

MINUTES
JOINT FINANCE-APPROPRIATIONS COMMITTEE

DATE: Friday, January 31, 2014
TIME: 8:00 A.M.
PLACE: Room C310
MEMBERS PRESENT: Chairman Cameron, Vice Chairman Keough, Senators Mortimer, Vick, Nuxoll, Johnson, Bayer, Thayn, Schmidt, Lacey
Chairman Bell, Vice Chairman Bolz, Representatives Eskridge, Thompson, Gibbs, Miller, Stevenson, Youngblood, Ringo, King
ABSENT/EXCUSED: None
STAFF PRESENT:
CONVENED: Chairman Cameron convened the meeting at 8:00 a.m.

AGENCY PRESENTATION:

OFFICE OF THE GOVERNOR

PRESENTER: **Idaho State Liquor Division (ISLD)**
Jeffery Anderson, Director

To view the presentation, please click on the following link. [State Liquor Division](#)

The mission of State Liquor Division is to provide control over the importation, distribution, sale and consumption of distilled spirits; curtail intemperate use of beverage alcohol; and responsibly optimize the net revenues to the citizens of Idaho. It is accomplished with lower but convenient outlet density, responsible hours of operation and rigorous training that delivers superior compliance for sales of spirits. Net revenues from operations are a result of responsible stewardship and come from the wholesale and retail mark-up of distilled spirits. Beer and wine are not under the authority of this division. The vision of ISLD is to be the most respected and highest performing purveyor of distilled spirits in the United States. There are 168 retail liquor store locations (66 state retail stores and 102 contract stores); 31 of 44 counties have Sunday retail sales. ISLD has a full-service distribution center which receives and ships one million cases annually. In FY 2013 sales totaled \$164,500,000; 18% of total sales are to on-premises licensees. The majority of sales (84%) occur at 66 State-operated stores. Product is shipped to all retail locations under contract with Diamond Lines, a private sector partner, located in Meridian.

The Idaho State Liquor Division is citizen owned for the benefit of all. Even those who choose not to partake benefit equally. ISDA'S focus is on responsible customer service, continuous process improvement, efficiency, data-driven decisions, and cost management. Distribution formulas are set in statute. Per capita consumption remains low in Idaho compared to other states. Idaho remains below both license states and control states in outlet density for spirits; and no state stores remain open past 9:00 p.m. Idaho generally follows national trends for the increasing distilled spirits share of beverage alcohol consumption. Growth has been the result of opening 14 additional state stores between 2005 and 2010, since then the number has been unchanged. Strategic response to changing consumer preferences has led to consistent improvements in sales and profits per store that exceed growth in 9 liter case volumes. Converting lower performing stores to contract stores might be a consideration. The marketplace is ever changing, especially since the state of Washington has privatized liquor sales which is the first elimination of a state system since the repeal of Prohibition. The groups who helped change the Washington model now have their sights set on Oregon and Idaho.

The Governor's FY 2015 recommended budget totals of 205 FTPs and \$17,506,100 which includes the following decision units: 1) Relocate/modernize seven liquor stores, \$424,000; 2) warehouse freight loading dock locks, \$48,000; 3) IT tracking software, \$10,000; 4) one additional warehouse employee, \$40,000; 5) additional business analyst, \$51,000; 6) additional personnel costs, \$11,100, and a network billing proposal for \$1,200. They will not extend the hours at three Idaho Falls stores, so **the total budget is decreased by \$21,600 to \$17,506,100** from the original recommendation shown in the Legislative Budget Book.

