

MINUTES
JOINT FINANCE-APPROPRIATIONS COMMITTEE

DATE: Monday, January 27, 2014
TIME: 8:00 A.M.
PLACE: Room C310
MEMBERS PRESENT: Chairman Cameron, Vice Chairman Keough, Senators Mortimer, Vick, Nuxoll, Johnson, Bayer, Thayne, Schmidt, Lacey
Chairman Bell, Vice Chairman Bolz, Representatives Eskridge, Thompson, Gibbs, Miller, Stevenson, Youngblood, Ringo, King
ABSENT/ EXCUSED: None
STAFF PRESENT; Houston
CONVENED: Chairman Cameron convened the meeting at 8:00 a.m.

AGENCY PRESENTATION: **DEPARTMENT OF LANDS**

PRESENTER: **Endowment Fund Investment Board (EFIB)**
Larry Johnson, Investments Manager

To view the presentation, please click on the following link. [Endowment Fund Investment Board](#)

Mr. Johnson introduced Dean Buffington, the EFIB Chairman. The \$2 billion trust assets overseen by the Investment Board are: 1) Endowment Fund for the Land Board, 2) the reserves and surplus for the State Insurance Fund, 3) Judges' Retirement Fund on behalf of the Supreme Court, and 4) two small endowments for the Department of Parks and Recreation. The mission of EFIB is to provide professional investment management services to stakeholders consistent with constitutional and statutory mandates. The EFIB has nine members appointed by the Governor and confirmed by the Senate; they meet quarterly. All investment Board operating expenses are paid by its clients and come totally from dedicated funds. EFIB will lose revenue from the Judges' Retirement Fund when it is transferred to PERSI at the beginning of the next fiscal year.

The FY 2015 Governor's budget recommendation is \$604,400. **Mr. Johnson** pointed out that the third line item, the Continuous Appropriation, which totaled \$5.4 million in FY 2013 is what the Board uses to pay expenses that vary unpredictably in overseeing the Fund. Over 90% is for outside investment manager fees that vary with the size of the assets. This line item also includes investment consulting. This year the Investment Board has commissioned a special consulting study of distribution rates. EFIB has also requested an in-depth study of what fund asset mix would be best given the large concentration of timberland assets in the endowment land base; the study was requested by the Land Board and will cost about \$50,000 to be paid over two years.

The FY 2015 distributions to be paid from the Endowment (a 5.6% increase) which have been approved by the Board are as follows: Public Schools, \$31.3 million; Universities, \$12.5 million; State Hospital South, \$3.2 million; Penitentiary, \$1.7 million; Juvenile Corrections, \$1.0 million; State Hospital North, \$1.0 million; Veterans Home, \$642,000, and Deaf and Blind School, \$128,000.

PRESENTER: **Department of Lands**
Tom Schultz, Director

To view the presentation, please click on the following link. [Department of Lands](#)

Mr. Schultz began his comments stating the 2012 Audit showed no findings. He then introduced the following members of his executive team: Kathy Opp, Lands and Waterways Division,; David Groeschl, Forestry and Fire Division; Bob Brammer, Operations Division; Patrick Hodges, Support Services Division; and Donna Caldwell, Human Resources. The State Board of Land Commissioners is the governing body of the Department of Lands and members include Governor C. L. “Butch” Otter, Secretary of State Ben Ysursa, Attorney General Lawrence Wasden, State Controller Brandon Woolf, and Superintendent of Public Instruction Tom Luna. The Department has two major functions: 1) to professionally and prudently manage Idaho’s endowment assets to maximize long-term financial returns to public schools and other trust beneficiaries, and 2) to provide professional assistance to the citizens of Idaho to use, protect and sustain their natural resources.

Endowment land totals over 2.4 million acres made up of range lands, forest lands, agriculture, minerals, and real estate. Forest land is the state’s most productive land asset type with 75% to 95% of all income generated by timber production each year. As a commodity product, timber revenues can fluctuate widely. In FY 2014 distributions totaled \$48,844,800. Since 1995 over \$1 billion has been distributed to beneficiaries.

The Department of Lands has four areas of focus: 1) organizational structure must align with the Department’s vision, 2) customer service, 3) strategy review and alignment, and 4) leadership development. The FY 2015 Governor’s budget recommendation totals \$46,682,100 with 261.47 FTP. **Mr. Schultz** indicated the Governor supported the Department’s main priority which is to reorganize the Department to better align functions as long as it does not impact the General Fund. The Governor also recommended the following items listed as Department priorities: 1) \$792,000 to continue implementing the Land Information Management System (LIMS), a one-time request with ongoing funding for software maintenance costs in the Forestry Resources Division, 2) In the Land and Waterways Division, \$250,000 to hire a contractor to perform a detailed business process analysis and systems review, 3) \$79,200 for Support Services for one-time and ongoing funding for additional IT equipment and licensing, 4) a one-time request for \$29,800 for additional equipment in the management of endowment forest lands in the Forest Resources Division, and 5) one-time spending authority for \$58,800 for fire equipment for Forest and Range Fire protection. The Department is requesting a lump-sum appropriation for the Forest and Range Protection Program to provide flexibility in hiring temporary seasonal labor, to pay overtime or to contract for fire-related activities. In

addition there is a 2014 supplemental budget request for \$10,379,600 to pay deficiency warrants that covered the cost of fighting forest fires in FY 2013.

