

Legislative Council  
(Approved by the Council)  
Capitol Building, WW-17  
Boise, Idaho  
November 7, 2014

Legislative Council members in attendance were Co-chair, Pro Tem Brent Hill, Senators Bart Davis, Steve Bair, Clifford Bayer, Michelle Stennett and Cherie Buckner-Webb; Representatives Mike Moyle, Jason Monks, John Rusche, Sue Chew, and Phylis King. Senator Elliot Werk, Representative Gary Collins, and Speaker Bedke were absent and excused.

Also in attendance were Senator Chuck Winder; Mary Sue Jones, Jennifer Novak, and Diane Kelly, Senate staff; MaryLou Molitor, House Staff; Rakesh Mohan, Office of Performance Evaluations; former Senator Tim Corder; Sherri Ybarra; and Fred Riggers. Legislative Services Office staff in attendance included Eric Milstead, Michelle O'Brien, Terri Kondeff, Glenn Harris, Mike Nugent, Ryan Bush, Elizabeth Bowen, Margaret Major, Cathy Holland-Smith, Robyn Lockett, Jared Tatro, Paul Headlee, Cyd Gaudet, Stephanie Outen, Christy Anderson, and Jesse Cresap. Representative Jeff Thompson, District 30A, and Edgar Ruiz, Director, CSG West, participated via conference phone call.

The meeting was called to order at 8:00 a.m. by Co-chair, Pro Tem Brent Hill. The Pro Tem then welcomed Mr. Milstead on his first Legislative Council meeting as Director of Legislative Services.

Representative Rusche moved to approve the minutes of the June 6, 2014 meeting. The motion was seconded by Senator Buckner-Webb and approved on a voice vote.

### **LSO Director's Report**

Eric Milstead, Director of Legislative Services, began with an introduction of new LSO staff members. Elizabeth Bowen joined the Research and Legislation division in August of 2014. Joining the Audit division were Stephanie Outen, Christy Anderson, and Jesse Cresap.

Mr. Milstead then discussed the FY 2015 Strategic Plan and commented that there had been very few changes from the FY 2014 plan. He pointed out that other than updating the dates, changing the director's name on the front page, and a few punctuation changes the only substantive change was on page 6. He explained that the last bullet on that page had been changed to a more general approach in keeping the Legislative Research Library's website current. Senator Buckner-Webb moved to approve the FY 2015 Strategic Plan. The motion was seconded by Senator Stennett and approved on a voice vote.

In discussing approval of the FY 2016 LSO budget request, Mr. Milstead explained that in reaching the base budget of \$6,868,800 they had eliminated the one-time expenditures from both the General Fund and dedicated funds. He said that the increased benefit costs were directly related to increased health insurance costs for state employees which were approximately \$950.00 per FTP, for a total of \$61,400. The next line was a request of \$13,200 for replacement items which included a number of laptops in the Audit Division. He explained that they were on a three-year replacement cycle, and this request was to replace those laptops that were four years old. The request also included replacement of printers in the Budget and Policy Division. The next item was \$400 for fees assessed by the Controller's Office for professional services. He explained that the next item was a placeholder for a 1% Change in Employee

Compensation (CEC), which would be included by all agencies when submitting their budgets; however, it would be up to the Legislature to decide upon any change.

Mr. Milstead explained that the one line item was a request for \$22,800 for the Audit Division to purchase software that provides for electronic working papers. He stated that this was a good idea as it should improve the audit review process; it would allow managing auditors to review work papers in real time. He explained that currently the work papers are done in the field, at the agency, and the managing auditor then reviews them after they are done. If issues are discovered, the auditor then has to go back to the auditee to provide more documentation or to address whatever issue the managing auditor has found. This software would allow the managing auditor to review the work papers at the time they are being compiled, so it would reduce time spent as any issues could be resolved while the auditor is still at the agency.

Senator Bair asked if the auditee could also see the progress of the audit. Mr. Milstead said that he assumed that it would be limited to the auditors at this point. Ms. April Renfro, Manager, LSO Legislative Audits Division confirmed this and advised that the auditors have regular meetings with the auditees to update them on the progress of the audit.

Senator Davis asked what a working paper was. Ms. Renfro advised that work papers are the required documentation of evidence obtained to support their audit conclusions. She explained that they issue a report of their conclusions; however, the report is brief compared to the mass of documentation they have gathered to support their conclusions. These documents are now in paper form, in binders; however, with the new software, these working papers would all be stored electronically. Senator Davis asked why scanning the documents and keeping them in a shared Cloud account would not achieve the same result. Ms. Renfro said that there still would be some scanning of agency documents and that part of the cost of the program did include scanning equipment. However, it also included an editing piece that allowed the ability to go in and write review notes or to document audit procedures and would allow for the full and complete record of what they had done. Another piece of the program would be to provide a better record of auditing supervision, and to lock the information down at 60 days, so there could not be any changes. Senator Davis asked if the software was unique to professional auditors, and after the data was locked down if it would be easily retrievable, in identifiable form, in the future. Ms. Renfro said that should this budget item be approved, in requesting proposals from software companies, one important consideration would be ongoing access to the documents. Currently audit papers are maintained for five years, so the access to electronic documents would need to be similar.

Representative Rusche asked if this software would bring the Audit Division up to standard in the auditing industry. Ms. Renfro replied that this was the way it was now done in most CPA firms, as well as in 30 states. She also advised that several of the remaining states are in a similar investigative phase, and they have all been very willing to share information such as cost, as well as pros and cons of the different programs.

Mr. Milstead pointed out that, even in light of the one line item, the overall change in the FY 2015 budget contained a reduction from the General Fund and a modest increase of 1/10 of 1% over the previous year's budget.

Representative Rusche asked if the 1% CEC was an instruction from the Division of Financial Management (DFM) for all agencies. Mr. Milstead replied that he thought it was a requirement of the Budget Development Manual, and that it was a collaborative effort by DFM and LSO. Representative

Rusche asked specifically about the amount of the percentage. Mr. Milstead said that the 1% placeholder was a determination made and provided for in the Budget Development Manual.

Senator Davis moved to approve the LSO budget request.

Representative Monks asked what the one-time expenses had been in FY 2014. Mr. Milstead replied there had been a one-time CEC, along with a one-time outside audit expenditure.

Pro Tem Hill noted that a CEC was normally ongoing, and asked if the one-time CEC was a bonus. Mr. Milstead said it had been a unique one-time adjustment authorized by the Legislature. Pro Tem Hill asked if LSO could still pay their employees with that taken out of the proposed budget. Mr. Milstead replied that it had been provided on a one-time basis only in one check.

The motion to approve the LSO FY 2015 budget request passed on a voice vote.

### **Election Update, Orientation Program and Organizational Session**

Pro Tem Hill went over the list of legislators with the new members in red, and said that it gave an indication of the type of turnover that had occurred. He added that with those new members came the need to provide proper training and to have their Organizational Session.

He stated that the Organizational Session would be on December 4<sup>th</sup> and 5<sup>th</sup> beginning at 9:00 a.m. in the respective chambers. He said that was where seat assignments, as well as committee assignments, would be made along with other various items to get ready for the session. As usual, they would be reserving Friday in case it flowed over one day, and there would also be training for all committee chairmen on Friday.

Senator Stennett asked the Pro Tem if he wanted any of the minority leaders present at the program during the orientation lunch on December 1<sup>st</sup>. Pro Tem Hill replied that they would probably do what they had done in the past. Mr. Milstead said that the program had been modeled closely on the last two orientation programs, and suggested that the council should probably be the ones to answer Senator Stennett's question. Pro Tem Hill agreed that it was worth discussing and, at this point, they had not invited the majority leaders either; however, if both the minority and majority leaders would like to come, he said they would love to have them. Pro Tem Hill explained that they had not meant to exclude anyone, but for those that live outside of the valley it would be difficult to make the trip for a luncheon. However, if any member of leadership would like to come, they should let Mr. Milstead know so they could plan for the number of lunches.

The Pro Tem said that there would also be IT drop-in classes on Thursday the 4<sup>th</sup> at 11:00 a.m. and 1:00 p.m. in the House Majority Caucus Room.

Mr. Milstead stated that the Orientation Program would be a two and a half day event which would begin on Monday, December 1<sup>st</sup> at noon with an opening luncheon. He explained that the balance of that afternoon would be an introduction to LSO, OPE, Senate, and House staff, along with a presentation by Dr. Gary Moncrief. This would be followed by a presentation of administrative details by Mary Sue Jones and Terri Franks-Smith, ending with a brief tour of the Capitol.

