

AGENDA
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE
1:30 P.M.
Room EW05
Monday, January 13, 2014

SUBJECT	DESCRIPTION	PRESENTER
	Organizational Meeting	

COMMITTEE MEMBERS

Chairman Hartgen
Vice Chairman Anderson(31)
Rep Loertscher
Rep Anderst
Rep Hancey
Rep Harris

Rep Holtzclaw
Rep Mendive
Rep Romrell
Rep VanOrden
Rep King
Rep Woodings

COMMITTEE SECRETARY

Mary Tipps
Room: EW06
Phone: 332-1149
email: hcom@house.idaho.gov

MINUTES
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE

DATE: Monday, January 13, 2014
TIME: 1:30 P.M.
PLACE: Room EW05
MEMBERS: Chairman Hartgen, Vice Chairman Anderson(31), Representatives Loertscher, Anderst, Hancey, Harris, Holtzclaw, Mendive, Romrell, VanOrden, King, Woodings
**ABSENT/
EXCUSED:** None
GUESTS: None

Chairman Hartgen called the meeting to order at 1:30 p.m.

Chairman Hartgen welcomed the Committee and explained that it is time to make determinations on the administrative rules that have been submitted for the Committee's review. He made subcommittee assignments for hearing those rules as follows: Subcommittee One will be chaired by **Rep. VanOrden** and will include **Reps. Hartgen, Loertscher, Hancey, Mendive** and **Woodings**. That subcommittee will hear rules from the Department of Labor, Office of the Governor (Department of Human Resources), and the Industrial Commission. Subcommittee Two will be chaired by **Rep. Harris** and will include **Reps. Anderson(31), Anderst, Holtzclaw, Romrell** and **King**. They will hear rules from the Division of Veterans' Services, the Department of Commerce, and the Public Employee Retirement System of Idaho (PERSI).

Chairman Hartgen introduced the Committee's first-half page, **Tahj McDaniel**, and shared that Tahj lives in Dietrich, Idaho and is a senior at Dietrich High School. He is interested in a career in finance.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 1:35 p.m.

Representative Hartgen
Chair

Mary Tipps
Secretary

AGENDA
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE
HARRIS SUBCOMMITTEE
Administrative Rules
1:30 P.M.
Room EW20
Wednesday, January 15, 2014

DOCKET NO.	DESCRIPTION	PRESENTER
28-0207-1301	Rules Governing the Administration of the IGEM Grant Recognition Fund Grant Program	Jeff Sayer, Department of Commerce
28-0301-1301	Rules of the Idaho Opportunity Fund	Jeff Sayer, Department of Commerce
28-0304-1301	Rules of the Business and Jobs Development Grant Fund	Jeff Sayer, Department of Commerce
21-0102-1301	Rules Governing Emergency - Division of Veterans' Services	Tamara Mackenthun, Division of Veterans' Services
21-0108-1301	Rules Governing Veterans' Recognition Fund Grant Program	Tamara Mackenthun, Division of Veterans' Services
59-0103-1401	Contribution Rules for the Public Employee Retirement System of Idaho (PERSI)	Don Drum, PERSI
59-0106-1301	Retirement Rules of PERSI	Don Drum, PERSI

COMMITTEE MEMBERS

Chairman Harris
Rep.Anderson(31)
Rep.Anderst
Rep.Holtzclaw
Rep.Romrell
Rep.King

COMMITTEE SECRETARY

Kaela Becklund
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MINUTES
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE
HARRIS SUBCOMMITTEE
Administrative Rules

DATE: Wednesday, January 15, 2014
TIME: 1:30 P.M.
PLACE: Room EW20
MEMBERS: Chairman Harris, Representatives Anderson(31), Anderst, Holtzclaw, Romrell, King
**ABSENT/
EXCUSED:** Representative Holtzclaw
GUESTS: Jeff Sayer, Idaho Department of Commerce; Megan Ronk, Idaho Department of Commerce; Wendy Widman, DHW; Don Drum, PERSI; Joanna Guilfooy, PERSI
Chairman Harris called the meeting to order at 1:30 p.m.

**DOCKET NO.
28-0207-1301:** **Jeff Sayer**, Director of the Idaho Department of Commerce, introduced **Docket No. 28-0207-1301** to the committee. These rules, he explained, pertain to the IGEM Grant Recognition Fund Grant Program. He said this program funds commercialization grants that support university and industry partnerships to enhance technology transfer and commercialization of research and technologies developed to create high quality jobs and new industries in Idaho. He detailed the various sections of the rule outlining the Request For Proposal (RFP) which is to include the requirements for performance measures and reporting that must be met to ensure continuation of the grant. If these standards are not met, the grant may be terminated. He also detailed the rule's stipulations that proposals that partner with Idaho based entities will be given preference and that there must be a match of some kind from the industry to create a three-way interest in the proposal between the university, the state, and industry.

In response to questions regarding the Idaho preference, **Mr. Sayer** said that as they screen projects and look at all of the various factors and qualification, one qualification they will consider is an interest for Idaho universities or industries and that proposals with such interests will be given more weight than those without.

In response to questions, **Mr. Sayer** stated the more private investment there is in the process, the more likely it is to be successful and more likely to be a viable project. Mr. Sayer said the IGEM Council felt it was important to spend so much time up front to ensure good investment from the beginning.

In response to questions regarding the grant process and the money source as well as its current usage, **Mr. Sayer** said that there is a one million dollar annual grant. He mentioned that the Council has issued \$900,000 across seven different grants for Fiscal Year 2013 and is right now going through the process to issue more grants for the following fiscal years. The Director stated that these grants cover a very wide spectrum of projects and ideas.

In response to questions regarding the weights or measures in reviewing the proposals and issuing the grants, **Mr. Sayer** stated that they are working on developing those set weights and wanted to test their ideas before those weights are placed into rule. He stated that the Council is run by successful businessmen who use a variety of intuitive business practices in making sound decisions that have little risk with high reward.

In response to questions regarding whether or not the match should be quantified, **Mr. Sayer** stated they wanted to keep the requirement flexible because each proposed project is so different and the range of ideas is so varied that they may require different kinds of investment rather than any set dollar amount.

When asked to summarize section of Idaho Code 67-4731 and how allocation occurs, **Mr. Sayer** said they worked with the universities to ensure that this program was in line with their already established university contracts. He stated that this program comes into the agreement after the university has already made a contract with their research partners and helps fill the financial gaps. He also said that as revenues come back to the project, this program will receive some of those funds and that the fund's goal is to be self-sufficient.

In response to questions about accountability standards for this fund, **Mr. Sayer** stated that there are strict and strong requirements for the Council to be held accountable established in statute. He stated that they are required do annual reports as well as publishing the grants and projects approved for the grants.

MOTION:

Rep. Anderst made a motion to recommend approval of **Docket No. 28-0207-1301** to the full committee. **Motion carried by voice vote.**

**DOCKET NO.
28-0301-1301:**

Jeff Sayer, introduced **Docket No. 28-0301-1301** to the committee. He stated that this rule pertains to the new Idaho Opportunity Fund (IOF) established to replace the Business and Jobs Development Grant Fund. He called this fund a "deal closing fund." He outlined the three criteria for the grants. One is that they are performance based. Second is that they must be negotiated with set milestones and benchmarks for the funding. Third is that there must be community partners involved in a local match. This match, he stated, was to be kept flexible to ensure that the variety of communities in Idaho would be able to create a match in some way. He stated that fiscally this fund is supported by a one-time three million dollar support to show that it works and is a good investment, and then an annual allocation of \$400,000 dollars.

Mr. Sayer stated that there were to be two sister agreements in these grants. The first was to be between the state and the city and the second was to be between the city and the company. Thus, the three involved parties would all be involved in decision making and the money would flow through two agreements.

At the end of his presentation, **Mr. Sayer** also outlined the requirements for the fund's reporting and accountability. He stated that they are annually responsible to the Legislature and the government for the money they had spent and how and that quarterly they have the obligation to report to the Economic Advisory Council.

In response to concern that the Director has sole discretion over the grant, **Mr. Sayer** said that although that sounds scary, in order to be able to negotiate and be a part of the deal making process, the Director needs the authority to make those decisions. This power however, is one of the reasons why accountability and review is so high and constant so as to prevent any kind of misuse.

In response to a follow up question about the make up of the Economic Advisory Council, **Mr. Sayer** said that the Council is made up of opinionate and successful business people with diverse backgrounds, that come from all across the state. He said although it may appear that there are no urban-centered members, the members do in fact have a high level of expertise and experience in the matters that are most pertinent to the Council and it's decisions.

In response to a question regarding the open meeting laws of the Council, **Mr. Sayer** explained that the Council does follow the open meeting laws and that they also meet the balanced party requirements.

MOTION: **Rep. King** made a motion to recommend approval of **Docket No. 28-0301-1301** to the full committee. **Motion carried by voice vote.**

DOCKET NO. 28-0304-1301: **Jeff Sayer** introduced this docket and explained that it was simply being deleted from the rules as the Business and Jobs Development Fund was replaced by the Idaho Opportunity Fund.

In response to questions regarding why this fund needed to be replaced, **Mr. Sayer** stated there was not the same kind of oversight in this Fund that there is in the IOF and that the three central provisions of the IOF were not a part of this fund. Rather than try to change this fund so drastically, he stated that it was more appropriate to simply create an entirely new program.

MOTION: **Rep. Anderson(31)** made a motion to recommend approval of **Docket No. 28-0304-1301** to the full committee. **Motion carried by voice vote.**

DOCKET NO. 21-0102-1301: **Tamara Mackenthun** of the Idaho Division of Veterans Services was introduced to the committee and presented **Docket No. 21-0102-1301** to the Committee. She stated that the intent of this change was to include tribal veterans' representatives in the rule which would allow them the funding to be able to attend training for Idaho emergency relief services for veterans. She stated that the cost would be about \$2,500 dollars. She also stated that this change was essential to ensure all veteran communities were up to speed, to be able to file accurate claims and get veterans the services they need.

In answer to questions regarding why this change occurred, **Ms. Mackenthun** stated that the tribes were originally represented by others and that, along with the support of a federal initiative, the tribes would have local community representatives for tribal veterans in the Native American communities.

In response to questions about how the Division came up with the monetary figures, **Ms. Mackenthun** stated that they took current costs of others who come to the conference and the distance they would have to travel and made a large estimate.

In response to how many tribes were in Idaho that require this training, **Ms. Mackenthun** stated that there are five tribes in Idaho and that currently only four have representatives.

MOTION: **Rep. King** made a motion to recommend approval of **Docket No. 21-0102-1301** to the full committee. **Motion carried by voice vote.**

DOCKET NO. 21-0108-1301: **Ms. Mackenthun** next introduced **Docket No. 21-0108-1301** to the Committee. This docket is regarding the Veterans' Recognition Fund Grant Program. The objective of this Fund is to provide funding for programs that support Idaho veterans both within and outside state and local government. She explained that these rules are to set the administrative processes for the award of grants. She mentioned that this program is structured almost identically to the Veterans' Support Fund in eligible activities and costs. This rule lays out the eligible activities and costs, the ineligible activities and costs, the funding priorities, the grant process, and the conditions and requirements of those grants.

In response to questions regarding the funds for the commission members and where those funds come from, **Ms. Mackenthun** responded that the funds are already in the program and the members of the commission will not be compensated but they may receive a travel stipend for their trips to Boise.

MOTION: **Rep. Anderst** made a motion to recommend approval of **Docket No. 21-0108-1301** to the full committee. **Motion carried by voice vote.**

DOCKET NO. 59-0103-1401: **Don Drum**, Director of the Public Employee Retirement System of Idaho (PERSI) introduced **Docket No. 59-0103-1401**. This docket is a Temporary PERSI Rule that delays the effective date, at which time an increase in contribution rates are scheduled to occur for employers and employees. Rather than July of 2014 the increase will be delayed one year, to July 2015.

MOTION: **Rep. Anderson(31)** made a motion to recommend approval of **Docket No. 59-0103-1401** to the full committee. **Motion carried by voice vote.**

DOCKET NO. 59-0106-1301: **Don Drum** introduced **Docket No. 59-0106-1301** to the committee. He explained that this is simply a new rule that is required to be in statute for PERSI to be qualified as a governmental plan under the Internal Revenue Code and sets out PERSI's good faith interpretation of those requirements. It addresses employee termination of PERSI and brings it into compliance with the IRS Code.

In response to questions regarding the different structure of this docket and whether or not this looks different in statute than other rules, **Mr. Drum** stated that this looks different because this is a new rule. Although the requirements to be in compliance with IRS Code have existed since 1974, the references have not existed in Code. When further asked where those references were in this rule, Mr. Drum referred to his Deputy Attorney General, **Ms. Johanna Guilfooy**. She stated that there is legislation to change the statute to include those references. However, Idaho was not required to have the IRS references incorporated in the rules, instead it just required their good faith exception be laid out, which is what this rule does.

MOTION: **Rep. Romrell** made a motion to recommend approval of **Docket No. 59-0106-1301** to the full committee. **Motion carried by voice vote.**

Rep. Anderson(31) took a minute to thank **Director Drum** for his service and the stellar reputation he has helped build, and the confidence in the program and for all their hard work.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 2:37 p.m.

Representative Harris
Chair

Kaela Becklund
Secretary

AGENDA
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE
VANORDEN SUBCOMMITTEE
Administrative Rules
1:30 P.M.
Room EW05
Wednesday, January 15, 2014

DOCKET NO.	DESCRIPTION	PRESENTER
09-0130-1301	Unemployment Insurance Benefit Administration Rules	Bob Fick, Department of Labor
09-0135-1301	Unemployment Insurance Tax Administration Rules	Bob Fick, Department of Labor
15-0401-1302	Rules of the Division of Human Resources and Personnel	David Fulkerson, Division of Human Resources
17-0209-1301	Medical Fee Rules	Patti Vaughn, Industrial Commission
17-0210-1301	Administrative Rules of the Industrial Commission	Jane McClaran, Industrial Commission
17-0211-1301	Rules of Security for Compensation - Self Insured Employers	Jane McClaran, Industrial Commission

COMMITTEE MEMBERS

Chairman VanOrden
Rep.Hartgen
Rep.Loertscher
Rep.Mendive
Rep.Hancey
Rep.Woodings

COMMITTEE SECRETARY

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MINUTES
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE
VANORDEN SUBCOMMITTEE
Administrative Rules

DATE: Wednesday, January 15, 2014

TIME: 1:30 P.M.

PLACE: Room EW05

MEMBERS: Chairman VanOrden, Representatives Hartgen, Loertscher, Mendive, Hancey, Woodings

**ABSENT/
EXCUSED:** None

GUESTS: Lindsay Egbert, Beth Kilian, Mindy Montgomery, Jane McClaran, Patti Vaughn and Tom Limbaugh, Industrial Commission; Bob Fick, Josh McKenna and Michael Johnson, Department of Labor; Sharon Duncan, Kim Toryanski, Jess Simonds, Joe Webber and Michelle Peugh, Department of Human Resources

Chairman VanOrden called the meeting to order at 1:32 p.m.

