

MINUTES
JOINT FINANCE-APPROPRIATIONS COMMITTEE

DATE: Monday, February 10, 2014
TIME: 8:00 A.M.
PLACE: Room C310
MEMBERS PRESENT: Senators: Co-chairman Cameron, Keough, Mortimer, Vick, Nuxoll, Johnson, Bayer, Thayn, Schmidt, Lacey
Representatives: Co-chairman Bell, Bolz, Eskridge, Thompson, Gibbs, Stevenson, Miller, Youngblood, Ringo, King

**ABSENT/
EXCUSED:** None

**STAFF
PRESENT** Bybee, Lockett

CONVENED: Chairman Cameron convened the meeting at 8:00 a.m.

**AGENCY
PRESENTATION:** DEPARTMENT OF COMMERCE

PRESENTER: **Jeffery Sayer, Director**
To view the powerpoint presentation, please click on the following link.
[Department of Commerce](#)

Mr. Sayer introduced the following members of his management team: Megan Ronk, Chief Operations Officer; Melonie Bartolome, Commerce Fiscal Manager; Diane Norton, Commerce Tourism Manager; Matt Borud, Business Development & Marketing Administrator; and Chrissy Bowers, Industry & Community Services Administrator. He thanked all of his Department employees and also expressed appreciation to his partners in other state agencies for their hard work and dedication. Over the last year with assistance from the Division of Financial Management he has reorganized his department and now has three teams. He took savings from streamlining his organization and gave increases to remaining staff; his compa ratio is now above 80%. He discussed two data points: 1) annual exports continue to increase and reached \$6.1 billion in 2012, and 2) the lodging tax has increased from \$7.1 million in 2012 to \$7.5 million in 2013. The state has many grant funds which the Department of Commerce is very careful about disbursing; there are 8 business and job grants, 1 RCBG grant, 13 Gem grants, 17 Rural ED Pros, and 17 IGEM grants. He gave an update on the IGEM program stating that in FY 2013, IGEM innovation grants supported seven university/industry partnerships at ISU, U of I, and BSU and he also discussed the collaboration between SBOE, CAES and the Department of Commerce to produce the first IGEM annual report. Last year the Legislature provided \$3 million for a key development tool known as the Opportunity Fund which was to be used for grants for local infrastructure related to business attraction or expansion; the grants were to be performance-based initiatives. **Mr. Sayer** updated the Committee on the Opportunity Fund stating five of the projects in progress would create about 800 jobs and provide returns of from 68% to 624%; there are benchmarks along the way that have to be met before funds are disbursed.

The Governor's FY 2015 budget recommendation totals \$34,355,900. Included in that total is a request for \$30,000 which was originally going to be used for an Idaho-Asia trade office in Taiwan to expand services into Southeast Asia markets; however, plans have changed and the money will now be used to explore new markets without the expense of an office by using it for such things as trade shows, travel costs, etc. Also included in the budget request is \$29,600 in dedicated funds for additional IGEM support and \$3,000,000 ongoing in spending authority for the Idaho Opportunity Fund. Another budget request is to transfer \$50,000 from the Small Business Assistance Fund (SBIR) grant program (trustee and benefits payments) to operating expenditures in order to use the appropriation to support IGEM/Innovation efforts.

AGENCY

PRESENTATION: DEPARTMENT OF REVENUE AND TAXATION

PRESENTERS: State Tax Commission

Rich Jackson, Chairman; Mark Poppler, Fiscal Officer; Ken A. Roberts, Commissioner

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

Mr. Jackson said the Commission has dedicated employees and commissioners who work hard to be open, fair and equitable to all. The Commission does not set policy but administers laws and collects revenue. The majority of Idaho citizens comply with tax laws; the Commission pursues the few who do not comply. The past year was a strong income tax processing year: 1) processed 783,911 individual tax returns, 2) processed 92,600 business tax returns, 3) identified 574 fraudulent returns and stopped more than \$600,000 from being returned to fraudsters, and 4) issued 533,000 individual income tax refunds totaling \$276 million within expected time frames. The Commission administers 19 separate tax types and processed 2.35 million transactions. Total gross revenue for FY 2013 was \$3,464.0 million and provided net general funds of \$2.6 billion or 95.4% of the total general fund revenue in FY 2013. During the past year the Commission split the Audit/Collection Division into two divisions for better management and efficiency, made the rule-making process more transparent, and made some changes to the annual meeting which is now archived on the Commission's web site. Current projects for the Commission are: 1) upgrading GenTax, phases 1 and 2, 2) working on three recommendations from the Office of Performance Evaluations, and 3) participating in the Governor's newly created eight-person working group to review the Tax Commission's structure and processes in order to improve operations,