He said that most of Tuesday morning would be devoted to LSO staff for a review of bill drafting, the budgeting and appropriation process, and a presentation on the Idaho Code and Session Laws. There would also be a panel on lobbying in the Idaho Legislature which would include Senator Tippetts, Jeremy Pisca, and former Pro Tem Bob Geddes. That would be followed by a session regarding the new network

and electronic opportunities for the new legislators. At noon there will be a luncheon panel composed of media members who will discuss interaction between the media and the Legislature. Mr. Milstead added that the balance of that afternoon gets back into LSO with review of Administrative Rules, and the Pro Tem and the Speaker will conduct a session on decorum and civility. This will be followed by a presentation by Senator Heider, Representative Raybould, and Senator Stennett on standing committees. There will then be a presentation on the state tax structure by former Representative Ken Roberts. The day will then conclude with an Organizational Session preview conducted by Senator Winder and Representative Loertscher.

Mr. Milstead advised that most of Wednesday morning would focus on ethics with presentations by Brian Kane, and the current Secretary of State Ben Ysursa. In diverting a little from the past, there will be a lunch panel dealing with local units of government and their interaction with the Legislature. Following that, the new legislators would get their laptops, and the day would conclude with a presentation from majority and minority leadership regarding parliamentary procedure and orders of business. The entire session would then conclude with a reception for the new legislators with an array of dignitaries.

Representative Rusche pointed out that sometimes the minority caucus does things differently than the majority caucus, and he wanted to make sure that was discussed in the orientation. Mr. Milstead asked if he was requesting that the presenters make it clear that there was a distinction in how things are done. Representative Rusche gave the example of how they each make committee assignments.

### **Interim Committee Reports**

Mr. Mike Nugent, Manager, Research & Legislation Division, began with the Citizens' Committee on Legislative Compensation. This committee met on May 6, 2014 and made its recommendations for the rates of compensation for services to be rendered by the members, and expenses to be incurred in rendering those services, for the period commencing December 1, 2014 through November 30, 2016. He said that they recommended making three changes to legislator compensation. The first was a 1.5% increase in the base salary to \$16,684. The second recommendation was an increase in the unvouchered expense allowance from \$122 to \$129 per day for members whose primary residence is outside of Ada County and who maintain a second residence in Ada County during the regular session. The third was a recommendation to increase the annual unvouchered constituent service allowance from \$1,875 to \$2,250.

Mr. Nugent explained that the rates established by the committee will be the rates applicable for the next two-year period, unless prior to the 25<sup>th</sup> legislative day of the 2015 session, by adoption of a concurrent resolution, the Senate and the House reject or reduce the rates of compensation and expenses. If rejected, the rates prevailing at the time of the previous session will remain in effect.

Senator Bair asked when the increase in the unvouchered constituent service allowance would begin. Pro Tem Hill answered that increase would begin in 2015.

Mr. Nugent then discussed the Federal Lands Interim Committee which was co-chaired by Senator Winder and Representative Denney. Members of the Legislative Council on the committee were Senator Davis, Senator Stennett and Representative Moyle. Mr. Nugent advised that the committee held public hearings in Kamiah, St. Maries, and Sandpoint on September 11<sup>th</sup> and 12<sup>th</sup>, and in Idaho Falls, Soda Springs, Twin Falls, and Hailey on October 9<sup>th</sup> and 10<sup>th</sup>. He summarized the tenor of the public hearings in Northern Idaho by saying there was quite a bit of discontent with federal management of

federal lands. In the southern part of the state that discontent was not as prevalent, and in the Wood River Valley it was unanimous that they liked the management of the federal lands.

He noted that the county commissioners in all of the locations would have to address payment, in lieu of taxes which the federal government currently pays, particularly those counties that have a lot of federal land in their jurisdiction that rely on this (PILT) for their operating budgets. Even the biggest proponents of taking over the federal lands acknowledged that Article IX, Section 8 of the Idaho State Constitution would probably have to be amended to ensure that there would be certain hunting, fishing, mining, and other mineral rights that are currently granted under federal law. The tribes also expressed that their treaty rights would have to be acknowledged, and Mr. Nugent added that some of the federal grant and aid payments would have to be addressed.

Mr. Nugent said it appeared from the information they received from various attorneys that taking over the federal lands would be a legal long shot to win in court. He said that Nevada had tried in the 1980s under the Equal Footing Doctrine and did not get very far. Mr. Nugent noted that the Federal Lands Interim Committee expires on November 30<sup>th</sup>, so there would need to be something else put in place if the Legislature wanted to keep studying the subject.

Senator Stennett stated that she wanted to clarify that in the meetings she attended in Twin Falls and the Wood River Valley the public did not necessarily indicate that they adored the federal government; however, they were interested in keeping the lands with the federal government while talking about other management plans and options.

Representative Rusche asked if there was a distinct difference in the testimony between the rural and urban areas. Mr. Nugent replied that the tenor of the discussion was different in Twin Falls and Idaho Falls than it was up north. He added that the committee had held a prior meeting in March in which quite a few people from the Boise area attended, and that comments in that meeting were different than they were up north.

Representative King asked if there was anyone from the Forest Service at the meetings. Mr. Nugent answered that Andy Brunelle from the U.S. Forest Service attended the Twin Falls meeting, and there were retired Forest Service employees who spoke in Hailey and attended in St. Maries.

Senator Stennett stated that potential loss of access was of great concern in the meetings she attended.

Mr. Nugent then discussed the Natural Resources Interim Committee which is co-chaired by Senator Pearce and Representative Raybould. Members of the Legislative Council on the committee are Senator Stennett and Representative Moyle. Mr. Nugent reported that this interim committee met on September 17<sup>th</sup> and received quite a bit of testimony in a variety of areas which he illustrated by reading through the agenda. Pro Tem Hill asked if there was any proposed legislation discussed by any of the presenters or by the committee. Mr. Nugent replied that there was not any proposed legislation discussed at the meeting.

Mr. Ryan Bush, Senior Research Analyst was next on the agenda to discuss the Idaho on Indian Affairs which is chaired by Representative Gibbs. Senator Buckner-Webb is also a member of that committee. Mr. Bush said that the committee met on February 21<sup>st</sup> at which time they received an update from the Department of Education's Indian Education Coordinator. The council also heard from some tribal leaders regarding the use of Native American mascots in Idaho schools. They also discussed the work of the Federal Lands Interim Committee and how that might affect the tribes and their treaties with the federal government.

Pro Tem Hill asked if there were any issues or concerns that needed to be addressed by the Legislature. Mr. Bush replied that the tribes do have some concerns about mascots that they wanted to make the Legislature aware of.

Representative Rusche asked if there was a statutory requirement as to how often this committee must meet. Mr. Bush said there was a statutory requirement that they meet two times per year. He said there had been talk that they would meet again this fall; however, it did not seem that there were any pressing issues that needed to be addressed. This would be brought up again as they got closer to January.

Senator Stennett asked if there had been any discussion about the tribal involvement in the Columbia River Treaty. Mr. Bush answered that there had not been any discussion about that subject.

Mr. Bush then discussed the Public Defense Reform Committee which is co-chaired by Senator Lakey and Representative Bolz. Senator Buckner-Webb is also a member of the committee. He reported that the committee met in January to discuss 2014 legislation that increased infraction penalties from \$100 to \$300 and legislation that created the State Public Defense Commission as a self-governing agency. Mr. Bush stated that both of those pieces of legislation had passed. The committee met four times since July and received input on public defense reform from various prosecutors and public defenders throughout the state, the Idaho Supreme Court, the Idaho Association of Counties, and the Association of Idaho Cities. He stated that LSO has begun preliminary fiscal analysis of public defense reform in the state. He added that the State Public Defense Commission was currently holding meetings and hopes to present recommendations to the Legislature in January regarding statewide standards and qualifications for public defenders, as well as required provisions which would be in every contract for public defender work.

Pro Tem Hill asked if the committee and the commission were coordinating their efforts. Mr. Bush said that they were working very closely together.

Mr. Bush said that the committee had also discussed recommendations from the Idaho Criminal Justice Commission on the possibility of reclassifying several misdemeanors as infractions. He said that misdemeanors require a public defender, and infractions do not, so this could be a way to lessen the burden on public defenders. He said that the committee had one more meeting scheduled for November 24<sup>th</sup>.

Representative Rusche stated that his county commissioners were concerned about the cost, and asked if the committee had looked at how best to share the fiscal responsibility of the constitutional right to a public defender. Mr. Bush replied that had been the underlying theme of the entire committee, and that LSO was beginning a fiscal analysis of this reform. Senator Buckner-Webb stated that the funding factor was the large "elephant in the room" at this time.

Pro Tem Hill asked if the Criminal Justice Reinvestment Oversight Committee had met this year. Mr. Bush reported that they had not met. Pro Tem Hill recalled that the reason they had continued this committee was to provide oversight to make sure there was follow-through of their previous legislation. Mr. Bush added that there was potential for a meeting in December.

