

MINUTES
JOINT FINANCE-APPROPRIATIONS COMMITTEE

DATE: Monday, February 16, 2015
TIME: 8:00 A.M.
PLACE: Room C310
MEMBERS PRESENT: Senators Co-chairman Cameron, Keough, Mortimer, Nuxoll, Johnson, Thayn, Guthrie, Schmidt, Lacey
Representatives Co-chairman Bell, Gibbs, Miller, Youngblood, Burtenshaw, Horman, Malek, Monks, King, Gannon
ABSENT/ EXCUSED: Bair
CONVENED: Senator Cameron convened the meeting at 8:17 A.M.
STAFF PRESENT: Bybee, Lockett

PRESENTATION: DEPARTMENT OF COMMERCE

PRESENTER: Jeff Sayer, Director

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

The Department of Commerce is dedicated to creating jobs, generating economic growth, creating economic opportunities and advancing the well being and prosperity of Idaho citizens. This past year Idaho reached the \$60 billion mark in Gross Domestic Product (GDP)—Project 60 met its goal. The Department of Commerce also looked at real GDP which adjusts for inflation. Idaho was one of the ten hardest hit states in the economic downturn from 2008 through 2010. The Department also reviewed annual growth rate by industry sector to see which areas were most affected, specifically looking at those industries experiencing more than two years of decline; they found that more than 60% of the industry sectors were affected. Idaho has a small, diverse economy. By 2013 things were turning around. One chart showed a moment in time, where Idaho had the 5th highest growth rate, manufacturing had the 8th highest growth rate and Idaho had the 6th lowest unemployment rate and outpaced the nation in 10 of 15 industry categories. Last year Idaho had over \$6 billion in exports. Another leading indicator the Department looked at was the lodging tax because it is an indication of growth through increased tourism and business travel; this number drives revenue that helps the Commerce Department market Idaho.

For the next economic strategy to replace Project 60, the Department chose “Accelerate Idaho” a theme which indicates they need to move forward at an accelerated rate by focusing on the following three things: advance individuals through earning capabilities, help industries be more successful, and strengthen communities to help them prepare for growth. One area of the Department’s organization chart emphasizes a group that is forward and outward looking and another sector within the Department is focused on community development.

Sayer discussed the many grants distributed through his office and presented a map of Idaho that showed how grants were spread geographically throughout the state. He gave examples of how the Idaho Opportunity Funds were used. He is requesting that another \$3 million be put in the Opportunity Fund. Another tool the Commerce Department is using to open doors is the Tax Reimbursement Incentive. Since July 1, 2014, through that program 9 projects were approved which will do the following over the life of the projects: create 1,710 jobs with a capital investment of \$317 million, pay \$573 million in wages with \$12 million in tax credits, and bring \$75 million in new revenue to the State.

The Governor's FY 2016 recommended budget is \$36,109,900. The Department requested a transfer of \$38,000 from personnel costs to operating expenditures and would also reduce the FTP cap by one by contracting for IT support with the Department of Administrations Chief Information Office. There is a request for additional funding of \$2,213,600 from the Tourism and Promotion Fund which would be used to support enhanced statewide promotion of tourism; there is a 2% hotel tax assessed statewide that comes into this dedicated fund that has strict guidelines: 10% of the funds would be used for administration, 45% used for marketing, and the remaining 45% would be distributed back to the various regions of the state to be used as grants. In addition, there is also a request for a one-time transfer of \$3 million from the General Fund to the Idaho Opportunity Fund; the Department is willing to remove an ongoing appropriation of \$400,000. The net effect would be an additional \$2,600,000 in General Fund dollars to be used only for infrastructure with a focus on rural communities.

Sayer also discussed Workforce Development Funds available through the Department of Labor which would be a one-time transfer of \$5 million; the fund is used to provide or expand training and retraining opportunities for Idaho's workforce through industry sector grants..

