

MINUTES
HOUSE STATE AFFAIRS COMMITTEE

DATE: Friday, February 24, 2017

TIME: 9:00 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:** Representative(s) Crane, Palmer

GUESTS: Will Hart, Idaho Consumer-Owned Utilities Commission.

Vice Chairman Monks called the meeting to order at 9:02 a.m.

MOTION: **Rep. Jordan** made a motion to approve the minutes of the February 17, 2017 meeting. **Motion carried by voice vote.**

H 152: **Cozette Haley**, Administrator, Idaho Unclaimed Property, presented **H 152**, a bill that amends existing law to establish an exemption for nonprofit corporations providing telecommunications service and delivery of electric power, and to remove certain requirements for such entities.

Will Hart, Executive Director, Consumer Owned Utilities Commission, spoke in support of **H 152**.

Rep. Jordan invoked Rule 38 stating a possible conflict of interest but that she would be voting on the legislation.

MOTION: **Rep. Scott** made a motion to send **H 152** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Scott** will sponsor the bill on the floor.

H 181: **Edelene Ohman**, Director of Investments, Treasurer's Office, presented **H 181** 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 there is no fiscal impact to the General Fund from this legislation. Idaho public agencies investing in the account may reduce investment fees by using the investment pool and will be subject to the same investment gains or losses experienced by other Idaho public agencies choosing to use the investment pool.

MOTION: **Rep. Harris** made a motion to send **H 181** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Harris** will sponsor the bill on the floor.

H 182: **Edelene Ohman**, Director of Investments, Treasurer's Office, presented **H 182** legislation that amends existing law to provide that each fund invested by the State Treasurer shall be charged an investment administration 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. The proposed language clarifies that all funds invested by the Treasurer are subject to the investment administrative fee.

MOTION: **Rep. Armstrong** made a motion to send **H 182** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Armstrong** will sponsor the bill on the floor.

H 183: **Laura Steffler**, Chief Deputy Treasurer, Treasurer's Office, presented **H 183** legislation that modernizes language to reflect current practices. She stated Section 2 is being changed to reflect modern practices and because a referenced section of Idaho Code has since been repealed. Section 3 is being updated to reflect current practices: Receipts are created by various sources and some are automated through bank files. Furthermore, receipts are numbered uniquely, but not sequentially. Section 8 is being updated to reflect that the Treasurer does not identify purpose of payments and cannot report which payments were specifically for the redemption of bonds. Section 10 is being updated because there is not a date prescribed in Code. Section 11 is being updated to reflect that with modern practices many writings and papers are in an electronic format.

MOTION: **Rep. Smith** made a motion to send **H 183** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Smith** will sponsor the bill on the floor.

H 184: **Laura Steffler**, Chief Deputy Treasurer, Treasurer's Office, presented **H 184**, legislation that amends and adds to existing law to provide authority to administer programs associated with receipt of moneys and to add language regarding the use of payment methods; and to authorize interaccount transfers for services and related costs provided by the State Treasurer to state government departments. This legislation amends the current section 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 there is 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 there are four agencies that have decided to go forward with the program. She stated there is a \$5,000 minimum per month fine for not conforming to the PCI standards. 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, there is communication with these 20 agencies to determine which, if any, will plan to discontinue accepting credit cards. Depending on the decisions made, it is estimated the project will have a cost of approximately \$160,000.00 for FY2018. All participating agencies are dedicated fund agencies, so there will be no fiscal impact to the General Fund. It is anticipated 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. Luker** made a motion to **HOLD H 184** in committee. He spoke to the motion and stated he wants to hear from the agencies on how they want to approach the issue.

SUBSTITUTE MOTION: **Chairman Loertscher** made a substitute motion to send **H 184** to the floor with a **DO PASS** recommendation. He spoke to the motion and stated credit card companies are liable for anything that goes wrong, so security is important.

ROLL CALL VOTE **Vice Chairman Monks** called for a Roll Call Vote on the substitute motion to send **H 184** to the floor with a **DO PASS** recommendation. **Motion carried by a vote of 7 AYE, 6 NAY, 2 Absent/Excused. Voting in favor** of the motion: **Chairman Loertscher, Reps. Monks, Barbieri, Holtzclaw, Manwaring, Smith and Jordan. Voting in opposition** to the motion: **Reps. Luker, Harris, Armstrong, Giddings, Zito and Scott. Absent/Excused: Reps. Crane and Palmer. Rep. Monks** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:27 a.m.

Representative Monks
Chair

Kasey Winder
Secretary