

MINUTES
JOINT FINANCE-APPROPRIATIONS COMMITTEE

DATE: Monday, February 05, 2018

TIME: 8:00 A.M.

PLACE: Room C310

MEMBERS PRESENT: Senators Co-chairman Keough, Bair, Mortimer, Martin, Souza, Lee, Agenbroad, Crabtree, Ward-Engelking, and Nye
Representatives Co-chairman Bell, Youngblood, Miller, Burtenshaw, Horman, Malek, Anderson, Dixon, King, and Wintrow

LSO STAFF PRESENT: Christine Otto and Maggie Smith

ABSENT/ EXCUSED: None

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

AGENCY PRESENTATION: **Idaho Transportation Department**
Transportation Services

PRESENTER: **Brian Ness**, Director, gave an overview of the Idaho Transportation Department. He continued there has been a 10% cut in workforce since 2010 and they are adjusting where it is necessary. The changes that are being made is providing greater services for the citizens of Idaho. Director Ness continued that the Governor's 2019 recommendations reflects their fiscal responsibility.

Christine Otto reviewed the FY 2017 analysis of fund balances for the State Highway fund, Aeronautics fund, Transportation Expansion & Congestion Mitigation fund, Strategic Initiatives Program fund and GARVEE Debt Service fund.

Christine Otto reviewed the FY 2017 actual expenditures for Transportation Services.

Director Ness addressed the following FY 2018 line items:

1. Winterized Maintenance Facilities
2. Idaho Airport Aid Program
3. Backup and Recovery Infrastructure
4. Load-Balanced Network Initiative
5. Security and Forensics Software
6. Idaho Airport System Plan Fed Funding
7. Disadvantaged Entities Fed Funds
8. Cybersecurity

AGENCY PRESENTATION: **Idaho Transportation Department**
Motor Vehicles

PRESENTER: **Christine Otto** reviewed the FY 2017 actual expenditures noting the net transfers between objects and programs. \$3.63 million was reverted. She continued there were four line items approved for FY 2018.

Director Ness addressed questions from the committee. The DMV computer system is switching to new vendors.

Christine Otto reviewed the FY 2018 base adjustment of \$40,000 which was recommended by the Governor. This base adjustment is to remove funds appropriated through H#320 of 2017 for payment card industry (PCI) compliance. The department will not have a PCI compliance contract or expense because of the method of payment collection. She continued there was a replacement items request of \$625,400 to replace routers/switches (including licensing), workstations, county communication equipment, office equipment, open and close signs, and vision testers.

**AGENCY
PRESENTATION:**

**Idaho Transportation Department
Highway Operations**

PRESENTER: **Christine Otto** reviewed the FY 2017 actual expenditures noting the net transfer of \$13,269,000 from personal cost to operating expenditures and capital outlay. There was a net transfer of about \$5.18 million, a receipt to appropriations for \$959,600 do to settlements. There was a \$4,668,100 reverted.

Christine Otto reviewed the FY 2019 budget. The division is requesting \$19,031,100 in replacement items to replace computers, chairs, monitors, televisions, pallet jacks, an impact wrench, an industrial weed eater, truck ramps, a port replicator, office equipment, and various trucks and equipment that may be eligible for the Buy Back Program.

**AGENCY
PRESENTATION:**

**Idaho Transportation Department
Contract Construction & Right-of-Way Acquisition**

PRESENTER: **Christine Otto** reviewed the FY 2017 actual expenditures noting the department's appropriation was \$645,820,300 with a net transfer of \$6.9 million, current year re-appropriation of \$360,098,200. In FY 2018 there was one line item approved for Contract Construction Funds, this request is for additional funds that were not forecasted in the beginning that might want to be used. There is one line item for FY 2019 and that request is Excess Revenue and Receipts which requests spending the additional money that was not expected.

**AGENCY
PRESENTATION:**

**Self-Governing Agencies
Regulatory Boards**

Christine Otto stated the Regulatory Boards are made up of five budgeted programs and each program is its own agency. The five agencies are:

1. Outfitters and Guides Licensing Board
2. Real Estate Commission
3. Bureau of Occupational Licensing
4. Board of Professional Engineers and Land Surveyors
5. Board of Accountancy

All five agencies are budgeted on dedicated funds.

