

MINUTES  
**JOINT FINANCE-APPROPRIATIONS COMMITTEE**

**DATE:** Monday, January 16, 2017

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

**PLACE:** Room C310

**MEMBERS PRESENT:** Senators Co-chairman Keough, Bair, Mortimer, Martin, Souza, Lee, Agenbroad, Crabtree, Ward-Engelking

Representatives Co-chairman Bell, Youngblood, Miller, Burtenshaw, Horman, Malek, Anderson, Dixon, King, Wintrow

**ABSENT/ EXCUSED:** Senators Nye

**LSO STAFF PRESENT:** Paul Headlee, Janet Jessup, Jared Hoskins, Keith Bybee, Ray Houston, Rob Sepich, Shane Winslow

**CONVENED:** **Chairman Bell** called the meeting to order at 8:00 am.

**Department of Insurance**

**PRESENTER:** **Dean Cameron, Director, Department of Insurance**

**Mr. Cameron** began by introducing his staff: **Tom Donovan**, Deputy Director; **Knute Sandahl**, Idaho State Fire Marshal; **Renee Iverson**, Fiscal Officer; **Ellen Wells**, Human Resources Director; **Elaine Mellon**, Consumer Services Bureau Chief; and **Tricia Carney**, Public Information Specialist. He discussed the main purpose of the Department of Insurance which is to protect Idahoans by effectively and fairly administrating the Idaho insurance code through: 1) examining insurance carriers to ensure they are providing lawful service, 2) interceding on consumer disputes and hold carriers accountable, 3) assisting seniors through the complexities of Medicare, 4) guarding consumer finances by challenging unreasonable product rate increases, 5) investigating and convicting perpetrators of insurance fraud, 6) determining the cause of fires by the State Fire Marshal, 7) assist local fire agencies in fire prevention, and 8) reviewing the construction of fire sprinkler systems in buildings. He then stated statistics about the work of the Department of Insurance which included the number of employees working there, the amount of licensed insurance agents, number of licensed companies in Idaho, number of reviews of forms and policies, number of seniors assisted through the Senior Health Insurance Benefits Advisors Program (SHIBA), number of consumer inquiries and consumer complaints in 2016, number of cases open by the investigations unit for insurance fraud, number of cases taken on by the State Fire Marshal, and number of approvals of fire sprinkler systems. Director Cameron then discussed how the Department of Insurance received its funding through dedicated funds.

**Keith Bybee**, Budget and Policy Analysis analyst, reviewed the actual expenditures of FY 2016, the budget for FY 2017, and the budget requests and the Governor's recommendations for FY 2018. For FY 2016 the Department of Insurance reverted a total of \$1,734,600 back to the General Fund out of \$9,028,500 of total appropriations. For FY 2017 the Department of Insurance requested two line-items in their budget for office and fire-related equipment.

**Mr. Cameron** commented on the FY 2017 appropriations saying that almost all of the replacement items in the FY 2017 budget have been purchased while the others are in the process of being purchased. He provided clarification regarding the Department's collection of fines and that most of them go toward the General Fund while the rest stay with Department. Also, he stated reasons for why the Department of Insurance requested more state employees in FY 2018 to replace outside contractors who conduct examinations of insurance entities domiciled in Idaho.

In answer to committee questions, **Mr. Cameron** explained the cost for in-house examiners versus going to outside contractors to conduct examinations of insurance entities will be cheaper given that those employees will be on pay grade O. After training employees to receive qualifications to be an examiner the hope is the benefits they receive as state employees will reduce employee turnover. Regarding the Governor's recommendation for pay schedule change for the in-house contractors, Mr. Cameron confirmed that pay schedule change is contingent on the legislature's approval. Mr. Cameron also confirmed the reason for a 20% employee turnover is because the Department is losing employees to other agencies due to better compensation incentive. Mr. Cameron explained the process of how fees are collected by insurance entities and agents for timely examinations, and what that examination process may entail.

In answer to committee questions, **Gideon Tolman**, Division of Financial Management, explained the reason for the lower pay for in-house contractors versus the request is because the Governor's policy that new positions for FY 2018 would be paid at 80% of policy.

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#### **Department of Finance**

**PRESENTER: Gavin Gee, Director, Department of Finance**

**Mr. Gee** began by introducing the Department of Finance's management team: **Mary Hughes**, Financial Institutions Bureau Chief; **Mike Larsen**, Consumer Finance Bureau Chief; **Jim Burns**, Securities Bureau Chief; and **Dave Jensen**, Supporting Services Bureau Chief. Next, he mentioned the Department of Finance is a dedicated funds agency that is supported entirely by fees paid by companies they regulate. They self-fund into the next Fiscal Year and any funds in excess of 125 percent of their budget is transferred to the General Fund. In FY 2016 the Department transferred just over \$5.3 million to the General Fund, and the Department fully supports the Governor's funding recommendation for FY 2018. The purpose of the Department is to supervise firms and institutions that hold and handle billions of dollars of Idahoans' money. Without the Department, the Idaho Legislature would have little control over banking laws, the financial industry, and the economic impact in Idaho.