Ms. Elizabeth Bowen, Research Analyst, presented for Katharine Gerrity on the Endowment Asset Issues Committee. She stated that the committee held meetings in Boise on August 28, September 30<sup>th</sup>, and October 1<sup>st</sup>, and that their final meeting would be on November 14<sup>th</sup>. She said that the purpose of the first meeting was largely educational to familiarize the members with Idaho's endowments. The second

meeting included a dialogue with a panel of experts which covered management, preservation, and disposal of assets. During this meeting the committee also took public testimony which covered areas of concern regarding speculative investments, investment projects that were in competition with the public sector, whether various activities of the Land Board were constitutional, and whether mental health services in Idaho were adequately funded. At the final meeting the committee will be briefed by the investment firm, Callan Consultants, and the committee will discuss recommendations and potential future action with regard to various issues.

Representative Rusche asked if the committee discussed mental health because of the state hospital's endowment. Ms. Bowen said that she believed that the State Hospital South, along with some other mental health facilities, were beneficiaries of the Endowment Fund, and there was some concern as to whether they were receiving the proper disbursement of the funds.

Senator Bayer stated that they had structured the meetings with the panel approach to encourage more dialogue, especially since they were discussing subject matter that crossed branches. He said that they were appreciative of the time line for the consultant's review, recommendations and the opportunity for the committee to thoroughly discuss those. He added that they were looking forward to their final meeting to see what proposals the various committee members might make as recommendations to the entire Legislature.

### **2015 Legislative Session Plans**

Pro Tem Hill reminded the council of the ethics program during the last session to which all legislators were invited and encouraged to attend. He said it had been well received and that he and the Speaker had heard many positive comments about it. He said they would like to propose making it an annual program on the first Wednesday afternoon of the session. Brian Kane, from the Attorney General's office, would again present regarding some of the technical issues, and the new Secretary of State would be invited to share his thoughts. The Pro Tem advised that several entities were working together to compile an Ethics Manual which would include all of the applicable statutes, examples, Rules from the House and Senate that deal with ethics, and information from the House and Senate Ethics Committees. He said that during the program they would be taking some time to go through the manual. He added that they were still in the process of looking for a motivational type speaker to participate in the ethics program.

The Pro Tem pointed out that the New Legislator Orientation would begin at noon on Monday, December 1, continuing through the next two days. The caucus meetings to elect leadership would be on the evening of Wednesday, December 3rd. The Organizational Session would begin in the respective chambers on Thursday, December 4<sup>th</sup> at 9:00 a.m. and would conclude either that day or the next. Chairmen training would take place on December 5<sup>th</sup>, and there would be IT drop-in classes on the 4<sup>th</sup>.

The Pro Tem said that the Idaho Association of Taxpayers meeting would not be the same week as the Organizational Session, as it is on the 10<sup>th</sup> this year. He advised that the Joint Millennium Fund would meet on the 11<sup>th</sup> and 12<sup>th</sup> of December, and that the Economic Outlook Committee will begin its deliberations on the 8<sup>th</sup> through the 9<sup>th</sup> of January. He explained that the Idaho Constitution defers to the Legislature if they wish to change the starting date of the session. The Legislature did change the date, and it is now in statute to begin the Monday closest to the 9<sup>th</sup> of January, so this year that will be January 12<sup>th</sup>. He said that last year the session started almost as early as it could, and this year it would begin almost as late as possible. As they would be starting a week later, he said that he was reasonably certain they would get out later than last year. The Pro Tem pointed out that the Governor's

Inauguration Ball would be on Saturday, January 10<sup>th</sup>, and then the session would begin at noon on January 12<sup>th</sup> with the Governor's Budget and State of the State Address. He said that the Ethics Session would be on Wednesday, January 14, 2015, and that they would have the normal deadlines for personal bills, bill drafting, and for committee introduction of bills. Ms. Cathy Holland-Smith assured him that budget hearings would be completed on February 20<sup>th</sup> and the budget (in its entirety) would be set by March 13<sup>th</sup>. JFAC action then moves through both chambers and typically takes about two weeks to complete that process. The Pro Tem commented that, barring failure of budget(s) to pass, the Legislature tries to adjourn about two weeks after JFAC completes their business.

Representative Moyle asked if it would be possible to move the JFAC target completion back to the 6<sup>th</sup> of March. The Pro Tem said they had asked about that; however, every other year JFAC has more presentations from agencies. He stated that he was actually surprised by the date that had been set since they were starting a week later, and the target date was only a week later than the prior year. He pointed out that this was just a projection, and that leadership and members could apply some pressure if they felt it was appropriate. Mr. Milstead agreed to visit with Ms. Holland-Smith, and she could discuss this with the JFAC co-chairs. He said he knew that the budget hearings were full and fairly compressed, but they could certainly enter into that discussion. Representative Moyle expressed his desire to be out by March 27<sup>th</sup>, so if there was any way to move the budget process up, it would help them adjourn earlier.

Senator Davis commented that the CEC Committee had been done in a variety of ways over the years, and he wondered where they were looking to put that committee this year. Pro Tem Hill said that they had talked about having a CEC meeting, but he didn't know that they had talked about a specific date; however, they would do that. He suggested that it was normally after the session had begun. Senator Davis added that normally the CEC had run concurrently with the Economic Outlook Committee; however, they had also had CEC meetings during the first week of the session. Pro Tem Hill stated that he appreciated the reminder, since they needed to get a date set for that.

Senator Davis asked if the inaugural ceremonies would take place the same weekend as the Governor's Ball. Mr. Milstead agreed to find out and get back to him.

Senator Davis stated that he agreed with Majority Leader Moyle as to the target Sine Die date, and that they would do their best to adjourn on that date or before. Pro Tem Hill said that when Ms. Holland-Smith presented the budget update, they would ask her to address the JFAC schedule. Senator Davis added that although they often use the two-week rule, it was the concurrent management of legislation that goes with appropriation bills that is often a bigger challenge, so they needed to remember that other germane committees are a significant key to getting it done. Pro Tem Hill noted that he felt everyone had worked well together during the prior session to complete their work.

Representative Rusche pointed out that there were going to be new legislators who may take some time to get their feet underneath them, so he did not want to stifle the public discussion and their ability to serve their districts by pushing them too hard. Senator Davis suggested that in instructing the new legislators, they should teach them the right way to do things, which was not slowly. He added that they could do the people's business and not spend a bucket full of money. Representative Moyle said that he wanted to remind everyone that in previous years they had not used their calendar dates very well, that legislators had waited until the end to bring up large issues, and germane committees had not worked on Fridays. He said that had been a mistake, a waste of tax dollars and the citizens' resources. It was his intention this session for committees to work on Fridays and get the job done. However, he added that he didn't want them to go too fast and overlook something that needed to be done. He said he knew

that they could do a good, efficient job faster than they had in previous years. Pro Tem Hill stated that he and Speaker Bedke wanted to set realistic dates, adding that the previous year they had finished a day and a half ahead of their target.

After a short break the Pro Tem announced a change in the agenda because they were ahead of schedule. He announced that Ms. Cathy Holland-Smith would be next to present, followed by Senator Winder, and that they would likely hear Ms. April Renfro's report before lunch.

### **FY 2015 and FY 2016 State Budget Update and Other Budget Topics**

Ms. Cathy Holland-Smith, Manager, LSO Budget & Policy Analysis Division, stated that she would take some time to advise the council as to what the Budget & Policy staff had been doing. She explained that her staff works jointly with the Division of Financial Management as each has the statutory responsibility for the Budget Development Instructions that go out to all of the agencies. She explained that one of the things they both have been interested in is automation. In talking about automation, she explained the difference would be between giving an agency a form to complete, by hand, to support their budget, or by her staff taking the supporting schedules, similar to what the audit has described, directly from the statewide accounting and personnel system. This way the agency's starting place in filling out these forms and transmitting information to them would be standardized and they would know that there were no errors, especially regarding personnel. She said that personnel costs make up the biggest part of the budget request so they want to make sure that they are accurate when they present to the Legislature what is going on in an agency. That way, when choices and changes are made, they have the impact that the Legislature wants them to have. She commented that they have been working closely with the State Controller to bring across personnel information that represents the workforce, and also automate the cash flow, especially with the dedicated funds.

Ms. Holland-Smith stated that many members of the council knew the effort that it takes to reconcile the General Fund during the legislative session. She advised that they did not have the same kind of support for the dedicated funds; however, they did know that legislators were interested in what was going on with the dedicated funds. Their goal is, with the automation, that they will be able to update that information on a more regular basis and provide quicker answers to the Legislature, especially regarding fiscal notes. She said that a lot of legislators call and ask about dedicated funds and how much cash is in them, and this will allow them to access that. She advised that this effort has been behind the scenes, but she felt it had really increased the integrity of the budgeting process because that information has been automated.