Ms. Otto continued with the FY 2017 actual expenditures for the Board of Accountancy, the original appropriation was for \$554,200 with \$117,200 being reverted back. There were no line items for FY 2018.

**AGENCY
PRESENTATION:**

Outfitters and Guides Licensing Board

Christine Otto reviewed the FY 2017 analysis of fund balances stating the original appropriation was for \$626,000 and there was a reversion of \$157,900. There were no line items for FY 2018.

**AGENCY
PRESENTATION:**

Real Estate Commission

Christine Otto reviewed the FY 2017 actual expenditures stating the original appropriation was for \$1,690,900 and there was a reversion of \$322,800. There were no line items for FY 2018. There is one request for a replacement truck for \$25,900.

**AGENCY
PRESENTATION:
PRESENTER:**

Bureau of Occupational Licensing

Tana Cory, Chief Bureau of Occupational Licensing, stated the board serves thirty boards with 40 FTP's. All thirty boards are self supporting, they do not operate with General Fund money. Each board needs to be self supporting and if the board has a negative balance then they will work with the germane committee for a fee increase and if a board's balance exceeds a year to a year and a half of its budget then they will work with the germane committee for a fee decrease. The following boards will have a fee decrease this year: 1) The architects, 2) Genetic councilors, 3) Landscape architects, and 4) Occupational therapist.

Tana Cory addressed the committee's question about the negative cash balance in the 2013 — 2017 audit report showing a negative cash balance totaling \$509,478. She continued there were eight boards showing a negative balance. On October 26, 2017 the bureau showed six boards with negative balances totaling \$356,573 as of December 1st that was down to five boards with a negative balance of \$305,005 and as of the end of January there are still five boards with a negative balance but the total negative balance is down to \$290,490. She continued that they will work with the germane committee to bring those boards out of the red.

Christine Otto reviewed the FY 2017 actual expenditures stating the original appropriations was for \$4,080,700 and there was a reversion of \$303,500. She continued with the review of the analysis of fund balances noting the ending free fund balance is slowly increasing.

Tana Cory reviewed the following FY 2018 line items: 1) Appraisal Subcommittee Fees, 2) Operating Funds for IT Support, 3) Database Upgrade, 4) PCI Compliance (H184aaS)

**AGENCY
PRESENTATION:
PRESENTER:**

Board of Professional Engineers and Land Surveyors

Keith Simila, Executive Director, stated the Board of Professional Engineers and Land Surveyors has been licensing engineers and surveyors in Idaho since 1919 and the board has been in existence since 1939. The board consists of seven members and the Governor added a public member to the board. Their job is to make sure engineers and surveyors do their job competently and ethically. They also enforce the laws and rules.

Christine Otto reviewed the FY 2017 fund balances noting the original appropriation was for \$710,300 and there was a reversion of \$14,100. She continue reviewing the analysis of fund balances noting there was a supplemental for \$65,000.

Director Simila reviewed the three line items for FY 2018. 1) IT Fiber Optic Cable Installation, 2) Database and Software Updates, and 3) Stipend & Attorney Fee Increase

Christine Otto reviewed the FY 2019 inflationary adjustment for \$1,100 in contract inflation due to an increase in its annual lease and replacement items for a laptop, five phones, one router, and two wireless access points for \$6,900.

Director Simila reviewed the FY 2019 budget requests, 1) Attorney Fee Increase — for legal fees due to investigations and disciplinary hearings expected during FY 2019, 2) Deputy Director Land Surveying — requesting a new position for a deputy director for land surveying. This would be a full-time position and the agency is requesting \$98,300 ongoing and \$1,200 onetime, 3) IT/Telecommunications — for upgrades

**AGENCY
PRESENTATION:
PRESENTER:**

Medical Boards Board of Medicine

Maggie Smith gave an overview of the medical boards stating there are five boards that regulate various medical professions in the state and the boards operate independently of each other but are budgeted as a single division. The five boards are:

1. Board of Dentistry
2. Board of Medicine
3. Board of Pharmacy
4. Board of Veterinary Medicine
5. Board of Nursing

These are all dedicated fund agencies and generate revenue primarily from professional licensure fees.

Board of Dentistry

Ms. Smith reviewed the FY 2017 actual expenditures for the Board of Dentistry, stating the original appropriation was for \$611,400, total expenditures were \$505,100. She noted the unusually large reversion of \$106,300 and that was due to receiving a onetime \$40,000 line item to upgrade the licensing system which they were able to complete under budget and revert the balance.

