

MINUTES
JOINT FINANCE-APPROPRIATIONS COMMITTEE

DATE: Monday, February 06, 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

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

AGENCY PRESENTATION: **IDAHO TRANSPORTATION DEPARTMENT**

LSO STAFF PRESENTATION: **BRIAN NESS, DIRECTOR:** Implement our staffing plan by 2020, we will have a smaller workforce that is fewer employees, but those employees will have a higher skill set. The goal is to provide better service and skills with fewer employees. Upgrading technology with fewer staff. Pay our employees more along with better equipment and technology. Reviews the agency's overview. [AUDIO](https://go.usa.gov/x9hSE) (https://go.usa.gov/x9hSE)
ROB SEPICH: Reviews the FY2017 Budget [PRESENTATION](https://go.usa.gov/x9hSv) (https://go.usa.gov/x9hSv) [AUDIO](https://go.usa.gov/x9hSE) (https://go.usa.gov/x9hSE)
JOEL DRAKE, FINANCIAL: Reviews and describes the FY2017 Budget.
SEPICH: Reviews the FY2018 budget and replacement items [PRESENTATION](https://go.usa.gov/x9hSv) (https://go.usa.gov/x9hSv) [AUDIO](https://go.usa.gov/x9hSE) (https://go.usa.gov/x9hSE)
DRAKE: Reviews the FY2018 Replacement items. [AUDIO](https://go.usa.gov/x9hSE) (https://go.usa.gov/x9hSE)

QUESTIONS: **REP ANDERSON:** Page 10, GARVEE bonds pay off the principal at some point and time, how is it represented on the chart? Where would we be able to see the payment we made last year, that particularly paid that bond off?
SEPICH: Let's go back to the debt service fund, on page 6 of your packet, FY2015, there is a transfer in from (fund title) of about \$54.8 million that was paid by the Federal Government and \$4.7 million from the cigarette tax.
REP ANDERSON: I was just wondering if on page 10 that would be reflected on the chart at all?
SEPICH: That's rolled up more or less into this. There is a line item in here, a supplemental, for the accounting adjustment. But those funds are already appropriated.
DRAKE: The department's debt service payments are made from previously appropriated funds. And those numbers do not show up on these types of sheets, they did show up on the B12. The department receives spending authority for these types of accounts.
SEN MORTIMER: I don't see anywhere in here, about some history of the GARVEE payments or anything on GARVEE, I would like to see maybe two or three years in the past as well as what we have expended this year. Maybe some more detail on Garvee just so we have material to look at.

REP ANDERSON: If it is continuously appropriated funds, so what happens, generally, when we have a continuously appropriated expense and that expense declines significantly as the GARVEE expense would be as the bonds are paid off. Then how does that interrelate with this committee, if its continuously appropriated?

DRAKE: Continuously appropriated funds can only stand actual dollars and monies. In the case of the garvee fund, it carries no balance. We make transfers twice a year to that fund and then the fund makes payments to the bond holders. After the payment is made the balance is zero.

[AUDIO](https://go.usa.gov/x9hSE) (https://go.usa.gov/x9hSE)

DRAKE: Reviews all 7 line items in detail. [PRESENTATION](#) (https://go.usa.gov/x9hSv) [AUDIO](#) (https://go.usa.gov/x9hSE)

QUESTIONS:

AGENBROAD: A few weeks ago we heard from the Controllers' Office, relative to a significant infrastructure spending that we are going to be looking at in the future. As I recall ITD was one of the departments that had moved away from the Controllers' infrastructure and/or was considering moving away from. Can you help me understand are we going a different direction than the Controllers' Office long term and if so, why? Or are you looking to come back when the upgrade is made?

