

MINUTES
JOINT FINANCE-APPROPRIATIONS COMMITTEE

DATE: Tuesday, January 07, 2014
TIME: 8:00 A.M.
PLACE: Room C310
MEMBERS PRESENT: Senators: Chairman Cameron, Vice Chairman Keough, Senators Mortimer, Vick, Nuxoll, Johnson, Bayer, Thayn, Schmidt, Lacey
Representatives: Chairman Bell, Vice Chairman Bolz, Representatives Eskridge, Thompson, Gibbs, Miller, Stevenson, Youngblood, Ringo, King
ABSENT/ EXCUSED: None
CONVENED: Chairman Cameron called the meeting to order at 8:00 a.m.
WELCOME AND PAGE INTRODUCTIONS: Chairman Cameron welcomed all JFAC members to the 2nd Regular Session of the Sixty-Second Legislature. In addition he introduced the high school Pages who will serve the Committee for the first six weeks of the session. Kortni Wells from Burley, Idaho, attends Burley High School and will serve as the Senate Page. Kami Elorrieta from Eden, Idaho, attends Valley High School and will serve as the House Page.
STAFF PRESENT: Holland-Smith, Burns, Houston, Headlee, Bybee, Lockett, Tatro, Hoskins, Winslow, and Majors
AGENCY PRESENTATION **Review of Governor's Recommendations**
Jani Revier, Administrator, Division of Financial Management
Ms. Revier presented the Governor's recommendation for FY 2015. To view the presentation, click the following link. [FY 2015 Budget Recommendation](#)

Revier introduced the following staff members: Fulkerson, Deputy Administrator; Shelby Kerns, Budget Bureau Chief; Financial Management Analysts: David Hahn, Sara Stover, Anita Hamann, Richard Budzich, Adam Jarvis, and Rich McAllister; Economic Bureau: Derek Santos, Chief Economist, and Nathaniel Clayville.

Revier said revenues to the General Fund have been steadily recovering. Personal income is expected to grow to \$60 billion in FY 2015. Nonfarm employment growth should increase gradually; the number of jobs is expected to increase 2.6% in FY 2014 and 3.1% in FY 2015; however, it will not match the pace enjoyed during the middle of the last decade. The sectors adding the most jobs during the forecast period are professional and business services, health care and private education, retail trade, construction, and leisure and hospitality. Housing starts began improving in FY 2012 and are expected to gradually increase; it is predicted there will be about 12,900 housing starts by FY 2015.

The Governor set forth the following budget principles: 1) government will not grow at the same rate as the economy, 2) must maintain structural balance—one-time money will not be used for ongoing expenses, and 3) the rainy day accounts will be replenished. The Governor wants to focus on making strategic reinvestments, concentrating on core services and not losing efficiencies gained during the downturn.

FY 2013 had an ending balance on June 30, 2013 of \$79,952,900. In FY 2013 there were two transfers to the Budget Stabilization Fund: the statutory transfer of \$25,877,100 and HB 345 (surplus eliminator) of \$85,392,200.

Ms. Revier also discussed FY 2013 pay increases and salary savings. Approximately 52% of state employees received an ongoing pay increase with an average increase of 5.8%. She also noted that a 2% CEC was appropriated for all state employees in FY 2013 and many state agencies were able to utilize salary savings to implement the CEC at the end of FY 2012. There are two types of one-time salary savings distributions: short-term pay increases and one-time performance bonuses. \$8.7 million was spent on one-time distributions and the average per employee was about \$1,000.

Regarding FY 2014, the State Economist projects General Fund revenue will be \$2.808 billion or 2.1% growth over the previous year which takes into account the tax cuts from last session. After funding the statutory transfer to the Budget Stabilization Fund, Deficiency Warrants, and Supplementals, it is projected there will be \$86.6 million for other spending or savings. The Governor is proposing a one-time \$15 million transfer to the Permanent Building Fund to address a backlog of maintenance. He is also proposing an FY 2014 surplus eliminator to transfer \$35 million to the Budget Stabilization Fund with the remainder split 80% to Public Education Fund and 20% to Higher Education Stabilization Fund.

The State Economist projects FY 2015 revenue will be \$2.988 billion or 6.4% growth over the previous year. The Governor has set a conservative budget of 2.5% ongoing growth for FY 2015 with the following budget priorities: 1) Governor's Education Task Force, 2) health and human safety, 3) maintenance back log, and 4) increased employer health benefits. The Governor recommends funding the increase in employer health care (\$12.7 million to the General Fund) which is equivalent to a 2% CEC for state employees; therefore, salaries are not addressed in his budget this year.