**AGENCY
PRESENTATION:**

SELF-GOVERNING AGENCIES

PRESENTER:

**State Lottery
Jeffery Anderson, Director**

The view the presentation, please click on the following link. [State Lottery](#)

The mission of the Idaho Lottery which is to benefit Idaho Public Schools and the Permanent Building Fund is to responsibly provide entertaining games with a high degree of integrity to maximize the dividend. The Lottery's goal is to become the highest performing jurisdiction in North America; currently Idaho is number two behind Tennessee. The Idaho Lottery Commission is a five-member board appointed by the Governor and confirmed by the Senate. The Commission adopts rules for the agency, approves contracts, and monitors all lottery operations in the State. The two dividend beneficiaries each receive 50%; however, proceeds above \$34 million are distributed to the Bond Levy Equalization Fund per a formula set out in Idaho Code. This provision will have generated \$38.55 million when the provision sunsets in September 2014. During the first 24 years, the Lottery is projected to return over \$650,500,000 in dividends to the citizens of Idaho. FY 2013 games sales totaled \$197,449,000. The State Lottery follows not only the letter but the spirit of the law. To date in FY 2014 sales totaled \$120,100,000 and the forecast for all of FY 2014 is \$210,900,000 which would be a 6.8% increase. One of the future challenges is that the state of Wyoming is starting a lottery.

Mr. Anderson discussed previous and current vendors used to print scratch tickets. The primary printer is GTech Printing that prints 70% of scratch tickets, and Pollard Banknote prints 30% of scratch tickets.

Limits set in Idaho Code apply to both continuously appropriated and regularly appropriated funds: 1) there is a 15% cap on administrative costs, the 24-year average is 8.60%, 2) there is a 6% cap on retailer commissions, the 24-year average is 5.85%, and 3) there is a 3.5% cap on advertising/promotions, the 24-yr average is 2.58%. The Governor's recommended FY 2015 budget totals \$5,579,400 with 47 FTPs.

AGENCY

PRESENTATION:

IDAHO INDUSTRIAL COMMISSION

PRESENTER:

Thomas E. Limbaugh, Commissioner

To view the presentation, please click on the following link. [Industrial Commission](#)

The Commission to established in 1918 under Idaho Code and is responsible for the following functions: to decide contested cases, to administer insurance requirements, to approve settlement agreements, to mediate workers' compensation disputes, to provide no cost return-to-work services, to decide unemployment insurance appeals, and to administer the Crime Victims Compensation Program. Sometimes the Commission is mistaken for the State Insurance Fund; the Commission regulates workers' compensation issues but does not pay benefits. On the other hand the Crime Victims Compensation Program does pay benefits. In FY 2013 33,044 accidents were reported with 23 fatalities. In calendar year 2012 sureties reported \$223.2 million total benefits paid (\$144.4 million in medical and \$78.8 million in lost wages).

There are four programs within the Industrial Commission. The Adjudication Division decides disputed workers' compensation cases including hearings, case settlements and mediations; it resolves medical fee disputes, and provides final decisions on unemployment appeals from the Department of Labor. The Employer Compliance Division educates employers on Idaho's workers' compensation insurance requirements. The Claims and Benefits Division collects and maintains status information on 33,000+ claims filed each year to ensure workers' compensation benefits are paid properly and timely. The Division also conducts audits to ensure compliance with claim adjusting rules and in-state adjusting requirements and reviews and makes approval recommendations on lump sum settlement agreements proposed between employer and employee. The Division also provides a certification to industry professionals; since 2002, 52 courses have been given with 2,043 attendees. The Rehabilitation Division was created in 1974 to assist injured workers return to gainful employment; services are provided to employers, insurers and employees. In FY 2013 there were 2,454 referrals, an increase of 16.5 over the previous year and 1,486 injured workers returned to the workforce. The 16-member Advisory Committee on workers' compensation was established in 2000 to provide advice on the workers' compensation system. This committee is working on several projects. The Crime Victims Compensation program provides financial assistance to innocent victims of crime. Currently 6,500 victims are actively receiving services from the Crime Victims program. Funding for the program comes from fines imposed on offenders convicted of

crimes in Idaho and the Victims of Crime Act of 1984 (VOCA) Federal Grant Award. In FY 013, \$2,930,000 was paid to innocent victims of crime and service providers. The Industrial Commission provides funds to the Division of Building Safety for the Logging Safety and Industrial Safety Programs which trains loggers and provides safety inspections.

