

MINUTES
HOUSE STATE AFFAIRS COMMITTEE

DATE: Tuesday, February 14, 2017

TIME: 8:30 A.M.

PLACE: Room EW40

MEMBERS: Chairman Loertscher, Vice Chairman Monks, Representatives Luker, Crane, Palmer, Barbieri, Holtzclaw, Harris, Armstrong, Giddings, Manwaring, Zito, Scott, Smith, Jordan

**ABSENT/
EXCUSED:** None

GUESTS: None.

Chairman Loertscher called the meeting to order at 8:35 a.m.

RS 25188: **Chad Houck**, Director of Special Projects, Secretary of State, presented **RS 25188**, proposed legislation that amends Idaho Code Section 30-21-212 to explicitly allow for delivery of records via electronic transmission. He stated it could provide significant savings to the State in postal expenses.

MOTION: **Rep. Luker** made a motion to introduce **RS 25188** adding on line 3, after "transmission;" the words "pursuant to Uniform Electronic Transactions Act, Idaho Code Section 28-50-107;" **Motion carried by voice vote.**

RS 25095: **Edelene Ohman**, Director of Investments, State Treasurer, presented **RS 25095**, proposed legislation that clarifies that all Idaho public agencies are authorized to participate in the local government investment pool offered by the Treasurer. Public charter schools are formed as non-profit corporations. Due to their complex status, the legislation specifically identifies public charter schools as a public agency for the purpose of the local government investment pool. She stated this affects less than 1% and is a gray area that needs clarification.

MOTION: **Rep. Harris** made a motion to introduce **RS 25095. Motion carried by voice vote.**

RS 25096: **Edelene Ohman**, Director of Investments, State Treasurer, presented **RS 25096**, proposed legislation that clarifies that all funds invested by the Treasurer are subject to the investment administrative fee. The statutory authority for a number of funds invested by the Treasurer directs the earnings from the investment to a separate fund. The current language of Idaho Code Section 67-1210 allows the Treasurer to deduct investment administration fees only from a fund that receives income, which could prevent the deduction of administrative fees from funds that do not retain investment income. In addition, the language raises the issue of whether administrative fees can be deducted if there is no investment return as could occur in a down investment market.

In response to committee questions, **Ms. Ohman** stated the fee for FY2016 was 0.057% and the total pool was \$1.9 billion. She stated the administrative fee pays for staff, planning, research and operating costs and the Treasurer's office stays within fair market pricing for their fees. She stated the staff for the Investment Department are not brokers, so they do not charge a fee per transaction.

MOTION: **Rep. Manwaring** made a motion to introduce **RS 25096. Motion carried by voice vote.**

RS 25099: **Laura Steffler**, Deputy Treasurer, State Treasurer, presented **RS 25099**, proposed legislation to modernize language and to reflect current practices. The language creates no change to current procedures.

MOTION: Rep. Harris made a motion to introduce **RS 25099**. Motion carried by voice vote.

RS 25100C1: Laura Steffler, Deputy Treasurer, State Treasurer, presented **RS 25100C1**, proposed legislation that amends Section 67-1201, Idaho Code to modernize the language concerning payment of state expenses and to authorize the Treasurer to administer statewide programs related to the receipt of funds and the payment of funds. The legislation also provides for interagency billing for the costs of services provided by the Treasurer. Banking and the processes for paying and receiving funds have changed rapidly in recent years, including a change from the use of paper warrants and checks to electronic transactions. Although we have a specific purpose that prompted this legislation, the language was written to evolve and not just address one purpose. The pressing issue currently is the Payment Card Industry (PCI) compliance program required by VISA/Mastercard to continue Idaho agencies' ability to accept VISA/Mastercard credit and debit cards through the Treasurer's merchant services agreement. Agencies with separate legislative authority to accept credit and debit cards, such as the Department of Transportation, rely on the Treasurer to enter and maintain a statewide payment system with a third party merchant payment processing vendor. Rather than inferring authority from the existing statutory language, this legislation will provide specific authority for the Treasurer to address the current PCI compliance program issue and similar issues related to receipt and payment of funds as they arise in the future. This legislation also contains a new section, modeled on the authority granted to the Department of Administration in Idaho Code Section 67-5704, to allow interagency billing and payments. The treasurer expects agencies participating in the PCI compliance program to request and receive an appropriation for the costs of that program. The new section allows the Treasurer to bill and receive payment for those costs from the appropriated agency. The language is written to allow use in future circumstances where the legislature authorizes an agency to expend funds for services provided by the Treasurer.

In response to committee questions, Ms. Steffler stated the State of Idaho is considered to be one merchant, and has been assigned a merchant level 2 by VISA/Mastercard. At this level there are additional requirements to become compliant with the Payment Card Industry Data Security Standards (PCI DSS). These new requirements are to obtain a Report on Compliance (ROC) and to have quarterly network scans. Through information received from an RFI, the Treasurer anticipates the expense to create and administer a PCI compliance program will be \$40,000.00 per agency, of which there are approximately 20 agencies accepting credit cards. Because of the added expense, they are communicating with these 20 agencies to determine which, if any, will plan to discontinue accepting credit cards. So far there are 4 agencies that would like to administer the new program. Depending on the decisions made, the project is estimated to have a cost of approximately \$200,000.00 for FY2018. All participating agencies are dedicated fund agencies, so there will be no fiscal impact to the General Fund. The process will be to bill the costs to the participating agencies which would pay the Treasurer's Office, and the vendor would be paid directly by the Treasurer. The PCI compliance verification is required to be completed annually and will need to be included in participating agency budgets on an ongoing basis. Also, if through the process of obtaining a ROC or the quarterly network scan an agency needs additional resources to become compliant, the agency may have need for an additional appropriation.

MOTION: Rep. Monks made a motion to introduce **RS 25100C1**. Motion carried by voice vote.

UNANIMOUS CONSENT: Rep. Luker made a unanimous consent request to change the motion to introduce **RS 25188**, with a reference of Idaho Code Section 28-50-105, not 28-50-107. There being no objection, the request was granted.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:26 a.m.

Representative Loertscher
Chair

Kasey Winder
Secretary