**Mr. Bybee**, Budget and Policy Analysis analyst, reviewed the actual expenditures of FY 2016, the budget for FY 2017, and the budget request and the Governor's recommendations for FY 2018. For FY 2016 the Department of Finance reverted a total of \$494,800 of the \$7,750,000 total appropriated. For FY 2017, there were no line-items. For FY 2018, Mr. Bybee reviewed the line-item requests: 1) for a new IT programmer to develop new and support existing licensing and database systems, 2) for a new financial examiner/investigator to work in the new licensing and annual license renewal processes for non-depository licensees, and 3) for a public information officer to take over outreach duties and coordinate educational efforts. **Mr. Gee** described the importance and necessity for the three positions given the increased workload the Department has taken on due to growth in the finance industry.

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### **Idaho Public Utilities Commission**

**PRESENTER: Paul Kjellander, Commission President, Idaho Public Utilities Commission**

**Mr. Kjellander** gave an introduction detailing what the Public Utilities Commission (PUC) does and who they regulate. The Commission is a three person commission who are appointed by the Governor to serve six year terms with Senate confirmation. Mr. Kjellander then introduced the commissioners, one of them being himself, and the other two being **Kristine Raper** and **Eric Anderson**. He also introduced the following staff present: **Maria Barratt-Riley**, Fiscal Officer, and **Joe Leckie**, Executive Director. The PUC primary role is to ensure adequate earnings, ensure safe and reliable service, and establish reasonable rates for companies offering public utilities. Who they regulate are investor-owned gas, electric, and water utilities; the largest ones being Idaho Power, Rocky Mountain Power, Vista Electric and Natural Gas, Intermountain Gas, and Suez Water. They do not regulate cable companies, satellite providers, wireless internet providers, municipalities, co-ops, and home-owner associations. Mr. Kjellander then described the personnel structure and workload over the past year. He pointed out that the Commission is a dedicated funds agency with a few federal grants and no funding from the General Fund.

**Ray Houston**, Budget and Policy Analysis analyst, reviewed PUC's FY 2016 actual expenditures, FY 2017 budget appropriations, and budget requests and Governor's recommendations for FY 2018. For FY 2016, the total expenditures were \$5,449,000 while the total reverted was \$725,100 out of \$6,174,100 of appropriated funds. For FY 2017, there were two line-items, of which one was not approved by the Joint Finance-Appropriations Committee (JFAC) as well as a \$100,000 supplemental request for the Pipeline Safety Program. In the FY 2018 budget requests, there are two line-items. **Mr. Kjellander** then gave comments about the Commission's budget highlighting the employee turnover rate for FY 2016 and FY 2017.

In answer to committee questions, **Mr. Kjellander** stated there is hope that the salary increases, in the FY 2018 budget, for employees of the Commission would aid in reducing the employee turnover rate in a competitive job market. He also addressed concerns regarding the PUC's building lease with the new owners by saying the PUC does not have autonomy to negotiate a new lease after the current lease expires in 2019. The executive and legislative branches have that authority.

In answer to committee questions, **Jani Revier**, Administrator of the Division of Financial Management, stated the Governor recommended, together with the Office of Insurance, a reduction in disability benefits for state agency employees from 30 months to 6 months in order to better align with private industry health benefits standards.

In answer to committee questions, **Gideon Tolman**, Division of Financial Management, stated the Governor does not recommend the PUC's line-item request to move certain incumbents to the policy midpoint of their respective pay grades because the Governor's recommendation for a 3% increase in employee compensation for all state agencies was to help state agencies specifically address their own employee compensation needs.

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**Chairman Bell** recessed the meeting at 9:27 am.

**Chairman Bell** resumed the meeting at 9:43 am.

### **Office of Energy and Mineral Resources**

**PRESENTER: John Chatburn, Administrator, Governor's Office of Energy and Mineral Resources**

**Mr. Chatburn** stated the primary responsibilities of the Office of Energy and Mineral Resources (OEMR) are to coordinate energy and mineral planning and policy development for Idaho. OEMR accomplishes these responsibilities by coordinating and cooperating with stakeholders, and state and federal agencies on Idaho's energy requirements and issues that affect the state's mineral resources. Mr. Chatburn then detailed federal grant projects, energy planning efforts, federal regulations, and land use issues OEMR is currently facing.

**Mr. Houston** reviewed OEMR's FY 2016 actual expenditures, FY 2017 budget appropriations, and budget requests and Governor's recommendations for FY 2018. For FY 2016, OEMR reverted \$423,500, or 28.0%, of its overall total appropriated funds which was \$1,515,000. For FY 2017 there were three line-items and a supplemental request of \$50,000 from dedicated funds for personnel costs. In FY 2018 there are two line-item requests.