DOCKET NO. 09-0130-1301: **Bob Fick**, Department of Labor, presented **Docket No. 09-0130-1301**, which eliminates the teleclaim option for unemployment benefit recipients due to new reporting requirements that claimants must report not only that they have looked for work, but also with whom they have applied. Claimants will be able to report over the internet, which can be utilized from their homes or from public computers at libraries or other locations. This docket also defines a 12-week time limit for a claimant with job-attached status, for example workers who have been laid off by construction companies due to winter weather but who will be returning to work with that same employer. Employees who are considered to be job-attached are exempt from work-search requirements.

In response to questions, **Mr. Fick** stated that workers utilizing the teleclaim service were required to keep logs of their individual work searches, which were randomly audited. The main industries experiencing layoffs and unemployment in Idaho include construction, agricultural work, food production, and logging.

Josh McKenna, Department of Labor, responded to questions stating that the teleclaim system simply required individual claimants to respond "yes" or "no" when asked if they had searched for work during the previous week. No details were provided. Random audits of employers are conducted to check the accuracy of claimants' work search reports.

MOTION: **Rep. Hancey** made a motion to recommend approval of **Docket No. 09-0130-1301** to the full committee. **Motion carried by voice vote.**

DOCKET NO. 09-0135-1301: **Bob Fick**, Department of Labor, presented **Docket No. 09-0135-1301**, which requires electronic filing of quarterly reports on employee pay and taxes. Currently approximately 6,000 (or 15%) of employers use this system. This docket would require all employers to use the system, which helps the Department of Labor avoid errors and maintain more accurate records. Additionally, the docket would adopt the U.S. Department of Labor's guidelines for identifying independent contractor status. Independent contractors are not subject to certain taxes and benefits.

Responding to questions, **Mr. Fick** said the emphasis on independent contractors has come from the U.S. Department of Labor, which is concerned about correctly identifying independent contractors vs. employees. This is part of the Integrity Campaign. Simplifying the process of correctly identifying worker status protects the employer and worker.

MOTION: **Rep. Mendive** made a motion to recommend approval of **Docket No. 09-0135-1301** to the full committee. **Motion carried by voice vote.**

DOCKET NO. 15-0401-1302: **David Fulkerson**, Division of Human Resources, presented **Docket No. 15-0401-1302**. He said this docket provides and revises definitions on administrative leave and salary increases, in order to provide clarity. It spells out the terms of underfilling, which involves paying an employee a rate below the required pay grade for his or her position during a training period. The terms "Disabled Veteran" and "Veteran" are revised to match their definitions in statute. The evaluation schedule for employees is adjusted, specifying probationary periods and the requirements for annual evaluations. Additionally, it states that an employee's service records of past performance will be transferred from one State employer or agency to another, allowing the new employer to review that employee's work history.

In response to questions, **Mr. Fulkerson** explained formal reviews are not required for each employee who receives a salary increase based on merit, however a current evaluation needs to be on file. Administrative leave is time off from work during which an employee is still being paid. Administrative leave could cover employees who are the subject of investigations, or during periods of severe weather when travel to work would not be safe.

MOTION: **Rep. Hartgen** made a motion to recommend approval of **Docket No. 15-0401-1302** to the full committee. **Motion carried by voice vote.**

DOCKET NO. 17-0209-1301: **Patti Vaughn**, Industrial Commission, presented **Docket No. 17-0209-1301**. She said the changes included in this docket have been in effect under Temporary Rules since July 31, 2013, however legislative approval is now required. Numerical relative value units and conversion factors assigned to each medical service category are being updated. Changes to conversion factors are only to correct an earlier error. The rate of reimbursement for prescriptions has been raised after pharmacies indicated concerns about the low rates that were previously held. Reimbursement for pharmacy services is determined by adding the average wholesale price of the medication or item to a set dispensing fee.

MOTION: **Rep. Woodings** made a motion to recommend approval of **Docket No. 17-0209-1301** to the full committee. **Motion carried by voice vote.**

DOCKET NO. 17-0210-1301: **Jane McClaran**, Industrial Commission, presented **Docket No. 17-0210-1301**, saying this docket incorporates suggestions from the Administrative Rules Coordinator to achieve consistency among state agencies and simplify the rule itself. These changes include: hours of operation and office location, compliance with the Public Records Act, and the removal of actual reporting forms in the appendix. She said the Commission has also added timelines to meet reporting requirements in Idaho Code.

MOTION: **Rep. Mendive** made a motion to recommend approval of **Docket No. 17-0210-1301** to the full committee. **Motion carried by voice vote.**

DOCKET NO. 17-0211-1301: **Jane McClaran**, Industrial Commission, presented **Docket No. 17-0211-1301**. She said this Pending Rule also incorporates the suggestions from the Administrative Rules Coordinator to achieve the same objectives of consistency and simplification of the rules governing self-insured employers. These include: hours of operation and office location, compliance with the Public Records Act, and the removal of actual reporting forms in the appendix. The Commission is not proposing any changes to the current reporting forms. A provision was added for a guaranty agreement under both the qualification and continuing requirements for self-insured employers.

MOTION: **Rep. Hancey** made a motion to recommend approval of **Docket No. 17-0211-1301** to the full committee. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the subcommittee, the meeting was adjourned at 2:18 p.m.

Representative VanOrden
Chair

Mary Tipps
Secretary

AGENDA
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE
1:30 P.M.
Room EW05
Tuesday, January 21, 2014

SUBJECT	DESCRIPTION	PRESENTER
	Report from the VanOrden Subcommittee on Administrative Rules	Rep. VanOrden
Docket Nos.	09-0130-1301 , 09-0135-1301 , 15-0401-1302 , 17-0209-1301 , 17-0210-1301 , 17-0211-1301	
	Report from the Harris Subcommittee on Administrative Rules	Rep. Harris
Docket Nos.	21-0102-1301 , 21-0108-1301 , 28-0207-1301 , 28-0301-1301 , 28-0304-1301 , 59-0103-1401 , 59-0106-1301	
RS22547	Supplemental Retirement System Chapter Repeal	Rep. Harris

COMMITTEE MEMBERS

Chairman Hartgen	Rep Holtzclaw
Vice Chairman Anderson(31)	Rep Mendive
Rep Loertscher	Rep Romrell
Rep Anderst	Rep VanOrden
Rep Hancey	Rep King
Rep Harris	Rep Woodings

COMMITTEE SECRETARY

Mary Tipps
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MINUTES
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE

DATE: Tuesday, January 21, 2014

TIME: 1:30 P.M.

PLACE: Room EW05

MEMBERS: Chairman Hartgen, Vice Chairman Anderson(31), Representatives Loertscher, Anderst, Hancey, Harris, Holtzclaw, Mendive, Romrell, VanOrden, King, Woodings

**ABSENT/
EXCUSED:** None

GUESTS: Tom Limbaugh, Lindsay Egbert, Patti Vaughn, Mindy Montgomery and Jane McClaran, Industrial Commission; David Fulkerson, Division of Human Resources

Chairman Hartgen called the meeting to order at 1:28 p.m.

MOTION: **Rep. VanOrden** made a motion to approve the minutes of January 13, 2014. **Motion carried by voice vote.**

MOTION: **Rep. Hancey** made a motion to approve the minutes of the January 15, 2014 meeting of the VanOrden Subcommittee on Administrative Rules. **Motion carried by voice vote.**

MOTION: **Rep. Anderson(31)** made a motion to approve the minutes of the January 15, 2014 meeting of the Harris Subcommittee on Administrative Rules. **Motion carried by voice vote.**

Rep. VanOrden presented her subcommittee's findings on the Administrative Rules they reviewed from the Department of Labor, Office of the Governor (Department of Human Resources), and Industrial Commission. She said the subcommittee's recommendation was to approve **Docket Nos. 09-0130-1301, 09-0135-1301, 15-0401-1302, 17-0209-1301, 17-0210-1301, and 17-0211-1301**, which represent all dockets that were before the subcommittee.

MOTION: **Rep. VanOrden** made a motion to approve **Docket Nos. 09-0130-1301, 09-0135-1301, 15-0401-1302, 17-0209-1301, 17-0210-1301, and 17-0211-1301.** **Motion carried by voice vote.**

Rep. Harris presented his subcommittee's findings on the Administrative Rules they reviewed from the Division of Veterans' Services, Department of Commerce, and Public Employee Retirement System of Idaho (PERSI). He said the subcommittee's recommendation was to approve **Docket Nos. 21-0102-1301, 21-0108-1301, 28-0207-1301, 28-0301-1301, 28-0304-1301, 59-0103-1401, and 59-0106-1301**, which represent all dockets that were before the subcommittee.

MOTION: **Rep. Harris** made a motion to approve **Docket Nos. 21-0102-1301, 21-0108-1301, 28-0207-1301, 28-0301-1301, 28-0304-1301, 59-0103-1401, and 59-0106-1301.** **Motion carried by voice vote.**

RS 22547:

Rep. Harris presented **RS 22547**, which he said repeals Title 59, Chapter 15, Idaho Code. This Code section is from 1975, and received appropriated funds in 1978. It deals with the Supplemental Retirement System, which provides retirement allowances to widows of governors of Idaho, and to widows of United States senators and congressmen of Idaho. In order to qualify for these spousal retirement benefits, the governor, senator or congressman must have completed at least four years of service. Benefits start when the widow reaches age 65 and are equal to 2.5% of the current annual compensation for the office previously held by her spouse, times the number of years he served, payable in equal monthly installments. It is stated that the annual amount shall not be less than \$4,800 and not more than \$10,800. The retirement allotment shall also be reduced by the amount of retirement allowance received from any other retirement system operated by the state or federal government, except Social Security benefits. There is also a provision for paying reasonable expenses incurred as a result of a last illness, including funeral expenses, if those expenses are not otherwise paid from another source. **Rep. Harris** explained that this program is now obsolete because eventually the program was limited to those currently enrolled, and the last remaining person receiving benefits is now deceased.

Responding to the question of why this is being addressed now, **Rep. Harris** stated that this program singles out certain individuals for special privileges, so it is both obsolete and inappropriate. The program did not address widowers, only widows, and before the law was enacted certain spouses of deceased officials were able to receive assistance via concurrent resolution.

Don Drum, Public Employee Retirement System of Idaho (PERSI), stated this system has not been used since the 1990s, and there is no person still living who would meet the qualifications of the plan as written. PERSI does not object to this Code section being removed. **Mr. Drum** stated he was not aware this Code section was still on the books until he received a phone call this year from a reporter asking about appropriations for the program. He said having not been part of PERSI in the 1970s through the 1990s, he does not know why the program was not removed from the books before now.

Responding to questions about the contents of the fund, **Mr. Drum** said that originally there was a balance of \$80,000 and later an appropriation of \$170,000 was made. It is his belief that originally the monies were handled by the State Treasurer. He said if any money remains in the fund, PERSI would be happy to return it to the state.

In response to questions about the contents of the fund, **Rep. Harris** said it was overrun by \$30,000. It was a treasury account and is currently closed.

MOTION:

Rep. Holtzclaw made a motion to introduce **RS 22547**. **Motion carried by voice vote.**

ADJOURN:

There being no further business to come before the committee, the meeting was adjourned at 1:47 p.m.

Representative Hartgen
Chair

Mary Tipps
Secretary

AGENDA
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE
1:30 P.M.
Room EW05
Thursday, January 23, 2014

SUBJECT	DESCRIPTION	PRESENTER
<u>RS22366</u>	Establishment of a Rules Process for the Division of Purchasing	Bill Burns, Department of Administration
<u>RS22368</u>	Printing for the Department of Health and Welfare	Bill Burns, Department of Administration

COMMITTEE MEMBERS

Chairman Hartgen
Vice Chairman Anderson(31)
Rep Loertscher
Rep Anderst
Rep Hancey
Rep Harris

Rep Holtzclaw
Rep Mendive
Rep Romrell
Rep VanOrden
Rep King
Rep Woodings

COMMITTEE SECRETARY

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MINUTES
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE

DATE: Thursday, January 23, 2014

TIME: 1:30 P.M.

PLACE: Room EW05

MEMBERS: Chairman Hartgen, Vice Chairman Anderson(31), Representatives Loertscher, Anderst, Hancey, Harris, Holtzclaw, Mendive, Romrell, VanOrden, King, Woodings

**ABSENT/
EXCUSED:** Representative Loertscher

GUESTS: Paul Spannknobel and Greg Kunz, Department of Health and Welfare; Sarah Hilderbrand, Department of Administration; Dennis Stevenson, Department of Administration

Chairman Hartgen called the meeting to order at 1:31 p.m.

MOTION: **Rep. Mendive** made a motion to approve the minutes of January 21, 2014. **Motion carried by voice vote.**

RS 22366: **Bill Burns**, Division of Purchasing in the Department of Administration, presented **RS 22366**. He explained that in 2013, the Idaho Legislature directed the Division of Purchasing to improve the development, management and reporting of contracts and to train agency staff in the contract management process. Mr. Burns said questions have arisen about the authority of the Division to implement the Legislature's directives through rule. This legislation would clarify that the Division is able to establish rules to implement directives. Rules would be issued through the regular administrative rules process, would include a review by the Idaho Legislature, and would only apply to those agencies subject to the processes of the Division.

Responding to questions, **Mr. Burns** said currently the Division does set policy and conducts purchasing processes in accordance with existing rules in Statute. Any rules put into place upon approval of this legislation would be brought back to the Idaho Legislature for their review at the 2015 legislative session. The Division of Purchasing holds monthly meetings with their partner agencies and would ask for and consider the input of those agencies during rulemaking. The requested language in **RS 22366** seeks to provide clarity.

MOTION: **Rep. Hancey** made a motion to introduce **RS 22366**. **Motion carried by voice vote.**

RS 22368: **Bill Burns**, Division of Purchasing in the Department of Administration, presented **RS 22368**. He said that Idaho's original printing law was established in 1903 under Idaho Code 60-101 and 60-103. As this section of Code is more than 110 years old, it does not take into account certain printing needs that take place today. Recently, in response to a vendor challenge, the Department of Administration appointed a determinations officer to review a large procurement for the production and mailing of the Department of Health and Welfare's benefit notices. A review found that state agencies cannot evaluate the quality of offered printing or associated services when a component of the purchase involves printing. The agency must award the contract based only on price. This is a problem in procurements where poor quality of the printing or the associated services could result in costly damages to the state agency. Mr. Burns said if the vendor violates HIPAA privacy laws in producing or mailing a notice for Medicaid benefits, the Department of Health and Welfare is subject to substantial penalties. **RS 22368** addresses mixed services and printing.

When an acquisition involves only printing, binding, engraving or stationery work, Idaho vendors would be awarded the contract unless the exceptions identified in the printing provisions apply. Where an acquisition is for a mix of services and printing, the process followed for all other procurements would be followed.

