base. His wife wants to resume working here as she did in Maryland, and is told by the bureau supporting her trade that there is a backlog of applications and she will have to wait many months to begin working again. He gets deployed to Afghanistan and she is left here, unable to work, in a family situation with a reduced income. He said this bill could allow families in these common situations to continue working.
- MOTION:** **Rep. Holtzclaw** made a motion to send **S 1068aa** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Wills** will sponsor the bill on the floor.

S 1045aa: **Tamara Mackenthun**, Idaho Division of Veterans' Services, presented **S 1045aa**, which would strike out the requirement that a person must have served in a war or combat zone as defined by the federal government under United States Code in order to be called a veteran and receive veterans' preference. She said currently the definition of "veteran" makes a false distinction because serving during a war does not mean that a service member actually left the United States, and a service member who served during a time of peace could have still suffered hardships and could have been in harm's way. This change would define anyone who honorably served on active duty in the United States military for 180 days or more as a veteran. She served more than 21 years and is considered a veteran because she served during Desert Shield and Desert Storm, however, she never left the United States during those times.

Rep. Holtzclaw said he served in a hazardous duty zone in the Air Force and is a member of the Veterans of Foreign Wars (VFW). He said he is honored to have served. He knew other service members who remained in the United States during wars and said their contributions were just as important as those made by members serving in war zones.

Responding to questions, **Ms. Mackenthun** said this would give hiring preference to service members who are currently not considered, under Code, to be veterans, despite having served. She does not believe this would have a significant impact on the number of women who receive preference. Spouses, widows and widowers of service members could also be impacted by this change. The federal government is more restrictive than the proposed change. Currently for Idaho State jobs, veterans' preference gives an additional five points during hiring exams and guarantees an interview for applicants who make it to the top ten. Agencies are not required to hire veterans; this would only provide veterans with an enhanced opportunity to receive an interview. All veterans, as they are currently defined by Idaho Code, do receive this advantage, however, all service members do not receive this advantage. Reserve Officers' Training Corps (ROTC) would not be considered military service. Service schools, such as the Air Force Academy or Naval Academy, have a separate distinction. Reserve members would not be eligible as veterans unless they had been mobilized to active duty for 180 days or longer.

MOTION: **Rep. Holtzclaw** made a motion to send **S 1045aa** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Hancey** requested to be recorded as voting NAY. **Rep. Holtzclaw** will sponsor the bill on the floor.

S 1106aa: **Senator Thayn** presented **S 1106aa**, which would set up a funded health savings account (HSA) system for state employees. If an employee chose a high deductible policy, the Department of Administration would have the authority to put funds into an HSA for that employee. Eighteen percent (18%) of our gross domestic product (GDP) currently goes to healthcare costs, and Senator Thayn believes this could help reduce that number. Additionally, while employee wages are not going up, their health insurance costs are; this could help employees with their personal financial health. The State of Indiana now has approximately 70% of their employees on a plan like the one being proposed, and it has been successful.

Responding to questions, **Senator Thayn** said the funds going into the HSAs would come from the Department of Administration but would not present a cost increase to the Department. The cost to the State for employees who are currently utilizing more expensive health plans is higher than the cost for those who select the high deductible plan. When those employees switch, the difference would be deposited into their HSAs. Federal HSA rules state that only a certain amount can be deposited into an HSA before there is a tax applied.

Teresa Luna, Department of Administration, spoke **in favor** of **S 1106aa**. She said this creates another option for the State. It does not force the Department to bank money for employees, it simply allows the option. There is currently a Group Insurance Advisory Council examining options. This bill would provide an additional idea for the Council to consider.

In response to questions, **Ms. Luna** said she believes only 25 to 30 individuals employed by the State of Idaho participate in the high deductible plan. Currently the State pays 91% of full time employees' health plan premiums. There is not a large premium savings for the employee who takes the high deductible plan. Current administration of employee health insurance would have to be adjusted if this change was implemented. She believes their existing resources would be sufficient to implement the change, should the Council decide to move forward with this option. The State pays for the costs of claims plus 6%; Ms. Luna said that Idaho is about as close to being self-insured as possible, without actually being self-insured. Currently the State appropriates a certain amount per employee and dependent (approximately 44,000 people this year). This bill would only allow the State to select this option if it is deemed to be the best option, with consideration from the Legislature and other involved bodies. Families would not need to have separate HSAs for each member; participating State employees would hold one account to serve all of their dependents.

Senator Thayn responded to additional questions. He said these accounts would be the property of the employees and would be held in banks.