The other effort that they have been working on is tracking the status of appropriation bills. She said that they had managed the budget process without GEMS for many years, and explained that GEMS was originally a research project to develop bills. She added that they had worked over the years to tie into GEMS so they could track the status of appropriation bills. She explained that the division has its own system to develop the budget, support publications, and to create the work product for JFAC that ties into GEMS, later in the process, to generate appropriation bills. She explained that whenever an appropriation bill was on the House or the Senate floor, they not only have an analyst listening to support the legislator who sponsors that bill, but they also have an administrative staff person that is listening, especially at the end of the session, to make sure that they are accounting for every appropriation bill. This is to ensure that the Legislature does not adjourn before they have an appropriation bill for every agency. She said that this year they will be tied directly into GEMS and will have an update every two minutes while there is floor action, so they will be able to automatically

update their tracking system and be able to create reports while cutting out the staff time of one individual.

Ms. Holland-Smith then went into the General Fund review by reminding the council that in 2015 there had been a modest beginning cash balance, and a 6.4% revenue projection; however, the Legislature made changes to the revenue stream by passing legislation that had a fiscal impact. She said that, in the end, they had a modest number of transfers of \$1.7 million, along with the original appropriation. She stated that they had anticipated having \$79.45 million to be carried over for FY 2016. They actually carried forward \$44 million; however, not all of that was good revenue. She explained that even though revenue news was positive, there was only a surplus of \$7.9 million, half of which had already been accounted for in the budgeting process. She added that this is the difference between looking at revenue as a stand-alone issue versus what was expected when the budget was set.

Ms. Holland-Smith said that the state was \$17 million ahead until July 1<sup>st</sup> when the Department of Health and Welfare reverted \$9.1 million. Then in August the revenue projection was revised from 6.4% to 5.5%. This meant that the Division of Financial Management took the fiscal impact of all of the bills and incorporated them into a new number. In addition to recognizing the changes due to legislation, they also believed that the economy was showing some softness. So, the state lost \$17 million in revenue compared to the revenue projection from January. She said that they track a surplus or a deficit if there is one, and as of October the state was \$6.3 million ahead. This means that with surplus cash coming in, and with the revenue projections down a bit, the state is still in the positive with an additional \$13 million. She reminded the council that there is an outstanding \$17.9 million that has to be paid for deficiency warrants, mostly for fires.

Ms. Holland-Smith reported that the supplementals were very modest at \$6.9 million, which shows that the Legislature did not under-budget or over-budget, but were right on target. These supplementals include approximately \$900,000 between the Department of Health & Welfare for the Jeff D. case, and the Balla case in the Department of Correction to pay attorney fees in longstanding lawsuits that were lost. However, the federal court had continued the issues regarding children's mental health and conditions of confinement. She said that there will likely be a discussion this session as to how some of these long-running suits can be resolved.

Senator Davis said he thought an Order of Dismissal had been entered on the Jeff D. lawsuit. Ms. Holland-Smith affirmed that it had; however, the 9<sup>th</sup> Circuit Court had come back and said that the court did not have enough evidence of the state's compliance, and reopened the case.

Ms. Holland-Smith then discussed the rescission of a negative \$17 million which involved Medicaid. She pointed out that right now Medicaid had more dedicated receipts and more federal dollars that they could capture, so they didn't need as much from the General Fund. She said this does not mean that utilization or caseloads have gone down. It just means that in the mix of sources of revenues appropriated, they now have more in dedicated funds. She stated that this reduction is ongoing; however, the department sees the reduction for only a period of three years. Ms. Holland-Smith added that with an estimated ending balance of \$5.4 million, they were pretty close to what they had expected to happen and that there had been no real surprises.

She said that other than Medicaid the other cost driver is the Department of Correction in their caseload. She advised that a lot of effort had gone into justice reinvestment and that a lot of those plans, such as changes in staffing, were actually being implemented; however, they were experiencing

some growth. She said that they did not have a supplemental from them at this time, but at this point they were ahead of their forecast.

In discussing 2016, Ms. Holland-Smith advised that she would talk about public schools separately from state agencies because they are so different in how their budgets are built. She pointed out that the 2015 total appropriation for state agencies was less than the 2015 original appropriation and explained that this was due to the Medicaid surplus. She said that most of the \$10.8 million in removal of one-time funding was in professional development. She reminded the council that during the prior year the Governor had recommended that the funding for professional development be provided on a one-time basis to see how it worked out. She explained that they don't typically put a lot of one-time funding into public schools so she believed that would be reconsidered. The other removal of one-time funding was the CEC, which had been distributed in a one-time payment. She said that the Legislature had a lot to consider in looking at the next budget because they will be reviewing many of the decisions they had made the prior year and deciding if they will change course. In addition, their base will be about \$50 million to \$60 million less than the original appropriation.

Ms. Holland-Smith, in discussing the Public Schools budget, stated that services for the deaf and blind are included with the public schools. She said that items such as benefit costs and replacement items, and the CEC calculator of \$62,600, are for the School for the Deaf and Blind. She explained that the Public School CEC is a one percent calculator, which does not mean they are telling agencies that they are going to get 1%; they are just indicating that they need to know what 1% will cost so, if there is a decision, they can quickly calculate the impact. In looking at the nondiscretionary line, she advised that the \$24 million included 150 support units, as well as other adjustments for bond levies and transportation. She added that Paul Headlee would be speaking to them about the Public Schools budget.

Ms. Holland-Smith advised that the benefit cost for state employees is \$950 per authorized FTP for health insurance. Two things were driving this increased cost for health insurance. First, as this is a grandfathered plan, there are some changes that cannot be made to the policy if they want to remain grandfathered. Secondly, a choice was made several years ago, during the budget shortfall, to change the level of funding or basically how much risk the state was willing to take, from 95% to 90%. She said there was a cost associated with this as Blue Cross has to be paid every year for that shift from the state to them. However, by shifting that risk, the state is able to put approximately \$500,000 into the reserves which had nearly been emptied.

Ms. Holland-Smith advised that agencies generally don't ask for much in inflation because they don't think they will get much consideration for it. She added that replacement items were significant at \$22.5 million, which included \$8.5 million for higher education. Traditionally, colleges and universities did not request replacement items because they had not been receiving those funds for many years. However, in 2014 and 2015 there was consideration for funding for replacement items, especially in light of how much the state had fallen behind in IT infrastructure.

Ms. Holland-Smith said that statewide cost allocation was a negative number as they were seeing big reductions in risk management costs.

In addressing the annualizations at \$2.2 million, Ms. Holland-Smith advised that there was a supplemental that she had not discussed which had to do with funding requests to deal with the issue of firearms on college campuses in Idaho. This request is for only a portion of 2015, and then they are asking for full funding in 2016. She stated that the nondiscretionary appropriation was primarily for

Medicaid. This increase came as a result of their utilization calculations, caseload, and cost changes. They also had some decreases in the nondiscretionary appropriations, as higher education had seen enrollment decreases. She advised that the universities are disappointed by that because during the lean budget times they didn't get increases when their population went up, and now that times have gotten better and their enrollment is going down, they are receiving negative adjustments. She said that this is probably something that the Legislature will be hearing about this session. Compensation could also be an issue for consideration; she explained that the current 1% calculator assumes that higher education will continue to use student fees to support certain workforce salaries. However, higher education would like the General Fund to pick up the portion of pay increases that employees would receive. At this time they have been advised that if they wish to take that path, they will have to ask for it in a line item, not as a maintenance item.

In discussing the line items within public schools, Ms. Holland-Smith advised that there was a package that represented the Governor's Task Force career ladder. This would include line 12, the Public Schools CEC, added to line 17, the total of the line items. She also explained that the percentage of change from the original appropriation was now 6.4%, since there was not going to be an increase in PERSI.

Ms. Holland-Smith said that there were a couple of anomalies in the budget request as they had several large requests from the Department of Correction and the universities for compensation. These entities basically said that the CEC process was not sufficient for them to deal with their salary needs. She said they are working with the CEC Co-chairs and the JFAC Co-chairs to make sure that all legislators understand this comprehensive request, since they are not just maintenance items, there are significant line items of approximately \$14 million in higher education and \$3 million in the Department of Correction. She commented that the Department of Administration had not yet settled the Idaho Education Network (IEN) case, and there is nothing final to say that the federal government is going to continue making the payments on E-rate, so under General Government, most of the \$16.8 million has to do with IEN.

Ms. Holland-Smith then pointed out that in total there is a 6.9% request. Speaking hypothetically, she said that even if they funded all of the supplementals, which they typically don't, and the carryover was \$84 million, with a revenue projection of 5.5%, they would still have \$50 million left. She clarified that she was not suggesting that the path forward would be to spend this much, but it did show that this is not a difficult time. She stated that if revenues were less robust, they would have \$6 million left, and if revenues were at 7%, they would have \$95 million left.

