

MINUTES  
**JOINT FINANCE-APPROPRIATIONS COMMITTEE**

**DATE:** Wednesday, February 18, 2015

**TIME:** 8:00 A.M.

**PLACE:** Room C310

**MEMBERS PRESENT:** Senators Co-chairman Cameron, Keough, Mortimer, Bair, Nuxoll, Johnson, Thayne, Guthrie, Schmidt, Lacey

Representatives Co-chairman Bell, Gibbs, Miller, Youngblood, Burtenshaw, Horman, Malek, Monks, King, Gannon

**ABSENT/  
EXCUSED:** None

**CONVENED:** Senator Cameron convened the meeting at 8:00 A.M.

**STAFF PRESENT:** Holland-Smith, Headlee, Bybee, Lockett, Hoskins

**PRESENTATION: DEPARTMENT OF REVENUE AND TAXATION  
Board of Tax Appeals (BTA)**

**PRESENTER: Steven Wallace, Director**

To view the presentation, please click on the following link: [Board of Tax Appeals](#)

The Board of Tax Appeals provides taxpayers the opportunity to appeal their ad valorem assessed valuations from a county board of equalization or tax decisions from the Idaho State Tax Commission. The largest percentage of these appeals involve local property tax assessments. The State Tax Commission (STC) appeals can concern income taxes, sales and/or use tax, and circuit breaker benefits.

The Board consists of three citizen members who act as impartial administrative judges who work up to 80 days each per year (or 240 days collectively). The Board is well balanced with a member from north Idaho, east Idaho and southwest Idaho. They work out of their own homes and drive their own vehicles. Board members are compensated at the rate of \$200 per day and are reimbursed for necessary expenses. The Board of Tax Appeals has a total of five staff, all living in the Boise area. Two staff hearing officers, along with a Board member, travel throughout the state to conduct hearings. Occasionally the Board will send more than one individual, sometimes the full three-member Board, in special cases.

A chart was provided showing the number of appeals by year from 2003 through 2013, noting a sharp decline. In 2009 there were a total of 1,035 appeals versus 277 in 2013. Most of the adjudication work for 2013 appeals occurred during FY 2014. Another pie chart depicted a five-year history of decision outcomes.

The Governor's FY 2016 budget recommendation was for \$534,400 from the General Fund including a \$5,500 fiber line-service upgrade for network access.

**PRESENTATION: IDAHO STATE TAX COMMISSION (STC)**

**PRESENTER: Richard W. Jackson, Chairman**

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

**Jackson** introduced the other three Tax Commissioners: Ken Roberts, Tom Katsilometes, and Elliot Werk (newly appointed) as well as other members of the Executive Leadership Team. STC's biggest accomplishment has been the upgrade of GenTax which is the Commission's core operating system. Thousands of hours were invested to define, develop and test the system which expands online services for taxpayers and tax preparers. The Commission also published a Taxpayer Rights brochure, designed data collection methods and reporting systems, and expanded education and outreach efforts. Jackson presented some graphs for FY 2014 which showed the total gross revenue collected was \$3,564.8 million, and net to the General Fund collected was \$2,685.6 million. Another chart showed the growth in revenues and the growth in items processed from FY 2003 through FY 2014. The cost of collection remains low—just over a penny for each dollar taken in.

The Governor's FY 2016 recommended budget is \$39,092,500 with 449 FTP's. Nearly 75% of the budget is for personnel costs and only about 25% is for operating expenses. Replacement items total \$870,300, with \$416,000 of that amount for the revenue deposit imaging equipment. The largest line item is for \$122,200 which will provide two positions in the Audit Division to help prevent taxpayer identity theft and refund fraud.

**Jackson** discussed in more detail the challenges the Commission is having with identify theft and tax fraud. Identity theft occurs when someone knowingly and wrongfully obtains and uses another person's personal data in some way that involves fraud or deception for economic gain or benefits. Tax fraud occurs when tax returns are filed with the intent to receive monetary gain to which a person is not entitled. Statistics show a steady increase in identity theft cases. In FY 2014 approximately 352 of the 685 identity theft cases involved tax fraud. During 2014, Commission employees identified 1,115 confirmed tax fraud returns and saved approximately \$1.4 million from getting paid to fraudsters who have become very persistent. Fraud schemes go beyond withholding (W-2's), now target the grocery credit and 1099's, and perhaps other things not yet identified. The Commission continues to improve processes and infrastructure by: 1) validating taxpayer identities to prevent disclosure, 2) tightening return edits and reviews, 3) giving returns a score based on potential for fraud, 4) training staff in fraud detection, 5) participating in a national suspicious filer working group, 6) partnering with states, the IRS, and software developers, and 7) maintaining flexibility/awareness of new schemes.

