

MINUTES
JOINT FINANCE-APPROPRIATIONS COMMITTEE

DATE: Wednesday, January 18, 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: Paul Headlee, Janet Jessup, Keith Bybee, Shane Winslow

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

Commission for the Blind and Visually Impaired

PRESENTER: **Beth Cunningham, Administrator**

Ms. Cunningham introduced one of her staff, **Trina Ayers**, Administrative Services Manager. She then stated the purpose of the Commission, which is to provide direct services to Idahoans who are blind or visually impaired. These services include: independent living services, vocational counseling and placement services, and skills training. Ms. Cunningham then reviewed the organizational structure of the Commission as well as some of their programs, clinics, and training centers.

Janet Jessup, Budget and Policy Analyst, reviewed the FY 2016 budget actual expenditures, the current FY 2017 budget overview and line items, and the FY 2018 budget requests and Governor's recommendations. For FY 2016 the Commission was appropriated a total of \$4,842,400 with a \$171,600 of that total reverted back. Ms. Jessup then reviewed the fund balances for two (out of four) funds which were federal grants and miscellaneous revenue. For FY 2017 there were no replacement items, no line items, nor any legislative intent language. For the FY 2018 budget, the Commission requested \$4,958,500 while the Governor recommended \$4,986,600, and there is one line item request. **Ms. Cunningham** explained the reason for the line item request which is to utilize a federally required reserve fund to provide pre-employment transition services to students.

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Division of Vocational Rehabilitation

PRESENTER: **Jane Donnellan, Administrator**

Ms. Donnellan began by reviewing the three distinct programs of the Division of Vocational Rehabilitation: the Vocational Rehabilitation (VR), the Extended Employment Services (EES), and the Council for the Deaf and Hard of Hearing (CDHH). She then explained the overall mission and purpose of the Division as well as some new requirements needing implementation as dictated by federal law.

Ms. Jessup reviewed FY 2016 actual expenditures and total appropriations, the FY 2017 budget, budget requests for FY 2018, and Governor's recommendations for FY 2018. For FY 2016 the Division was appropriated a total of \$25,443,700 with \$1,196,600 reverted back. Ms. Jessup reviewed the fund balances for two of the four funds supporting the Division; they were the Federal Grant Fund and Miscellaneous Revenue. For FY 2017, **Ms. Donnellan** provided updates on the implementation status of the approved line-items titled Workforce Innovation and Opportunity Act and Restore Extended Employment Service (EES). Ms. Jessup then reviewed the FY 2018 budget request highlighting the difference between the Division's request for inflationary adjustments and the Governor's recommendation. For FY 2018, there were no line-item recommendations from the Governor, at which **Gideon Tolman**, from the Division of Financial Management explained the Governor had other priorities.

In response to committee questions, **Ms. Donnellan** clarified the Extended Employment Service's (EES) mission is to provide people with disabilities employment opportunities in non-integrated settings means an individual would not be employed in a competitive, integrated situation out in the community, but rather in a sheltered workshop earning a subminimal wage.

In response to committee questions, **Ms. Jessup** clarified that the negative amount in the Ending Free Fund Balance for the Federal Grant Fund is due to a timing difference between when the state appropriates funds and when the federal government appropriates funds. That negative amount is carried over into the next Fiscal Year to finish being paid off when the federal funds do arrive.

In response to committee questions, **Joey Sanchez**, Fiscal Operations Manager for the Division of Vocational Rehab, explained that the borrowing limit of \$800,000 in the Federal Grant Fund is a maximum that may be spent in the interim period between when the state appropriates funds and when the federal government appropriates funds.

In response to committee questions, **Ms. Donnellan** reviewed the Division's summary report in understanding the impact of the Division's Extended Employment Services Rates on Community Rehabilitation Programs' frontline service provision.

Ms. Donnellan gave her closing remarks outlining the results of the Division's services in preparing students for employment opportunities as well as the students' involvement in extra-curricular activities and their development to be contributing members of society.