Ms. Holland-Smith stated that there will also be some initiatives that the Governor and executive agencies will be looking for outside of the budget process. One of these that she is aware of is the mountain-top repeaters that have been on endowment land for years. Now with the endowments looking for revenue through the public sector, they are coming back with a significant request asking that the General Fund prepay the rent for the repeaters for the next 20 years. She said that the Legislature will have to make the determination of how quickly the technology will change, and if they think that we will be using the same technology to communicate in 20 years.

Pro Tem Hill asked Ms. Holland-Smith to remind him why the amount that goes into the Budget Stabilization Fund remains constant regardless of how much revenues go up. Ms. Holland-Smith replied that statutorily the way that the Budget Stabilization Fund is set up is that all revenue that is generated between 4% and 5% will be deposited into the Budget Stabilization Fund the following year. In the past there was a cap of 5%; however, last year the cap had been changed to 10%. She said that the PEW Report indicated that it was great that Idaho had gone to 10%; however, they would have liked to see us

recognize revenue above 5%. They are also concerned about the volatility of our revenue because of the high reliance on individual income tax

Pro Tem Hill commented that if they are putting in the excess between the 4% and 5%, and the projection was 4%, it seemed like they would be putting more in if they reached 5½%. Ms. Holland-Smith explained that the statute says all revenue projected between 4% and 5%. She added that because the revenue had gone down and stayed fairly flat over the last few years, it just looked like they were depositing the same amount. She explained that the \$29 million represents almost a \$3 billion General Fund budget; if we were in the economy of the 90s, that amount would go up yearly. She also pointed out a chart which was in the council's handouts which showed what the cash flow had been. She explained that the first item on the handout was the Budget Stabilization Fund which had a beginning balance for FY 2014 of \$135.1 million. She said they knew they were pretty close to hitting the cap, so the \$2.4 million that was deposited was the statutory transfer under I.C. 57-814. She advised that even though the revenue was larger, they were hitting the 5% cap which meant they couldn't have more than 5% of the previous year's revenue in their savings account. She explained that the Legislature had set aside the 5% cap on June 30, 2014 because they wanted to change it to 10% on July 1, 2014. Basically, they overrode the code for one day, deposited \$24 million, and came in with \$161.5 million. In FY 2016 they are projected to put the \$29.7 million in the Budget Stabilization Fund, which will take them to \$191.2 million. She explained that the 10% cap is now approximately \$280 million, so they are falling a little short of the cap; they could put more money in if they wanted to, but that was basically how the law worked. One concern with the law is that the cash is deposited the year after it is generated, so what could happen is that they have a really good year and then the next year could be really bad, and that bad year is the time that they had to make that deposit.

In discussing the Public Education Stabilization Fund, Ms. Holland Smith said that they had transferred in an additional \$10 million at the end of the prior year. In the statutory year-end adjustment they had a positive \$13.5 million which meant that the Legislature had appropriated that money to the public schools; the support unit growth did not occur, so the \$13.5 million went back into the Public Education Stabilization Fund in 2014. As they had taken out \$1.65 million in July, Ms. Holland-Smith said they were probably right on track now.

In the Higher Education Stabilization Fund they deposited \$2 million so, based on current law, in 2016 they will have \$266.15 million total, which does not reflect the Millennium Fund.

Ms. Holland-Smith said that based on the cash that they had right now and the size of the budget, they would be looking at continued interest to put money into savings over and above the statutory transfer.

Mr. Paul Headlee, Deputy Division Manager, LSO Division of Budget & Policy Analysis, began by addressing the Public Schools budget. He said that the request for FY 2016 was \$1.46 billion. In comparing this appropriation to 2009, he stated that the appropriation for FY 2015 had been \$43 million less than the appropriation for FY 2009. If the request for FY 2016, which included a 6.4% increase, was fully funded, it would be \$44 million above FY 2009.

Mr. Headlee then presented an update on the proposed tiered certification and career ladder compensation for public school teachers. He said that as one of their twenty recommendations, the Governor's Task Force for Improving Education had recommended a tiered certification system for K-12 teachers, as opposed to the single certification that is currently in place. Another recommendation was a tiered compensation system that would be tied directly to the tiered certification system, similar to those used in other states. He advised that the current salary-based apportionment formula and salary

schedule is a statewide salary schedule whereby the Legislature sends money to the school districts based on where their teachers fall on the schedule. However, the districts can then distribute the funds based on their own salary schedules. He explained that the minimum salary, in statute, for an Idaho teacher is \$31,750; but there are 4,827 teachers that fall below this amount in the current system. He said that the state does make up the difference between the grid amount and the \$31,750 minimum salary, which ends up being approximately \$22 million. One of the objectives of this proposal is to move away from this schedule where teachers move through the grid based on number of years of experience and education to the career ladder salary schedule that the Board of Education and the work groups have adopted. He explained that this is a much simplified salary schedule with a starting salary for a resident teacher at \$40,000, up to a master teacher salary which would top out at \$58,000. He said that this is the amount that the state would send to the school districts; however, the school districts could still develop their own salary schedule.

Representative Moyle asked for the definition of a professional teacher and a master teacher under the proposal. Mr. Headlee replied that a teacher would need to have three or more years of experience to apply for the professional level. Achievement of that level would require positive student growth achievement and performance evaluation ratings. The teacher would also move to the master level in the same way.

Representative Rusche asked if a teacher with a doctorate and a teacher with a bachelor's degree would enter at the same level. Mr. Headlee replied that they would, since education would not be a factor in how teachers landed on the new grid.

In addressing the fiscal impact, Mr. Headlee said that compensation under the proposal would cost approximately \$304 million. This would include benefits at 18.97%, enrollment growth at 1% per year, and a five year phase-in of the schedule.

Pro Tem Hill asked if that would be \$304 million on an ongoing basis per year after the five year phase-in. Mr. Headlee answered that would be a total for the five years. Pro Tem Hill asked if he meant that would be a total for the fifth year. Mr. Headlee responded that would be the total for all five years, and there would be an additional \$20 million required after year five. The Pro Tem asked per year, on an ongoing basis, how much more this proposal would cost than the current salary schedule. Mr. Headlee said that question would be answered later in his presentation.

Representative Moyle asked how many districts were paying their employees pursuant to the current steps and lanes, and how many were paying higher. Mr. Headlee stated that he did not have that information. Representative Moyle asked Mr. Headlee to obtain that information for him. He also asked if the state moved to the new formula, what would happen to the funds that the districts were using to pay over and above the current schedule, and if there would be any requirement for the use of that discretionary money. Mr. Headlee said that the school district would have the discretion to use those funds as they would like.

Representative Rusche commented that the excess may not be discretionary money, as it could be from local levies, so they may be able to lower taxes if that were the case. He suggested that going forward, they refer to either a salary schedule or an appropriation schedule as there was a difference between the two. Representative Moyle said that was why he had asked his question, since there may be an opportunity for lower taxes or for higher salaries.

Mr. Headlee then described the five year phase-in which increases salaries slowly until the final schedule is reached in year five. He explained that during the FY 2016 to FY 2023 time frame that the

maintenance of the current salary-based apportionment would cost \$127 million. During that same time frame, the cost difference for the proposed career ladder would be \$177 million, so the total estimated cost of compensation under the new career ladder would be \$304 million.

He then explained that tiered certification is currently in the proposed rule stage, and that the Board of Education is reviewing public comments. They will then consider the pending rule at a special meeting on November 24<sup>th</sup> and, if approved, will forward it to the Legislature. The Board has approved a preliminary draft of the career ladder legislation; however, they may make changes based on the final pending rule. Mr. Headlee explained that one of the changes may be adding level of education to the compensation schedule.

Representative Rusche asked if \$177 million would be the full cost after eight years, and Mr. Headlee confirmed that was correct. Representative Rusche asked if there was an estimate as to how steep the slope was to get to the full cost. Mr. Headlee replied that for FY 2016 the requirement would be \$35 million, and then it would increase over time to \$40-\$45 million per year. He added that it would go up a little bit, then plateau, and come down a little bit. He advised that it was based on a lot of assumptions in the model; for example, what the attrition rate would be, how many teachers would actually move up, and where those teachers might top out. He said that as those assumptions changed, the actual dollar amount may change; however, it would ramp up, level off, and then come down a bit. Representative Rusche said that it sounded like it would cost between \$35 to \$40 million to build the ramp each year, and then at the eighth year it would cost the full \$177 million, plus whatever it would take to keep up with inflation, and Mr. Headlee said that was correct.