She continued with the analysis of fund balance stating the difference in revenues every other year is due to license renewals being done every other year.

Board of Medicine

Anne Lawler, Executive Director, stated the Board of Medicine was established in 1897 and is a self-governing and self-supporting agency that does not receive General Fund dollars. The board operates with dedicated funds. The licensing trend has been on the rise, since 2009 licensing of physicians has grown 97% and physician assistant licensing has grown 67%. Ms. Lawler reviewed the following FY 2019 agency requests:

1. Cyber Insurance for Contractor — The Board of Medicine requests \$10,000 in ongoing operating expenditures from the State Regulatory Fund for increased contractual costs for new cyber liability insurance requirements for contractors with the state.
2. Walls for Front Desk Area — The Board of Medicine requests \$2,000 in onetime capital outlay from the State Regulatory Fund to install wall panels in its reception area. Currently, the Board of Medicine's front desk reception area is exposed and open to the public. The addition of walls will create a more efficient work space for the front desk receptionist and provide a physical security barrier.
3. The three salary increases for, 1) Pre-Litigation Manager, 2) Associate Director Salary Increase, and Executive Director Salary Increase.
4. Licensing Manager Position — The Board of Medicine requests 1.00 FTP and \$78,900 in ongoing personnel costs from the State Regulatory Fund to hire a licensing manager. This position is requested at 80% of policy for pay grade M (\$53,900 in salary and \$25,000 in benefits).

Board of Nursing

Sandra Evans, Executive Director, stated the Board of Nursing was established in 1911 for the purpose of safe guarding the public's safety and health welfare.

Maggie Smith reviewed the FY 2019 line item request for IT/Telecommunications — The Board of Nursing requests \$14,800 from the State Regulatory Fund to upgrade existing IT/Telecommunications office equipment based on the Department of Administration's recommendations, as well as to replace office equipment and software at the end of its service life. This request includes: onetime operating expenditures for a phone system upgrade (\$2,800), replacement router (\$2,000), six software licenses (\$1,800), and one projector (\$600); onetime capital outlay to replace a network switch (\$1,500), wireless access point (\$1,000), and ten desktop scanners (\$3,100); ongoing operating expenditures for Internet/Security and State Network services from the Department of Administration (\$1,300), and a Microsoft 365 E-mail Only Subscription (\$700).

Executive Director Evans reviewed the audit finding for 2014 — 2016. The audit finding is the Board's cash balance exceeds internal policies for operating cash needs with approximately double their average annual expenditures. She continued the policy of the board is to have twelve months of operating expenses in the fund and they have about two years in the fund.

Board of Pharmacy

Alex Adams, Executive Director, stated their agency has fifteen full-time staff, they license all pharmacists, pharmacy technicians, wholesalers, and manufacturers. They have approximately 22,000 licensees and they also do inspections and levy discipline when appropriate. They also oversee the state's prescription drug monitoring program, which is one of the tools they use to help fight opioid abuse.

He continued with his review on the FY 2019 budget line items. The following line items were requested:

1) Prescriber Report Cards — The Board of Pharmacy requests \$20,000 in ongoing operating expenditures from the State Regulatory Fund for the annual maintenance of Prescriber Report Cards, a component of the state Prescription Monitoring Program (PMP). Prescriber Report Cards provide a summary of a healthcare provider's own prescribing history, including the provider's ranking compared to the "average" prescriber of the same specialty, and a summary or graphical representation of the provider's prescribing history.

2) DHW Contract — The Board of Pharmacy requests \$120,000 in ongoing operating expenditures from the State Regulatory Fund to complete the requirements of the Prescription Drug Overdose Prevention contract with the Department of Health and Welfare (DHW) for the FY 2019 and FY 2020 contract periods. The request is ongoing because the federal grant is likely to be extended and the current end date is unknown.

Board of Veterinary Medicine

Jeremy Brown, Executive Director, stated the Board of Veterinary Medicine's mission is to protect, to promote public health and safety and welfare by safe guarding the people and animals of this state through professional licensure and certification of veterinary professionals. The board is comprised of five veterinarians and one public member. The board also employs 2.6 staff members.

