

MINUTES
JOINT FINANCE-APPROPRIATIONS COMMITTEE

DATE: Thursday, February 09, 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: Ray Houston, Robyn Lockett

CONVENED: **Chairman Bell** called the meeting to order at 7:59 am.

Department of Administration

PRESENTER: **Bob Geddes, Director**

Mr. Geddes began by introducing staff members of his executive leadership team, **Greg Zickau**, Chief Information Officer; **Sarah Hilderbrand**, Administrator of Division of Purchasing; **Jan Frew**, Administrator of Division of Public Works; **Faith Cox**, Statewide Risk Manager; **Jennifer Pike**, Administrator of Office of Group Insurance; **Dennis Stevenson**, State Administrative Rules Coordinator; **Jim Kile**, Manager of the Second Injury Fund; **Karen Thiel**, Human Resources Officer; **Keith Reynolds**, Deputy Director; and **Tammy Humiston**, Principal Financial Specialist. Mr. Geddes outlined the main purpose of the Department and noted that much of the Department's effort lately has been protecting state assets from cyber threats and attacks. He discussed some of the work of the divisions within the Department, notably the Risk Management Office and the Division of Public Works. He outlined the problem the Department faces in terms of housing state government entities because of the limited space in the Capitol Mall area in Boise. Next, he discussed the necessity of the Department in having to evolve to accommodate changes in its programs as a result of new laws. Mr. Geddes closed his introductory remarks by commending the Department's skilled workers and requesting the committee's approval on the Department's FY 2018 budget request.

Robyn Lockett, Principal Budget and Policy Analyst, reviewed the agency's FY 2016 budget and actual expenditures. The agency was appropriated a total of \$21,265,300 which included two supplemental appropriations and revenue transfers. There were object class transfers and reverted funds as well. The agency spent a total of \$19,779,500.

Senator Nye disclosed he has a possible conflict of interest under applicable law.

Ms. Lockett reviewed the analysis of fund balances, or free fund balances of two of the Department's funds titled Purchasing and Facility Services. Next, she reviewed the Department's FY 2017 budget where the total appropriation was \$20,274,700 with five approved line items. **Mr. Geddes** provided an update on the status of the implementation of those line items. Ms. Lockett then reviewed legislative intent language included in the Department's FY 2017 budget. Next, Ms. Lockett reviewed the Department's FY 2018 budget request which is for 140.00 full-time equivalent positions (FTP) and a total \$21,769,700. Ms. Lockett highlighted the Department's request for inflationary adjustments and replacement items. Mr. Geddes provided an explanation behind those replacement items request. Ms. Lockett then introduced three line item requests, as related to the Division of Purchasing and Division of Public Works, after which, Mr. Geddes explained the reasons for those requests.

In response to committee questions, **Sarah Hilderbrand**, Administrator for the Division of Purchasing, stated, in regard to the legislative intent language in the Department's FY 2017 budget, while the intent language requires notification from the director to the Legislature prior to any contract extensions or renewals in excess of \$1,000,000, new legislation as prescribed in the State Procurement Act requires notification for qualifying contracts in excess of \$1.5 million.

Ms. Lockett introduced the next budget program in the Department of Administration: Information Technology. **Mr. Geddes** then provided an overview of the program stating what services the program provides; what were some highlights of completed IT projects; their work with the Governor's Office to address cybersecurity concerns; coming up with their own initiatives for cybersecurity; and their ongoing work in assisting other state agencies with IT security issues and IT services in general.

Ms. Lockett reviewed the analysis of fund balances, or free fund balance for the Department IT program fund titled Office of Chief Information Officer. She then introduced the Department's two FY 2017 supplemental appropriations requests for the IT program, and their three line item requests. **Mr. Geddes** provided an explanation for the two supplemental appropriation requests and the three line items.

In response to committee questions, **Keith Reynolds**, Deputy Director, stated the Department targets to keep a cash balance in the Office of Chief Information Officer Fund and any other funds equivalent to 60 days working capital based on the previous year's expenditures.

Mr. Geddes provided opening comments for the Department's Office of Group Insurance stating the purpose of the program which is to negotiate and administer cost-effective, competitive group insurance benefits for state employees, retirees, and their dependents. He outlined the total expenses the State paid for medical and dental benefits claims for FY 2016, and projected for 2017, 2018; the actions to cover a budget shortfall; the budget effects for maintaining the Governor's recommendation to keep the current benefits structure; and working with actuaries, insurance consultants, and carriers to derive the best value from each insurance plan to benefit the State and its employees.

In response to committee questions, **Jennifer Pike**, Administrator for the Office of Group Insurance, stated there a total of five FTP in the Office of Group Insurance.