Pro Tem Hill said it was his understanding that the \$177 million was cumulative for the eight-year period and that was confirmed by Mr. Headlee. The Pro Tem wondered how much more public education would receive for teacher salaries, per year, after the phase-in; Mr. Headlee said that amount would be \$177 million. The Pro Tem asked in 2024 how much more would be going into teacher compensation under the new system. Mr. Headlee replied that would be \$177 million. Pro Tem Hill asked if that would be per year, and Mr. Headlee explained that once the \$177 million was reached, it would stay at that amount each year.

Representative Moyle asked why the Board was bringing this as a rule and not as a statute change. Mr. Headlee replied that the current certification is in rule, so it was a matter of amending the current rule; however, based on comments that had been received, he did not know if it would stay in rule. He said that the grid is in statute; however, the board was trying to move both at the same time. Representative Moyle asked Mr. Headlee if the Board knew how bad this looked to some in the Legislature. Mr. Headlee said that he would like to withhold judgment on that.

Representative Monks asked if the rule change would be considered a fee rule change. Pro Tem Hill said that he thought it would just be a regular rule change, and it would be up to the Legislature if they wanted to fund it. The rule itself did not increase revenues into the state, so it would not be a fee rule.

Representative King asked if the professional development money would continue, or if that would go away if this change was made. Mr. Headlee said that the money which was appropriated for professional development was not tied to this proposal, adding that the professional development money was one-time for FY 2015. However, there will be a request to increase that amount, and it would not be affected by this proposal.

## Facilities Updates

Senator Winder, Co-chair of the Capitol Services Committee, gave a summary of the meeting which had been held the prior day.

He said there had been concerns about the new garage with regard to access, lighting, and security; the committee had received an update from Ms. April Rice and Mr. Ric Johnston regarding Capitol Mall security. The Department of Administration and Security agreed to extend the Statehouse hours, during the session, from 6 a.m. until 10 p.m., Monday through Friday, and from 9 a.m. until 5 p.m. on Saturday and Sunday. The garage hours will be from 5 a.m. until 11 p.m., Monday through Friday, and the lights will remain on until midnight. He reminded everyone that security was available 24/7 at 334-2222 for any issues, including a request for an escort out of the building at night. He advised that there are six security people in the building during the session, and there are 56 security cameras that cover the Statehouse. Additionally, the security people are trained in emergency medical aid and know where devices and services are available.

Senator Winder said there had been discussion about a possible crosswalk, with some additional lighting, west of the building going to the parking lot on 8<sup>th</sup> Street. LSO and the Department of Administration will look into that issue, as many feel that it is safer to cross there than at the corner where right turns are made.

Senator Winder said that, in preparation for what they think will be additional activities such as Occupy Boise during the session, the Department of Administration and Security are making sure they communicate properly with those groups to ensure they understand the rules.

Senator Winder commented that there is an additional mail pick-up from the rotunda between 2:30 p.m. and 3:30 p.m., so there is the possibility of same-day service, even if mail is not dropped in by 10:30 a.m.

Senator Winder stated that the Capitol is hosting between 8,000-10,000 visitors annually, and that the Capitol Gift Shop is performing well. There have been many accolades for Dewain Gaudet and the good job that he is doing working with the public and the legislators. Additionally, the Information Center is compiling a list of services they perform, and they have asked for help in identifying tasks that they could do to help the legislators.

Senator Winder advised that the council would receive a briefing on ADA compliance later that day.

The committee had one action item that they were recommending to the council which is a request for a refrigerated unit for items such as pre-made sandwiches and salads for the Grab & Go which will be located in the Legislative Dining Room. He said that specifics regarding these units had been provided to the members and it appeared that, based upon the information they had obtained, the more expensive one may be the best. He advised that Boise Appliance can service that unit and it is made in America.

Representative Chew asked what equipment was available if someone had a heart attack in the Capitol. Senator Winder responded that there was equipment available; however, he did not know the location. It is their recommendation that Security be called in this situation, as they are trained to use the equipment and know where the oxygen and defibrillators are located. Representative Chew asked if there were any defibrillators readily available, as they are at the airport, since sometimes seconds can make a difference. Mr. Milstead replied that he would provide an information sheet with the location of emergency services in the building.

Ms. Jan Frew, Deputy Administrator, Division of Public Works, then gave the council an update on the ADA improvements in the Statehouse. She said that for nearly two years they had been working with the Department of Justice (DOJ) to come to an agreement regarding ADA access complaints which they have received about the Capitol. The DOJ has come out with their specialists and performed a detailed survey of the building and have identified 110 items occurring in several areas. She advised that some of the items will be fairly noticeable as far as modifications that are being required, so she wanted to make sure that the Legislature was aware of those as they move forward with resolutions. She said that the Capitol Commission was in full support of what they had agreed to do, as it had been a negotiating process, due to the historic nature of the building. Some of the elements don't lend themselves to full compliance with current ADA requirements. She advised that the ADA was written as a law, and was more prescriptive with regard to access. As it was not written as a code, the International Building Codes had tried to incorporate the ADA, but it is open to interpretation, and the final interpreter of that law is the DOJ. She advised that even though their renovation and restoration plans were approved by state building officials, the DOJ did receive some complaints and have requested changes. Ms. Frew wanted to make the council aware of the major changes that will be put into place over the next three years; the specific time line will be part of the final resolution that is reached.

1) The first item is to provide access ramps at the east and west first floor entries that are underneath the monument stairs under the portico. She explained that the walkway portion will be cut in half, and one-half will be a ramp up from both sides which will come to a landing, with a smaller ramp that would connect to the current landing outside of the doors. Currently there is just one entry in the Garden Level that is accessible, so the DOJ advised that they wanted more accessible entries, and this plan would provide two more accessible entries into the building.

Representative Rusche asked if automated door openers would be required there. Ms. Frew said that automated door openers were not a requirement of the ADA unless the doors were too heavy; however, those doors were not that heavy and were fairly free swinging.

2) The second item is to remove and replace sections of the existing sloped walks at the lower Jefferson Street entry to correct cross-slope issues. They will also have to make some modification and extend handrails because they do not extend far enough beyond where the slope ends.

3) The third item is in the 4<sup>th</sup> floor Senate gallery. She explained that these seats are on steep risers that are solid concrete, so it would be very expensive and very destructive to the historic character and materials of the building to tear them out. She explained that one requirement of the ADA is to have interspersed seating in an audience-type seating area; however, they have been able to get the DOJ to agree not to make them tear out any of the historic risers, and they have come up with an option that both parties are satisfied with. In this plan they will take out sections of the VIP seating areas on both sides of the gallery and remove the back wall so that wheelchairs can roll in directly from the corridor. As they are also required to provide companion seating for each wheelchair space, there will be room for four wheelchair spaces and four companion seats. These companion seats will be moveable so, if the companion seats are not necessary, they could make more room for wheelchair seating or, if there are not any wheelchairs needing access, they could add a chair or two for viewing.

4) The fourth item regards wheelchair spaces for the House gallery. This will be done a little differently than in the Senate as there are open areas at the sides where the gallery wraps around. Currently there are two large monitors in each of those areas, so each of the monitors will have to be wall or ceiling mounted. They will also have to remove a portion of the wall, or the entire wall, which was constructed to provide more privacy for the meeting rooms, in order to allow wheelchair spaces for that area.

Ms. Frew estimated that all of these improvements will cost about \$400,000, and that the Capitol Commission will provide the funding. The agreement they are working towards will identify the time line and allow the items to be completed over a three-year period.

Senator Stennett asked if, in addition to ADA signage, there would be any signage for the blind. Ms. Frew replied that signage was a large portion of what they had identified, and that part of ADA was Braille signage that would have to be in specific locations and at specific heights. An entire signage plan was being developed, and they had asked the DOJ to have their experts review the plan before any of the signs were made.

Representative Chew, in referring to the maps that Ms. Frew had provided, asked what the circles with the rectangles in them represented and Pro Tem Hill replied that those were columns. Representative Chew asked if there was a designation for where the chairs would be. Ms. Frew pointed out that in the House gallery sketch, towards the bottom, the rectangles would be the areas where the wheelchair spaces would be identified, and that there would be a plaque on the railing, or on the floor, that would indicate the wheelchair space.

### **Legislative Audits Division Update**

April Renfro, Manager, LSO Legislative Audits Division, was next to update the council, and began by discussing two primary audits which they complete annually. These include the 2014 statewide Comprehensive Annual Financial Report (CAFR), which is the financial audit of the state, and the 2014 Single Audit Report, which is the audit of federal funds which the state receives. She advised that they had an original estimated signing date of December 8<sup>th</sup> for the CAFR; however, this has been pushed out for various reasons, and they now plan to sign the week of December 22, 2014. Ms. Renfro added that they did have seven findings in internal controls in the previous CAFR; however, they do not yet know how many they will have this year.