Maggie Smith discussed the increase in revenue in FY 2017 it was due to a one year temporary increase of the amount charged for licensing fees that was authorized for temporary license increase through a germane committee.

Jeremy Brown, Executive Director, reviewed the FY 2019 line item request for Online Licensing Software — The Board of Veterinary Medicine requests \$105,000 for onetime operating expenditures from the State Regulatory Fund to purchase software to facilitate online licensing. The upgrade will be funded by revenues from FY 2017 that resulted from a one-year increase in license renewal fees authorized by Section 54- 2112A, Idaho Code. The agency currently processes paper licensing applications which are time consuming for staff and prone to data entry errors. The agency currently licenses or certifies approximately 1,550 individuals and requires numerous pages per applicant. Online applications would increase the efficiency and accuracy of processing and reduce staff workload.

**AGENCY
PRESENTATION:**

State Liquor Division

PRESENTER:

Jeffrey Anderson, Director, stated the State Liquor Division is a dedicated fund agency and does not receive General Fund money. He continued 83% of sales are done in the retail stores and 17% to liquor-by-the drink licensees. The per capita consumption remains below the national average. Between FY 2010 and the forecast for the current year the distributions have increased 64%, sales by 53%, and volumes by 30%.

Maggie Smith stated the agency began FY 2017 with an appropriation of \$19,670,900, a net object transfer of \$150,000 from personal costs to operating expenditures, this is a routine transfer done each year. The reverted appropriation was for \$239,600.

Director Anderson reviewed the following FY 2019 line item requests:

1. Relocate or Remodel Seven Stores — The agency requests \$525,800 from the Liquor Control Fund to remodel and/or relocate seven stores in Eagle, Kuna, Meridian, Chubbuck, Burley, Moscow, and Coeur d'Alene. This request includes onetime funds totaling \$7,800 for personnel costs, \$25,000 for operating expenditures, and \$363,000 for capital outlay. The requested ongoing appropriation is \$130,000 for operating expenditures. The agency expects to improve customer service and convenience by coordinating the location of state-run stores in more optimal retail locations. Based on historical trends, the agency anticipates that these enhancements will generate incremental sales and pay back project costs in one to two years.
2. Two New Liquor Stores — The agency requests \$738,100 from the Liquor Control Fund to add two new stores in the Treasure Valley. This request includes onetime funds totaling \$10,000 for operating expenditures and \$230,000 for capital outlay. The ongoing appropriation request includes 4.00 FTP, \$272,100 in personnel costs, and \$226,000 in operating expenditures. This request is part of the agency's strategy to coordinate the location of state-run stores in optimal retail locations in order to maximize customer service and meet consumer expectations. Based on historical trends, it is anticipated that these new stores will generate incremental sales and pay back project costs in less than two years.
3. Additional Labor for Liquor Stores — The agency requests \$138,100 in ongoing personnel costs from the Liquor Control Fund to increase group position staffing levels at the state's larger stores (those processing over

70,000 bottles/year). According to the agency, sales volumes have increased over 50% in the last decade, while staffing levels relative to the amount of sales volume have declined. In the state's largest stores, staffing has reached a level that requires additional resources to maintain adequate customer service and to handle larger workloads that coincide with store growth. This appropriation would fund an amount equal to 12,480 group position hours at an average wage of \$11.07/hour.

4. Warehouse Improvements — The agency requests \$24,000 from the Liquor Control Fund for onetime capital outlay costs to fund two warehouse improvement projects: 1) installation of warehouse rack protectors (\$15,000), and 2) roller style flow racks (\$9,000). The rack protectors provide a safety barrier between warehouse racks and operating equipment, such as forklifts. Additionally, they prevent racks and inventory from being damaged and employees from being harmed. The flow racks are intended to increase the number of pick locations and overall warehouse efficiency.

5. Restore Deputy Director Position — The agency requests 1.00 FTP, \$126,100 in personnel costs, and \$5,000 in operating expenditures from the Liquor Control Fund to restore the deputy director of retail operations position. The State Liquor Division's executive management team was previously comprised of one director and four deputy directors. However, upon the resignation of the deputy director of retail operations in 2012, that role was combined with the deputy director for procurement and distribution. According to the agency, sales have increased 33% since 2012 while the agency has operated with one less deputy. The agency continued to budget for the vacant deputy position for several years, but in FY 2017 reallocated the appropriation to convert temporary store clerks to classified employees. The agency is requesting funding to restore the deputy director position to manage industry trends and operational complexity. Of the request, \$5,000 is for ongoing operating expenditures for travel and other incidentals related to this role.