In response to committee questions, **Mr. Reynolds** stated out of the Department's 138 FTP there are 125 employees. Those 13 vacancies are in various stages of future recruitment with some available for new positions requested in this part of the Department's budget line item requests for FY 2018.

In response to committee questions, **Mr. Geddes** explained the request to change the health insurance continuation eligibility from 30 months to 6 months. The Department chose this area after their own consultants examined medical coverage plans in the local area in other industries and found the 30 month term was in excess as compared to those industries.

In response to committee questions, **Ms. Pike** explained that those who reach the maximum in their health insurance continuation eligibility may be eligible for COBRA, health insurance through the Idaho Exchange, or Social Security and disability benefits.

In response to committee questions, **Mr. Geddes** explained the Department will shift FTP to different areas in the Department in response to changing focus on the services it needs to provide. So vacant FTP in areas where services may not need to be provided will be moved to a more demanding area in their services.

Ms. Lockett reviewed the analysis of fund balances, or free fund balances for the Office of Group Insurance as well as the continuous appropriation of the Group Insurance which covers health insurance claim payments.

Mr. Geddes provided his opening remarks for the Risk Management component of the Department of Administration. He stated the purpose of the program is to act as the State's Property and Casualty Insurance Manager. It was created to protect and conserve the state's human and physical assets, which it accomplishes by using the most cost effective blend of insurance products and self-retention. Mr. Geddes outlined who and what sort of entities this program covers as well as the dedication of the staff to fulfill these services and several new initiatives the program is undertaking.

Ms. Lockett reviewed the analysis of fund balances, or free fund balances, and the continuous appropriation portion of the Risk Management program showing a cash analysis for each of the types of insurance this program provides.

Mr. Geddes reviewed and explained the reasons for the Department's one line item request for the Risk Management program. He also provided an overview of the cybersecurity insurance liability that covers all state agencies including state universities.

Senator Nye disclosed he has a possible conflict of interest under applicable law.

In response to committee questions, **Faith Cox**, Statewide Risk Manager, explained the cybersecurity insurance will work in much the same way as the Department's other lines of insurances work. If there is a breach, an agency will contact Risk Management and the Office of Chief Information Officer, and those programs will assign a breach coach that will walk the agency through the steps necessary to mitigate the breach and determine what happened, then from the two programs will determine what services are necessary. Ms. Cox spoke in regard to the Department of Fish and Game's cybersecurity breach by a third-party vendor, and where that breach is costing the State zero dollars since that third-party is incurring all the costs.

Mr. Geddes gave his closing remarks explaining the importance of the Department of Administration's work in providing services to state agencies. He also commended the Department's staff for their work, and stated the Department's support of the Governor's 3% CEC recommendation for FY 2018. He expressed his gratitude toward the committee and for the time given to him to present the Department's FY 2018 budget requests.

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

Chairman Bell recessed the committee at 9:30 am.

Chairman Bell called the committee to order at 9:41 am.

Bond Payments and Capitol Commission

PRESENTER: Robyn Lockett, Principal Budget and Policy Analyst

Ms. Lockett explained the organizational structure of the State's Bond Payments and what the program does. All of the bonds within this program have been issued by the Idaho State Building Authority on behalf of the State. There is an estimated FY 2018 payment of \$12,303,000 which is paid from three fund sources. She also discussed the original principal amount and the current amount still owed at the end of FY 2017. Next, she discussed the nine member Capitol Commission that the Department of Administration oversees, along with the Bond Payments Program. Ms. Lockett discussed the creation and purpose of the Capitol Commission, which is to oversee the restoration and preservation of the Idaho Capitol Building. She reviewed the fund sources and fund structure of the Capitol Commission. Ms. Lockett closed by reviewing the Commission's FY 2018 budget request.

In response to committee questions, **Ms. Lockett** explained there is no prepayment fee for paying off the principal owed on the Correctional Center project in the Bond Payments Program.

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

Permanent Building Fund

PRESENTER: Jan Frew, Division Administrator, Division of Public Works

Ms. Frew described the statutory definition of the Permanent Building Fund, and discussed the organizational structure of the Fund and what type of staff it employs.