**PRESENTATION OFFICE OF THE GOVERNOR  
PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERSI)**

**PRESENTER: Don Drum, Executive Director**

To view the presentation, please click on the following link: [Public Employee Retirement System \(PERSI\)](#)

**Drum** discussed PERSI's strengths and funded status, contribution rates, cost of living adjustment (COLA), membership, funds PERSI manages, and the FY 2016 budget. At the end of the last fiscal year, June 30, 2014, the value of the Fund was \$14,686,583,096 (an all-time high) with a funded status of 93.9% and a year-to-date return of 17.2%. Figures were also provided as of December 31, 2014, showing the funded ratio had declined to 90.5% because: 1) the Board proposed a COLA that was incorporated and 2) the portfolio's underperformance. He also provided a chart that indicated that PERSI's unfunded liability peaked in FY 2009 and as of FY 2014 year end the amortization period was 5.5 years. According to Idaho Code, the Board must act if the amortization period for the Fund's unfunded actuarial liability (UAAL) exceeds 25 years.

Contribution rate increases scheduled to go into effect on July 1, 2015 and July 1, 2016 were permanently withdrawn due to the 17.2% annual return and the 90.5% funded ratio/status. The Board approved a 2014 Cost of Living Adjustment (COLA) for retirees as follows: 1% mandatory, .7% left from Consumer Price Index for Urban Workers (CPI-U) and 2.3% retro (restoration of purchasing power) equal to 4.0% to be divided among eligible retirees based on time of retirement. PERSI membership increased to 135,272 by the end of FY 2014. The number of retirees and annuitants has also steadily increased and is now 40,776.

PERSI manages the following funds: PERSI Total Return Fund, the Sick Leave Insurance Fund, the Firefighters' Retirement Fund (has 22 employers) and the Judges' Retirement Fund.

The Governor recommended an FY 2016 budget of \$7,469,400 with 65.00 FTPs. Included in the request was one FTP and \$62,100 to cover the increased workload of administering the Judges' Retirement Fund which was moved to PERSI as of July 1, 2014.

**PRESENTATION: LIEUTENANT GOVERNOR**

**PRESENTER: Brad Little, Lt. Governor**

The Lt. Governor serves as the presiding officer of the Idaho State Senate and as Acting Governor when the Governor is absent from the State. He also serves as the Governor's chief appointment officer and facilitates economic development. The Governor recommended an FY 2016 budget of \$164,300 (lump sum) with 3 FTPs

**PRESENTATION: GERMANE COMMITTEE REPORTS**

**Senate Education Committee**

**PRESENTER: Senator Dean Mortimer, Chairman**

On behalf of the Senate Education Committee, Senator Mortimer as Chairman, presented the following priority list recommended by his committee: 1) a significant increase in salary-based appropriation for educational staff, 2) discretionary spending; flexibility is a necessity for school districts because districts know where spending should be concentrated, 3) professional development is necessary for the continued growth in teacher knowledge and skill, 4) district IT staffing and classroom technology which enhances the learning environment and curriculum; broadband services are necessary to administer and manage the educational process, 5) advanced opportunities to take college courses through dual and concurrent enrollment, and 6) college and career counseling to provide career guidance and mentoring needed to encourage students to complete high school and prepare for the future.

Education is vital to Idaho and needs to be a priority. There is a delicate balance to be performed by the budget committee; there are many ways to appropriate funds—from people, to buildings, to programs. Students are our future.

### **Senate Health and Welfare Committee**

**PRESENTER: Senator Lee Heider, Chairman**

The Chairman supported the Department of Health and Welfare's budget for Behavioral Health Centers, one in each region of Idaho. So far one has been built in Idaho Falls; he would like to allocate funding for another center, perhaps in northern Idaho as well as appropriate funding for the Allumbaugh House in Boise. Heider supports the proposed \$680 million budget for FY 2015 and \$696 million for FY 2016.