6. Online Training Resources — The agency requests \$6,000 in ongoing operating expenditures from the Liquor Control Fund for a subscription to a learning materials database. The State Liquor Division maintains an online learning center to make informational training materials such as videos, documents, and manuals available online for the agency's 350 employees. This subscription would provide employees access to 100 new online courses for topics such as customer service, compliance, and basic business skills.

7. Furnishings for Newly Built Office Space — The agency requests \$36,000 in onetime capital outlay from the Liquor Control Fund to add and furnish eight modular cubicles and four new offices at the State Liquor Division central office. The cubicles will consist of divider walls with integrated whiteboards, a desk, floor mat, miscellaneous storage/drawers, and a chair. The offices will have an adjustable desk, chair, floor mat, miscellaneous storage/drawers, two guest chairs, and a shelf. Each space will cost approximately \$3,000 to furnish.

8. Software Enhancements — The agency requests \$99,800 for operating expenditures from the Liquor Control Fund to implement two security-related software enhancements: 1) In order to be compliant with the Center for Internet Critical Security Controls mandated by Executive Order 2017-02, the agency plans to install software that enables stronger scanning of its network environment and reporting of critical events such as hacking

and phishing attempts, unsecure items being added to the network, and hardware errors that could cause outages. The proposed software would link to the agency's existing security programs helping to automate alerts, reduce management of security logs to a single interface, and reduce investigation of false positives. Of the request, \$12,000 is for onetime installation and training, and \$35,000 is requested ongoing for annual costs of the software. 2) The agency requests \$52,800 ongoing to upgrade to Microsoft Office 365 to replace its existing onsite Exchange 2010 and SharePoint 2010 servers. As 2016 will be the last on-premise version of Office or Exchange, the agency is upgrading to the cloud-based Office 365. The cost would include 100 advanced licenses at \$20/month (\$24,000/year), and 300 basic licenses at \$8/month (\$28,800/year) for employees without an office/workstation, such as clerks and warehouse employees. This upgrade will also allow for the capability for single sign on with other applications, such as the agency's online learning center, and sharing of calendar information with other state agencies.

9. Warehouse Career Ladder Restructuring — The agency requests \$64,600 for ongoing personnel costs from the Liquor Control Fund to reclassify and give pay increases to five employees. The agency has been working with the Division of Human Resources and the Division of Financial Management to evaluate its organizational structure and ensure that employees are classified correctly relative to their job responsibilities. According to the agency, warehouse operation has become increasingly more complex creating the need for more highly skilled employees and reduced turnover. The agency plans to establish a career path with development and growth opportunities to ensure long term stability and retain employees with the necessary level of capability and expertise. This would include reclassifying four material handler positions (pay grade G) to supervisor positions (pay grade J), and one supply operations supervisor to a higher level manager position (pay grade M).

10. Add Sunday Hours of Operation — The agency requests \$12,800 for ongoing personnel costs to add new hours of operation at three stores in north Idaho (Orofino, St. Maries, and Priest River).

**AGENCY
PRESENTATION:**

PRESENTER:

Idaho State Lottery

Jeffrey Anderson, Director, stated the Lottery is a dedicated fund that receives no money from the General Fund. Retailers commissions are capped at 6% of sales and administrative expenses at 15%.

Maggie Smith stated the Idaho State Lottery began FY 2017 with an original appropriation of \$5,902,600 and their reversions were \$252,300.

Jeffrey Anderson, Director, reviewed the following line items for FY 2018:

1. POST Certified Detective
2. Marketing Project Manager
3. Training for New Gaming System
4. Headquarters Internet Extension
5. Cybersecurity Insurance

Maggie Smith stated the following was a base adjustment for FY 2019: a base reduction in operating expenditures from the State Lottery Fund due to savings from a newly negotiated contract with its gaming system vendor.

ADJOURN:

There being no further business to come before the Committee, **Chairman Bell** adjourned the Committee at 10:43 a.m.

Representative Bell
Chair

Donna Warnock
Secretary