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Department of Commerce

PRESENTER: Megan Ronk, Director

Ms. Ronk introduced some of her staff, **Bobbi-Jo Meuleman**, Chief Operations Officer; **Matt Borud**, Chief Business Development and Marketing Officer; **Linda Sparks**, Fiscal Officer; and **Cindy Lee**, Grants and Contracts Manager. The Department of Commerce is charged with supporting the retention and expansion of existing Idaho businesses, attracting new companies to Idaho, strengthening Idaho communities to be prepared for growth, and marketing Idaho. She then highlighted some positive statistics of the state's economy. Ms. Ronk reviewed the Department's fund sources, which are a combination of General, Dedicated, and Federal funds. She reviewed some grants to promote Idaho's economy, and pointed out the Department's goal to be good stewards of the funding they receive.

Keith Bybee, Budget and Policy Analyst, reviewed the Department's FY 2016 actual expenditures, the current FY 2017 budget, and the Department's requests along with the Governor's recommendations for FY 2018. For FY 2016, Mr. Bybee pointed out some Net Object Transfers from personnel costs and operating expenses to capital outlay and trustee and benefit payments to purchase some office equipment and provide additional community development block grants. The Department reorganized which freed up personnel costs. Mr. Bybee reviewed the Department's Fund Balances, highlighting specifically the Idaho Opportunity Fund and the Idaho Travel & Convention Fund.

For FY 2017, **Ms. Ronk** provided an update on the approved line-item titled Additional Idaho Global Entrepreneurial Mission (IGEM) Support. She also spoke about the FY 2017 supplemental appropriation request for the Department that, upon legislative approval, would grant \$100,000 for operating expenditures to help secure the F-35 mission for the Air National Guard.

Mr. Bybee then reviewed the FY 2018 budget for the Department of Commerce highlighting the replacement items, and reviewed the six line-item requests of which the Governor recommended four. As Mr. Bybee reviewed the line-item requests, **Ms. Ronk** spoke on each one to provide reasons for the request. For the line-items not recommended by the Governor, **Matthew Warnick**, Division of Financial Management(DFM), provided the reasons why the Governor did not recommend those line-items. Due to some changes in the last three line-item requests from the Governor's office, **David Fulkerson**, Deputy Administrator of DFM and Mr. Warnick spoke about the changes and the reasons for them.

In response to committee questions, **Ms. Ronk** explained that all businesses, existing and new, have access to the Department's incentives to expand existing companies and bring in new companies. She also pointed out the Department's newly appointed business and expansion team is available to help the effort to retain and expand new and existing businesses.

In response to committee questions, **Mr. Bybee** explained that the removal of one-time expenditures total in the FY 2017 appropriation includes the 27th pay-period and the three percent change in employment compensation (CEC).

In response to committee questions, **Ms. Ronk** stated the Department has \$300,000 available in its budget for the Rural Community Development Block Grant program, and despite the limited funding the Department does focus on rural communities by funding projects from the Idaho Opportunity Fund. Ms. Ronk also noted that about half of the Department's projects goes to supporting rural communities.

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Department of Labor

PRESENTER: Ken Edmonds, Director

Mr. Edmonds began by introducing some of the Department's staff, **George Smith**, Director of Research and Communications; **John Taylor**, Chief Fiscal Officer; and **Karine Myles**, Budget Officer.