Mr. Limbaugh provided the following workforce update: the Industrial Commission has 137.25 full-time positions, the two vacancies as of December 31, 2013 have been filled, and turnover for classified staff in FY 2013 was 22.7%. The FY 2015 Governor's recommended budget totals \$15,472,800.

AGENCY

PRESENTATION:

DEPARTMENT OF INSURANCE (DOI)

PRESENTER:

Bill Deal, Director

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

Mr. Deal provided the following FY 2013 information: there were 2,207 carriers, self-funded plans or other entities with a license or registration; 78,950 producer licenses (9,456 resident agents), 18,048 new producer licensing applications; 56,772 policy forms filed; and 765 new consumer complaints received, down some from the previous year. It is the responsibility of the Department to administer the Idaho Insurance Code as well as the International Fire Code.

The Governor's FY 2015 recommended budget totals \$8,734,000 with 73.50 full-time positions (65.5 in insurance and 8 for the Fire Marshall's office). The three decision units approved in the Governor's recommendations were: 1) an object transfer from operating expenditures to personnel costs for salary increases for three existing positions, 2) the reclassification of the financial analyst position for \$15,600, and 3) moving an office specialist position from part time to full time for \$17,800.

**SUPPLEMENTAL
APPROPRIATION:**

DEPARTMENT OF WATER RESOURCES

PRESENTER:

Ray Houston, Principal Budget & Policy Analyst

Water Sustainability Initiative

This request was originally made for FY 2015 but the JFAC Chairmen moved this item to a current year request. The Idaho Water Resource Board (IWRB) and the Idaho Department of Water Resources (IDWR) request that \$10.5 million be transferred to the continuously appropriated Revolving Development Fund and \$4.5 million be transferred to the continuously appropriated Secondary Aquifer Planning, Management and Implementation Fund for a total of \$15 million. The request is made to ensure water availability for existing uses and to provide water supplies for future economic development. The request includes the transfer of two positions, including the General Funds for those two positions, from the Water Management Program to the Planning and Technical Services Program to enhance existing staff to administer the funds and oversee project progress and completion. Projects from the Revolving Development Fund include: 1) \$4 million to acquire senior priority Snake River water rights to supply the Mountain Home Air Force

Base; 2) \$2 million for environmental and feasibility analysis to further the Galloway Reservoir project; 3) \$1.5 million to complete an environmental study regarding enlargement of Arrowrock Reservoir; 4) \$2.5 million to pursue enlargement of the Island Park Reservoir; and 5) \$0.5 million to develop computer infrastructure needed for the water supply bank. Projects from the Secondary Aquifer Management Fund include: 1) \$4 million to develop additional managed recharge capacity needed to reach Eastern Snake Plain Aquifer (ESPA) Comprehensive Aquifer Management Plan (CAMP) goals; and 2) \$0.5 million to conduct joint water need studies in coordination with Northern Idaho communities to ensure water availability for Idaho's future economic development. [One-time cash transfer]

**UNANIMOUS
CONSENT:**

On request by Bell, granted by unanimous consent, the FY 2014 budget for the Department of Water Resources was reopened.

CARRIED:

Original Motion

Moved by Bell, seconded by Gibbs, to approve for introduction \$15,000,000 General Funds, \$0 Dedicated Funds, \$0 Federal Funds for a total of \$15,000,000 with 0 FTP; \$10.5 million to be transferred to the Revolving Development Fund and \$4.5 million to be transferred to the Secondary Aquifer Planning, Management and Implementation Fund. (One-Time)

Ayes: 20

Cameron, Keough, Mortimer, Vick, Nuxoll, Johnson, Bayer, Thayn, Schmidt, Lacey, Bell, Bolz, Eskridge, Thompson, Gibbs, Stevenson, Miller, Youngblood, Ringo, King

Nayes: 0

Ab/Ex: 0

The majority having voted in the affirmative, the motion has passed and without objection will carry a DO PASS recommendation. There being no objection, it was so ordered by Chairman Cameron.