Ms. Renfro stated that they had a significant increase in the number of federal programs identified for audit this year in the Single Audit Report. She explained that these are identified by dollar size and risk, and they have to look at a certain number of those every year to comply with federal requirements. This year they are looking at twenty-five major programs, where normally they look at only eighteen to twenty. She said that they had findings in the major programs, and when this happens they are required to audit that program the following year, so twelve of these are repeat audits due to prior findings. Of the others, three of the audits are those done yearly. Eight programs were cyclically due for audits and two were smaller programs that need to be done based on risk assessment.

Ms. Renfro explained that they are required by statute to visit each agency at least once every three years to look at internal controls and provide a Management Report; twenty-four of these were scheduled to be completed this year. All of the field work had been completed, some of the reports had been released and are on their website, and the rest are in various stages prior to completion. She explained that reports are submitted to the JFAC Co-chairs for review prior to public release.

Ms. Renfro commented that a few special projects were assigned to Audits through legislation this year. The first was for an outside audit related to the IEN and Wi-Fi Project. She advised that they had received a draft report and further information is being gathered. She stated that the report will be completed and ready to present to JFAC the first week of session.

The second special project was the implementation of House Bill 560 which requires additional reporting requirements for local governments and special districts. Ms. Renfro said that currently Section 67-450B

through 67-450D, Idaho Code, requires entities with annual expenditures in excess of \$250,000 to submit an annual audit. An entity with annual expenditures between \$100,000 and \$250,000 must submit a biennial audit, and an entity with annual expenditures less than \$100,000 is not required to have an audit.

She stated that House Bill 560 came about because legislators were concerned about the ability to access financial information related to local governments and special districts across the state. Additionally, Audits is fielding questions from constituents asking for copies of audit reports and financial statements for these districts. In January 2014, Audits issued a report that identified the problems with the current process. In this report three objectives were identified for the review of special districts in Idaho:

- 1) Identify how many special districts there were in Idaho.
- 2) Determine how special districts are monitored, both operationally and financially.
- 3) Determine compliance with Section 67-450B, Idaho Code.

Based on these objectives, Audits came up with the following findings:

- 1) No central registry existed, and it was difficult to determine who should be submitting what type of audit.
- 2) No budget data was being submitted, making it difficult to determine whether districts are complying.
- 3) There was no enforcement mechanism for noncompliance.

Due to their findings, the following recommendations were made:

- 1) Establish a central registry to provide a comprehensive list of all special districts authorized to operate within the state of Idaho.
- 2) Require all local governments and special districts to submit an approved budget.
- 3) Amend the statute to include a notification and enforcement process for noncompliance.

Ms. Renfro advised that she and her staff have been working with various groups, including the Association of Cities, the Association of Counties, and the Association of Fire Districts to get the information out regarding these special reporting requirements and educating them as to how legislation takes place and the work that went into creating HB 560. Audits will be issuing a follow-up report before the session begins which will identify compliance rates, the progress in implementing the registry portal, and future planned reporting.

Senator Stennett asked what percentage of entities had expenditures less than \$100,000, and if those entities still had to register in some way. Ms. Renfro said that she did not have that percentage at hand, but would report back. She advised that every special district or entity identified in Section 67-450B through 67-450D, Idaho Code, is required to register. One concern is that smaller entities do not have access to computers; however, legislation was clear that counties could assist those smaller entities in updating the registry. Senator Stennett asked if these entities would have to give some idea as to their level of expenditure to show that they did not need to be audited. Ms. Renfro replied that this information would be covered later on in her presentation.

Ms. Renfro advised that they were required to have the portal ready for the entities to register by January 1, 2015. LSO Information Technology staff had been working very hard with Audits to get this done and they were getting close to the testing stage. Once the portal is ready on January 1<sup>st</sup>, local

governments will be required to register by March 1, 2015, and the counties and the Tax Commission will be required to provide a list of known special districts by September 1, 2015. Audits will then review the lists and registry to identify those entities that have not registered and they will be notified.

The information required at registration includes:

- Contact information.
- Terms of membership and appointing authority for the governing board.
- Fiscal year for the entity.
- Authority by which the entity was established.
- Most recently adopted budget.
- Unaudited comparison of budget to actual revenues and expenditures for the most recent fiscal year.
- Total dollar amount of bond and other debt obligations issued by the entity, with the average term and average interest rate.
- Date of last independent audit.
- Audit reports as required by Section 67-450B, Idaho Code.
- After the initial submission of registry information by March 1, 2015, subsequent submissions will be required by December 1<sup>st</sup> of each year.

Ms. Renfro then reviewed the time line which began with registration on the portal by March 1, 2015. Audit reports for entities with a September 30<sup>th</sup> year end will be due June 30, 2015. Starting July 2015, audits will notify registered entities one month prior to when the audit report is due, and within the first five days of the month after the audit report was due but not received. Information on counties and entities that fail to comply will be reported to the Idaho Tax Commission in September 2015. Then, on December 1, 2015, the process starts over with recertification of the entities' information.

Ms. Renfro advised that HB 560 provided for enforcing compliance. Entities that fail to report will be notified and have 30 days to submit or notify LSO when the information will be submitted. If the entity does not submit or notify, LSO will notify the county commissioners and the Idaho Tax Commission. Continued failure to comply could lead to the Tax Commission withholding revenues to taxing districts or county commissioners issuing fines to non-taxing districts.

Ms. Renfro advised that the intent of HB 560 is to improve transparency and access to information and requires LSO to compile a list identifying all entities that are submitting audits and have it available on LSO's website.

Ms. Renfro commented that they had received many questions about bonded indebtedness and how much debt had been incurred throughout the state. She stated that information was currently unknown at the state level; however, she was hopeful that information would be obtained. Ms. Renfro added that eventually she would like all entity audits available on LSO's website.

Ms. Renfro stated that the registry portal was close to being completed. Some cities volunteered to help with data testing prior to going live. Ms. Renfro then showed the council what the website would look like and walked them through the steps that an entity would follow to become part of the registry.

Representative Rusche asked if there were other states that had similar registry reporting requirements for local governmental entities. Ms. Renfro responded that most states had some sort of reporting

mechanism, but their approaches varied. Some states have a department or agency specifically over local government. Kentucky, for example, has a very good transparent website specific to special districts where searches can be done for all special districts and their revenue by county. She noted that in several states the audit department does most of the local government audits; however, these departments usually employ 500 to 800 people, which is not possible in Idaho.

Representative King asked if audits encountered any problems with the entities' accounting software. Ms. Renfro replied that the accounting software would not be a problem because entities will be uploading PDF documents.

Pro Tem Hill asked how large a job this had been for her division, and Ms. Renfro answered that it was larger than anticipated. Many requirements in statute were difficult to put into a computer program which demanded a fair amount of time by the IT staff over the past six months. Also, she and one of her managers had been required to travel to do presentations to help counties and districts understand the requirements.

Pro Tem Hill raised an issue from earlier in the council meeting when they talked about the refrigerated unit for the dining room. He said there had not been a motion; he advised that they could entertain a motion to leave it up to LSO, within the parameters that were given, or they could make a motion regarding one of the two specific units, whatever was the will of the council.

Representative Moyle asked if anyone had looked into purchasing a used unit, as he was aware of their availability at auctions. Mr. Milstead said they had not looked into used units; they looked online and focused on ones that could do the job. Representative King stated that she would like to leave it up to LSO, but one of things talked about was the ability to obtain items after hours and still be able to pay for the item. She stated that these units looked like refrigerators where someone would take an item and pay for it at the cash register; she asked how this would work after hours. Mr. Milstead was not sure that had been considered, since the dining room is locked after hours. However, there was no reason they could not look into something like that. Representative King suggested that they do a little more research to see if they could provide this service after hours. Mr. Milstead asked if this would be in conjunction with food sold inside the dining room, or if she was considering something located outside the dining room. As the consideration was for something inside the dining room, Mr. Milstead agreed that could be looked into. One way to proceed would be for LSO to come up with a proposal and, with the council's authorization, LSO could make the call or they could present the proposal to the Pro Tem and the Speaker.

Senator Davis moved to authorize the purchase of an appropriate unit, not to exceed the cost that had been presented. The motion passed on a voice vote.

After the lunch break, Pro Tem Hill called the council back to order at 1:00 p.m. He announced that a few of the members were not able to come back for the afternoon session, so they were excused. He said that over the lunch break he met with Mr. Paul Headlee and that he now had all of the numbers regarding the proposed tiered certification and career ladder compensation for public school teachers, and that they made sense now that he understood them; those numbers would be available to any member who would like them.