Mark Poppler presented the Governor's FY 2015 budget recommendation which totals \$37,753,700 including \$27,981,600 for personnel, \$9,021,400 for Operating, and \$750,700 for Capital items. Replacement items total \$738,400 of which general funds total \$477,800. FY 2015 line items include property tax software for \$289,400, and a program reorganization (splitting Collections/Audit into two divisions) that transfers 125 FTEs to the new Audit Division.

Ken Roberts discussed the property tax software modernization. The current system is 34 years old and it is difficult to find programmers familiar with the system's programming code; the Commission needs a more flexible framework for enhancements and legislative changes. By law, the Tax Commission is required to provide support to Idaho counties. The new system is web-based, mouse driven, point and click (no function keys), screens can expand to show all data, pop-up screens can be resized and moved around, and photos and maps can be added to the screen. The new system is user-friendly and will allow for electronic assessment notices and tax bills, saving about \$40,000 a year. The Commission will be able to stop paying \$175,000 annually for maintenance on the current system. **Mr. Roberts** also discussed the Commission's personnel budget. Currently the Commission starts FY 2014 with a deficit of almost \$1.3 million or 4.74% which represents the difference between the budget of \$27.2 million and what would be required if there were no vacancies and if there was a normal contingent of temporary workers during the annual tax drive. The Commission has to overcome the deficit through vacancies and/or savings through hiring replacement workers at lower salaries than previous employees were paid before it can begin considering raises or bonuses. It is a challenge to build morale with situations like this. (There were no CEC or bonuses in FY 2010 or FY 2011; in late FY 2012 early implementation of the FY 2013 CEC was enhanced slightly by permanent salary savings.)

**PRESENTER: Idaho State Board of Tax Appeals
Steve Wallace, Director**

The three members of the Board of Tax Appeals are Lee Heinrich (former State Senator), Linda Pike, and David Kinghorn, Chairman. The Board provides taxpayers the opportunity to appeal their ad valorem assessed valuations from a county board of equalization or from the Idaho State Tax Commission. Typically a board member or a staff hearing officer is assigned to travel to a location near the taxpayer to conduct an in-person hearing. At a later date, the record made at the hearing is reviewed by the full board; two members must concur before a final decision is issued. Assisting the Board are five permanent, full-time employees located in Boise.

The Board's mission is to provide an independent, convenient and fair review of disputed tax assessments. Over 90% of the cases concern property tax assessments; the balance of cases involve appeals from the State Tax Commission. Appeals before the Board are formal proceedings pursuant to Idaho's Administrative Procedures Act and the Board's own body of law. The Board is not a taxing authority and is fully independent from the State Tax Commission.

The Governor's FY 2015 budget recommendation totals \$522,200 with 5 FTPs. The budget includes \$1,300 for inflationary adjustments and \$10,500 for replacement items. A management review audit is currently underway for FY 2010-2013.

**AGENCY
PRESENTATION: IDAHO TRANSPORTATION DEPARTMENT**

PRESENTERS: **Jerry Whitehead, Board Chairman**
Scott Stokes, Chief Deputy (representing Director Brian Ness)

To view the powerpoint presentation, please click on the following link. [Idaho Transportation Department](#)

Mr. Whitehead, Chairman of the seven-member Transportation Board, said members are appointed by the Governor. Besides Mr. Whitehead the members include: Jim Coleman, District 1; Jan Vassar, District 2; Julie DeLorenzo, District 3; Jim Kempton, District 4; Dwight Horsch, District 5; and Lee Gagner, District 6. The Board's mission is to plan, develop, construct, and maintain a system of state highways.

Recently there have been major changes in the Department's executive team due to retirement. New team members are Jim Carpenter, Chief Operations Officer; Charlene McArthur, Chief Administrative Officer; and Brenda Williams, Chief Human Resources Officer. Mr. Stokes is the fourth member of the executive team. The presentation will cover the Governor's FY 2015 budget recommendation, a report on the Department's major accomplishments in 2013, and ITD'S focus for 2014.