Ms. Revier also discussed public safety issues. The Idaho Department of Correction will assume operation of the Idaho Correctional Center (ICC); therefore, the Governor recommends that operating expenses for ICC be transferred, lump sum, to the Department's Division of Prisons, giving it flexibility during the transition. Further recommendations are: \$12.5 million for contract medical services, \$523,000 for security checks, and \$357,500 for pre-sentence investigators. For Idaho State Police the Governor recommends \$661,000 for ILETS funding, \$601,900 for investigation officers, \$930,200 for patrol officers, and \$116,600 for a forensics laboratory system director.

Regarding natural resources, the Governor recommends \$15 million for Water Sustainability Initiative projects, \$2 million for the Wolf Control Fund, \$1.8 million for enhancements and repairs to state parks, and \$200,000 to implement the Sage Grouse Management Alternative.

The FY 2015 budget recommendations for economic development also include \$60,000 for International Trade Office Enhancement and restoring \$200,000 to Wage and Hour in the Department of Labor.

The proposed budget would require the following three pieces of legislation: 1) a surplus eliminator for FY 2014, 2) raising the cap on the Budget Stabilization Fund to 10%, and 3) creating a new Health Care Assistance Fund.

**LSO STAFF
PRESENTATIONS**

Review FY 2014 - FY 2015 Budget Scenarios

Cathy Holland-Smith, Manager, Division of Budget & Policy Analysis

Ms. Holland-Smith reviewed FY 2014 - FY 2015 budget scenarios. To view the presentation, click the following link. [Budget Scenarios](#)

Ms. Holland-Smith presented a cash flow analysis for the FY 2014 General Fund showing the original revenue projection of 5.3% versus the revised projection of 2.1% and explained the difference. The beginning balance at the end of FY 2013 was \$79,952,900 and the estimated ending balance for FY 2014 is zero. However the actual savings is over \$86 million which will be spent in the next fiscal year.

She discussed the spending side of the FY 2015 Governor's recommendation broken down by state agencies and public schools. She also discussed a comparison sheet showing agencies' requests and the Governor's recommendation and explained the difference.

Costs were discussed pertaining to the transition of the Idaho Correctional Center (ICC) to the Prison Division of the Department of Correction. The total supplemental recommendation for \$1,931,200 included funding for a new warden, correctional managers and officers, support and IT staff, food service personnel, institutional supplies and capital outlay. Another supplemental is needed for a final payment to Corrections Corporation of America for services they will provide in June 2014 totaling \$2,445,500. Cigarette tax distribution was also discussed. For FY 2015, the Governor is proposing legislation to shift \$10.9 million in cigarette tax revenue from the General Fund to a newly created Health Care Assistance Fund.

Also reviewed the Governor's recommendation regarding the state stabilization funds. FY 2014 ending balances would be: \$172.5 million in the BSF which includes a surplus eliminator of \$35.0 million; \$92.3 million Public Education Stabilization Fund including a surplus eliminator of \$29.3 million; and \$8.5 million including a \$7.3 million surplus eliminator for a stabilization fund grand total of \$273.3 million.

Ms. Holland-Smith briefly discussed some special hearings, see above link for details.

Review Supplemental Schedule

Jared Hoskins, Budget & Policy Analyst, Division of Budget & Policy Analysis

Mr. Hoskins reviewed the Supplemental Schedule. To view the presentation, click the following link. [Supplemental Schedule](#)

Mr. Hoskins reviewed the supplemental schedule which includes deficiency warrants and supplemental appropriations. Deficiency warrants involve the Department of Lands (fire), the Department of Agriculture (pest control), and Military Division, Office of the Governor (HazMat). Actual deficiency warrant costs for the 2013 Session totaled \$6,390,700 from the General Fund. The Governor's recommendation for the 2014 Session totals \$11,875,000 in General Funds which is an increase of 85.8% from the prior year.

Supplemental appropriations allow for additional spending authority for current fiscal year appropriations. Actual supplemental appropriations for the 2013 legislative session totaled \$34,935,600 (including rescissions). The Governor's recommendation for the 2014 Session totals \$18,491,300 which is a reduction of 47% from the prior year.

Senator Cameron
Chairman

Peggy Moyer
Secretary