PRESENTATION: IDAHO DEPARTMENT OF TRANSPORTATION (ITD)

PRESENTER: Brian Ness, Director

To view this presentation, please click on the following link: [Idaho Department of Transportation](#)

The Director thanked the seven-member Transportation Board and the Governor for their leadership and challenge to make ITD the best transportation department in the nation. When he came to Idaho six years ago, his philosophy was that government needed to serve its citizens, layers of democracy needed to be removed and the work culture needed to change by measuring performance; all of these changes have occurred. Today's presentation will focus on the Governor's budget recommendations, accomplishments in 2014 and the Department's primary areas of focus for 2015.

The Governor's FY 2016 recommended budget is \$555,517,100; FTPs will be reduced by 28 to 1,698.7. The three fund sources are state General Funds for \$257.1 million, Federal Funds totaling \$293.8 million, and other funds including fees and local matching funds totaling \$4.6 million.

The majority of the revenue, 88%, is used for the highway system, paying for contract construction, highway operations, and debt service for high-priority projects. Federal Funds are allocated by the funding bill known as MAP-21 which was a two-year federal bill that expired last September but was extended until May 31, 2015. Unless Congress acts, the trust fund cannot operate after that date. MAP-21 will have an average \$17 billion annual shortfall through 2015 according to the Congressional Budget Office. To resolve the situation, Congress will need to raise revenue, reduce funding to the states, or develop a combination of the two. MAP-21 has reduced Idaho's federal funding by \$20 million per year and funding could be cut by as much as an additional \$100 million annually if Congress does not increase revenue.

The Governor's budget recommendation includes reducing ITD's FTP count by 28 positions. The savings will be used to reinvest in employees and pilot new efficiencies to increase performance. Transportation technicians make up one-third of ITD's workforce and their pay is currently 16% below surrounding states and 21% below Idaho counties. The plan is to reward employees as they increase their skills and abilities. When adjusting staffing levels, staff is cut more than necessary and then performance measures are used to gauge what the optimum staffing level should be. Once the most efficient staffing level is reached, it is always with fewer employees. Employee-driven innovations are producing better service to taxpayers and helping reduce the FTP count. The Department is losing many experienced employees; 50% are eligible to retire in a five-year period. Before those employees are replaced, ITD needs to know what job skills are required to meet Idaho's future transportation needs for the next 10 to 20 years. Therefore, each position is scrutinized to determine what the needs for that position will be in the future or if the position can be eliminated. ITD's future workforce will not look the way it has for the past 60 years—it will be smaller, more highly skilled, motivated and provide better service.

ITD has received major national recognition because of innovation. In 2013 ITD received more awards in one year than any state in the 100-year history of the American Association of State Highway and Transportation Officials (AASHTO). In 2014 ITD earned two of the highest national honors: the Idaho Freight Study Team received the AASHTO President's award for Research as well as the Alfred E. Johnson Award, for a unique system that is changing the way winter maintenance is done around the world.

Ness discussed some additional FY 2016 requests within the budget. There is a request for \$3 million ongoing spending authority increase in Highway Operations, \$372,900 for registration renewal notices, \$198,600 for maintenance on weigh-in motion scales at the busiest ports of entry, \$62,100 for DMV equipment to help county offices meet growing needs, \$52,500 in one-time spending authority for CDL updates to bring Idaho into compliance with federal CDL requirements, and 2.7 FTP's to convert long-term, part-time positions to permanent. Audit findings for FY 2014 have not yet been released by the Legislative Services Office.

The Director then discussed Idaho's continued reliance on federal funding. In 1996 federal funds made up 45% of Idaho's budget, by 2014 54% of funds came from the federal government, making Idaho even more reliant. The national average for federal transportation funding per state is 24%. Donor states are exerting pressure to get a greater portion of highway trust funds. Idaho is a donee state, meaning Idaho receives more federal funds than it pays into the system.

In 2013, Idaho had 20% fewer highway fatalities (third best in the nation) than in 2006, despite a 4% increase in miles traveled. GARVEE projects show much higher reductions in crashes and fatalities than the statewide average.