In response to questions, **Mr. Burns** said when the Division solicits a proposal from a vendor, the vendor's technical capabilities and ability to meet the state's needs are weighed and scored. All contracts between the Division and vendors contain a clause allowing the job to be rejected if it does not meet quality standards. Over the last six years, the Division awarded 92 contracts. Sixty-two were in state, 28 were out of state. Only six of the 92 contracts were awarded based on preference law. It is possible that if this proposed legislation is enacted, the state could see an increased cost in certain contracts, because printing costs are not as critical as ensuring that correct notices go to correct parties in a correct manner. Mr. Burns said the vendor challenge mentioned in his testimony is currently moot. No vendors have reviewed this concept. He would be happy to hear public testimony from vendors during a bill hearing.

Rep. Harris stated he would like to see a change to the Fiscal Note. **Rep. King** stated there is another change that could be made to the Statement of Purpose.

Chairman Hartgen consulted with **Dennis Stevenson**, Administrative Rules Coordinator for the Department of Administration, who indicated the changes can be made without impacting the introduction of the RS, because neither the Fiscal Note nor Statement of Purpose are actually part of the proposed legislation.

MOTION: **Rep. Romrell** made a motion to introduce **RS 22368**. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 2:03 p.m.

Representative Hartgen
Chair

Mary Tipps
Secretary

AGENDA
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE
1:30 P.M.
Room EW05
Monday, January 27, 2014

SUBJECT	DESCRIPTION	PRESENTER
H 397	Supplemental Retirement System Chapter Repeal	Rep. Harris

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Hartgen	Rep Holtzclaw
Vice Chairman Anderson(31)	Rep Mendive
Rep Loertscher	Rep Romrell
Rep Anderst	Rep VanOrden
Rep Hancey	Rep King
Rep Harris	Rep Woodings

COMMITTEE SECRETARY

Mary Tipps
Room: EW06
Phone: 332-1149
email: hcom@house.idaho.gov

MINUTES
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE

DATE: Monday, January 27, 2014
TIME: 1:30 P.M.
PLACE: Room EW05
MEMBERS: Chairman Hartgen, Vice Chairman Anderson(31), Representatives Loertscher, Anderst, Hancey, Harris, Holtzclaw, Mendive, Romrell, VanOrden, King, Woodings
**ABSENT/
EXCUSED:** None
GUESTS: Kelly Cross, Lisa Steele and Don Drum, Public Employee Retirement System of Idaho (PERSI)
Chairman Hartgen called the meeting to order at 1:32 p.m.
MOTION: **Rep. Anderst** made a motion to approve the minutes of January 23, 2014. **Motion carried by voice vote.**
H 397: **Rep. Harris** presented **H 397**, which he explained would repeal the obsolete Supplemental Retirement System as outlined in Title 59, Chapter 15, Idaho Code. This System is no longer open to new enrollees and every person who was eligible for participation in this System is now deceased, therefore the System is not necessary.
MOTION: **Rep. Hancey** made a motion to send **H 397** to the floor with a **DO PASS** recommendation.
Responding to a question about his opinion of the bill, **Don Drum**, Public Employee Retirement System of Idaho (PERSI), said PERSI is in support of this repeal. He expressed that if at a later date it is determined that a similar program is necessary, new Code can be written.
VOTE ON MOTION: **Chairman Hartgen** called for a vote on the motion to send **H 397** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Harris** will sponsor the bill on the floor.
Rep. Hancey asked to be recorded as thanking **Rep. Harris** for his hard work in removing this unnecessary item from Idaho Code.
ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 1:41 p.m.

Representative Hartgen
Chair

Mary Tipps
Secretary

AGENDA
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE
1:30 P.M.
Room EW05
Wednesday, January 29, 2014

SUBJECT	DESCRIPTION	PRESENTER
H 408	Revising Powers and Duties of the Administration of the Division of Purchasing	Bill Burns, Division of Purchasing
H 409	Clarifying the Application of the State Purchasing Law to the Acquisition of Mixed Services and Printing	Bill Burns, Division of Purchasing

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Hartgen	Rep Holtzclaw
Vice Chairman Anderson(31)	Rep Mendive
Rep Loertscher	Rep Romrell
Rep Anderst	Rep VanOrden
Rep Hancey	Rep King
Rep Harris	Rep Woodings

COMMITTEE SECRETARY

Mary Tipps
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MINUTES
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE

DATE: Wednesday, January 29, 2014

TIME: 1:30 P.M.

PLACE: Room EW05

MEMBERS: Chairman Hartgen, Vice Chairman Anderson(31), Representatives Loertscher, Anderst, Hancey, Harris, Holtzclaw, Mendive, Romrell, VanOrden, King, Woodings

**ABSENT/
EXCUSED:** None

GUESTS: Ed Johnson, Auto Start, Inc.; Ryan Navin, Valli Information Systems; Amber Dina, Givens Pursley; Greg Kunz, DHW

Chairman Hartgen called the meeting to order at 1:28 p.m.

MOTION: **Rep. Woodings** made a motion to approve the minutes of January 27, 2014.
Motion carried by voice vote.

H 408: **Bill Burns**, Division of Purchasing, presented **H 408**, which would enable the Department of Purchasing to promulgate rules in the conduct of purchasing for the State. This would not change the existing administrative rules process. Any rules of the Division of Purchasing would require legislative approval.

In response to a question regarding the chain of command in purchasing, **Mr. Burns** stated that agencies under the purview of the Department of Purchasing would continue to work through the Department of Purchasing in order to make purchases.

Julie Weaver, Deputy Attorney General for the Department of Administration, responded to the same question, saying this bill simply clarifies that rules would be broadly applied to anyone operating under the authority of the Department of Purchasing.

Mr. Burns, in response to a question, explained that the Idaho Transportation Department, as well as universities, with the exception of Boise State University and the University of Idaho, do fall under the purview of the Division of Purchasing.

Julie Weaver answered a question regarding whether this bill will create a change. She stated that this bill simply adjusts language to clarify what is already being done and it would not bring any changes.

MOTION: **Rep. Mendive** made a motion to send **H 408** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Mendive** will sponsor the bill on the floor.

H 409: **Keith Reynolds**, Department of Administration, stated the Department of Administration is requesting a change to the fiscal note for **H 409**. He explained that the proposed new language "Any direct fiscal impact to agencies will be minimal" should replace the existing language.

MOTION: **Rep. Anderson(31)** made a motion to accept the revised fiscal note for **H 409**.
Motion carried by voice vote.

H 409:

Bill Burns, Division of Purchasing in the Department of Administration, presented **H 409**, which he said would allow a competitive evaluation process for potential vendors for state printing, binding, engraving or stationary work. Existing requirements for procurement of printing services were written in 1903. Many aspects of the printing work done by state agencies have evolved since then including technology and privacy laws. Mr. Burns said that under current statute, if printing is even a small component of a contract the award must be made solely on the basis of price. The Division is not allowed to take into account whether a vendor will be able to maintain privacy practices, or send notices in a time frame required by law, or whether the quality of the work will be acceptable.

Greg Kunz, Department of Health and Welfare (DHW), testified **in support of H 409**. He explained that currently DHW processes close to 300,000 to 400,000 individuals through their eligibility system. The results are required to be shared with applicants in the form of eligibility notices. Each notice must be printed and organized, then distributed to individual applicants. He explained that items contained in applications and eligibility notices can contain information that could be used in identity theft. He said it is necessary to ensure that notices go to correct individuals, and currently there are cases of notices going to incorrect parties. Additionally, notices are time sensitive and are required to reach individuals within specific time frames. Under the current system of being able to hire vendors only based on price when printing is involved, DHW is struggling to adequately serve.

In response to questions, **Mr. Kunz** stated that DHW typically contracts with vendors for long periods of time, however he is sure there is a large range of time frames involved in service provider contracts.

Responding to additional questions, **Mr. Burns** explained that the Deputy Attorney General looked into the legislative intent from 1903, however it was not located. He said that in 1975 the Idaho Legislature declared that price is not always the best way to measure value. He believes, therefore, that **H 409** is in alignment with legislative intent. He also expressed that preference will remain with Idaho vendors.

Ed Johnson, Auto Start Commercial Mailing Service, spoke **in opposition to H 409**. He said he has twice competed for a mixed services contract with the Department of Health and Welfare (DHW). He believes his business could adequately serve DHW, however his business was not awarded a contract during either bid. He stated that DHW is currently using an out-of-state vendor who is charging more than he would have charged. He said **H 409** contains redundancy and is unnecessary because statute already allows the Division of Purchasing to consider factors other than price when evaluating bids.

Mr. Johnson responded to questions saying current contracts for printing services for DHW did not go to the lowest bidder. He said he received no reasonable response from DHW when he asked why his business was not awarded the contract on which his business made bids. He stated another bidder referenced that his facility was paid for, and this was an item considered by the committee selecting a vendor.

Ryan Navin, Valli Information Systems, spoke **in opposition to H 409**. He said his company is one of the largest variable data printers in Idaho. They offer a range of services including mailing notifications. He stated that DHW failed to identify any reason for the changes they are requesting in **H 409** outside of a single bid award, however there is industry-specific language in the bill.

In response to questions, **Mr. Navin** said his objections include that there is not a definition of "mixed services" in the bill's language, and the fact that Idaho providers can offer both a lower cost alternative and less mailing time due to proximity to recipients. He said some ambiguity exists in the interpretation of information contained in Requests for Proposals (RFPs). His company spent several weeks compiling information for their RFP for the DHW contract. One area that DHW asked about in their RFP was disaster recovery. Valli Information Systems has disaster recovery plans in place including an additional facility located in Alaska that can be used in case the Idaho facility is unusable due to a disaster.

Mr. Johnson returned to answer additional questions. He said Auto Start has had a relationship with DHW since 1995, during which time they were contracted to operate in a variation of the current process. Six years ago, DHW added statement imaging to their requirements, and Auto Start submitted an RFP stating they could continue to provide services including statement imaging, which they were both capable of and experienced in. He said passage of this bill narrowly focuses on the printing aspect of awards and does not provide for a wide berth of services. He said there is no printing company in Idaho that only provides printing.

Paul Spannkebel, Department of Health and Welfare (DHW), stated all RFPs below \$25 million pass over his desk. He stated he is confident the process they undertake with the Division of Purchasing is very strong, and is a rigorous, arduous process both for bidders and evaluators. He said in 2009, DHW's needs changed and they requested new RFPs, which they evaluated. A new contract was awarded. Four years later, another change occurred and more RFPs were requested. The contract was awarded to the incumbent. He explained that a majority of printing, as a commodity, stays in Idaho.

In response to questions, **Mr. Spannkebel** said there is a spectrum of services provided within the current definition of printing.

Sarah Hilderbrand, Department of Administration, said over the years the state has held a number of service contracts with only a small printing element. Invitations to Bid (ITBs) are awarded based on lowest cost. With RFPs, the Division looks for limited risk and strong capabilities. Technical responses are the main elements that are evaluated in RFPs. She said any time printing is involved in a contract, for example, if a marketing vendor is asked to produce twenty paper packets for distribution, the job becomes a printing job and must be evaluated differently under current law, which Ms. Hilderbrand pointed out is 111 years old.

Mr. Burns responded to additional questions. He said if a bidder requests information about why they were not awarded a contract, that bidder would be shown his or her scores, but would not be shown the scores of other bidders. The intent of this law is to increase the value of products and services utilized by the state.

Ms. Hilderbrand responded to a question. She said no particular individuals were consulted regarding this bill because it would affect so many agencies. She said anyone who is interested is welcome to attend meetings during which they can ask questions and request modifications or additions.

In response to a question, **Ms. Weaver** said changes to statute cannot be made as part of the administrative rules process.

Mr. Burns returned to respond to questions. He said the state may award contracts for vendors with higher costs, or with lower costs. Price will not be the only criteria considered when contracts are awarded.

Rep. Woodings stated she has concerns with the words "solely" on line 39 and "property in addition to printing" on line 1. She stated this is not as succinct as she would like. She would like to see better definitions of print-only contracts and mixed services.

MOTION: **Rep. Woodings** made a motion to **HOLD H 409** in committee.

Rep. Harris stated he cannot support the motion, however he does share some concerns.

Chairman Hartgen spoke **in support** of the motion. He said revising this area of Idaho Code makes sense, however he believes more work is needed on this bill.

VOTE ON MOTION: **Chairman Hartgen** called for a vote on the motion to **HOLD H 409** in committee. **Motion carried by voice vote.** **Rep. Harris** requested to be recorded as voting **NAY**.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 2:49 p.m.

Representative Hartgen
Chair

Mary Tipps
Secretary

AGENDA
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE
1:30 P.M.
Room EW05
Wednesday, February 05, 2014

SUBJECT	DESCRIPTION	PRESENTER
RS22703	Employee Sick Leave	Luci Willits, Department of Education
	Update from the Public Employee Retirement System of Idaho (PERSI)	Don Drum, PERSI

COMMITTEE MEMBERS

Chairman Hartgen
Vice Chairman Anderson(31)
Rep Loertscher
Rep Anderst
Rep Hancey
Rep Harris

Rep Holtzclaw
Rep Mendive
Rep Romrell
Rep VanOrden
Rep King
Rep Woodings

COMMITTEE SECRETARY

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MINUTES
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE

DATE: Wednesday, February 05, 2014

TIME: 1:30 P.M.

PLACE: Room EW05

MEMBERS: Chairman Hartgen, Vice Chairman Anderson(31), Representatives Loertscher, Anderst, Hancey, Harris, Holtzclaw, Mendive, Romrell, VanOrden, King, Woodings

**ABSENT/
EXCUSED:** None

GUESTS: Luci Willits, Department of Education

Chairman Hartgen called the meeting to order at 1:30 p.m.

MOTION: **Rep. Anderst** made a motion to approve the minutes of January 29, 2014. **Motion carried by voice vote.**

RS 22703: **Luci Willits**, Department of Education, presented **RS 22703**. She said there have been two instances of recruiting difficulty for the Department based on the current sick leave statute. Currently when a school district employee comes to work for the Department, (s)he can bring existing sick leave. If that same employee decides to go back to work for a school district, (s)he may or may not be able to take sick leave back to the school district, based on different interpretations of the law. **RS 22703** would provide consistency, guaranteeing that employees are able to transfer sick leave when they move from one position to another. Additionally, under current statute an employee in a district who comes to work for the Department is required to work for the state for five years in order to use sick leave for retirement. **RS 22703** would eliminate the five year requirement.