DRAKE: The department currently uses an inhouse enterprise course management system, the department does interface, we have had it for years, with the STARS, the State Controllers' system. The reason the department has an auxiliary internal accounting system, is because we do heavy projects for the county, across the county. The STARS is just not in process to handle these projects. [AUDIO](#) (https://go.usa.gov/x9hSE)

DRAKE: Continues with the remaining FY2018 line items. [PRESENTATION](#) (https://go.usa.gov/x9hSv) [AUDIO](#) (https://go.usa.gov/x9hSE)

SEN LEE: I'm still wondering how this would coordinate with the Governor and Lieutenant Governor's cyber security task force. We have a line item coming up for cyber security insurance. But we haven't heard this specific approach from other areas, so could you elaborate a little more on what specially is unique about your department needing this verses other agencies and how you would coordinate with those overall threats that are happening in our State.

DRAKE: The issue is cyber security is really broad and in my observation, it comes in several distinct areas. It is an insurance that takes place after an attack has occurred. This is a proactive investment in technology. [AUDIO](#) (https://go.usa.gov/x9hSE)

DRAKE: Continues the FY2018 line items. [PRESENTATION](#) (https://go.usa.gov/x9hSv) [AUDIO](#) (https://go.usa.gov/x9hSE)

AGENCY

PRESENTATION: DEPARTMENT OF MOTOR VEHICLES

LSO STAFF

PRESENTATION:

JOEL DRAKE: Reviews the agency's overview [AUDIO](#) (https://go.usa.gov/x9hhE)

ROB SEPICH: Reviews the FY2016/FY2017 budget [PRESENTATION](#) (https://go.usa.gov/x9hSv) [AUDIO](#) (https://go.usa.gov/x9hhE)

DRAKE: Reviews the FY2017 line items. [PRESENTATION](#) (https://go.usa.gov/x9hSv) [AUDIO](#) (https://go.usa.gov/x9hhE)

QUESTIONS: SEN CRABTREE: I have a question about the math, you are talking about a 5 year turnover on these computers. But in a couple of budgets we have looked at, it looks different than what you are asking.
DRAKE: You are bringing up a topic, that we have become aware of on these slides. On this slide as well as the others there is an issue with where the quantity is wrong on the slide, that is the total count and not the need number.
SEN CRABTREE: So what should the numbers be?
DRAKE: I think 1271. [AUDIO](https://go.usa.gov/x9hhE) (https://go.usa.gov/x9hhE)

SEPICH: Reviews the FY2018 budget and line items [PRESENTATION](https://go.usa.gov/x9hSv) (https://go.usa.gov/x9hSv) [AUDIO](https://go.usa.gov/x9hhE) (https://go.usa.gov/x9hhE)

QUESTIONS: SEN BAIR: On the number 13, Commercial Driver’s Federal Funds, are there any dollars there for the instructors who have to actually do the training for the commercial driver’s license?
DRAKE: I do not know and I am not sure. The additional spending authority that we have, that might be possible. I do not know, I will have to get more information on that.
SEN BAIR: Would you mind finding out what the instructors are being paid and if there is any way we can provide those folks with a pay increase that they haven’t had in years.
[AUDIO](https://go.usa.gov/x9hhE) (https://go.usa.gov/x9hhE)

AGENCY

PRESENTATION: HIGHWAY OPERATIONS

LSO STAFF

PRESENTATION: **JOEL DRAKE:** Reviews the agency’s overview [AUDIO](https://go.usa.gov/x9hhp) (https://go.usa.gov/x9hhp)
ROB SEPICH: Reviews the FY2016/FY2017 budgets and line items [PRESENTATION](https://go.usa.gov/x9hhf) (https://go.usa.gov/x9hhf) [AUDIO](https://go.usa.gov/x9hhp) (https://go.usa.gov/x9hhp)
DRAKE: Reviews the line items from FY2017, with no further questions, goes into the FY2018 Replacement items [PRESENTATION](https://go.usa.gov/x9hhf) (https://go.usa.gov/x9hhf) [AUDIO](https://go.usa.gov/x9hhp) (https://go.usa.gov/x9hhp)
SEPICH: Reviews the FY2018 budget and line items. [PRESENTATION](https://go.usa.gov/x9hhf) (https://go.usa.gov/x9hhf) [AUDIO](https://go.usa.gov/x9hhp) (https://go.usa.gov/x9hhp)