Mr. Bybee began outlining the organizational structure of the Department of Labor and then reviewed the Department's FY 2016 actual expenditures and the FY 2018 budget requests along with the Governor's recommendations. For FY 2016, Mr. Bybee pointed out the reverted appropriations despite the Department receiving continuous funding and receiving most of its funding from the federal government on a counter-cyclic basis. Next, Mr. Bybee reviewed the cash flow fund balance for the Workforce Development Training Fund, the Employment Security Special Administration Fund, and the Penalty and Interest Fund. Mr. Bybee reviewed the FY 2018 budget pointing out a supplemental appropriation for FY 2017 in which the Department requests \$80,000 from the Miscellaneous Revenue Fund for local cash to match a new Corporation for National and Community Service (CNCS) grant. In the FY 2018 budget Mr. Bybee also highlighted the Department's request for replacement items, which would be paid by the Penalty and Interest Fund. Before discussing the FY 2018 line-item requests, **Mr. Edmonds** provided an update about the status of the Department's local offices after concerns were raised by committee members of potential closings, and a report on the Workforce Development Training Fund for Program Year 2017. Because the Department is largely funded by federal funds, the ability to retain the local offices was strained, however, so far the Department has been able to retain those local offices with confidence they will stay open for the next Fiscal Year. Mr. Edmonds then reviewed the FY 2018 line-item requests, all of which the Governor recommended.

In response to committee questions, **Mr. Edmonds** stated the Department of Labor requests funds to be able to work with the Idaho State Nursing Board to help them conduct market labor research in order to help colleges and universities adjust their nursing education. The Department of Labor tries to conduct other labor market research for other industries to inform colleges and universities as well. But, that research is not to the same extent as nursing because in the way the nursing industry conducts its licensing and registration, there is better detailed information on skills and requirements. Mr. Edmonds clarified the cyber-security hardware in the FY 2018 request for replacement items is different from the cybersecurity insurance because the Department is implementing its own specific requirements for security. Mr. Edmonds also addressed the Governor's initiative to transfer \$5,000,000 from the General Fund to the Department's Workforce Development Training Fund because the Department did not have enough funding for it until the Governor's recommendation, which means the Department can still provide training programs and grants to create transferable job skills for Idahoans.

In response to committee questions, **Matthew Warnick**, Division of Financial Management (DFM), stated the difference in the Governor's recommendation and the agency request for funds in replacement items and line-item request for IT equipment in FY 2018, is due to wanting to avoid depletion of the Department's dedicated funds.

In response to committee questions, **Jani Revier**, Administrator of DFM, explained the reason why Career Technical Education (CTE) did not receive increased funding and the Workforce Development did, because the Governor's recommendation for CTE was to fund top priority programs at each of the CTE institutions. While some of the Governor's recommendation for \$5,000,000 for the Department's Workforce Development programs could go to CTE institutions, the Governor is developing a task force to look at workforce development and ensure funds are not being duplicated for similar programs, but used efficiently to achieve the best returns with fewer dollars. **Mr. Edmonds** also pointed out that the nature of the Workforce Development programs are different compared to the CTE's programs because the CTE programs are ongoing established programs within the six technical schools while the Workforce Development programs are short-term, targeted programs created to address a specific need in the labor market.

In response to committee questions, **Mr. Edmonds** explained that despite the seemingly large amount of funds for the line-item request for IT Equipment, the Governor recommended a lower amount than what was originally requested in order to keep the funds from decreasing below a certain amount for times of great need.

Mr. Edmonds gave his closing remarks stressing the priority for funds for workforce development.

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Lieutenant Governor

PRESENTER: Brad Little, Lieutenant Governor

Mr. Little provided introductory remarks before **Paul Headlee**, Deputy Manager of the Budget and Policy Analysis Division in LSO, presented the Lieutenant Governor's budget. Mr. Headlee presented the FY 2016 actual expenditures, the FY 2017 budget, and the FY 2018 budget request along with the Governor's recommendations. For FY 2016, the Lieutenant Governor was appropriated a total of \$163,600 with a \$700 reversion back into the General Fund. For FY 2017, the Lieutenant Governor was appropriated a total of \$170,000 from the General Fund with no line-items. For FY 2018, the Lieutenant Governor requested a total of \$172,300 while the Governor recommended a total of \$172,900.

Mr. Little commented on the cybersecurity insurance that is being implemented in every agency's budget by providing some reasons for it, and stressed the importance in training employees of state agencies in cybersecurity measures.

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ADJOURN: There being no further business to come before the committee, the meeting adjourned at 10:31 am.

Representative Bell
Chair

Cody Jessup
Secretary