MOTION: **Rep. Woodings** made a motion to introduce **RS 22703**. **Motion carried by voice vote.**

Don Drum, Public Employee Retirement System of Idaho (PERSI), presented an annual update to the Committee. He introduced **Kelly Cross**, the new Public Information Officer for PERSI. Mr. Drum said that the current value of the Fund is \$13,872,622,168. At the beginning of FY14, PERSI was funded at 85%. As of December 31, 2013, PERSI was funded at 90.7%. A fund that is over 80% funded is considered to be "solidly funded." In 2009, the Board proposed rate increases for employers and employees. The first rate increase was postponed and took place on July 1, 2013. Mr. Drum said at the beginning of the Great Recession, many funds were using a high rate of return assumption, which requires using high risk investments. Idaho uses a 7% rate of return assumption, which is low. Generally accepted accounting principles in the public sector allow amortization periods up to 30 years. PERSI is required to be at 25 years or fewer. PERSI has continued to see improvement in their funded ratio and amortization period since 2009. Since 2008, 48 states have pursued changes to DB (defined benefit) plans to make them more sustainable. They have generally found that substituting DB pensions with DC (defined contribution) accounts is inefficient. Closing DB pensions and switching to DC accounts does not address under funding and entails significant costs from unfunded liability growth. DB pensions persist among large private employers. Common changes being made in public pension systems include increases in employee contributions, higher age and service requirements for normal retirement, and reductions in post-retirement benefit increases.

Mr. Drum addressed cost of living increases (COLAs), saying since 2008, the Board has only allowed a 1% annual increase, leaving retirees behind inflation. This 1% COLA costs approximately \$70 million. The primary funding source for PERSI is market revenue. The 47-year average return is 8.16%, making the 7% net return assumption reasonable. In FY13, PERSI paid out \$619,485,729 in benefits. \$592.5 million of those benefits went to retirees living here in Idaho, which helps support Idaho's economy.

Responding to a question about funding, **Mr. Drum** said actuaries project out the benefits the System would have to pay out for every participant to the end of their lives, as if they will all continue to be employed by the State of Idaho and will retire, and then will receive benefits for life. The projected benefit total is then compared to the current assets on hand. If a fund is 80% funded, it contains 80% of what would be required to pay all of the projected benefits.

In response to additional questions, **Mr. Drum** said Idaho Code spells out how contributions are divided between employers and employees, as well as vesting rules and COLAs. Any change could result in a legal challenge. In FY13, PERSI saw an approximate 9.1% increase in the fund. This represents investment gains and contributions brought in, minus benefits going out. Contributions are currently less than payouts. Benefits are determined based on a high 42 month average salary, plus months of service, with a multiplying factor that is then divided out. PERSI adjusts projections every four years as they consider changes in projected life spans. There is not a percent return specified in Code.

Mr. Drum responded to additional questions, saying cash balance funds allow employees to accrue funds that are given as lump sums at retirement, and can then be rolled into 401Ks. He said from his perspective, PERSI is working fine as it is. If there are concerns about cost or benefits, or if plan sponsors have other concerns, there could be value in examining changes to PERSI. He said, however, states that have made changes have done so in response to problems with their existing systems. If the balance of the PERSI fund continued to grow and exceeded payouts to 100% funding or higher, contribution rates for employees and employers could be reduced. Currently gain sharing would kick in if the fund was 113% to 114% funded. If PERSI switched to a cash balance approach, the State of Idaho would need to determine who would pay in, and how much.

In response to a question about making health care costs part of retirement benefits, **Mr. Drum** said no, PERSI has not been asked to fold a health care package into the current system. He said the fund would be much more difficult to sustain if health care was added in. PERSI is sustainable as it currently stands. He said the PERSI Choice Plan is a 401K plan that supplements employee pensions. There are additional supplemental plans offered as well. Approximately 17% of PERSI members currently participate in the Choice Plan, and the Board would like to see a higher rate of participation. He said Social Security and regular PERSI benefits will not sustain an employee's current standard of living during retirement; a supplemental plan is necessary.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 2:30 p.m.

Representative Hartgen
Chair

Mary Tipps
Secretary

AMENDED AGENDA #1
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE
1:30 P.M.
Room EW05
Thursday, February 13, 2014

SUBJECT DESCRIPTION	PRESENTER
Presentation on Idaho's International Trade Partnerships	Jeff Sayer, Department of Commerce
Presentation on the Euskadi-Idaho Trade Agreement	Gloria Totoricagüena, Euskadi-Idaho Trade Agreement Committee

COMMITTEE MEMBERS

Chairman Hartgen
Vice Chairman Anderson(31)
Rep Loertscher
Rep Anderst
Rep Hancey
Rep Harris

Rep Holtzclaw
Rep Mendive
Rep Romrell
Rep VanOrden
Rep King
Rep Woodings

COMMITTEE SECRETARY

Mary Tipps
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MINUTES
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE

DATE: Thursday, February 13, 2014

TIME: 1:30 P.M.

PLACE: Room EW05

MEMBERS: Chairman Hartgen, Vice Chairman Anderson(31), Representative(s) Loertscher, Anderst, Hancey, Harris, Holtzclaw, Mendive, Romrell, VanOrden, King, Woodings

**ABSENT/
EXCUSED:** Representatives Loertscher, Woodings

GUESTS: None

Chairman Hartgen called the meeting to order at 1:35 p.m.

MOTION: **Rep. Mendive** made a motion to approve the minutes of February 5, 2014. **Motion carried by voice vote.**

Jeff Sayer, Department of Commerce, said he would like to welcome Idaho's international trade partners to present their annual reports.

Armando Orellana, Idaho's Mexico Trade Office, gave his annual legislative report. He said major reforms have been approved in a variety of areas including energy, telecommunications, finance and politics. Mexico is experiencing sound macroeconomic stability, with international reserves at a record high. They are surpassed only by Chile. The stability of the peso has helped Idaho exports. Inflation is still an issue at 3.6%. Project 60, collaboration with the United States Department of Agriculture, the United States Department of Commerce, the Idaho Department of Commerce and Idaho Department of Agriculture have supported market research, finding clients and distribution channels, and have addressed import restrictions, competition, and getting paid. Successes related to Project 60 include High Desert Milk, with estimated sales of \$1.5 million last year, Clear Springs Foods, with estimated sales of \$300,000 last year, HMI International, with estimated sales of \$250,000 last year, and Bean Seed, with estimated sales of \$200,000 last year. Support for Idaho's top sectors has involved a mining convention, a high tech convention, Bean Seed Field Days, and a Latin American dairy show. Wheat, bean seed and major retail buyers visited Idaho, and other areas of interest include agricultural machinery, processed food, and lumber. Mexican buyers and Mexican high tech companies have visited Idaho. Boise State University hosts a "Mexico Week", and both the University of Idaho and Lewis and Clark College have provided assistance for student recruiting. An intern program is in place, and promotion is being done through social networks as well as contact with tour operators. Upcoming events include visits to Idaho by Mexican high tech companies and Mexican buyers, and the launching of Idaho bean seed test plots in Western Mexico. In closing, Mr. Orellana shared Idaho's Mexico Trade Office's commitment statement: "Bringing business opportunities to generate quality jobs in Idaho."

In response to questions, **Mr. Orellana** said Idaho exports to Mexico include high tech products including software from Hewlett Packard and other producers, as well as agricultural machinery for bean growers, and mining equipment. Exports account for approximately \$10 million to \$15 million per year in certain sectors.

Eddie Yen, Idaho's Taiwan Trade Office, provided his annual legislative report. He said Taiwan has a population of 23.2 million people, with less than 1% population growth. The Gross Domestic Product (GDP) was \$468 billion U. S. Dollars (USD) in 2013. GDP growth was 2.19% in 2013, and 3.6% to 5.4% so far in 2014. Foreign reserves are \$417 billion USD, fourth in the world. Idaho's exports to Taiwan in 2012 were \$755 million, which is six times the United States national average per capita. Taiwan represents Idaho's third largest export market: 14% of Idaho's total exports for 2012. Governor Otter went on a trade mission trip to Taiwan in April of 2013. Seventeen Idaho companies joined the mission, which included a total of nine visits and events for the Governor and his delegation in one day. There were seventy meetings for companies during the trip, and the first Green Energy Memorandum of Understanding (MOU) was signed with the Ministry of Economic Affairs in Taiwan. A building materials show took place in December of 2013, during which five companies joined the Idaho booth and attracted more than 1,000 visitors. Tourism has been supported and has led to several opportunities for Idaho. Jazz musician Steve Eaton was invited to play at the October ITF Show and annual International Jazz Festival in Taichung. Idaho participated in the Taipei International Travel Fair in October of 2013, and invited newspaper and television journalists to visit Idaho, which results in seven big reports. Industry specific marketing efforts have included topics such as higher education, Idaho specialty products, and more bilingual brochures for both Chinese speaking and non-Chinese speaking markets in Asia. New successes include Glanbia's cheese products, Naturopathix's derma products, Dynamite Marketing's pet products, Zion's Bank (which has secured new clients), a wheat buying mission to Idaho in September of 2013, signing for CAES, Power Engineers, and U.S. Geothermal, as well as the green energy cooperation MOU. Promotional programs for 2014 will include investment seminars in spring and fall, six education and travel fairs, a food show in late June, biotech and SenCare shows in June and July, green industries shows, a building materials show in December, and buying missions to Idaho in May.

Mr. Sayer said these trade partners have been working with the Department of Commerce for more than twenty years and bring a great deal to the State of Idaho. During their most recent trade mission to Taiwan, Idaho's team met with the President of Taiwan, the Secretary of State, the Speaker of the House, and the Governor of Taipei, due to Eddie Yen's connectedness in Taiwan. Both Mr. Yen and Mr. Orellana continue to work hard inside their respective countries to ensure successful partnerships with Idaho.

Mr. Sayer then provided an update from the Department of Commerce. He said the Idaho Global Entrepreneurial Mission (IGEM) program is strong, however Idaho's research universities need to improve their numbers of research partners in order to advance and increase industry research. Areas of focus include building industry relationships, capacity building, technology development and technology roll out. He discussed the Idaho Opportunity Fund and five projects it currently has: TriState, deGama, Aspire, Sportscar and Squeeze. Annual return on these projects are as follows: Tristate: 154%; deGama: 122%; Aspire: 288%; Sportscar: 68%; and Squeeze: 624%. Mr. Sayer explained these projects are currently operating under code names. He said during 2013, the Department discovered it needed to make changes including the elimination of two staff positions, grouping teams together under common leadership in two new divisions, and finding ways to create new revenue for Idaho through tourism and sales. The Department has brought in new employees from the private sector to lead sales and marketing, community development, and project management. Their goals are to create new business for Idaho and to care for existing companies. He discussed linking higher education and community colleges with industry to create the workforce that industry requires. He mentioned workforce development and performance-based incentives as being important for Idaho's future.

In response to questions, **Mr. Sayer** said tech sectors are a combination of creating necessary work forces and attracting venture capital, as well as nurturing and supporting businesses to build momentum. Clusters are built when one company moves in and is followed by others who supply their needs, for example, a yogurt plant might be followed by certain plastics manufacturers for their containers. Micron and Hewlett Packard (HP) both have ties outside of Idaho, however recently the Governor met with Meg Whitman, the CEO of HP, and discussed expansion of the Boise plant. Manufacturing, aerospace, and rec tech (recreation technology) are industries Idaho is watching. The Department is facilitating discussions between various industries to help them form connections and partnerships. They are looking at tools to expand broadband service. Communities in Southeastern Idaho could come together to form a regional alliance. Idaho's community colleges are acting with a sense of urgency as they recognize work force demands.

Dr. Gloria Totoricagüena, Euskadi-Idaho Trade Agreement Committee, was unable to appear for her legislative update. Her presentation will be rescheduled.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 2:25 p.m.

Representative Hartgen
Chair

Mary Tipps
Secretary

AGENDA
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE
1:30 P.M.
Room EW05
Monday, February 17, 2014

SUBJECTDESCRIPTION	PRESENTER
S 1204 Veterans' Rights and Privileges	David Fulkerson, Department of Human Resources
Update on the Euskadi-Idaho Trade Agreement	Gloria Totoricagüena, Euskadi-Idaho Trade Agreement Committee

COMMITTEE MEMBERS

Chairman Hartgen
Vice Chairman Anderson(31)
Rep Loertscher
Rep Anderst
Rep Hancey
Rep Harris

Rep Holtzclaw
Rep Mendive
Rep Romrell
Rep VanOrden
Rep King
Rep Woodings

COMMITTEE SECRETARY

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MINUTES
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE

DATE: Monday, February 17, 2014
TIME: 1:30 P.M.
PLACE: Room EW05
MEMBERS: Chairman Hartgen, Vice Chairman Anderson(31), Representative(s) Loertscher, Anderst, Hancey, Harris, Holtzclaw, Mendive, Romrell, VanOrden, King, Woodings
**ABSENT/
EXCUSED:** None
GUESTS: None

Chairman Hartgen called the meeting to order at 1:30 p.m.

MOTION: **Rep. Hancey** made a motion to approve the minutes of February 13, 2014. **Motion carried by voice vote.**

S 1204: **David Fulkerson**, Department of Human Resources, presented **S 1204**. He explained it makes small changes to Sections 65-505 and 67-5309. Veterans are currently awarded extra points on examinations for state jobs. Points are awarded as whole points, not as percentage points. This bill provides clarification of that process.

Responding to questions, **Mr. Fulkerson** said last year the definition of "veterans" was changed in statute, however this language was not addressed. The top 25 candidates on a register are forwarded to agencies for interviews. Calculations have always been made based on whole points.

MOTION: **Rep. Romrell** made a motion to send **S 1204** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Holtzclaw** will sponsor the bill on the floor.

Gloria Totoricagüena, Euskadi-Idaho Trade Agreement Committee, provided an update on Idaho's partnership with the Basque Country. In 2012, **Lieutenant Governor Little** asked her to manage the implementation of the agreement. She said she is a volunteer with a sense of responsibility and considers her work an honor. Culture, education and commerce are the three focus areas of the agreement, however her presentation today focuses on commerce. The Basque Country has similarities to Idaho. In the Basque Country, there are twelve sectorial clusters. The most important for trade considerations are aerospace, automotive, biotech, energy and household appliance manufacturing. All of these are of interest to Idaho businesses and commerce. New technology is important for the Basque Country, which has four technological parks and twenty-four research and innovation excellency centers. The political structure has changed, and peace has brought opportunities for trade and commerce. Spain is divided into seventeen autonomous communities. The Basque Country is one of those with additional powers. They have their own taxing power, meaning they can regulate, collect and manage taxes, including creating tax breaks and making decisions about trade. The Basque Country has the second-highest GDP in the European Union, and has a higher GDP than Idaho. This dispels the myth many believe about this region as a place of farmers and herders, when in fact the Basque Country is a business center. They have the highest level of science and technology graduates in the world, according to United Nations data. University education is free in the Basque Country. New industries deal with gastronomy (culinary arts), wine and the tourism

industry. A potential partnership exists for pairing Idaho's cheeses with historical European winemaker wines.

In response to questions, **Ms. Totoricagüena** said the Spanish unemployment rate includes real divisions in age groups. The rates are lower in the Basque Country where the University is free, the graduation rate is high, and practicums and internships are paid positions. She estimates the unemployment rate at around 10% to 11%. Idaho may have an advantage in the Basque Country because people are aware of it, however many are aware of it as a place their grandparents came to be sheep herders. Education is going both ways to encourage partnerships in business. Free university education is a philosophy in the Basque Region, it is a power reserved for each autonomous region in Spain. There is a cultural belief that tangible things can be taken at any time and are beyond one's control, however education can never be taken. There is a belief that when citizens are well educated, a dictatorship can not come in and wipe out the society. Education is not seen as a singular aspect of life or politics but is woven into and through everything else. Businesses are taxed for ongoing training, senior citizen centers have internet classes, Skype, and other online components. The funding comes from within and is not from Spain or the European Union.