Transportation investments also improve mobility because they modernize the infrastructure and mobility is tied to predictability. Idaho-based companies rely on ITD to provide a predictable system so they can ship and receive products on time to keep Idaho's economy moving.

Innovations have also improved the way ITD manages its budget. In studying the bonding situation, ITD discovered a way to save \$40 million by restructuring payments. In the last five years, ITD created \$39.5 million in salary savings because of ITD's award-winning realignment and also added an additional \$180 million worth of projects to the five-year plan. Selection of highways projects by ITD is very innovative—selection is based on the impact they will have on system condition, safety, and the state's economy. ITD works closely with the Departments of Commerce, Labor and Agriculture as well as the State Police to develop tools to measure and maximize the impact of investments.

ITD has three focus areas for 2015: continue to improve operations, employment development, and most important, address the state's growing infrastructure needs. Currently Idaho does not have enough funding to support the needs of its aging infrastructure. The Governor's Task Force on Modernizing Transportation Investments found that Idaho has a \$543 million annual shortfall, and \$262 million is needed annually just to preserve the system in the condition it is in today. Costs are continually increasing and several examples were given about the price of items in 1996 versus today; however, the fuel tax has remained at the same level. In 1996 the gas tax was 25 cents per gallon and has remained flat since that time with no adjustment for inflation.

Ness discussed more detail about Idaho's infrastructure needs. Bridges were designed to last 40 to 60 years but at the rate Idaho funds it bridges they will need to last over 100 years. There are hundreds of old bridges and it is an uphill battle to replace them because of funding. The Department is scheduled to replace 16 bridges in 2016 but an additional 59 will become over 50 years old. Between 2014 and 2019, 87 bridges will be replaced but another 147 will become 50 years old. By 2019 nearly half of the bridges (908) on the state highway system will be more than 50 years old. For public safety reasons as the bridges deteriorate, they will become restricted. Pavements are also aging and will continue to decline. Depending on traffic loads and weather a new highway will last approximately 20 years if it is well maintained. ASSHTO has found that for every \$1 invested when roads and bridges are in good repair, it costs \$6 to \$14 to repair or replace them when they are in poor condition. The annual estimated shortfall of \$262 million could become 3.6 billion.

Reinvesting in transportation will help grow Idaho's economy, put contractors back to work and remove restricted bridges. ITD has realigned itself, streamlined its workforce and is in a better position to serve the users of Idaho's transportation system.

**PRESENTATION: JOINT CHANGE IN EMPLOYEE COMPENSATION (CEC)
COMMITTEE
Committee Recommendations**

PRESENTERS: Senator John Tippets and Representative Neil Anderson, Co-Chairs, Joint CEC Committee

The Joint Change in Employee Compensation (CEC) Committee completed its hearings and deliberations after receiving many reports, recommendations from both the Division of Human Resources and the Division of Financial Management, as well as hearing public testimony. The CEC Committee offered the following recommendations: 1) recommended that the minimum pay rate on the compensation schedule be moved from 68% of policy to 70% of policy (with the exception of Pay Grade D which would remain at \$7.25 per hour) and that the policy change be fully funded, 2) recommended that the state maintain the job classifications that currently have a payline exception to address specific recruitment or retention issues, 3) accepted the Governor's recommendation for an ongoing three percent (3%) in funding for a merit-based increase for state employees with flexibility allowed for agency heads in distribution, and 4) accepted the Governor's recommendation for the State, as the employer, to fund the total increased cost of health insurance premiums for FY 2016 (equates to a fixed appropriation of \$650 for the employer for each of its employees). The Committee does support the continued use of salary savings within an agency's personnel budget and that any remaining funds be reverted to the State.

UNANIMOUS CONSENT: On request by Bell, granted by unanimous consent, the Joint Change in Employee Compensation Committee report was accepted.

ADJOURNED: There being no further business, the meeting was adjourned at 9:58 A.M.

Senator Cameron
Chair

Peggy Moyer
Secretary