

MINUTES
JOINT FINANCE-APPROPRIATIONS COMMITTEE

DATE: Thursday, January 12, 2017
TIME: 8:00 A.M.
PLACE: Room C310
MEMBERS PRESENT: Senators Co-chairman Keough, Bair, Mortimer, Martin, Souza, Lee, Agenbroad, Crabtree, Ward-Engelking, Nye
Representatives Co-chairman Bell, Youngblood, Miller, Burtenshaw, Horman, Malek, Anderson, Dixon, King, Wintrow
ABSENT/ EXCUSED: None
LSO STAFF PRESENT: Cathy Holland-Smith, Paul Headlee, Jared Hoskins, Jared Tatro, Keith Bybee, Rob Sepich, Robyn Lockett, Shane Winslow
CONVENED: **Chairman Bell** called the meeting to order at 8:00 am.
Personnel Structure in State Government
PRESENTER: **Robyn Lockett, Principal Analyst, LSO, Budget & Policy Analysis**
Ms. Lockett gave a presentation about the personnel structure in the State of Idaho's government, which consists of approximately 25,000 state employees.
Ms. Lockett began by looking at the Full-Time Equivalent Position (FTP) Summary report which shows the number of authorized full-time equivalent positions for FY 2017 in state agencies, which is 18,929 positions. Agencies are requesting for FY 2018, an additional 470 positions, of which the Governor has recommended 390 of those positions.
Ms. Lockett then discussed the Change in Employee Compensation (CEC) history. She reviewed the annual increase or decrease on personnel dollars appropriated to state agencies over the last twenty years. The amounts were prescribed by a three step process outlined in the Idaho Code: 1) Idaho Code §67-5309 (c) requires the Division of Human Resources to submit a recommendation annually to the Governor about proposed salary changes, 2) Governor then must submit his own recommendation to the Legislature by the seventh day of the legislative session, 3) the Legislature then must accept, modify, or reject the Governor's recommendation related to personnel. The CEC history outlines those recommendations for the past twenty 20 years.
Ms. Lockett stated there are approximately 25,000 state employees, all of which are divided into two categories: classified and non-classified employees. Classified employees are defined as holding a position, or appointed, subject to the provisions of Idaho Code that include a merit exam, selection, retention, promotion, and dismissal requirements. These employees are compensated on a statewide salary structure, and a majority of them are full-time employees. Non-classified employees are exempt from the provisions in Idaho Code that classified employees are subject to, and are paid on salary comparable to classified employees and treated in an equitable manner. Ms. Lockett explained the different types of state agencies. She said there are different categories of state agencies depending how they are

appropriated. Those categories are appropriated, non-appropriated, and partially appropriated state agencies.

Ms. Lockett reviewed the annual workforce surveys, reports, and recommendations. Per Idaho Code, the Division of Human Resources (DHR) is required to conduct or approve annual salary and benefit surveys within relevant labor markets, and submit that recommendation report annually to Governor. The recommendation sent from DHR makes specific funding recommendations, as dictated by law, on four components: 1) any market-related changes to the salary structure, 2) market-related changes necessary to address any inequities in specific job classifications, 3) merit increase, and 4) any changes to the employee benefit package, or health insurance. After DHR and the Governor have provided their funding recommendations based on these four components, the last entity to provide recommendations is the legislature.

Ms. Lockett reviewed state employee benefit information. She explained the funds for employer-paid health insurance by the state for FY 2017 and the Governor's recommendation for FY 2018. She explained that an employee's variable benefits is based on their hourly wage rate, and describes other employer-provided benefits such as paid holiday, sick leave, vacation, life insurance, PERSI, and short and long term disability pay. Ms. Lockett outlined employee-paid health benefits such as health insurance premiums, variable benefits, and other optional employee-paid benefits for FY 2016–17 and the Governor's recommendation for FY 2018.

In answer to committee questions, **Ms. Lockett** explained the Governor's recommendation for a 3% increase in the state personnel salary schedule also includes a 3% increase in a state agency's personnel dollars fund that is used to distribute funds to personnel by merit under discretion of the agency director.

To listen to this presentation please [click here](#)

Agencies that Provide Services to Other Agencies and Allocating Those Costs in the Budget

PRESENTER: Jared Tatro, Principal Analyst, LSO, Budget & Policy Analysis

Mr. Tatro discussed statewide cost allocation (SWCAP) by breaking it down into six areas: 1) provide basic background information, 2) how indirect costs are allocated, 3) which agencies provide statewide services, 4) cost allocation of the budget, 5) how some of those costs are recovered, and 6) information on budget requests for this coming year.