Responding to additional questions, **Ms. Totoricagüena** said the Northern Idaho Aerospace Consortium is building aerospace products, and they need a European foothold to get into the European Union. Also, the outdoor lifestyle has taken hold in the European culture, making rec tech products like backpacks, canoes and other outdoor equipment desirable. Several manufacturers in Idaho are trying to get into the European Union. The wine industry also provides an opportunity for partnerships. Socially, language rights are seen as civil rights because they are tied to identity. For eight centuries women have had the right to own land, choose marital partners and request divorces. Same sex marriage has been legal for approximately twelve to fifteen years. Freedom of religion has been in place for a long time and religious leaders are not allowed to hold office. There are no gun rights. Personal property rights do not exist like they do here in the United States, as the Spanish police can enter and search homes without warrants. There is no death penalty. Ms. Totoricagüena has not met anyone in the private sector world in the Basque Country who has asked about rights in Idaho other than labor rights. The businesses being focused on would provide more knowledge transfer and not as much labor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 2:05 p.m.

Representative Hartgen
Chair

Mary Tipps
Secretary

AGENDA
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE
1:30 P.M.
Room EW05
Wednesday, February 19, 2014

SUBJECT	DESCRIPTION	PRESENTER
H 452	Employee Sick Leave	Luci Willits, Department of Education
	Update on State Employee Benefits	Teresa Luna, Department of Administration

COMMITTEE MEMBERS

Chairman Hartgen	Rep Holtzclaw
Vice Chairman Anderson(31)	Rep Mendive
Rep Loertscher	Rep Romrell
Rep Anderst	Rep VanOrden
Rep Hancey	Rep King
Rep Harris	Rep Woodings

COMMITTEE SECRETARY

Mary Tipps
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MINUTES
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE

DATE: Wednesday, February 19, 2014

TIME: 1:30 P.M.

PLACE: Room EW05

MEMBERS: Chairman Hartgen, Vice Chairman Anderson(31), Representative(s) Loertscher, Anderst, Hancey, Harris, Holtzclaw, Mendive, Romrell, VanOrden, King, Woodings

**ABSENT/
EXCUSED:** Rep. Hancey

GUESTS: Don Drum and Kelly Cross, PERSI; Luci Willits, Department of Education; Elizabeth Compton, citizen

Chairman Hartgen called the meeting to order at 1:30 p.m.

MOTION: **Rep. Mendive** made a motion to approve the minutes of February 17, 2014.
Motion carried by voice vote.

H 452: **Luci Willits**, Department of Education, presented **H 452**. She said her position as part of a team that recruits individuals to work for the Department involves finding the best people who can make things scalable and sustainable, and maintain fidelity within Idaho's school districts. She said many of their solid employees come to the Department from school districts and sometimes choose to return to those districts. Sick leave of these employees can be brought from districts to the Department, however under the law they are not able to transfer it back. Some employees do transfer it back if the district they are moving to does not check the law, however if districts do check the law, those employees lose their accumulated sick leave. This bill would allow up to 90 days of sick leave to transfer back to a district with an employee. This creates equity and not a disadvantage for employees who come to work for the state and take their experience back into the classroom. Recently a career educator was offered a position within the Department. She learned that if she did not stay with the Department for a minimum of five years, she risked losing a great deal of leave, and negatively affecting her retirement. As someone who would work for a constitutional officer who is only elected for a four-year term, she was rightfully concerned. This bill would make a change to the five-year requirement.

In response to questions, **Ms. Willits** said she has approximately 140 employees. Slightly more than half could potentially go back to school districts. She believes five to ten of those actually do go back to districts each year. Under the current law, if an employee has been healthy and has accumulated a large amount of sick time, that employee can be penalized for coming to work for the state. The Department does not refuse to hire people with large amounts of accumulated sick leave, however there are employees who refuse to work for the Department due to the potential loss of sick time they face should their service need to transfer back to the districts. The various state agencies allow transfers of sick leave, vacation time, retirement benefits, etc. for state employees who move between agencies, however the Department and school districts have not been able to operate under those same policies. The Department employees accrue a certain amount of sick leave each pay period.

Elizabeth Compton testified in support of **H 452**. She spent 34 years as a teacher and principal in two Idaho school districts, and went on to work for Boise State University (BSU) and the Department of Education. She transferred 64 days of unused sick leave when she left the Mountain Home School District and went to work for the Department. During that time she accrued over 1400 hours of unused sick leave, which equates to approximately 175 days. Upon her transfer back, she was not aware Idaho Code did not allow transfers of leave to go both ways and she lost her leave. Had she known she would lose her leave, she said it might have "been a deterrent". She said unless an employee knows for a fact that (s)he will be able to retire from that agency, that employee faces a disincentive and could choose not to accept an agency position.

Don Drum, Public Employee Retirement System of Idaho (PERSI), responded to questions. He said the sick leave fund is different from the PERSI fund. Employers pay a certain contribution into the sick leave fund each pay period for their employees. It is not an accrual of service. At the end of an employee's career, an amount of money that exists in an account in an individual employee's name exists. At the time of retirement, funds are calculated based on days or hours of service and the appropriate wage, and an account is set up to pay health insurance benefits, certain life insurance benefits, and other minor benefits. If an employee's employer did not carry group health coverage the employee qualified for, it would be somewhat difficult for that employee to use the money. The state is one single employer. School districts are considered separate employers. Each district is identified as a single employer. When an individual comes into a district from the Department of Education, that employee can bring along 90 days of accumulated sick leave. Upon leaving the Department to return to the district, the employee is currently unable to bring the leave back. The five year period is the vesting period for state employees. School district employees are already vested in PERSI after five years of service, so to tell them they must serve a new five-year vesting period once they move to the Department is seen as punitive.

Responding to additional questions, **Mr. Drum** said he believes this bill does fix the problems that exist with this process. Occasionally some districts allow employees to transfer greater than 90 days and that can be problematic for PERSI, who can only allow the 90 day maximum transfer under the law. Those employees can believe they have been misinformed. This is an issue that needs to be resolved through educating the involved parties. The state and school districts have different caps on accumulated leave.

Ms. Willits responded to a question, saying she and **Mr. Drum** wanted to keep this bill simple and concrete to fix a specific issue rather than muddying the waters by trying to address every potential issue that might surface in the future.

MOTION:

Rep. Woodings made a motion to send **H 452** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Woodings** will sponsor the bill on the floor.

Teresa Luna, Department of Administration, gave her annual update on state employee benefits. She said the Office of Group Insurance currently has six employees and has an annual operating budget of \$899,300. They administer over nine different plans which include the medical and dental benefits for active employees, medical benefits for retirees, life insurance, short-term and long-term disability, and flex spending accounts. There are currently over 45,000 plan participants. Every year the Office looks for ways to improve their plans. For FY2014, they removed the \$20 in-network copayment for wellness visits on the PPO plan, and removed the \$250 limit for wellness visits on traditional and high deductible plans. For FY2013, there was expanded open enrollment, enhanced vision benefit plans, expanded voluntary term life policies, remarketed life and disability insurance, and premium tier changes for part-time employees. Total plan

costs have risen and are projected to continue rising, partially due to the Affordable Care Act (ACA) and partially due to the simple rising costs of health care. From FY2012 to FY2013, costs rose 6.4%, and from FY2013 to 2014, costs rose 9.64%. The projected increase going into FY2015 is 9.72%. Every available reserve dollar has been used and it has become clear that employee costs will have to be increased. The recommendation is to shift 2% of increased premium costs to employees. Assuming a 50% increase to all premiums, employees can expect to see increases in their premiums as follows: for an individual employee, costs will rise from \$35 per month to \$52.50. For an employee with children, costs will rise from \$82 to \$123. For an employee, spouse and children, costs will rise from \$127 to 190.50. Steps that are being taken to combat rising costs include looking at other plan options, dependent verification, and workplace wellness programs. Slightly over 80% of members are healthy and consume just over 23% of plan costs. Acute claims represent approximately 30% of plan costs and stem from unexpected medical incidents. Catastrophic costs represent 27% of costs and are paid out for less than 1% of employees. Critical steps for success include developing a sustainable health promotion program, implementing a five-year strategic plan that will include annual health screenings and risk assessments, monetary incentives, and ongoing support, education, and workplace policies, and holding a kickoff year to engage employees. There are four steps for the first year of this program, which is called "Thrive Idaho". The steps are: 1. Completion of a health qualification form, 2. Completion of a personal health assessment, 3. Completion of "Know Your Numbers" and "Benefits 101" tutorials, and 4. Participation in a support program. She quoted **Governor Otter** as saying, "It's a lot less expensive to keep people healthy than it is to get them healthy after they've had a problem."

In response to questions, **Ms. Luna** said over 5% of employees have joined Thrive Idaho since it was kicked off in October of 2013. The current plan is grandfathered. Grandfathering the plan allowed the flexibility to have some say over what would and would not be covered in the state's plan. No more than 5% of the total cost of the plan is allowed to be shifted to employees under the ACA. Remaining grandfathered over the lifetime of the plan would only allow another 2% of total costs to shift to employees. In order to have more flexibility in cost sharing, the state would have to leave grandfathered status. The main differences between our grandfathered plan and marketplace plans include coverage of all preventive services with no cost sharing, coverage of abortifacients, tobacco use screening, diet services, and access to specialists without referrals. Were Idaho to remove grandfathered status, cost increases are projected at between 2% and 4%. The state receives input from the Group Insurance Advisory Council and Blue Cross. The possibility of Medicaid expansion has not been factored in to cost projections. Taxes are expected to top out in FY2017. The tax increase for FY2015 was \$3.8 million, for a total tax debt of \$8 million.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 2:38 p.m.

Representative Hartgen
Chair

Mary Tipps
Secretary

AGENDA
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE
1:30 pm or Upon Adjournment of the House
Room EW05
Tuesday, February 25, 2014

SUBJECT	DESCRIPTION	PRESENTER
H 516	Repealing the Unfair Sales Act	Rep. Monks
S 1203	Revising Definitions Relating to the State Personnel System	David Fulkerson, Division of Human Resources
	Update from the Department of Labor	Ken Edmunds, Department of Labor

COMMITTEE MEMBERS

Chairman Hartgen

Vice Chairman Anderson(31)

Rep Loertscher

Rep Anderst

Rep Hancey

Rep Harris

Rep Holtzclaw

Rep Mendive

Rep Romrell

Rep VanOrden

Rep King

Rep Woodings

COMMITTEE SECRETARY

Mary Tipps

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MINUTES
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE

- DATE:** Tuesday, February 25, 2014
- TIME:** 1:30 pm or Upon Adjournment of the House
- PLACE:** Room EW05
- MEMBERS:** Chairman Hartgen, Vice Chairman Anderson(31), Representative(s) Loertscher, Anderst, Hancey, Harris, Holtzclaw, Mendive, Romrell, VanOrden, King, Woodings
- ABSENT/
EXCUSED:** Representatives Anderson(31) and Woodings
- GUESTS:** Audrey Musgrave, State Controller's Office; Suzanne Budge, IPM and CSI; Michelle Peugh and Jess Simonds, DHR
- Chairman Hartgen** called the meeting to order at 1:36 p.m.
- MOTION:** **Rep. Anderst** made a motion to approve the minutes of February 19, 2014.
Motion carried by voice vote.
- H 516:** **Chairman Hartgen** announced that the committee will not hear **H 516** today, as the sponsor has requested the bill be held in committee.
- S 1203:** **David Fulkerson**, Division of Human Resources, presented **S 1203**. He said a legislative audit found inconsistent applications of holiday paid leave for state employees working a flexible schedule versus those working a traditional schedule. Idaho Code provisions pertaining to holiday paid leave were written with a traditional work schedule in mind. He said the State Controller's Office, Division of Financial Management, and Division of Human Resources have worked together to develop a policy that is consistent and equitable for flexible work schedules, and a change to Idaho Code 67-5302 has been recommended. **S 1203** clarifies the definition and implementation of holiday paid leave for employees on flexible schedules. It also adds language specifically paying nonbenefitted exempt employees for hours worked on a holiday. Currently the Public Employee Retirement System of Idaho (PERSI) only covers employees who work more than 20 hours per week. Any employee working less than a 20 hour per week schedule is not eligible for PERSI benefits or holiday leave. Some classifications of employees receive time-and-a-half pay for holidays worked, and others receive comp time as their benefit.
- Mr. Fulkerson** explained the associated costs to the committee. The Division of Human Resources is expected to incur a one-time cost during FY2015 of approximately \$12,000 for programming changes to the state's payroll system. Also, the state may see an annual funds increase of \$427,000 based on information gathered from agencies that currently have employer mandated flexible schedules but are only providing a maximum of eight (8) hours of holiday leave per holiday, rather than holiday leave based on actual schedules. Agencies are expected to manage and pay holiday leave and holiday hours worked within their existing budgets.

In response to questions, **Mr. Fulkerson** said the standard that employees must be PERSI-eligible in order to qualify for holiday leave pay is not new. The Senate Commerce and Human Resources Committee Chairman is aware of the projected annual \$427,000 increase to agencies. Several agency directors participated in a work group and agreed that they can provide this benefit adequately with their current budget allotments. Retroactive payments to employees are not planned. A distinction in language allows employers in various agencies to consider their employees' actual schedules; for example, Idaho State Patrol's troopers work ten-hour days, so an eight-hour holiday pay allotment would not work for that agency. This change has been being discussed for a number of years. This change will treat employees fairly and will also allow agencies to examine flexible schedules to see if those provide the best use of taxpayer funds.

MOTION: **Rep. King** made a motion to send **S 1203** to the floor with a **DO PASS** recommendation.

Rep. Harris spoke in opposition to the motion. He said this bill exchanges one unfair approach for an equally unfair approach.

VOTE ON MOTION: **Chairman Hartgen** called for a vote on the motion to send **S 1203** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Reps. Harris, Mendive** and **Romrell** requested to be recorded as voting **NAY**. **Rep. King** will sponsor the bill on the floor.

Ken Edmunds, Department of Labor, provided an annual update to the committee. The percentage of job changes in Idaho exceeded the national average in FY2013. He stated this was healthy. In December of 2013, unemployment rates in Idaho were both above and below the national average, depending on the region within the state. Unemployment rates in FY2013 were at 6.5%. It is projected that the rates will drop to 6.0% in FY2014, and to 5.5% in FY2015. Idaho has a minimum wage rate of 7.7%, while the United States has an overall rate of 4.7%. Idaho has had the unfortunate distinction of having the highest rate of minimum wage jobs in the nation, however another state, which Mr. Edmunds did not name, has now surpassed Idaho. Lower unemployment tax rates are expected to put \$70 million back into Idaho's economy. Declining federal grants have necessitated better decision making which will include updating a strategic plan, and revamping unemployment insurance processes. Workforce development receives 3% of our unemployment tax funds. The current balance of the Workforce Development Training Fund is \$14.3 million.