Responding to additional questions, **Ms. Luna** said the method for how payments would be delivered to employees' accounts has not yet been determined, but she imagines it could be done through direct deposits.

Senator Thayn, responding to questions, said HSAs are held by individuals, while other accounts can be held by trusts. Public employees' unions have indicated concerns that the establishment of employee HSAs means that benefits will be cut, but he does not believe that would be the case. Funds in HSAs are the private property of the account holder, which in this case would be the State employee.

Suzanne Budge, National Federation of Independent Business, representing over 4,500 small businesses across Idaho, spoke **in support** of **S 1106aa**. She said the benefit of an HSA is that it is owned by the employee and remains year after year if unused. She commended the State of Idaho for examining options.

MOTION: **Rep. Woodings** made a motion to send **S 1106aa** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Woodings** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 2:32 p.m.

Representative Hartgen
Chair

Mary Tipps
Secretary

AGENDA
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE
1:30 p.m. or Upon Adjournment of the House
Room EW05
Monday, March 25, 2013

SUBJECT	DESCRIPTION	PRESENTER
S 1145	Temporary Premium Tax Reduction	Tom Limbaugh, Industrial Commission

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Hartgen	Rep Holtzclaw
Vice Chairman Anderson(31)	Rep Mendive
Rep Loertscher	Rep Romrell
Rep Anderst	Rep VanOrden
Rep Hancey	Rep King
Rep Harris	Rep Woodings

COMMITTEE SECRETARY

Mary Tipps
Room: EW06
Phone: 332-1149
email: hcom@house.idaho.gov

MINUTES

HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE

- DATE:** Monday, March 25, 2013
- TIME:** 1:30 p.m. or Upon Adjournment of the House
- PLACE:** Room EW05
- MEMBERS:** Chairman Hartgen, Vice Chairman Anderson(31), Representatives Loertscher, Anderst, Hancey, Harris, Holtzclaw, Mendive, Romrell, VanOrden, King, Woodings
- ABSENT/
EXCUSED:** Representative Holtzclaw
- GUESTS:** Suzanne Budge, SBS Associates, LLC; Pam Eaton, Idaho Realtors Association; Tyler Mallard, Risch Pisca; Tom Limbaugh, Jane McClaran and Mindy Montgomery, Industrial Commission
- Chairman Hartgen** called the meeting to order at 1:30 p.m.
- MOTION:** **Rep. Woodings** made a motion to approve the minutes of March 19, 2013. **Motion carried by voice vote.**
- S 1145:** **Tom Limbaugh**, Industrial Commission, presented **S 1145**. He explained that the Industrial Commission is required by Idaho Code § 72-523 to collect a tax each year from insurance companies and self-insured employers equal to 2.5% of the net premiums collected on all workers' compensation insurance policies written by an insurance company in Idaho, or on the premium that would have been paid for an insurance policy from the State Insurance Fund by a self-insured employer. This tax is deposited in the Industrial Administration Fund and is used by the Commission for administering the workers' compensation law. In 2010, the Industrial Commission recognized their dedicated fund balance exceeded their needs. The law does not provide the Commission with authority to reduce the amount of tax collected. During the 2011 legislative session, **H 240** amended Idaho Code § 72-523 to allow for a temporary premium tax rate reduction (from 2.5% to 2.0%) during the period of January 1, 2012 through December 31, 2013. The Commission collects premium tax semiannually, January 1 through June 30, due on July 31st; July 1 through December 31, due on March 3rd. The expected decline in premium tax collections was somewhat mitigated by the increase in the volume of premiums written. Mr. Limbaugh said this proposed amendment would extend the Legislature's temporary workers' compensation premium tax relief through December 31, 2015. This temporary premium tax reduction would be incorporated into the premium rates paid by employers providing workers' compensation benefits. The Industrial Commission's Administration Fund balance was \$18,459,000 on January 31, 2013. This represents 160% of their current annual budget. The fiscal impact of **S 1145** is estimated to be a \$1.6 million revenue reduction in each of FY 2015 and FY 2016 for a total impact of \$3.2 million to the Industrial Administration Fund. Including the current statutory reduction for FY 2014, the overall impact should be close to \$5 million.