### **Technology Update**

Mr. Glenn Harris, Manager, LSO IT Division, began by clarifying that the IT drop-in classes they had discussed earlier would be on Thursday, December 4<sup>th</sup> at 11:00 a.m. and 2:00 p.m. He referred to the

work that his application development staff had been doing with the audit staff in creating the portal that discussed by Ms. Renfro. He said they had been very busy with that, as well as updating GEMS, along with other projects.

Mr. Harris reviewed some of the items which would be new for the 2015 session which included Apple AirPrint for iPads, iPhones, and MacBooks, and Google Cloud Print for Android devices. He said that his division had also improved integration with the phone and computer system which would now allow computer pop-up displays for incoming calls and visual voicemail.

Representative Rusche asked if that would be in sync with the user's contact list. Mr. Harris replied that it would be in sync to allow for outgoing calls and instant messages from the contact list and also allow the user to see their recent call log.

Senator Buckner-Webb asked if deleting an item on one device would delete it from every device. Mr. Harris replied that it would, and that the user could also reply to emails with a callback or instant message from their phones.

Pro Tem Hill asked if the mobile device printing program would show all of the printers available in the building. Mr. Harris said it would show printers that had been designated and that printers could be added to the list.

Mr. Harris then reviewed how these items will look when in use. Representative Chew asked about choosing voice mails to review, and Mr. Harris described how to click on the message that the user wanted to listen to.

Pro Tem Hill asked if Mr. Harris was referring to a computer screen or a cell phone screen. Mr. Harris explained that he was referring to Outlook.

Representative Rusche asked if instant messages would appear on a phone. Mr. Harris replied if the person was listed in phone contacts that the instant message would appear on the phone.

Representative Rusche asked where the information about the person's location was coming from. Mr. Harris said that it would come from the person's Outlook calendar, or gmail calendar. Pro Tem Hill asked if this was coming from the sender or receiver's calendar. Mr. Harris said he thought it would pull the information from the receiver's calendar if that person had already shared their calendar with the sender.

Mr. Harris reviewed some other new items including improvement of the House voting system which included voting assistance and the ability to contact a page via a pre-selected email from the phone. Also new is an Android version of the Help Desk program, an updated email spam filter, and a pilot project of the Enterprise Newsletter Service which would allow newsletters to go out without being blocked as spam.

Pro Tem Hill asked how spammers could be prevented from obtaining software that would keep them from being blocked. Mr. Harris said that the company they were purchasing the program from only works with governmental entities, and that there are several requirements that have to be met to prevent emails from being blocked.

Senator Bair asked if there were any plans to move the Senate to a phone voting system, and Mr. Harris said that he was not qualified to answer that question.

Pro Tem Hill asked about deleting emails from the spam filter. Mr. Harris replied that if the notifying email was deleted, the quarantined emails would be automatically deleted in two weeks; however, if you want to take additional actions you could go into the notifying email and choose an option.

Senator Bair said that this had not previously worked on mobile devices and asked if it would work now. Mr. Harris responded that the notifying email should work on mobile devices; however, to use additional actions, it was browser specific.

In further discussing the Enterprise Newsletter pilot project, Mr. Harris said that his division was working on content guidelines since these would be official state newsletters. Pro Tem Hill emphasized that part of the training needed to be what was appropriate for that type of newsletter. Representative Rusche suggested that it would be useful to explain what the difference was between official and personal legislative newsletters. Pro Tem Hill suggested that during the ethics presentation it may be helpful if Brian Kane could provide some type of checklist regarding appropriate content.

### **2016 CSG West Annual Meeting Information**

Representative Jeff Thompson, Vice-Chair of the Council of State Government (CSG) West, along with Edgar Ruiz, Director, CSG West, addressed the council via telephone conference call regarding the 2016 CSG Annual Meeting. Representative Thompson began with an overview of CSG by explaining that it was the nation's only organization that serves all three branches of government. He explained that it was made up of regional based organizations and that Idaho, along with 12 other western states, is part of CSG West which hosts an annual meeting. In 2016, Idaho will have the opportunity to host the annual meeting, the purpose of which is to bring together policy committees, task forces and leadership to engage in regional and national level topics such as energy, public lands, education, fiscal affairs, and health to collaborate regarding best practices to accomplish goals and objectives. He also explained that the meeting is typically four days long and that in 2010 Idaho hosted the meeting in Sun Valley.

He advised that the annual attendance was approximately 500 people which include legislators, executive committee members, guests, CSG associates, sponsors, and others. The opportunity to host this meeting in 2016 will allow Idaho to showcase the state and enhance tourism and the local economy. He asked the council to review a comparison of the Coeur d'Alene Resort versus Sun Valley to get their thoughts on those options.

Representative Thompson said that the annual meeting is usually funded through registration fees and sponsorships; in 2010, they had been able to do significant fundraising throughout the state in addition to some money provided by the legislative fund. He outlined the time schedule for activities leading up to the meeting, adding that they are now a little ahead of schedule.

In response to a question from Pro Tem Hill, Representative Thompson said that there are two options for dates in Coeur d'Alene and three options in Sun Valley.

Representative Rusche asked if Idaho was making a proposal to host the meeting in 2016, or if this was already set. Representative Thompson answered that as the current Vice-chair, he would become the Chairman in 2016, which would give Idaho the opportunity to host the meeting.

Senator Davis commented that the Chairman of CSG West historically gets to make the recommendation, and it was generally their call as to where the meeting would be held. He said that over the last sixteen years Idaho had hosted in Sun Valley three times for CSG West, and in

Coeur d'Alene for CSG National about eight times. The feedback that he has received is that people had enjoyed their time in both venues; however, they found Sun Valley very difficult to get to.

Senator Stennett said that Sun Valley had opened direct flights from Denver and San Francisco which had brought the cost of flights down, due to the competition.

Edgar Ruiz said that he is looking forward to working with the Idaho Legislature on the 2016 meeting.

### **Office of Performance Evaluations Update**

Mr. Rakesh Mohan, Director, OPE, began by informing the council that he had recently attended an annual conference of the American Evaluation Association where he had organized a panel session on building new partnerships to promote use of evaluation work amongst policy makers. He stated that the best part of the panel was Idaho Representative Rich Wills, who was very well received. He also said that he was pleased to advise the council that the work of OPE, the Idaho Legislature, and JLOC was highly recognized in this country and others around the world. He said that he would be working with the President Elect of the European Evaluation Society on a blog to promote evaluation work.

Mr. Mohan then reviewed OPE's newsletter of performance in 2014 that highlighted how reports have improved state programs and informed policy and budget decisions. One of these highlights was that during the last ten years they had identified opportunities for cost savings of at least \$74 million, many of which had been realized. Also, during the last legislative session their reports had been the catalyst for three pieces of legislation that had passed, so OPE thought they were making a difference in improving state government.

Mr. Mohan reviewed the three projects which OPE is currently working on:

- 1) Use of salary savings to increase compensation and benefits will identify what factors influence the ability of agencies to generate salary savings and how salary savings influence employee compensation will be released in January 2015 before the CEC meets. The second part of this project regarding holiday pay for non-traditional employees will be released separately.
- 2) State legal contracts and the demand for legal services will look at what types of work could be brought in-house at the Attorney General's Office and will compare the cost between in-house and contracted work. This report will be available in mid-February.
- 3) Collecting and using K-12 education data through ISEE and Schoolnet will be released as two reports to illustrate that ISEE and Schoolnet are two separate issues. Both of these reports will be issued in the third week of January and will address the processes and practices for collecting, reporting, and managing the data, the demands on school resources, and the rationale for collecting the data.

Representative King asked if it was correct that money had been given to school districts to use either for Schoolnet or Mileposts and if OPE was also looking at Mileposts. Mr. Mohan replied that OPE would be looking at Mileposts.

Representative King asked if OPE was looking at agencies that were outsourcing engineering contracts as well as legal work. Mr. Mohan replied that OPE is looking at outsourcing legal services. He explained that some of the services could not be done by the AG's Office because of the need for specialty expertise or a conflict of interest.

Representative Rusche commented that the panel which Mr. Mohan had put together on how to effectuate change with the information from performance audits was timely, since there had been many times when reports from OPE didn't lead to any improved action. He asked if it would be possible for Mr. Mohan to go back and look at recommendations from OPE reports to see if there had been actions by the Legislature to respond to those recommendations. Mr. Mohan said that OPE had already compiled that information for JLOC during the summer, so he could provide to the Legislature or to leadership a list of reports in which OPE had made recommendations to an agency, or to the Legislature, that had not been implemented and were still relevant.

Pro Tem Hill said that would be of interest to the council; he suggested that it be included in Mr. Mohan's next presentation. He added that he would also be interested in the recommendations that had been acted upon.

Representative Rusche made a motion to adjourn; the motion was adopted and the council adjourned at 2:05 p.m.