Responding to questions, **Mr. Edmunds** said the Workforce Development Training Fund is a state fund. Mr. Edmunds said he served on the Board of Education, during which time the Board became focused on higher education, particularly bachelors degrees and above. There is a link that needs to be built between industry and education, and the Department of Labor is in a position to facilitate that link. Idaho needs to bring workforce skills up to the level required by the economy. The Department of Labor has the methodology and people to make necessary changes, they simply need to focus. Middle skills, that is skills required for certain positions that do not require higher level degrees but do require some training post high school through associates degrees, have been supported through the Workforce Development Training Fund. This Fund currently focuses on one company at a time. A system that is set up to produce people in anticipation of needs rather than focusing on one existing need at a time would be more helpful. Idaho's goal is that 25% of the total workforce should have middle skills training.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 2:19 p.m.

Representative Hartgen
Chair

Mary Tipps
Secretary

AGENDA
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE
1:30 pm or Upon Adjournment of the House
Room EW05
Thursday, February 27, 2014

SUBJECT	DESCRIPTION	PRESENTER
S 1244	Relating to the State Insurance Fund	Senator Goedde
S 1312	Public Employee Retirement System of Idaho (PERSI) and the Internal Revenue Code	Don Drum, PERSI
	Update from the Industrial Commission	Tom Limbaugh, Industrial Commission

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Hartgen	Rep Holtzclaw
Vice Chairman Anderson(31)	Rep Mendive
Rep Loertscher	Rep Romrell
Rep Anderst	Rep VanOrden
Rep Hancey	Rep King
Rep Harris	Rep Woodings

COMMITTEE SECRETARY

Mary Tipps
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MINUTES
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE

- DATE:** Thursday, February 27, 2014
- TIME:** 1:30 pm or Upon Adjournment of the House
- PLACE:** Room EW05
- MEMBERS:** Chairman Hartgen, Vice Chairman Anderson(31), Representative(s) Loertscher, Anderst, Hancey, Harris, Holtzclaw, Mendive, Romrell, VanOrden, King, Woodings
- ABSENT/
EXCUSED:** Representatives Anderst and VanOrden
- GUESTS:** Tom Limbaugh, Mindy Montgomery and Jane McClaran, Industrial Commission;
Don Drum and Joanna Guilfof, PERSI
- Chairman Hartgen** called the meeting to order at 1:31 p.m.
- MOTION:** **Rep. Woodings** made a motion to approve the minutes of February 25, 2014.
Motion carried by voice vote.
- S 1244:** **Senator Goedde** was unable to present **S 1244**. The bill will be rescheduled for a later meeting date.
- S 1312:** **Don Drum**, Public Employee Retirement System of Idaho (PERSI), presented **S 1312**. He said in 2012, PERSI received a determination letter from the IRS for the PERSI Base Plan. A determination letter is the IRS's statement that the terms of PERSI's statutes and rules are in accordance with applicable federal statutes to qualify the plan as a qualified governmental pension plan under Section 401(a) of the Internal Revenue Code. The determination letter was issued subject to PERSI making certain statutory changes and rule changes. **S 1312** addresses only the statutory changes, which adds references to Subsections (36) and (37) of Section 401(a) of the Internal Revenue Code. Subsection (36) provides that a plan is not disqualified if it allows for the distribution to a person age 62 or older who is not separated from employment. Subsection (37) requires that the qualified plan treat a participant who dies while performing qualified military service as if he had resumed work and then died. The PERSI plan does that in Idaho Code 59-1302(23), in the definition of military service. **S 1312** would also add a statement that the plan shall be administered in accordance with the pre-ERISA (Employee Retirement Income Security Act) vesting requirements of Section 411(e)(2) of the Internal Revenue Code, which requires 100% vesting upon a plan termination or upon complete termination of all employer contributions. These sections already apply to PERSI, the bill simply clarifies that by adding references to them.
- In response to questions, **Mr. Drum** said the PERSI plan contains triggers and parameters related to collection of retirement benefits.
- Joanna Guilfof**, PERSI, responded to additional questions. She said age 55 is the age for early retirement, and age 65 is the standard retirement age. Currently the plan does not allow someone to retire in place at age 62, however action by the legislature could allow that option.
- MOTION:** **Rep. Anderson(31)** made a motion to send **S 1312** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Anderson(31)** will sponsor the bill on the floor.

Tom Limbaugh, Industrial Commission, provided an annual update to the committee. He gave a brief historical overview of workers' compensation (work comp), saying that prior to the introduction of work comp, a worker was required to demonstrate that his injuries were the result of the employer's negligence. The historic quid pro quo of work comp is that the worker gave his right to pursue a negligence claim in exchange for benefits, regardless of fault. Employers, in turn, were protected from civil judgements. Some important dates in Idaho's work comp program include 1917, when the Idaho Legislature passed Idaho's work comp law; 1927, when the Industrial Special Indemnity Fund was created; 1937, when the Unemployment Compensation Law was enacted; 1939, when the Occupational Disease Compensation Law was enacted; 1971, when Idaho recodified the work comp law; 1974, when the Division of Industrial Commission was established, and 1997, when the Agricultural Pursuit Exemption was repealed.

Mr. Limbaugh said the Commissioners who head the Industrial Commission are appointed by the Governor and confirmed by the Senate. Their backgrounds are in the fields of labor, law, and employment, and they serve in judicial, administrative and regulatory roles. Currently the Chairman is **Thomas P. Baskin**, the attorney representative; **R.D. Maynard** is the labor representative, and **Thomas E. Limbaugh** is the employer representative. Commissioners serve six-year staggered terms, and no more than two may serve at the same time from the same political party. Departments within the Industrial Commission are Adjudication, Employer Compliance, Claims and Benefits, Fiscal, Internet Technology, Human Resources, Rehabilitation, and the Crime Victims' Compensation Program. The Commission administers work comp law under Title 72, Idaho Code. With the exception of the Crime Victims' Compensation Program, premium tax is the Commission's primary funding source for ongoing operations. Premium tax is collected semi-annually in March and July. The Commission does not pay work comp benefits. They are not the State Insurance Fund, or an insurance company. The Commission does not set work comp rates. Work comp rates are set by the National Council on Compensation Insurance (NCCI) and approved by the Department of Insurance. For FY2013, there were a reported 33,044 accidents with 23 fatalities. For calendar year 2012, sureties reported were \$223.2 million in total benefits paid, with a total of \$144.4 million in medical and \$78.8 million in lost wages.

Mr. Limbaugh explained that the Commission is an administrative court with exclusive jurisdiction over work comp law. They decide disputed work comp cases through hearings, case settlements and mediation. The Commission provides final decisions on unemployment appeals from the Department of Labor. Work comp and unemployment decisions are appealable only to the Supreme Court. Unemployment appeals from the Department of Labor have dropped since FY2010, when there were 1,129 of such appeals. In FY2011, there were 1,011; in FY2012 there were 951, and in FY2013, there were 762. The Employer Compliance Division receives Idaho business registrations from the state's online business registration program and notices of insurance cancellations from NCCI. The staff reviews and processes Department of Labor employer wage records to ensure employers have necessary coverage. Employees totaling 13,948 have become covered by work comp insurance as a result of contact by the Employer Compliance Division. The Claims and Benefits Division collects and maintains status information on the 33,000+ claims filed each year to ensure work comp benefits are paid properly each year. It conducts audits to ensure compliance with Idaho claims adjusting rules and requirements. It also reviews and makes approval recommendations on lump sum settlement agreements proposed between employers and employees. Additionally, it provides a work comp certification program to industry professionals. Since 2002, 52 courses have been given to a total of 1,043 attendees.

Mr. Limbaugh outlined claims by industry as follows: health care and social assistance: 4,569 claims; retail trade: 3,409 claims; manufacturing: 3,876 claims; public administration: 2,721 claims; construction: 2,599 claims; educational services: 2,023 claims; agriculture, forestry, fishing and hunting: 2,114 claims; waste management and remediation: 1,947 claims; accommodation and food services: 1,711 claims, and other industries or nonclassified industries: 8,075 claims. The Commission has a Rehabilitation Division, which was created in 1974. They work closely with employers, medical providers and sureties to facilitate medical recovery and a return to work. The Commission has an advisory committee, a 16-member committee representing workers, employers, the insurance industry, attorneys, physicians and hospitals, and special members from the Senate and House Commerce and Human Resources Committees. They meet quarterly to discuss issues and generate recommendations regarding Idaho's work comp system. Projects they have dealt with as subcommittees relate to membership/attendance and nominations, attorney fees, the Professional Firefighters of Idaho, health care, security for compensation, the Industrial Special Indemnity Fund, the Uninsured Employers' Fund, workplace safety, electronic documents filing, electronic data exchange rules, and claims and benefits rules. Logging and industrial safety bureaus are funded by the Commission through work comp premiums. These programs provide safety training for loggers and inspect logging operations. They also perform workplace safety inspections pursuant to an agreement. They inspect state owned/maintained buildings to ensure safe working conditions, and inspect political subdivisions on request. The Crime Victims' Compensation Program provides financial assistance to victims of crime. They help pay for medical, psychological, sexual assault forensic examinations, wage loss, death benefits and funeral expenses. Eighty-eight percent of cases filed involve misconduct against women and children. There is a \$25,000 maximum benefit. Since the program's inception, approximately 37,400 victims have been assisted by the program, which receives no General Fund dollars. It is funded through fines imposed on offenders convicted of crimes in Idaho, and the Victims of Crime Act of 1984 (VOCA) Federal Grant Award. For FY2013, \$2,930,000 was paid to innocent victims of crime and service providers.

Mr. Limbaugh gave a workforce update, saying the Industrial Commission has 137.25 full time positions. They are experiencing high turnover, with classified employee turnover at 22.7% for FY2013, when the state classified average was 13.5%. The turnover seems to be related to employees moving to different state agencies for higher salaries.

In response to questions, **George Gutierrez**, Crime Victims' Compensation Fund, does pay lost wages for victims who are not able to return to work or to dependent children who lose a parent to violence. This benefit is a maximum of \$175 per week. Most of Idaho's crime victims who utilize this fund are children. Most benefits that are paid go directly to providers rather than to individuals for lost wages.

Tom Baskin, Industrial Commission, said if an employee is found to be intoxicated at the time of a work related accident, that employee may forfeit work comp benefits. This determination is made on a case-by-case basis.

Mr. Limbaugh responded to additional questions. He said a political subdivision is defined in Idaho Code 72-720 as a taxing district.

Mr. Gutierrez responded to a question regarding the meaning of the term "innocent victims". He said if a victim played a contributing factor in a crime, and subsequently becomes a victim of that crime, that person may or may not receive benefits. For example, if a person is in the process of robbing a bank when he is shot, he might not receive benefits from the Crime Victims' Compensation Fund.

Mr. Limbaugh responded to questions, saying the NCCI sets premium rates paid for work comp policies. The Industrial Commission does not have employee compensation rates as high as some other state agencies because their budget allotment does not allow them to pay their employees as much as other state agencies who have eliminated positions in order to further spread their dollars. CEC (Change in Employee Compensation) increases are helpful. The state is viewed as a single employer, so discrepancies between rates of pay for employees performing the same job for different agencies can create movement away from the agencies who are paying less. The State Insurance Fund has never been part of the Industrial Commission. They do over 50% of the business in the state, and are regulated by the Commission. Mr. Limbaugh believes they are doing a good job as-is.

Rep. Hancey responded to a question, saying historically the State Insurance Fund was cheaper than private insurance companies, was more competitive and provided better service.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 2:12 p.m.

Representative Hartgen
Chair

Mary Tipps
Secretary

AGENDA
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE
2:00 pm or Upon Adjournment of the House
Room EW05
Monday, March 03, 2014

Please Note Change of Meeting Time

SUBJECT	DESCRIPTION	PRESENTER
S 1252aa	Cost Reimbursement and Security Requirements for Workers' Compensation	Jane McClaran, Industrial Commission Brian Whitlock, Idaho National Laboratories
S 1244	Amending Statutes Related to the State Insurance Fund	Senator Goedde
S 1242	Examining the HRA-VEBA Option	Senator Goedde

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Hartgen	Rep Holtzclaw
Vice Chairman Anderson(31)	Rep Mendive
Rep Loertscher	Rep Romrell
Rep Anderst	Rep VanOrden
Rep Hancey	Rep King
Rep Harris	Rep Woodings

COMMITTEE SECRETARY

Mary Tipps
Room: EW06
Phone: 332-1149
email: hcom@house.idaho.gov

MINUTES

HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE

DATE: Monday, March 03, 2014

TIME: 2:00 pm or Upon Adjournment of the House

PLACE: Room EW05

MEMBERS: Chairman Hartgen, Vice Chairman Anderson(31), Representative(s) Loertscher, Anderst, Hancey, Harris, Holtzclaw, Mendive, Romrell, VanOrden, King, Woodings

**ABSENT/
EXCUSED:** None

GUESTS: Peggy Hinman, U.S. Department of Energy; Tricia Crump, Ind. Ins. Agents and Brokers of America; Jane McClaran and Tom Limbaugh, Industrial Commission; Rian Van Leuven, Idaho AFL-CIO; Jeremy Evans, Vial Fotheringham

Chairman Hartgen called the meeting to order at 2:50 p.m.

MOTION: **Rep. Anderst** made a motion to approve the minutes of February 27, 2014.
Motion carried by voice vote.

S 1244: **Senator Goedde** presented **S 1244**. He said in 1917, the Idaho Legislature created the State Insurance Fund under a set of statutes. In 1998, the Idaho Legislature made major changes in the statutes dealing with the Fund. There have been some conflicts in Code. This bill repeals most of the Code passed in 1917 dealing with the State Insurance Fund and allows it to operate as intended in the 1998 amendments.

In response to questions, **Senator Goedde** said in 1998 no one realized there was any conflict. There have been two lawsuits related to these conflicts.

MOTION: **Rep. VanOrden** made a motion to send **S 1244** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. VanOrden** will sponsor the bill on the floor.

S 1242: **Senator Goedde** presented **S 1242**, which came to him from a constituent who had previously served in the Idaho Legislature. This provides an additional strategy for the Department of Administration to use in distribution of employee benefits. A Health Reimbursement Arrangement - Voluntary Employees' Beneficiary Association (HRA-VEBA) provides an employer with an opportunity to reduce premium costs while providing the employee with an opportunity to grow funds for unreimbursed health care costs. Funds are deposited by the employer into an employee-managed trust when the employee participates in health programs such as smoking cessation or other wellness activities. The funds are tax free going in and going out. This strategy provides the employee the opportunity to build a substantial fund for health care costs upon retirement.