AGENCY

PRESENTATION: CONTRACT CONSTRUCTION & RIGHT-AWAY ACQUISITION

LSO STAFF

PRESENTATION: **JOEL DRAKE:** Reviews the agency’s overview [AUDIO](https://go.usa.gov/xXqqC) (https://go.usa.gov/xXqqC)
ROB SEPICH: Reviews the FY2016/FY2017 budget [PRESENTATION](https://go.usa.gov/x9hhf) (https://go.usa.gov/x9hhf) [AUDIO](https://go.usa.gov/xXqqC) (https://go.usa.gov/xXqqC)
DRAKE: Reviews the line items from FY2017 [PRESENTATION](https://go.usa.gov/x9hhf) (https://go.usa.gov/x9hhf) [AUDIO](https://go.usa.gov/xXqq9) (https://go.usa.gov/xXqq9)
SEPICH: Reviews the FY2018 budget [PRESENTATION](https://go.usa.gov/x9hhf) (https://go.usa.gov/x9hhf) [AUDIO](https://go.usa.gov/xXqq9) (https://go.usa.gov/xXqq9)

QUESTIONS: SEN LEE: Can we go back to page 23, can you help me understand the appropriation. Can you just help me with the second to last line and walk me through those difference? Where is the funding going in and out?
SEPICH: This is what we call our variance report, it just shows the differences positively or negatively more money or less money then was appropriated. So that's why its a variance, so the \$211 MILLION, effectively overstated because it is money that is coming in. We have a great number of transfers coming in this budget. And this \$17.5 million is made up of a group of combined amount from each division.
REP ANDERSON: We have about \$2.5 million more on top of \$3.5 million to improve facilities at 14 locations. I know that you guys use some of that treated material for those shelters. I was wondering how that has held up and if you were planning on continuing that, to build that kind of structure. Looks like we are talking somewhere around \$400,000 per location, maybe a little more.
DRAKE: The department entered into to using those type of structures many years ago, a cost effective way to store. I will get more information.
BRIAN NESS, DIRECTOR: The environmental rules have gotten a little more strict, and we cant have structures that maybe will allow water and things to get in.
[AUDIO](https://go.usa.gov/xXqq9) (https://go.usa.gov/xXqq9)

AGENCY

PRESENTATION: IDAHO LOTTERY COMMISSION

LSO STAFF

PRESENTATION: JEFF ANDERSON: Reviews the agency's overview [AUDIO](https://go.usa.gov/xXqqR) (https://go.usa.gov/xXqqR)
ROB SEPICH: Reviews FY2016/FY2017 budget [PRESENTATION](https://go.usa.gov/xXqqm) (https://go.usa.gov/xXqqm) [AUDIO](https://go.usa.gov/xXqqR) (https://go.usa.gov/xXqqR)

QUESTIONS:

SEN NYE: What is the percent of proceeds that goes to the schools?
ANDERSON: When the lottery was established 50% of proceeds went to schools and the other 50% went to the permanent building fund. Several years ago, there was a change to that distribution formula which 1/4 of the dividend to support the bond levy equalization fund. It does have a floor of a minimum amount that does need to go to schools, but 50% to schools, 3/8 to permanent building fund and the remaining goes to bond levy equalization fund.
SEN NYE: To simplify, for every \$100 how much goes to schools?
ANDERSON: Last year was about \$0.22 per dollar was part of the dividend and 5/8 of that went to schools and the bond levy equalization fund and the remainder went to the permanent building fund.
REP KING: Give me some more information about the bond levy equalization, I understand what it is, we are trying to equalize out bonds from school districts, but is that going to be there forever?
CHAIRMAN KEOUGH: I believe that is a policy question and I do believe there is a sunset on that. You can find that in the statute.
[AUDIO](https://go.usa.gov/xXqqR) (https://go.usa.gov/xXqqR)