Mr. Tatro began by discussing types of costs: direct cost and indirect cost. Direct cost is a price that can be completely attributed to the production of specific goods or services. Indirect costs represent the expenses of doing business that are not readily identified with a particular grant, contract, project function or activity, but are necessary for the general operation of the organization and the conduct of activities it performs. He also explained the principles behind cost recovery and allocation for indirect costs. Statewide cost allocation is represented by the costs found in the maintenance portions of the budget, which is estimated by comparing the difference between the expected and actual costs of the fiscal year preceding the current one and factoring those differences into the cost estimation of the fiscal year following the current one. The agencies concerned in this presentation are agencies that provide statewide services, or centralized services to other agencies, are the Idaho State Controller's Office, Idaho Treasurer's Office, and Idaho Attorney

General's Office. When state agencies pay their cost allocation all funds are then deposited in the General Fund.

In answer to committee questions, **Mr. Tatro** explained that the state can never recover more cost than was appropriated for that Fiscal Year.

Mr. Tatro then explained how to determine cost recovery for allocated services from the State Controller's Office, the Treasurer's Office, and the Attorney General's Office. He also explained in the budget other statewide cost allocation concerning direct billings. The largest one being risk management, or insurance services needed for state agencies, and the other two are state building services space charge and legislative audits.

Mr. Tatro reviewed all the SWCAP budget requests for FY 2018 which was a total of \$531,200.

To listen to this presentation please [click here](#)

Idaho Statutes Relating to JFAC and the State Budget

PRESENTER: Cathy Holland-Smith, Division Manager, LSO, Budget & Policy Analysis

Ms. Holland-Smith reviewed the sections in the Idaho Code concerning building the budget, the rules in the Joint Finance-Appropriations Committee (JFAC), and the budget process. She first reviewed the Idaho Code relating to the creation, the officers, and the powers and duties of JFAC. Also discussed were rules concerning the requirement for all state agencies to report actual and estimated receipts and expenditures to the Division of Financial Management (DFM). Ms. Holland-Smith reviewed JFAC's inquisitorial authority to collect any and all necessary information required for the budget process, and other rules outlined in Idaho Code 67-3513 and 67-3514.

To listen to this presentation please [click here](#)

Chairman Bell recessed the committee at 9:11 am.

Chairman Bell resumed the committee meeting at 9:27 am.

Budget Hearing Process

PRESENTER: Cathy Holland-Smith, Division Manager, LSO, Budget & Policy Analysis

Ms. Holland-Smith reviewed the budget hearing process where state agencies present before the Joint Finance-Appropriations Committee (JFAC) their budget requests. The budget hearing process has changed over time, and this year it is different than previous years. Ms. Holland-Smith outlined the differences from last year's session budget hearing process to the this year's session budget hearing process. She discussed instructions for agencies on how to schedule a budget hearing before the committee, and the new addition to the budget hearing process of incorporating state agency's responses to committee members' questions into the public record.

To listen to this presentation please [click here](#)

General Fund Daily Update

PRESENTER: Keith Bybee, Principal Analyst, LSO, Budget & Policy Analysis

Mr. Bybee reviewed General Fund revenues and gave a General Fund Budget Update. He discussed the history and forecast of General Fund revenues collections by tax category, and a reconciliation of expenditures and remaining cash at end of a Fiscal Year.

In answer to committee questions, **Mr. Bybee** explained how the Governor's forecasted net transfers for FY 2018 out of the General Fund will distort the bottom-line spending growth factor of the General Fund.

Mr. Bybee discussed the General Fund daily update, which is a publication of the LSO Budget & Policy Analysis Division that tracks the daily expenditures the Joint Finance-Appropriations Committee passes. This publication can be found on the Idaho Legislature website ([click here](#)).

To listen to this presentation please [click here](#)

Legislative Council Approved Fiscal Note Pilot Project

PRESENTER: **Cathy Holland-Smith, Division Manager, Principal Analyst, LSO, Budget & Policy Analysis**

Ms. Holland-Smith reviewed the Fiscal Impact Report (FIR) pilot project whose primary purpose is to provide information and analysis to a legislator bill sponsor concerning their proposed legislation that meets the criteria of legislative Joint Rule 18. The FIR will describe the fiscal impact of a bill on the finances of state and local governments so the bill sponsor can provide information to the rest of the Legislature regarding the impact to revenues, and whether there will be additional costs or savings.

To listen to this presentation please [click here](#)

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 10:05 am.

Representative Bell
Chair

Cody Jessup
Secretary