In response to questions, **Senator Goedde** said he does not see a reason why an employee would decline additional funding, however an employee might decline to participate in programs that would lead to the deposit of funds. The employer is responsible to deposit funds into the trust, which has an administrator. Most commonly, employees take a higher deductible on insurance plans when they utilize a HRA-VEBA. Employees can choose the level of risk associated with the invested monies in the fund. These monies can be used for unreimbursed health care costs as long as the expenses are allowed by the Internal Revenue Service. A HRA-VEBA and a Health Savings Account (HSA) are funded pre-tax. With a HSA, both the employer and employee contribute and there is a statutory limit. With a HSA, the employee's health plan must meet the definition of a "high deductible health plan". A HSA can be liquidated for a 10% penalty and a HRA-VEBA cannot,

it must be spent for health care costs. Idaho would offer this plan statewide, and each department would have the opportunity to opt out. Employee trusts would be funded through each department's budget. If Idaho provided 2% of an employee's salary into a HRA-VEBA, the existence of the account would only affect the tax consequences of that money. If employees accepted high deductible health plans, the difference between the high deductible plan and the lower deductible plan could be deposited into the HRA-VEBA. If one department opted in and another opted out, it would not necessary indicate a difference in treatment of employees. Currently employees are not all provided the same dollar amounts of health care benefits, as each employee has options and different needs.

Chairman Hartgen requested that a copy of a report compiled by Milliman regarding Idaho's potential use of HRA-VEBAs be added to the official record of the meeting. (See attached.)

MOTION: **Rep. Anderson(31)** made a motion to **HOLD S 1242** in committee.

Rep. King said benefits are budgeted differently from agency to agency.

Rep. Harris said he wonders if there is an appropriation issue. He said he does like the idea presented in this legislation.

Rep. Anderson(31) said his understanding is these monies would remain in a person's estate when that person dies, however the funds must continue to be used for health care costs for the surviving family member(s).

Keith Reynolds, Department of Administration, testified **in support of S 1242**. He said the bill is very broad, and it simply puts a tool in the toolbox to help the Department of Administration control costs. It simply allows an HRA with a VEBA option, but does not require it. The bill does not address any clear fiscal impact, but allows a program to be put together and to be presented to the Group Insurance Advisory Committee. Currently the most used plan by Idaho's state employees is a PPO with a set dollar amount appropriated for every employee at \$10.5 thousand per year. When employees select a less expensive, higher deductible plan, those employees could then use the HRA-VEBA in order to assist in payment of deductibles or related expenses. Every dollar going in would come from the employer, however if an employee voluntarily gives up money that was appropriated for his/her healthcare costs and that money went into the trust, the state would not be spending additional dollars.

MOTION WITHDRAWN: **Rep. Anderson(31)** withdrew his motion to **HOLD S 1242** in committee. He said the additional information provided by **Mr. Reynolds** clarified the information he needed.

In response to questions, **Mr. Reynolds** said a high deductible plan is not required with a HRA, however it is required with a HSA. The HRA, therefore, allows more choice. Details need to be weighed by the Group Insurance Advisory Committee.

MOTION: **Rep. Anderson(31)** made a motion to send **S 1242** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Anderson(31)** will sponsor the bill on the floor.

S 1252aa:

Jane McClaran, Industrial Commission, began the presentation of **S 1252aa**. She said in the first section of the bill, Section 1 of Idaho Code 72-301 is applicable to employers. Section 2 applies to insurers. An issue has developed over time as investment markets have expanded to include derivatives, strips, trips, etc. Changes in market values of these securities have not been fully evaluated. In Section 3, a mechanism to convert securities from an insolvent insurer to cash is outlined. An insolvent insurer fund is also established. This bill identifies the acceptable securities to be deposited and maintained in a custodial account, and creates a fund and mechanism by which to handle security deposits retained to secure any future workers' compensation (work comp) claims of a liquidated insurance carrier. It also creates a new section to address security for work comp payments for employers who have a cost-reimbursement contract with the federal government. Under this contracting mechanism, employers are reimbursed by the federal government directly for their costs, including work comp coverage. Allowing cost-reimbursement contracts to satisfy the security requirements would eliminate the need for security deposits, a three-year payroll history and excess insurance coverage, while still ensuring payment for proper work comp claims. Essentially this is a fix that would convert insolvent funds to cash, and transfer those funds to a newly created solvent fund.

In response to questions, **Ms. McClaran** said it is anticipated a security deposit would exceed future claims. Any remaining funds could be released. There is currently no process in place for insolvent insurers. Her staff currently manages over 600 sureties. Liquidation of an insurer is done in a state of domicile. The security deposit that was required is held in trust here in Idaho and is not part of the liquidation. Funds are held at the Office of the Treasurer. This bill would allow the funds to be transferred to a solvent fund which would allow future claims to be paid. Custodial fees are not currently being paid when a fund becomes insolvent. Securities are taken at par value (face value).

Brian Whitlock, Department of Energy (DOE), Idaho National Laboratories (INL), presented another aspect of **S 1252aa**. He said the United States Government owns the INL. Liberty Mutual Insurance provided work comp coverage for the contractors at INL, however recently Liberty Mutual announced it will cease writing these claims. The contractors sought new coverage, and one of three was unable to secure adequate coverage. That contractor was only extended coverage through 2013, with a security deposit of \$4 million. The contractor became self-insured in October of 2013. Although they meet their work comp obligations, there are three issues. First, the State of Idaho requires work comp self insurers to provide a security deposit. For the contractor in question, the required \$5 million deposit could have funded additional jobs at INL. Second, payroll over the preceding three years of at least \$4 million is required. When DOE issues a new contract, they generally require a new legal entity to stand up. Third, there is a requirement of excess coverage to be included in the plan. This could affect future contractors who might not be able to find a company willing to underwrite this coverage. If a contractor defaults or is not able to pay a work comp claim, the claim is transferred to the DOE. For that reason, these policies do not make sense for contractors working with INL. New contractors take over existing work comp claims at INL. **S 1252aa** would not change work comp requirements for INL, but simply recognizes that there is coverage existing from the federal government and the requirement of securities for Idaho creates duplicate securities.

In response to questions, **Mr. Whitlock** said INL's work comp does not cover radioactivity exposure; those exposures are covered under a different program. INL's work comp program does cover standard things like slips, trips and falls. If a contractor was not renewed and an employee had a work comp claim against the contractor, the claim would still be paid. Because the federal government owns the INL facility, INL is in a unique position. The federal government has a judgement fund to cover payments to individuals who might successfully sue them.

Rian Van Leuven, Idaho AFL-CIO, spoke in support of **S 1252aa**. He said approximately a year ago his committee was asked to examine security for compensation for self-insured employers. Insolvent employers have been able to claim bankruptcy and were not required to cover costs. The task of covering rising costs of medical benefits and returning injured employees to work as fast as possible is not small. Idaho Code 72-301 is being addressed in order to deal with specific concerns. He said there is no reason for good employers to pay twice.

Ms. McClaran reiterated **S 1252aa** provides the ability to convert securities to cash, and to pay custodial fees. These items do not exist without the changes being made in **S 1252aa**.

MOTION: **Rep. Woodings** made a motion to **HOLD S 1252aa** in committee to time certain, Tuesday, March 11, 2014, in order to examine concerns and acquire more information.

Rep. King said she would like to conduct her own research.

Mr. Whitlock responded to a question. The INL is currently self-insured so workers will be covered whether this change takes place or not. If this bill does not move forward, however, INL will lose approximately \$9 million in duplicate securities that could have been put back into Idaho's economy.

Peggy Hinman, United States Department of Energy, said the backup security is the cost reimbursement contract that each of the three INL contractors have. Any work comp claims incurred by the contractors are to be paid by the funds of the federal government. Agencies are not allowed to spend any money that Congress has not appropriated to them. Cost reimbursement contracts are good as long as money is appropriated. Should there be claims coming in that are not paid, there is recourse through the Judgement Fund, which was set up by Congress. It does not rely on appropriated monies and is administered by the United States Department of the Treasury. Every work comp claim that INL employees have incurred over the INL's fifty-year history has been paid.

SUBSTITUTE MOTION: **Rep. Holtzclaw** made a substitute motion to send **S 1252aa** to the floor with a **DO PASS** recommendation.

MOTION WITHDRAWN: **Rep. Woodings** withdrew her motion to **HOLD S 1252aa** in committee to time certain, Tuesday, March 11, 2014.

VOTE ON MOTION: **Chairman Hartgen** called for a vote on the motion to send **S 1252aa** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Thompson** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 4:14 p.m.

Representative Hartgen
Chair

Mary Tipps
Secretary

AGENDA
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE
1:30 p.m. or Upon Adjournment of the House
Room EW05
Wednesday, March 05, 2014

SUBJECT	DESCRIPTION	PRESENTER
S 1310	Homeowners' Associations and Fines	Senator Rice
S 1316	Veterans' Preference by Private Employers	Pam Eaton, Idaho Retailers' Association

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Hartgen	Rep Holtzclaw
Vice Chairman Anderson(31)	Rep Mendive
Rep Loertscher	Rep Romrell
Rep Anderst	Rep VanOrden
Rep Hancey	Rep King
Rep Harris	Rep Woodings

COMMITTEE SECRETARY

Mary Tipps
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MINUTES

HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE

DATE: Wednesday, March 05, 2014
TIME: 1:30 p.m. or Upon Adjournment of the House
PLACE: Room EW05
MEMBERS: Chairman Hartgen, Vice Chairman Anderson(31), Representative(s) Loertscher, Anderst, Hancey, Harris, Holtzclaw, Mendive, Romrell, VanOrden, King, Woodings
**ABSENT/
EXCUSED:** Representative VanOrden
GUESTS: Jeremy Evans, Vial Fotheringham, LLP; Kristyn Kirschenman, Risch-Pisca; Matt Walker, A.M.I.; Colten Tippets, Hidden Springs

Chairman Hartgen called the meeting to order at 1:31 p.m.

S 1310: **Senator Rice** presented **S 1310**. He said this bill addresses a problem that exists throughout Idaho. He said some homeowners' associations (HOAs) levy fines against homeowners even when those owners are taking measures to remedy a problem. Some of these fines are assessed daily. This bill would require notice to the homeowner 30 days ahead of a meeting during which a fine would be requested. Homeowners who were attempting to remedy a situation could not be fined during their efforts to solve stated problems. Fines could not be used to increase salaries. The Idaho Farm Bureau Federation and Idaho Association of Realtors support this bill.

In response to questions, **Senator Rice** said the bill does not restrict when a HOA board could or could not meet. The bylaws of each association would still be followed for meeting schedules. A majority vote of a HOA board would be required to assess fines. Homeowners would be required to show good faith in resolving problems. A HOA would be supported in court should the HOA provide thirty-day notice to a homeowner in advance of a meeting and follow up with the homeowner.

MOTION: **Rep. Anderst** made a motion to send **S 1310** to the floor with a **DO PASS** recommendation.

Juanita Globitz spoke in opposition to **S 1310**. She is a realtor and also works for an association management company. She says the purpose of CC&Rs is to set community standards and maintain the overall value of homes. She believes this bill would negate the enforcement of CC&Rs. She is concerned that language would allow a loophole for offenses such as leaving trash cans out or keeping trailers where they are not allowed. She is also concerned about the increased costs associated with providing required notices. She would like to see different levels of violations outlined. Additionally, she believes HOA boards could have a more difficult time retaining board members due to additional requirements put upon their time as volunteers. She agrees with the intent of the bill but says it needs to be sent back for language changes.

In response to question, **Ms. Globitz** said if a fine is part of a multi-step process, HOAs could be forced to change their practices and allow the thirty-day wait time before taking the next step in their processes.

Jeremy Evans, Vial Fotheringham, said a great deal of Idaho's development is occurring within HOAs, without very much law to apply. He shares some of Ms. Globitz's concerns, however he said the additional guidance provided in **S 1310** would be helpful to Idaho HOAs.

In response to questions, **Mr. Evans** said he does not want to see this bill rewritten due to the legislature's proximity to sine die. He said collaboration could occur during the interim to make any agreed-upon changes, but that he would like to see **S 1310** move forward.

Matt Walker, A.M.I., spoke **in opposition** to **S 1310**. He said he likes the intent of **S 1310** but believes the language contains some problem areas. He would like to see definitions of fines versus fees, as there is the possibility for certain fees to be perceived as fines and to therefore be unable to be paid. Additionally, if certified mail is required for all notices, it could become expensive for associations. He said a typical certified letter costs approximately \$7 and his association would send out thousands each year.

In response to questions, **Mr. Walker** said there are written policies on how fines and fees are assessed, however not every HOA has these written policies. Generally speaking, once or twice a month someone from the HOA's management company will drive through a neighborhood looking for violations. They also receive letters of complaint and follow up on the information they are given. When a violation is discovered, a letter is sent to the violating homeowner. If the homeowner complies with requests to remedy the situation, there will not be a fine assessed. Approximately 5% of revenue for his management company comes from fines. He believes this bill will penalize HOAs and management companies who are already doing right.

In response to additional questions, **Mr. Walker** said his biggest concern is the lack of a definition of a fine. Most companies charge an administrative fee when they have to do extra work with a homeowner, and he is concerned that under this legislation that fee could be construed as a fine, which would mean the management companies are no longer able to be compensated for extra work.

Colten Tippets, Hidden Springs, said he thanks **Senator Rice** and the intention of this bill is good. He said smaller situations could be missed by this bill. He referenced situations not addressed in this bill such as aggressive dogs, violent behavior toward neighbors and fence disputes. He said Hidden Springs does send certified mail and also hand delivers letters to homeowners' doors. He said a homeowner can decline to sign for a certified letter and can then say (s)he never received it. He believes this bill needs more detailed language.

John Eaton, Idaho Association of Realtors (IAR), said the IAR has a legislative committee made up of 22 members from around the state. The committee designed a lot of the language in this bill. He said HOAs are currently able to levy fines against banks that own foreclosures. In one instance, a bank was fined \$100 per day for a lawn in disrepair, because the HOA knew the bank had the money to pay the fine.

In response to questions, **Mr. Eaton** said a bank-owned home is treated like any other home within an association. Fines and liens can be assessed, and there is an incentive to go after them because HOAs are aware of their deep pockets.

Senator Rice said this bill does not set limits on or amounts of fines for HOAs. It is not intended to dictate a specific step-by-step process all HOAs and management companies would be required to follow. He said it has an intentional light touch in order to ensure a fair process for homeowners.

Rep. Holtzclaw said he owns a property management company. He said some HOAs are issuing \$25 a day fines. This is problematic for owners who live out of town and do not receive notices of violations for a week or two. He **supports** the legislation.

Rep. Harris said it seems the intent of the bill is to address bad actors. As it does not seem there is a need to rush, he would like to see this bill reworked.

Rep. King said she has become convinced this could be a good bill. Thirty days seems long, however she likes the statement that no portion of a fine can be used for remuneration.

VOTE ON MOTION:

Chairman Hartgen called for a vote on the motion to send **S 1310** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Harris** requested to be recorded as voting **NAY.** **Rep. Youngblood** will sponsor the bill on the floor.