SEPICH: Further reviews FY2016/2017 budget, with no further comments moves on to the FY2018 budget and replacement items. [PRESENTATION](https://go.usa.gov/xXqqm) (<https://go.usa.gov/xXqqm>) [AUDIO](https://go.usa.gov/xXqqR) (<https://go.usa.gov/xXqqR>)
ANDERSON: Reviews the replacement items for FY2018 [PRESENTATION](https://go.usa.gov/xXqqm) (<https://go.usa.gov/xXqqm>) [AUDIO](https://go.usa.gov/xXqqR) (<https://go.usa.gov/xXqqR>)
SEPICH: Reviews the FY2018 line items. [PRESENTATION](https://go.usa.gov/xXqqm) (<https://go.usa.gov/xXqqm>) [AUDIO](https://go.usa.gov/xXqqR) (<https://go.usa.gov/xXqqR>)
ANDERSON: Just wanted to add, that the POST Certified Detective, this position already exists and the 45 are already authorized. [AUDIO](https://go.usa.gov/xXqqR) (<https://go.usa.gov/xXqqR>)

QUESTIONS:

SEN MARTIN: PAGE 6–83, It has the amounts that have been dispersed for FY2017/FY2018. Are those estimates? Are you comfortable with those numbers?

ANDERSON: We are. This chart, the dividend from a particular area is transferred into the next year. So the \$49.5 million for 2017, was actually the declared dividend from operations, FY2016. Likewise you will see for FY2018.

SEN MARTIN: So if we look at FY2015, the distribution was \$49 million and it looks like the estimated 2018 is \$48.2 million. So would you say it is relatively flat and if so, why?

ANDERSON: It is very difficult to predict or forecast, for particularly our big jackpot deals. That would be Powerball and Megamillions, they have the highest growth profits of any of our games. If you notice we had a \$49.5 million dollar dividend in 2016, which was transferred into 2017. We are forecasting less for the current year. [AUDIO](https://go.usa.gov/xXqqR) (<https://go.usa.gov/xXqqR>)

SEN MARTIN: Now on page 5–82, what is classified as commissions and what would be under other costs?

ANDERSON: Commissions are what we pay to retailers, they are 5% of the sale of tickets and additional 1% available for the lottery to provide incentives for retailers to either sell a big jackpot or a portion of it also pays for cashing bonuses for paying out prizes to players.

SEN MARTIN: You indicated that there is a cap that is set, who has set that cap on your expenditures, commissions and advertising?

ANDERSON: That was in the original legislation that was establishing the lottery in 1989.

[AUDIO](https://go.usa.gov/xXqqR) (<https://go.usa.gov/xXqqR>)

AGENCY

PRESENTATION: STATE LIQUOR DIVISION

LSO STAFF

PRESENTATION:

JEFF ANDERSON, DIRECTOR: Reviews the agency’s overview [AUDIO](https://go.usa.gov/xXqqv) (<https://go.usa.gov/xXqqv>)

ROB SEPICH: Reviews the FY2016/FY2017 budget [PRESENTATION](https://go.usa.gov/xXqq7) (<https://go.usa.gov/xXqq7>) [AUDIO](https://go.usa.gov/xXqqv) (<https://go.usa.gov/xXqqv>)

QUESTIONS:

SEN MORTIMER: B12 on page 3, I noticed the ending balance escalating from \$7 million to \$10 million and \$13 million, why are we increasing those balances and not keeping that a little lower?

ANDERSON: We have been increasing the amount of inventory at retail to prevent out-of-stocks. Over the last six years we have focused really hard on just in time inventory. Sometimes we didn't get it quite right and so we need to increase the inventory in the stores.

SEN MORTIMER: If the free funding balance includes inventory, then I think I understand the statement. If it does not include inventory, then my question is, we are building a cash account instead of distributing that to the general fund.

ANDERSON: Back in 2010, I think it was, the State did a budget finding, and we were able to transfer additional dollars to the State for purposes within the distribution formula.

TONY FARACA, CHIEF FINANCIAL OFFICER: This is roughly around June 30, at the end of the fiscal year our balance was near \$14 million. We typically make a final distribution payment, based on the June 30th ending the fiscal year, nearly at the end of July that month. [AUDIO](https://go.usa.gov/xXqqv) (https://go.usa.gov/xXqqv)

SEN MORTIMER: What is that balance that you try to keep in there?

