

MINUTES
JOINT FINANCE-APPROPRIATIONS COMMITTEE

DATE: Tuesday, February 07, 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: Keith Bybee, Ray Houston

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

Idaho State Tax Commission

PRESENTER: **Ken Roberts, Commission Chairman**

Mr. Roberts began his presentation by introducing the other commissioners, **Rich Jackson, Elliot Werk,** and **Tom Katsilometes.** He outlined the mission of the Tax Commission which is to administer the state tax laws in a fair, timely, and cost effective manner for all Idahoans. He reviewed the different tax types the Commission handles and which ones contribute most to the General Fund. Mr. Roberts reviewed more functions of the Commission such as tax oversight for local governments. Next, he reviewed the Commission's organizational structure and how many departments are in the agency. He listed some highlights of the past fiscal year related to projects implemented in efforts to better the tax collection system as well as challenges such as employee turnover, fraud, and reaching out to young taxpayers.

Keith Bybee, Principal Budget and Policy Analyst, reviewed the agency's FY 2016 budget and actual expenditures. The agency was appropriated a total \$39,124,600, and had some object class transfers and reversions. The agency spent a total \$38,621,800. Next, Mr. Bybee reviewed the analysis of fund balances for the Multi-State Tax Compact Fund, the Administration and Accounting Services Fund, the Motor Fuel Administration Fund, Federal Grant-Motor Fuel Compliance Fund, and the Seminars and Publications Fund. Mr. Bybee reviewed the agency's FY 2017 budget where they were appropriated a total of \$42,663,400 and six line items. **Mr. Roberts** reviewed and provided an update on the status of each line item. Mr. Bybee then reviewed the agency's FY 2018 budget pointing out inflationary adjustments and introduced the agency's five line item requests. Mr. Roberts discussed the reason for those adjustments and line items.

In response to committee questions, **Mr. Roberts** explained, in regard to the line item request in the Attorney General's FY 2018 budget for a position to deal with collection cases from out-of-state taxpayers, there is an excess of \$30 million in outstanding taxes from out-of-state taxpayers.

Mr. Roberts gave his closing remarks by expressing gratitude for the Governor's 3% change in employee compensation (CEC) for state agency employees as it will help the agency attract and retain good employees. Mr. Roberts commented on the challenges of the agency to keep up with new technology and ways young taxpayers prefer to handle their taxes, and maintaining and bettering efficiency at the agency with new technology.

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Board of Tax Appeals

PRESENTER: Cindy Pollock, Acting Director

Ms. Pollock began by introducing the chairman of the Board of Tax Appeals, **David Kinghorn**. She then described the agency's functions. It acts as a fully independent tax tribunal where it hears tax appeals at the appellate level. Ms. Pollock then described in more detail the functions and duties of the Board.

Mr. Bybee reviewed the agency's FY 2016 budget and actual expenditures. The agency has a FTP of 5.00 and they rely solely on general funds for operations. The agency was appropriated a total of \$534,400 and spent a total \$489,000. For FY 2017, the Board is on a maintenance of current operations budget. For FY 2018, Mr. Bybee reviewed the agency's request for inflationary adjustments, replacement items, and two line items. **Ms. Pollock** provided an explanation for the inflationary adjustments and the line items.

Ms. Pollock gave her closing remarks by expressing gratitude toward the committee's and **Mr. Bybee's** work on the Board's budget.

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Idaho Department of Lands

PRESENTER: Tom Schultz, Director

Mr. Schultz began by introducing staff members present at the meeting, **David Groeschl**, Deputy Director; **Donna Caldwell**, Support Services Administrator; **Debbie Buck**, Chief Financial Officer. Mr. Schultz discussed the organizational structure of the Department and how they serve as the administrative arm for the State Board of Land Commissioners and Idaho Oil and Gas Conservation Commission. Mr. Schultz discussed the two main functions of the Department which are, first to manage the State Endowment Lands, and second to help Idahoans protect and manage their private lands as well as state land held in public trust distinctly that come from the State Endowment Trust lands. He also reviewed the Department's other statutory duties and regulatory functions. Mr. Schultz reviewed highlights of the agency's programs related to its budget for FY 2016, 2017, and 2018. He discussed the Department's guiding principles when it comes to making decisions in order that it is fulfilling its duties, and closed his introductory remarks by highlighting the Governor's FY 2018 budget recommendation for the Department.

Ray Houston, Principal Budget and Policy Analyst, reviewed the Department's FY 2016 budget and actual expenditures. For FY 2016, the Department was appropriated a total of \$51,020,800 including supplement appropriations, and spent a total of \$44,079,400. The Department performed some object class transfers and reversions as well.

Chairman Bell recognized high school students from New Plymouth High School who were in attendance in the audience.

Mr. Schultz provided an explanation behind the Department's reversions in FY 2016. **Mr. Houston** reviewed the Department's sources of funds and their free fund balances. He also reviewed the Department's FY 2017 budget where they had 20 line items but 19 were approved. Mr. Schultz provided an update on the status of those line items.

In response to committee questions, **Mr. Schultz** provided more information behind one of the FY 2017 line items called the Good Neighbor Agreement where the state partners with the federal government to manage federal forest by treating areas affected by insect and disease, high tree mortality, and risk of fire through the use of timber sales plus additional work as outlined in the Good Neighbor Agreement. When timber sales occur the U.S. Forest Service will take about a 15% cut of the sales to cover their costs and the Department of Lands will take an amount to cover their costs. The rest of the sales will go toward future projects. Mr. Schultz also explained local rural government entities and fire departments are primarily responsible for areas at risk of fire that are not protected by state or federal agencies.