S 1316:

Pam Eaton, Idaho Retailers' Association (IRA), presented **S 1316**. This bill clarifies that private employers may give hiring preference to veterans. She said in the U.S. today, veterans face 20% higher unemployment rates than the general population. Although Idaho law already allows employers to hire and fire at will, the IRA would like to ensure protection for employers who wish to give preference to veterans, disabled veterans, and widows or widowers of veterans as long as they remain unmarried. Public employers already have this preference in place, this bill simply gives the same legal protection for private employers who want to provide the preference as well.

In response to questions, **Ms. Eaton** said the IRA wants to be sure the law clearly states giving preference to veterans is allowed. Some of the skills veterans have been taught in the military, and jobs they have successfully done while on active duty, do not translate well to civilian life. It is possible they require a certain adjustment period following a return from combat. She said this bill is not at odds with federal antidiscrimination laws. Other states who have added veterans' preference for private employers have not had legal issues. **S 1316** does not say businesses have to give preference to veterans, it simply allows the option. Ms. Eaton is not aware of a specific problem in Idaho, however across the country lawsuits are being brought and threatened when veterans' preference is shown. This bill would not change anything legally for Idaho employers. Idaho's at will employment law is vague. This would provide clarification that Idaho's private businesses can treat veterans preferentially.

MOTION:

Rep. Holtzclaw made a motion to send **S 1316** to the floor with a **DO PASS** recommendation.

ROLL CALL VOTE:

Chairman Hartgen stated he was in doubt regarding the voice vote and a roll call vote was requested. **Motion carried by a vote of 6 AYE, 4 NAY, 2 Absent/Excused.** **Voting in favor** of the motion: **Reps. Anderson(31), Loertscher, Anderst, Holtzclaw, Woodings, and Hartgen.** **Voting in opposition** to the motion: **Reps. Hancey, Harris, Mendive and King.** **Reps. Romrell and VanOrden were absent/excused.** **Rep. Holtzclaw** will sponsor the bill on the floor.

ADJOURN:

There being no further business to come before the committee, the meeting was adjourned at 2:50 p.m.

Representative Hartgen
Chair

Mary Tipps
Secretary

AGENDA
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE
2:00 pm or Upon Adjournment of the House
Room EW05
Thursday, March 13, 2014

SUBJECT	DESCRIPTION	PRESENTER
S 1314	Relating to Payday Loans	Senator Heider
S 1359	Relating to Exemptions from Workers' Compensation Law	Senator Johnson

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Hartgen	Rep Holtzclaw
Vice Chairman Anderson(31)	Rep Mendive
Rep Loertscher	Rep Romrell
Rep Anderst	Rep VanOrden
Rep Hancey	Rep King
Rep Harris	Rep Woodings

COMMITTEE SECRETARY

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MINUTES
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE

DATE: Thursday, March 13, 2014
TIME: 2:00 pm or Upon Adjournment of the House
PLACE: Room EW05
MEMBERS: Chairman Hartgen, Vice Chairman Anderson(31), Representatives Loertscher, Anderst, Hancey, Harris, Holtzclaw, Mendive, Romrell, VanOrden, King, Woodings
**ABSENT/
EXCUSED:** None
GUESTS: Frank Monasterio, St. Vincent de Paul, Voice of the Poor; Dawn Juker, Catholic Charities; Mike Larson, Idaho Department of Finance; Terri Sterling, Ruby Mendez and Krista Bustamante, ICAN; Trent Matson, MoneyTree, Inc.; Cristina McNeil, citizen

Chairman Hartgen called the meeting to order at 2:00 p.m.

MOTION: **Rep. Woodings** made a motion to approve the minutes of March 3, 2014. **Motion carried by voice vote.**

MOTION: **Rep. Woodings** made a motion to approve the minutes of March 5, 2014. **Motion carried by voice vote.**

S 1359: **Senator Johnson** presented **S 1359**. This would exempt the owner of a sole proprietorship and his family members working in his business from workers' compensation (work comp) requirements under Idaho Code 72-212. It would clarify that a single member limited liability company (LLC) being taxed as a sole proprietorship is also treated as a sole proprietorship for purposes of the work comp exemption.

MOTION: **Rep. Woodings** made a motion to send **S 1359** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Woodings** will sponsor the bill on the floor.

S 1314: **Senator Heider** presented **S 1314**, which relates to payday loans. The Department of Finance produced this bill after borrowers were put in difficult situations. The bill has the support of the Department and the payday lending community. There are three things accomplished by this bill: First, the payday lender would not be able to present more than two times the borrower's check to the depository institution. Second, a limit of 25% of the borrower's gross monthly income would be the maximum of any payday loan. The borrower would have to prove this income by producing pay stubs or signing an affidavit. Third, one time per year, a borrower would be allowed to enter into extended payment plans to complete required payments at no additional charge.

In response to questions, **Senator Heider** said there will be no additional fees assessed against an individual's loan when the once-a-year extension is granted.

Frank Monasterio, St. Vincent de Paul, Voice of the Poor, testified in **opposition** to **S 1314**. He said the bill does not constitute real reform. He said predatory lending, including payday lending, threatens families. His organization provides practical assistance to families in poverty and sees firsthand how growing amounts of interest and fees hurt families. He said loans should have to consider usury limits, reasonable lending caps, and loan terms taking into account a lender's ability to pay.

In response to questions, **Mr. Monasterio** said the effective annual percentage rates employed by other states to address the problem are in the double digits, with 36% being the limit used by the United States armed forces. Effective protections include limiting the number of loans that can be taken per year, and lower percentage rates. He does not believe the extended payment plan will be effective because the language in the bill states "the borrower may request" indicating the borrower must first recognize he has the right to request an extended payment plan.

Dawn Juker, Catholic Charities, testified in opposition to **S 1314**. She said the proposed regulation does not provide effective regulations or constitute real reform. She expressed that a family with two working adults, both making minimum wage at full time jobs, will not make enough money to meet minimum cost of living requirements. These families provide a prime opportunity for lenders to take advantage of consumers. Top reasons families cite for taking out payday loans are to pay bills, pay rent, and cover general living expenses. Interest rates on those loans total up to 500%. The average payday loan user renews a loan up to 8 times per year.

In response to questions, **Ms. Juker** said because families face a constant shortage in necessary funds, they renew loans often. This makes the original loan amount moot because of all the fees and interest that accrue. Catholic Charities believes the bill's language leaves holes and places too much responsibility on the consumer to be aware of options that the payday loan industry will not have to advertise.

Mike Larson, Idaho Department of Finance, testified in support of **S 1314**. He said this bill comes up with ideas to improve Idaho's payday loan industry. He expressed that people have various debt traps, such as house payments, student loan payments or car payments. He said the Department has met with individuals who have found themselves in difficulty with payday loans. There is a significant demand for short-term consumer credit. Last year, Idaho saw approximately \$178 million in payday loans. Less than half were renewed. The average length of a payday loan in Idaho was 18 days. He says last year over 38,000 checks given as security to payday lenders bounced. The extended payment option offered by **S 1314** seeks to provide relief for those individuals who are not able to pay off a loan as originally agreed, and who also cannot cover the security check. Some lenders are already offering this option although it is not currently required. The Department does not claim this bill will cure every problem related to payday lending and borrowing, however it offers improvements. A 36% interest rate cap would essentially put the payday loan industry out of business. Lenders are required to disclose costs of loans both as an annual percentage rate (APR) and in cost in dollars per hundred.

In response to questions, **Mr. Larson** said these loans do not take collateral except the required security check. Debt incurred as a result of a payday loan receives no special treatment in a bankruptcy court. There was an initial meeting between **Senator Heider**, the Department of Finance, representatives from the payday lending industry, and the Idaho Community Action Network (ICAN), to consider how to address payday lending problems with a legislative change. **Mr. Larson** said was not aware of ICAN's opposition to **S 1314** until the bill was before the Idaho Senate. There are existing protections for Idaho borrowers and this would simply add to those provisions. In the Payday Loan Act, it is specifically stated there is no interest on payday loans, there is instead a fee. The state does not regulate the fee. Lenders are required by law to disclose the borrower's fee as an APR on a Truth in Lending Form, even though the fee is not actually an interest rate. For instance, if a borrower asked to borrow ten dollars with a promise to pay back eleven dollars in one week, this would be reflected as an APR of 521%, even though there is a fee of one dollar and not an actual APR. If a lender in Idaho renews a loan more than three times, that lender's license can be revoked. Each state handles payday loans differently.

In response to additional questions, **Mr. Larson** said payday loans are quick and convenient. Most payday lenders do not report to credit reporting agencies. Individuals find themselves in difficulty in a variety of lending and loan situations. In Colorado, the single payment short-term consumer loan model no longer exists. Instead, there are consumer installment loans over six-month periods. It is possible to take out payday loans from unlicensed payday lenders around the world.

In response to additional questions, **Mr. Larson** said the Department receives consumer complaints. Last year it issued nine cease and desist orders to unlicensed payday lenders. The Department engages in education efforts. The Department can revoke licenses of lenders who violate the law.

Terri Sterling, Idaho Community Action Network (ICAN), testified in opposition to **S 1314**. She said ICAN currently has approximately 15,000 members across the state representing Idaho's low income population. She said in the original stakeholder meeting, the Pew recommendations were presented and she understood those would be the basis for this bill. The bill is actually the best practices of the current payday lenders and not those recommendations. She says this bill is protection against ourselves, not against predatory lenders. She said local mayors are concerned about the proliferation of payday loan businesses and the damage being caused to communities and citizens. For the last two years, ICAN has worked with its members to submit complaints to the Department of Finance. It is sometimes difficult for the members to complete the four-page complaint form.

Trent Matson, MoneyTree, Inc., testified in support of **S 1314**. He said this bill effectively deals with issues raised by consumer groups. Most notably, the extended payment plan is helpful to borrowers but is also used as an underwriting tool. It allows lenders to decipher when a borrower is unable to successfully pay back a particular amount, and to provide a lower amount later should the borrower return. Washington State implemented the extended payment plan in 2010 and it has been successful. Limiting check representations deals with unscrupulous lenders to protect consumers and to provide a tool for enforcement. He is surprised by the opposition from consumer advocates. He said in other states, the changes being presented in this bill have been supported by consumer groups. He said payday lenders provide a necessary, vital, legal, regulated service. In states where access is limited or reduced, citizens move to illegal, online lenders. He said stripping Idahoans of their choice to use a legal, regulated product will result in more predatory lending in Idaho through online, unlicensed lenders.

In response to questions, **Mr. Matson** said he believes MoneyTree, Advance America and Check Into Cash are the three largest providers of payday loans and already adhere to the standards that would be required in this bill. If a security check is presented a second time and is not able to be cashed due to insufficient funds, MoneyTree reaches out to the consumer to try to find a way to cooperatively recover funds. MoneyTree does offer extended payment plans. Colorado does not offer payday loans, they instead offer installment loans. MoneyTree charges a \$16.50 fee per \$100 loaned. If the borrower is not able to repay the \$116.50 on time, the borrower can repay over an extended time covering 60 days. An extended payment plan does not carry additional fees. Loans can be repaid early without penalty. Fees are not prorated on payday loans.

Ruby Mendez, ICAN, testified in opposition to **S 1314**. She said she has gone door-to-door and spoken with individuals directly affected by payday lending. Some do not understand the process and can get in trouble with payday loans. She read testimony from a client, **Ayde Saavedra**, who suggested a state rate cap (see attached). She said ICAN provides financial classes and educates citizens on financial options.

Cristina McNeil, citizen and real estate business owner, spoke in opposition to **S 1314**. She said payday loans cause tremendous damage to borrowers' credit ratings. She said loans should consider income ratios and consumers need to be educated on how they will manage debt. She said it is negligent to believe payday loans help consumers.

Senator Heider said he, along with St. Vincent de Paul, Catholic Charities, ICAN, and the Department of Finance, feel bad for the poorest segment of our society, whose members have found themselves in need of financial assistance. The extended payment plan with zero interest and zero fees will allow people who are struggling to repay a payday loan an option to repay without penalty, over a longer period of time. He suggested giving this solution a chance and said if it needs to be amended in the future, it can be amended.

In response to questions, **Senator Heider** said most of the lenders have not been following the standards put forth in this law.

Mr. Larson returned to answer questions. He said the Department has written materials available, and information is available online in the Department's education section; as well, the Department provides financial literacy seminars and works with public groups to increase financial awareness and education. He said promoting financial literacy is in everyone's best interest.

ORIGINAL MOTION:

Rep. VanOrden made a motion to send **S 1314** to the floor with a **DO PASS** recommendation.

Rep. Woodings said she agrees with **Senator Heider** that this bill will help people find relief from the debt cycle. She would like to see language added to disclosures, to address extended payment plans.

Senator Heider said the language already exists in the bill in Item (C).

Rep. King said she remains concerned about this issue.

SUBSTITUTE MOTION:

Rep. King made a substitute motion to **HOLD S 1314** in committee.

Rep. Harris said he will support the original motion, because this bill provides more protection than already exists.

VOTE ON SUBSTITUTE MOTION:

Chairman Hartgen called for a vote on the substitute motion to **HOLD S 1314** in committee. **Motion failed by voice vote.**

Rep. Anderson(31) said he appreciates the sentiments of the people who came to testify today. He said he will support the original motion to send **S 1314** to the floor with a **DO PASS** recommendation, however there is still room for changes to be made to the process of payday loans.

VOTE ON ORIGINAL MOTION:

Chairman Hartgen called for a vote on the original motion to send **S 1314** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. King** requested to be recorded as voting **NAY**. **Rep. VanOrden** will sponsor the bill on the floor.

ADJOURN:

There being no further business to come before the committee, the meeting was adjourned at 3:48 p.m.

Representative Hartgen
Chair

Mary Tipps
Secretary

AGENDA
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE
2:00 pm or Upon Adjournment of the House
Room EW05
Monday, March 17, 2014

SUBJECT	DESCRIPTION	PRESENTER
	Approval of Minutes	

COMMITTEE MEMBERS

Chairman Hartgen
Vice Chairman Anderson(31)
Rep Loertscher
Rep Anderst
Rep Hancey
Rep Harris

Rep Holtzclaw
Rep Mendive
Rep Romrell
Rep VanOrden
Rep King
Rep Woodings

COMMITTEE SECRETARY

Mary Tipps
Room: EW06
Phone: 332-1149
email: hcom@house.idaho.gov

MINUTES
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE

DATE: Monday, March 17, 2014
TIME: 2:00 pm or Upon Adjournment of the House
PLACE: Room EW05
MEMBERS: Chairman Hartgen, Vice Chairman Anderson(31), Representatives Loertscher, Anderst, Hancey, Harris, Holtzclaw, Mendive, Romrell, VanOrden, King, Woodings
**ABSENT/
EXCUSED:** Representative King
GUESTS: None
Chairman Hartgen called the meeting to order at 2:00 p.m.
MOTION: **Rep. Loertscher** made a motion to approve the minutes of March 13, 2014.
Motion carried by voice vote.
ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 2:03 p.m.

Representative Hartgen
Chair

Mary Tipps
Secretary