**AGENCY
PRESENTATION**

DEPARTMENT OF PARKS AND RECREATION

PRESENTER: **Lava Hot Springs Foundation
Mark Lowe, Executive Director**

To see the presentation, please click on the following link. [Lava Hot Springs Foundation](#)

As a background, the Lava Hot Springs complex consists of 178 acres along the Portneuf River in Bannock County which was purchased in 1902 by the federal government and later that year the property was ceded to the state of Idaho with the stipulation that the land be reserved for public use. The Idaho Legislature established the Lava Hot Springs Foundation in 1919 to manage the land. The Foundation has a five-member board appointed by the Governor that is responsible for the financial operation of the self-sustaining complex. Because of flood damage in the 1960's a rebuilding program was implemented. A new swimming pool recreation complex was dedicated in 1969.

The mission of the Lava Hot Springs Foundation is to ensure the public has access to healthful, clean and inviting facilities for recreation and healing purposes. The Olympic Swimming Complex and Lava's Hot Pools are world renown. Hydro tubes were built in 2001, the 25-yard pool was covered and the dressingrooms were replaced in 2006, the speed slides and an additional hot pool were completed in 2009, and the Indoor Kiddie Pool/Cove was finished in 2013. There were 206,406 visitors to this venue in 2013. The Governor's recommended FY 2015 budget was \$2,303,300 with 13.80 FTP. Included in the budget recommendation were two enhancements: 1) \$270,000 in one-time spending authority from dedicated funds to complete the restroom facility by the outdoor pool, and 2) \$45,200, ongoing funding, for an Assistant Manager at the Olympic Swimming Complex.

PRESENTER: **Idaho Department of Parks and Recreation
Nancy Merrill, Director**

To view the presentation, please click on the following link. [Department of Parks and Recreation](#)

Ms. Merrill introduced the following staff members: Jennifer Okerlund, Communication and Public Information Officer; Steve Martin, Fiscal Officer; Anna Canning, Management Administrator; and Keith Hobbs, Operations Administrator. She also introduced Shelby Kerns, DFM Analyst; Ray Houston, LSO Analyst, and Stephen Goodson, Liaison with the Governor's Office. She also acknowledged her six-member Board. The Department's mission is to improve the quality of life in Idaho through outdoor recreation and resource stewardship; it is a service agency managing 30 state parks and regional trail-ways and builds and maintains 2,000 miles of trails and also helps counties groom over 5,600 miles of snowmobile trails. In addition, her agency provides service to over 5.3 million park visitors annually, handles 300,000 recreation registrations, and provides recreational vehicle instruction for over 2,500 students.

The Department is responsible for 10 separate grant programs which provide \$7 million in funding to cities, counties and agencies statewide. An economic impact study is being conducted to measure how Idaho state parks benefit local economies and the State. The Department is still trying to recover from the economic downturn from a few years ago, which caused the agency to defer capital improvement projects and maintenance and repair needs. All available funds were shifted to personnel and operating areas. They have worked hard to increase revenue opportunities by implementing the Passport Program (netted \$1,077,000 the first year), adding new and innovative services to increase overnight occupancy, increasing overall attendance at parks, and increasing retail sale; the Department is also adopting some new marketing strategies. The Department continues to find ways to reduce costs, such as using more volunteers, shifting to electronic payment services, converting campground water heaters from electric to gas, replacing gas vehicles used within the park system to battery-powered utility vehicles, and eliminating some park trash collection requiring visitors to “pack it in and pack it out.” They have also developed partnerships that have helped reduce costs.

Despite efforts to reduce costs and increase revenues, basic operating expenses, especially personnel costs, continue to increase dramatically. It has required shifting funds to cover necessary costs. Funds usually used for capital improvements, infrastructure and maintenance have been reallocated to meet operational needs. There have also been sharp increases in utilities and fuel. The Governor’s FY 2015 budget recommendation of \$33,499,700 includes \$1.8 million from the General Fund to cover several needed repairs and maintenance items at parks throughout the State. **Ms. Merrill’s** goal is to restore long term fiscal sustainability to Idaho’s state parks and recreation areas.

ADJOURN:

Chairman Cameron adjourned the meeting at 10.00 a.m.

Senator Cameron
Chair

Peggy Moyer
Secretary