Mr. Stokes presented the Governor's FY 2015 recommended budget which totals \$576,163,500 with 1,724 FTPs. Included in the budget figure is the GARVEE (Grant Anticipation Revenue Vehicle) payment for \$59.8 million. ITD receives no revenue from the General Fund; 54% of the total program funding is federal and 86% of the total program funding is dedicated to highways for operations, contract construction, and GARVEE payments. The Department had no audit findings for the third year in a row. Legislation this year which has a fiscal impact provides funding to update the commercial driver's license system; it will bring Idaho into compliance with federal requirements regarding new learners' permit standards for commercial drivers. The legislation will cost \$20,000 to update the system which will prevent federal sanctions leading to the loss of up to \$19 million in federal highway funding per year beginning in FY 2016. Current federal funding is received under MAP-21 which is a two-year federal transportation bill that will expire in September of 2014; the bill may be extended by a continuing resolution or it could be replaced with a new bill. Under MAP-21 there is a \$12 billion annual shortfall to the federal highway trust fund. Revenue from the federal general fund is currently making up the difference. Congress will either need to raise revenue, reduce funding to the states or develop a combination of the two. The current bill reduced Idaho's federal funding by \$20 million per year. If Congress does not increase revenue, Idaho's federal funding could be cut by as much as an additional \$100 million annually.

Idaho has over 1,800 bridges on the state highway system; more than one-third of the bridges are over 50 years old and were designed to last 40 to 60 years. At current funding levels the bridges would have to last 2 to 3 times their expected life cycle. One of the common complaints from industry is the negative impact restricted bridges have on their ability to ship products. Bridges in good condition with modern carrying capacities are critical to moving goods in order to improve commerce. ITD also has increased pavement funding needs. There are 12,000 lane miles on the state highway system. Much of the gravel and sand base underneath the pavement is old and nearing the end of its life cycle due to weather, moisture and the freeze-thaw cycle. Choices made today determine the future condition of tomorrow's highway system.

The Department's work culture has changed in order for the agency to become more effective. ITD significantly reduced the layers of bureaucracy and put decision-making closer to where the work was being done. It eliminated several layers of supervision and 62 supervisory positions. Employees are held accountable for the results they achieve. The next change was to implement a department-wide strategic plan with three goals: safety, mobility, and economic opportunity. Available funding is targeted to grow the state's economy to more than \$60 billion annually, in line with Governor Otter's Project 60 initiative. Every person at ITD including the Director has performance goals tied directly to the strategic plan. Safety efforts surrounding the goal of having the safest transportation system possible fall into two categories: infrastructure (improving the way safety projects in transportation corridors are prioritized) and human behavior (changing the types of messages used to influence drivers). The next part of the strategic plan focuses on mobility by improving safety in work zones. The third goal addresses economic opportunity by making investment decisions for the transportation system in line with the Governor's Project 60 goals. ITD is working closely with the Departments of Commerce, Labor and Agriculture to develop tools to measure and maximize the impacts of investments. ITD is a member of the Governor's new Rapid Response Team that will work with new and expanding businesses to "Accelerate Idaho."

Mr. Stokes also discussed the following accomplishments: improving the Department's credibility, efficiency and customer service, making ITD more transparent in how taxpayers' money is used, making an additional \$100 million available for construction projects over the next five years, funding an additional \$80 million in GARVEE projects by better management practices, and saving \$23 million in personnel costs in three years by reducing full-time workforce (90 positions this past year) and realigning the Department,

ITD has been recognized as a national and international leader. In 2013 Idaho won more awards than any state in AASHTO's (American Association of State Highway and Transportation Officials) 100-year history; the Department won 18 national awards and 19 state awards.

The Department's focus for 2014 is continued implementation of the strategic plan. Director Ness has asked the leadership team, supervisors, and employees to narrow their focus and concentrate on the most important projects or initiatives that will support the strategic plan and serve customers. Another focus for 2014 is improving project delivery and cash flow. Over the next five years half of the Department's employees will be eligible for retirement; therefore, workforce and succession planning is critical. There are numerous benefits to investing in transportation: it creates and sustains jobs, grows the economy, reduces crashes and improves safety. The Governor's Task Force on Modernizing Transportation Funding in Idaho concluded it will take an additional \$262 million annually to keep the existing system in its current condition. Another study found that for every \$1 invested in maintaining roads, it saves \$6 to \$14 in repairs/replacement in the future.

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

Senator Cameron
Chair

Peggy Moyer
Secretary