Mr. Houston reviewed the Department's FY 2018 budget request highlighting the removal of one-time expenditures, inflationary adjustments, and replacement items. **Mr. Schultz** gave an explanation for the request of replacement items. Mr. Houston introduced while Mr. Schultz reviewed and answered questions regarding the Department's 19 line item requests where 17 of them were recommended by the Governor.

In response to committee questions, **Mr. Schultz** explained that the Sage Grouse Conservation Initiative, line item 7, still protects grazing rights on endowment lands. He also stated, in regard to the heavy equipment mechanic position in line item 7, there are currently three mechanics working on heavy equipment for the Department. The funds for the heavy equipment mechanic position will provide another FTP's worth of work that will be added to the current number of mechanics for refurbishment and maintenance of the Department's heavy equipment. Mr. Schultz also stated, in regard to line item 9, the request for a Southern Idaho Timber Protective Association Dispatch Center, the Protective Association Board does support this line item request.

In response to committee questions, **Mr. Schultz** explained, in regard to line item 13, Scan Mineral Documents, public documents requests mostly come from the general public curious about the reclamation plans and from mining companies or a new operator for whatever land, mine, or gravel pit it may be. Mr. Schultz addressed a question concerning line item 14, the Abandoned Mine Program, by saying the Department does not receive federal appropriation when helping with closing abandoned mines on federal land, however, the federal agency does aid in the process by bringing supplies and manpower. The appropriation request of \$200,000 for this program will be added on top of the already \$1.1 million appropriated for it. Mr. Schultz addressed another question regarding line item 11, Navigable Waters Study, where he stated the Department seeks to have evidence for the state's claims of title to beds of navigable lakes and rivers in the event there is an issue of ownership. The funds the state receives from leases from oil and gas companies as result of having those claims to lakes and river beds, will go to support public schools.

In response to committee questions, **Mr. Schultz** explained, in regard to line item 15, the Good Neighbor Authority, that performing projects under the Good Neighbor Authority on federal forest land such as hiking trail maintenance, watershed restoration, or inserting culverts, is a possibility for the Department, but as to whether or not the Department is best for the job, is another question.

In response to committee questions, **Amber Christofferson**, Division of Financial Management (DFM), explained, in regard to line item 19 requesting for a CEC and inflation adjustment for employees of the Timber Protective Association, the Governor did not recommend this since those employee were not state employees.

In response to committee questions, **Mr. Schultz** explained the increase in funding for the Department's Support Services Program over the years has to do with the Department's focus on enhancing their IT component for the whole agency. Mr. Schultz also stated the Department receives a voluminous amount of public records requests ranging from numerous types of requests. Sometimes those requests require gathering documents from different departments where they may or not have digital copies yet, thus increasing the time to fulfill those requests.

Mr. Schultz gave his closing remarks summarizing the importance of the Department's work for the public and the State as well as express gratitude toward **Larry Johnson** at the Investment Fund Endowment Board, **Amber Christofferson** from DFM, **Ray Houston** from the Budget and Policy Analysis Division, and the committee for their work on the Department's budget.

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Endowment Fund Investment Board (EFIB)

PRESENTER: Larry Johnson, Manager of Investments

Mr. Johnson began by detailing the purpose of the agency, which is to provide professional investment governance for the State Land Grant Endowment Funds and other similar long-term investment funds for state agencies. Mr. Johnson introduced the chair of the Board present at the meeting, **Dean Buffington**, as well as some staff members present, **Michelle Watts**, Fiscal Officer, and **Chris Halvorson**, Investment Officer. He then discussed the assets the EFIB handle and the total amount. He also reviewed a history of distributions from the Land Grant Endowments which are determined by the State Land Board. He closed by mentioning the origin of the funds.

Rep. Anderson disclosed he has a possible conflict of interest under applicable law since he is a member of the Board.

Mr. Houston reviewed the Board's FY 2016 budget and actual expenditures. The Board was appropriated a total of \$644,500. There were some object class transfers and reversions. Next, Mr. Houston reviewed the Board's FY 2017 budget where there were no line items but continuous appropriation authority. He then reviewed FY 2018 highlighting the request for replacement items and reviewed the three line item requests. **Mr. Buffington**, EFIB Chairman, provided an explanation for line item 3 regarding a salary increase for the Manager of Investments position.

In response to committee questions, **Shelby Kerns**, Division of Financial Management, stated the reason the Governor recommended a salary increase for this investment manager position and not for a similar situation in the PERSI budget because compared to other states, the PERSI salary was high whereas this position was in a lower quartile.

In response to committee questions, **Mr. Johnson** stated the land expenses portion in the asset summary represents the expenses in managing both the Endowment Fund and Endowment Land which are paid by funds in the Endowment Fund as dedicated funds.

Mr. Houston also pointed out that in the asset summary there were losses in FY 2016. Distribution of funds to public schools increased, however, that increase was do to implementation of a different funding formula.

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ADJOURN: There being no further business to come before the committee, the meeting adjourned at 10:30 am.

Representative Bell
Chair

Cody Jessup
Secretary