FARACA: It is a little bit of an art form, we have a distribution around August 1st, and we are also projecting the coming fiscal year based on our projected in sales and net income. To best answer your question, we take a cash level trough in the first week of October, is when the first distribution for the current fiscal year is distributed. To give you a nice round number, we try to maintain enough cash to meet operations, meet payroll, which is usually in \$3–5 million range. That's as low as we like to get.

[AUDIO](https://go.usa.gov/xXqqv) (https://go.usa.gov/xXqqv)

SEPICH: Continues with FY2017 budget and line items [PRESENTATION](https://go.usa.gov/xXqq7) (https://go.usa.gov/xXqq7)

ANDERSON: Reviews the FY2017 line items, with no further comments, moves on to the FY2018 budget, replacement items and maintenance items. [AUDIO](https://go.usa.gov/xXqqv) (https://go.usa.gov/xXqqv)

SEPICH: Reviews the FY2018 budget [PRESENTATION](https://go.usa.gov/xXqq7) (https://go.usa.gov/xXqq7) [AUDIO](https://go.usa.gov/xXqqv) (https://go.usa.gov/xXqqv)

QUESTIONS:

SEN MORTIMER: With items 1 and 3, do you have a model that you are looking at that new stores in locations to say okay we have this much traffic in these locations and therefore we need additional stores. I really question the return, you know the length of time it takes to return on this money and then also if its just a matter of convenience. I'm not sure I want to expend our dollars for convenience.

ANDERSON: As it relates to the two additional stores, if you drive south of Boise, you will see rooftops going up everywhere. We do have defined criteria for under served areas. We work with Linda Miller, at the Division of Public Works, she helps us with our credit cards and those kinds of things. We do talk to brokers about where the population is, where the traffic patterns are going. We have not asked for a new store since 2010. [AUDIO](https://go.usa.gov/xXqqv) (https://go.usa.gov/xXqqv)

AGENCY

PRESENTATION: DEPARTMENT OF JUVENILE CORRECTIONS

LSO STAFF

SHARON HARRIGFELD, DIRECTOR: Reviews the agency overview

PRESENTATION: [AUDIO](https://go.usa.gov/xXq3a) (https://go.usa.gov/xXq3a)

JARED HOSKINS: Reviews the FY2016/FY2017 budget [PRESENTATION](https://go.usa.gov/xXq3B) (https://go.usa.gov/xXq3B) [AUDIO](https://go.usa.gov/xXq3a) (https://go.usa.gov/xXq3a)

HARRIGFELD: Reviews the line items for the FY2017 [PRESENTATION](https://go.usa.gov/xXq3B) (https://go.usa.gov/xXq3B) [AUDIO](https://go.usa.gov/xXq3a) (https://go.usa.gov/xXq3a)

QUESTIONS:

REP ANDERSON: On page 3–72, and paragraph one, we are asking for the change of rule of 90, to the rule of 80, this item would reduce staff turnover and increase morale and retention, and create a more stable and experienced workforce that can better respond to emergencies. I guess Director I’m wondering if you can quantify how much staff turnover we will receive in terms of benefits and how do we know, is this an opinion or is there some data that backs this up. How do we come across these claims?

HARRIGFELD: This is part of our FY2018 budget request, we can’t quantify exactly how this will help us with retention. I can tell you that our turn over rate was 35–41%. Some of the work that has been done was with our HR officer. So the turn over rate is currently at 17%. The Rule of 80 will continue to not only support our staff for the incredible work they do, but also provide them with the understanding that we know the work they do is dangerous. [AUDIO](https://go.usa.gov/xXq3a) (https://go.usa.gov/xXq3a)

HOSKINS: Reviews the FY2018 budget and requests [PRESENTATION](https://go.usa.gov/xXq3B) (https://go.usa.gov/xXq3B)

HARRIGFELD: Reviews the FY2018 replacement items, with no further comments, moves on to the 6 line items. [AUDIO](https://go.usa.gov/xXq3a) (https://go.usa.gov/xXq3a)

ADJOURNED

There being no further business, Senator Keough adjourned the meeting at 10:45 A.M.

Senator Keough
Chair

Amberlee Honsaker
Secretary