Ms. Lockett reviewed the Fund's FY 2016 budget and actual expenditures which included an original appropriation, carryover or reappropriation authority, and supplement appropriations for a total of \$93,789,800. Next, she reviewed the Fund's FY 2018 revenue estimates, and the analysis of fund balances, or free fund balance for the portion of the Fund that comes from parking fees on the Capitol Mall and transfers from the Capitol Rental Facility for a receipted cash balance the previous year that is above \$200,000. **Ms. Frew** provided an update on the state of the implementation of the FY 2017 approved line items

In response to committee questions, **Ms. Lockett** confirmed that members will find the total project amount in the other agencies' budget for their building project that is listed in the Permanent Building Fund (PBF). Ms. Lockett clarified that all line item requests or FY 2017 were funded, however, because of timing three of them needed to be funded through supplemental appropriations.

In response to committee questions, **Ms. Frew** explained how the Permanent Building Fund chooses which projects to fund after the agencies have submitted their requests. The PBF will, at minimum, consider project requests from agencies in excess of \$30,000. In statute, for most agencies the PBF has to be consider when project plans exceed \$100,000.

Ms. Lockett reviewed PBF's FY 2018 budget request and Governor's recommendation. The Fund requested a total appropriation of \$26,513,600 while the Governor recommended a total \$51,809,800. The Governor's recommendation is higher due to recommendations to transfer approximately \$45 million from the General Fund to pay for four additional building projects that were not consider by PBF Advisory Council. **Ms. Frew** discussed these four additional building projects in her review of PBF's FY 2018 budget line item requests.

In response to committee questions, **Gideon Tolman**, Division of Financial Management (DFM), stated of the Governor's recommended higher education building projects, the Boise State University and Idaho State University projects have the required total funds. The Lewis-Clark State College and University of Idaho projects are still in the initial phases of developmentally so those funds have not been raised yet. The Governor recommends those projects not be given the spending authority until those funds are raised. If those projects raised the necessary funds in the middle of the fiscal year, then spending authority for those funds would have to be considered in the next fiscal year's budget consideration. Spending authority would not be automatically given.

In response to committee questions, **Ms. Frew** explained the reason why the line item request for the University of Idaho's WWAMI building remodel costs \$2.4 million for a 6,000 square foot building because construction includes medical and science laboratories and spaces. In regard to the line item request to repair a roof at the Youth Challenge Facility in Pierce, Ms. Frew clarified that the state owns the building and not the local district.

Mr. Frew stated her closing remarks highlighting the most recent Executive Report detailing the Division of Public Works's total active projects and the total cost for all those projects. She also stated the Division's commitment to providing the best service possible.

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

Department of Parks and Recreation

PRESENTER: David Langhorst, Director

Mr. Langhorst began by introducing staff members present at the meeting, **Keith Hobbs**, Division Administrator of Operations; **Garth Taylor**, East and South Idaho Region Parks Manager; **Jennifer Okerlund**, Communication Manager; **Betty Mills**, Management Assistant to the Director; **Anna Canning**, Management Services Administrator; **Katrina Franks**, Liaison to the Governor's Office; and **Steve Martin**, Financial Officer. Mr. Langhorst then began describing the agency's mission and its efforts to be efficient during the Great Recession. He discussed the Department's dedicated fund revenue streams going into detail of how individual parks collect those dedicated funds. He discussed some of the Department's challenges like deferred maintenance and the need to invest more into employees who maintain the state's parks.

Ray Houston, Principal Budget and Policy Analyst, reviewed the Department's FY 2016 budget and actual expenditures. The Department was appropriated a total of \$41,056,800 including prior year reappropriation. There were some object class transfers and reverted appropriations. The total spent for FY 2016 was \$28,993,500. Mr. Houston then reviewed a summary of free fund balances. For FY 2017, Mr. Houston reviewed the budget and introduced the 12 approved line items. **Mr. Langhorst** provided an update on the implementation of those line items. Next, Mr. Houston reviewed the Department's FY 2018 budget request highlighting the request for replacement items and introducing the line items. Mr. Langhorst provided an explanation for each line item request answering questions along the way.

In response to committee questions, **Mr. Langhorst** explained the RV Grant Program Fund has exceeded \$5,000,000 each year because RV sales are booming and more people are purchasing RV stickers, so the Department is receiving more revenue that it has spending authority for to funnel back into projects. This is reflected in the request for more spending authority.

In response to committee questions, **Keith Hobbs**, Operations Administrator for the Department, stated the Department anticipates a shorter time-frame than average for the Eagle Island State Park campground project to pay for itself **Mr. Langhorst** added that, when campers start coming into the campground, the Department can get the numbers to calculate an approximate time when the campground will be paid off.

Mr. Langhorst gave his closing remarks expressing his gratitude for the work of **Ray Houston**, in the Budget and Policy Analysis Division, and **Matthew Warnick**, from the Division of Financial Management, on the Department's budget.

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

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 10:54 am.

Representative Bell
Chair

Cody Jessup
Secretary