The Chairman has concerns with Optum; the company seems to be setting and defining its own best practices and expressed a desire to do away with programs such as PSR and CBRS. He is working with Optum to try to resolve some of the issues. He does not believe Medicaid expansion will occur this year but it will leave people between 100 to 138% of the federal poverty level without many viable options. Those who could qualify for a policy under Your Health Idaho need to enroll. The Chairman is supportive of the State Insurance Exchange due to Your Health Idaho's great success. Idaho has received a \$40 million SHIP grant for the Healthcare Delivery System, and hopefully, funds will be placed in the right programs within the state. The patient-centered Medical Home Model should be implemented; providers and patients are becoming aware of its benefits.

Idaho should review other models for the healthcare delivery system such as Health Savings Accounts, Medicaid and/or Direct Primary Care. The Governor's Healthcare Task Force recommendations should be implemented. By working together and wisely allocating funds within the Department of Health and Welfare's purview, healthcare for all Idahoans will improve.

### **House Transportation Committee**

**PRESENTER: Representative Joe Palmer, Chairman**

Palmer has introduced a bill in House Transportation to fund transportation through increased registration fees as well as an increased gas tax which would raise about \$200,000,000. Idaho is short on money; there are a lot of ideas, but nothing is definite yet. When asked about funding alternative modes of transportation, the Chairman said everything is on the table but alternative modes of transportation require a lot of money. He thought rather than having a transportation package deal, there could be several bills.

### Senate Transportation Committee

**PRESENTER: Senator Bert Brackett, Chairman**

Brackett applauded House Chairman Palmer for getting the transportation funding bill printed. He is optimistic it will result in a revenue package. The last two years have been spent educating legislators and the public about critical transportation needs and there is growing support to address the transportation funding problem. The challenge is to transform that support into a viable proposal and generate votes to get it passed.

The Senate Chairman mentioned the voter opinion poll conducted by the McClure Center for Public Policy Research at the University of Idaho which found that 71 percent of likely voters indicate roads and bridges are very important to Idaho's economy. Other key findings that indicate support to improve Idaho's roadway infrastructure are: 1) voters generally view roads and bridges as adequate today but not in ten years, 2) most likely voters see a relationship between the economy and roads and bridges, and 3) about half of likely voters say that increased funding for roads and bridges should be among the Legislature's top three priorities.

**PRESENTATION: LEGISLATIVE BRANCH  
Office of Performance Evaluations (OPE)**

**PRESENTER: Rakesh Mohan, Director**

To view the presentation, please click on the following link: [Office of Performance Evaluations \(OPE\)](#)

The Office of Performance Evaluations is a nonpartisan legislative office that promotes accountability and confidence in state government. OPE staff works under the direction of the Joint Legislative Oversight Committee (JLOC) which consists of an equal number of legislators from both political parties and both houses. OPE carries out its mission by evaluating state policies and programs, answering questions about efficiency, effectiveness, and compliance, and by making recommendations for program improvements and policy changes. Success depends on the types of work assigned and whether the finished products are useful.

Examples of completed projects are: 1) Use of Salary Savings to Fund Employee Compensation, completed in January, 2015, 2) the State's Use of Legal Services, completed in February, 2015, 3) the K-12 Longitudinal Data System (ISEE), completed in February, 2015, and 4) a 2009 transportation study. If results and recommendations had been followed on some studies, such as the ISIMS project in 2006, the results could have been different. The credibility of OPE's work is dependent on: 1) independence and objectivity, 2) thoroughness and attention to detail, and 3) responsiveness.

The Director shared global partnerships OPE has been involved with, such as dialogue on a blog involving the European Evaluation Society, being a guest blogger on Evaluation Capacity Development Group (ECDG), a guest post by Mohan for Evaluspheric Perceptions and other similar platforms. The Director will also be speaking at a conference for the Journal of the American Evaluation Association on March 2, 2015.

The agency requested an FY 2016 budget for \$819,400.

**ADJOURNED:** There being no further business, the meeting was adjourned at 10:40 A.M.

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Senator Cameron  
Chair

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Peggy Moyer  
Secretary