**SUPPLEMENTAL
APPROPRIATION:**

**OFFICE OF THE GOVERNOR
Office of Species Conservation**

PRESENTER:

Ray Houston, Principal Budget and Policy Analyst

Sage Grouse Lek Monitoring

Sage grouse were historically abundant across the West. However, because of the diminishing sagebrush habitat due to invasive weeds, fire, development, agricultural expansion, and other factors, the species has been deemed warranted for listing under the Endangered Species Act. The U.S. Fish and Wildlife Service is currently reviewing two "co-preferred" alternatives for sage grouse management. There are approximately 2,200 sage grouse leks (courtship areas) that have been identified in Idaho. However, over 1,000 of these sites have not been surveyed in over five years. The agency requests \$100,000 in General Fund appropriation in operating expenditures to contract with the Department of Fish and Game for monitoring of the 78 lek routes identified in the Governor's sage grouse conservation alternative, and to survey up to 1,000 undetermined status leks during the spring mating season. [One-time]

**UNANIMOUS
CONSENT:**

On request by Gibbs, granted by unanimous consent, the FY 2014 budget for the Office of Species Conservation in the Office of the Governor was reopened.

CARRIED:

Original Motion

Moved by Gibbs, seconded by Lacey, to approve for introduction \$50,000 General Funds, \$0 Dedicated Funds, \$0 Federal Funds for a total of \$50,000 with FTP of 0. (One-Time)

AYES: 20

Cameron, Keough, Mortimer, Vick, Nuxoll, Johnson, Bayer, Thayn, Schmidt, Lacey, Bell, Bolz, Eskridge, Thompson, Gibbs, Stevenson, Miller, Youngblood, Ringo, King

NAYES: 0

Ab/Ex: 0

The majority having voted in the affirmative, the motion has passed and without objection will carry a DO PASS recommendation. There being no objection, it was so ordered by Chairman Cameron.

**SUPPLEMENTAL
APPROPRIATION:**

DEPARTMENT OF FISH AND GAME

PRESENTER:

Ray Houston, Principal Budget and Policy Analyst

Sage Grouse Lek Monitoring

Sage grouse were historically abundant across the West. However, because of the diminishing sagebrush habitat due to invasive weeds, fire, development, agricultural expansion, and other factors, the species has been deemed warranted for listing under the Endangered Species Act. The U.S. Fish and Wildlife Service is currently reviewing two "co-preferred" alternatives for sage grouse management. There are approximately 2,200 sage grouse leks (courtship areas) that have been identified in Idaho. However, over 1,000 of these sites have not been surveyed for over five years. The Governor recommends \$35,000 in personnel costs and \$15,000 in operating expenditures for a total of 50,000 in dedicated appropriation in operating expenditures to contract with the Office of Species Conservation for monitoring of the 78 lek routes identified in the Governor's sage grouse conservation alternative, and to survey up to 1,000 undetermined status leks during the spring mating season. [One-time]

**UNANIMOUS
CONSENT:**

On request by Lacey, granted by unanimous consent, the FY 2014 budget for the Department of Fish and Game was reopened.

CARRIED:

Original Motion

Moved by Lacey, seconded by Gibbs, to approve for introduction \$0 General Funds, \$50,000 Dedicated Funds, \$0 Federal Funds for a total of \$50,000 with FPT of 0. (One-Time)

AYES: 20

Cameron, Keough, Mortimer, Vick, Nuxoll, Johnson, Bayer, Thayn, Schmidt, Lacey, Bell, Bolz, Eskridge, Thompson, Gibbs, Stevenson, Miller, Youngblood, Ringo, King

NAYES: 0

Ab/Ex: 0

The majority having voted in the affirmative, the motion has passed and without objection will carry a DO PASS recommendation. There being no objection, it was so ordered by Chairman Cameron.

ADJOURN: Chairman Cameron adjourned the meeting at 10:25 a.m.

Senator Cameron
Chair

Peggy Moyer
Secretary