Responding to questions, **Mr. Limbaugh** said because premiums are higher, more tax is collected. Expenditures have not increased and spending authority has declined over the last three years. The Commission is currently collecting more money through this tax than it requires, and it would like to allow employers to keep more. The Industrial Commission's current budget is approximately \$11 million per year. Mr. Limbaugh believes that having \$14 to \$15 million in the Administration Fund is adequate, and more would be too much. The proposed tax reduction would be temporary. The Industrial Commission is a quasi-judicial body that makes decisions on unemployment appeals and workers' compensation cases. They also ensure that employers conduct business properly. A permanent reduction could cause the Industrial Commission to, at some point, use more than it takes in; this bill would make a temporary change. Rates in Idaho are set by the National Council of Compensation Insurance and begin anew every year in July.

Jane McClaran, Industrial Commission, responded to questions. She said the credit employers are allowed to take is through the Department of Insurance. The Industrial Commission relies on two dedicated fund sources for their \$11 million annual budget.

MOTION: **Rep. Hancey** made a motion to send **S 1145** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Anderson(31)** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 1:55 p.m.

Representative Hartgen
Chair

Mary Tipps
Secretary

AGENDA
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE
1:30 pm or Upon Adjournment of the House
Room EW05
Wednesday, March 27, 2013

SUBJECT	DESCRIPTION	PRESENTER
S 1158	Retirement and the Federal Social Security Act	Dan Goicoechea, Office of the State Controller

COMMITTEE MEMBERS

Chairman Hartgen

Vice Chairman Anderson(31)

Rep Loertscher

Rep Anderst

Rep Hancey

Rep Harris

Rep Holtzclaw

Rep Mendive

Rep Romrell

Rep VanOrden

Rep King

Rep Woodings

COMMITTEE SECRETARY

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MINUTES

HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE

- DATE:** Wednesday, March 27, 2013
- TIME:** 1:30 p.m. or Upon Adjournment of the House
- PLACE:** Room EW05
- MEMBERS:** Chairman Hartgen, Vice Chairman Anderson(31), Representatives Loertscher, Anderst, Hancey, Harris, Holtzclaw, Mendive, Romrell, VanOrden, King, Woodings
- ABSENT/
EXCUSED:** Representative Loertscher
- GUESTS:** Brian Benjamin, Office of the State Controller
- Chairman Hartgen** called the meeting to order at 1:31 p.m.
- MOTION:** **Rep. Anderst** made a motion to approve the minutes of March 25, 2013. **Motion carried by voice vote.**
- S 1158:** **Dan Goicoechea**, Office of the State Controller, presented **S 1158**, which would ratify federal authority by adding a provision establishing State authority to cover police officers and firefighters under a retirement system. It would clarify the acceptance of benefits of the Federal Social Security Act to encompass all of its agencies, counties, cities, municipal corporations, political subdivisions, governmental entities, and independent bodies created pursuant to Idaho Code. The change is necessary to meet the time requirement to modify the State's Section 218 Original Agreement. The Social Security Administration requires a minimum of 6 months' review time, followed by sequestration. If the time requirement is not met, a new referendum will probably be required and the process will need to start over.
- Responding to questions, **Mr. Goicoechea** said this legislation is an attempt to fix an error from the early 1970s. Due to the error, FICA has potentially been being withheld without a legal basis since 1972.
- Rita Foltman**, Office of the State Controller, said individuals who vote not to participate in Social Security, but already have 40 or more credits, will still receive benefits. Those who opt out and do not have 40 or more credits will be eligible for a refund through the Internal Revenue Service (IRS). Those who fall below 40 credits but have logged more than 40 quarters are eligible for Medicare but not retirement benefits. There is no retirement benefit for employees who have not logged the minimum 40 credits. **S 1158** has no effect on the Public Employee Retirement System of Idaho (PERSI).
- Mr. Goicoechea** responded to additional questions, saying his office is not required to do educational meetings, but believes it would be irresponsible to ask voters to vote without information; for that reason they have provided educational meetings. Since 1971, some fire districts have changed their names or merged, which has created confusion in the way benefits determinations have been made. The only voters on this issue have been those directly affected. A referendum is a vote during which the wishes of members of an entity are specified through the voting process. The plural form of "referendum" is "referenda". It is possible that someone might not want to be covered by Social Security. Employees are given competing advice and information from various retirement products. Mr. Goicoechea said he believes more people are opting out of Social Security than are opting in. The Firefighters' Retirement Fund was insolvent in the early 1970s, and it was determined that firefighters needed to be under some type of a retirement plan. It is possible that this issue may need to be addressed in the future if any employee brings legal action against the State due to the error that is attempting to be corrected in **S 1158**.

MOTION: **Rep. King** made a motion to send **S 1158** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. King** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 1:58 p.m.

Representative Hartgen
Chair

Mary Tipps
Secretary