In answer to committee questions, **Mr. Chatburn** clarifies that the \$11,000 received from the FY 2017 line-item request titled State Energy Program (SEP) Grant, was an increase for the indirect spending portion of that SEP Grant. Also, half of the \$50,000 supplemental request for FY 2017 is needed in order to fulfill a required match for a federal FY 2017 SEP formula grant that the agency applied for and received after the FY 2017 state budget was set. Mr. Chatburn also addressed concerns regarding the depletion of funds in the Petroleum Price Violation (PPV) fund by saying that OEMR, in getting federal grants and working with local governments to achieve better energy efficiency, may slow the depletion of that fund. The OEMR also is in the process of working with energy companies to acquire dedicated funds, but those negotiations are still in the early development stage.

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### **Public Utilities Commission**

**PRESENTER: Ray Houston, Principal Analyst, Division of Budget and Policy Analysis**

**Mr. Houston** presented the FY 2017 supplemental appropriation request for the Pipeline Safety Overhead through the Public Utilities Commission. The PUC requests \$100,000 additional appropriation in operating expenditures from the Indirect Cost Recovery Fund. The commission's only federal grant, the Pipeline Safety Program, recently expanded allowable indirect costs from the a 20% ceiling to the actual negotiated indirect rate. This change was not confirmed to the states until late spring 2016, when the commission received a supplemental reimbursement check for an additional \$93,000 for overhead costs. Proper accounting for overhead expenses ensures that the regulated natural gas companies are not picking up a disproportionate share of the costs of the program. This request doubles the base appropriation to match the new, higher indirect reimbursement amounts moving forward.

**UNANIMOUS CONSENT:** On request by **King**, granted by unanimous consent, the FY 2017 budget for the Public Utilities Commission, was reopened.

**CARRIED:** **Original Motion**

**Public Utilities Commission**  
**Pipeline Safety Overhead**  
*Supplemental*

Moved by **King**, seconded by **Ward-Engelking**, to move to the Public Utilities Commission, for fiscal year 2017, an additional \$100,000 in operating expenditures from the dedicated Indirect Cost Recovery Fund, ongoing

**Ayes: 19**

Keough, Martin, Bair, Mortimer, Souza, Lee, Agenbroad, Crabtree, Ward-Engelking, Bell, Youngblood, Miller, Horman, Malek, Burtenshaw, Anderson, Dixon, King, Wintrow

**Nays: 0**

**Ab/Ex: 1**

Nye

The majority having voted in the affirmative, the motion has passed and without objection will carry a DO PASS recommendation. There being no objection, it was so ordered by **Chairman Bell**.

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**Office of Energy and Mineral Resources**

**PRESENTER:** **Ray Houston, Principal Analyst, Division of Budget and Policy Analysis**

**Mr. Houston** presented to the committee the FY 2017 supplemental appropriation request for the Energy Program Salaries. The Office of Energy requests an additional appropriation of \$50,000 in personnel costs from the Petroleum Price Violation (PPV) Fund for two reasons. First, the agency's FY 2017 budget was submitted in September of 2015 based on a projection of the annual State Energy Program (SEP) formula grant. The agency applied for the FY 2017 SEP Grant in May 2016, and it was approved in late June of 2016. An increase of \$25,000 in personnel costs is requested due to the required match for the SEP grant budgeted in personnel costs. Second, the internal budget for personnel costs of the State and Local Policy Program, which is funded entirely with PPV moneys, is \$25,000 higher now than was anticipated when the budget was set. This is an ongoing request.

**UNANIMOUS CONSENT:** On request by **Miller**, granted by unanimous consent, the FY 2017 budget for the Office of Energy Resources, was reopened.

**CARRIED:** **Original Motion**

**Office of Energy Resources**  
**Energy Program Salaries**  
*Supplemental*

Moved by **Miller**, seconded by **Anderson**, to move to the Office of Energy Resources, for fiscal year 2017, an additional \$50,000 in personnel costs from the dedicated Petroleum Rice Violation Fund and a reduction of \$50,000 in operating expenditures from the Petroleum Price Violation Fund, for a net change of zero dollars, ongoing.

**Ayes: 19**

Keough, Martin, Bair, Mortimer, Souza, Lee, Agenbroad, Crabtree, Ward-Engelking, Bell, Youngblood, Miller, Horman, Malek, Burtenshaw, Anderson, Dixon, King, Wintrow

**Nays: 0**

**Ab/Ex: 1**

Nye

The majority having voted in the affirmative, the motion has passed and without objection will carry a DO PASS recommendation. There being no objection, it was so ordered by **Chairman Bell**.

**ADJOURN:** There being no further business to come before the committee, the meeting adjourned at 10:19 am.

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Representative Bell  
Chair

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Cody Jessup  
Secretary