

MINUTES  
**JOINT FINANCE-APPROPRIATIONS COMMITTEE**

**DATE:** Wednesday, February 05, 2020

**TIME:** 8:00 A.M.

**PLACE:** Room C310

**MEMBERS PRESENT:** Senators Co-chairman Bair, Johnson, Lee, Agenbroad, Crabtree, Grow, Burtenshaw, Woodward, Ward-Engelking, Nye

Representatives Co-chairman Youngblood, Horman, Anderson, Amador, Kauffman, Raybould, Syme, Troy, Wintrow, Toone

**ABSENT/  
EXCUSED:** None

**CONVENED:** **Chairman Youngblood** called the Joint Finance-Appropriations Committee (JFAC) (Committee) to order at 8:01 a.m.

**AGENCY PRESENTATION:** **DEPARTMENT OF COMMERCE, Tom Kealey, Director; Keith Bybee, Deputy Division Manager, Budget & Policy Analysis, LSO**

The Idaho Department of Commerce is dedicated to aiding in the creation of jobs, generating economic growth, creating economic opportunities, and advancing the well-being and prosperity of Idaho citizens. The agency is comprised of two primary divisions: marketing innovation and business development and operations.

Performance Measures: **Director Kealey** reviewed specific measures and projects accomplished in 2019. The state's GDP grew to just over \$77 billion, an increase of 7.12 percent over FY 2018. Community development, infrastructure projects, international trade activities, and public-private innovation collaborations are steady and growing positively. There were no audit findings. Director Kealey responded to **Rep. Anderson's** questions about how performance goals are determined.

FY 2019 Actual Expenditures: **Mr. Bybee** highlighted a reversion, a large grant opportunity fund, the current cash balance, and federal grants. Specifically with federal grants, no opportunities have been lost. There were timing issues with grants, contracts, and receipts as in previous years, but the money continues to come in.

**Director Kealey** responded to committee questions regarding performance metrics in comparison to other states, Idaho's rate of growth, return on investment of state funding, how money is received into the dedicated fund, the source of dedicated funds, broadband concerns, the grant application process, and infrastructure support.

Comparative Summary: The outline illustrates a side-by-side analysis of the agency's request and the governor's recommendation. FY 2021 the governor recommends an appropriation of \$42,486,200, a 0.2 percent increase from the FY 2020 appropriation.

FY 2020: The legislature provided additional funding in FY 2020 that included \$24,900 for technology consolidation and modernization. Funding was removed for network equipment replacement and mobile device security for \$4,800.

FY 2021: Current year statewide adjustments recommended by the governor include benefit costs, statewide cost allocation, CEC, and the 2 percent ongoing General Fund reduction. The governor recommends 1.00 FTP, \$99,000 in personnel costs; \$11,400 in operating expenditures; and \$2,700 in capital outlay from the General Fund for a broadband coordinator. The new position will be responsible for establishing a statewide broadband office and will coordinate efforts with local entities to ensure all areas of the state are adequately served with broadband connectivity. OITS operating costs for \$500 and OITS servers and licensing for \$5,100 were also recommended. See [Audio](#) and [Presentation](#).

**AGENCY**

**DEPARTMENT OF LABOR, Jani Revier, Director; Keith Bybee, Deputy**

**PRESENTATION: Division Manager, Budget & Policy Analysis, LSO**

The Idaho Department of Labor's main function is to administer Unemployment Compensation, a social insurance program. The agency is organized into five programs: Unemployment Insurance Administration, Employment Services, Wage and Hour, Human Rights Commission, and Serve Idaho. Most funds come from federal sources. The National Association of State Workforce Agencies has asked the agency to present the new service delivery model as an innovative service that could be replicated in other states.

Performance Measures: **Director Revier** reviewed specific measures and projects accomplished in 2019. The agency will review, update, and restructure its strategic plan in FY 2020. Workforce Development Council became a separate agency. The majority of funding comes from federal grants, and those grants have federal reporting obligations. Most of the agency's performance measures are related to federal reporting requirements. Managing dislocated workers is below target because of Idaho's low unemployment rate of 2.8 percent; there are not as many dislocated workers, so finding enough people to serve is challenging. Human rights cases need to be reevaluated as performance is almost entirely dependent on third parties engaged in a dispute. The agency is meeting or exceeding expectations. There was one finding, but that program has since moved to Workforce Development Council.

FY 2019 Actual Expenditures: **Mr. Bybee** reviewed FY 2019 expenditures, transfers, reversions, and appropriation. The Department of Labor is counter-cyclically funded by the federal government; when times are bad, it receives more money, and when times are good, it gets less. So when the Department of Labor was brought on budget in FY20, it was over appropriated on purpose. There was a reversion within main funds, which is a federal grant of nearly \$20 million and funding from unemployment paid (interest only from late or catch-up payments). The agency is over appropriated in several categories in anticipation of future economic declines.

**Director Revier** answered questions and commented on budgets being over appropriated, personnel for the Job Corps pilot project, contracting versus in-house services, and federal grants funding. The Job Corps program will open remote centers in each of the state's community colleges and embed Job Corp services into existing structures.

Comparative Summary: The outline illustrates a side-by-side analysis of the agency's request and the governor's recommendation. FY 2021 the governor recommends an appropriation of \$97,234,800, a 3.4 percent increase from the FY 2020 appropriation.

FY 2020: The Legislature funded five line items for FY 2020: These included network equipment; the first year of a three-year demonstration pilot project for the Job Corps program; strategic planning and hosting a rural summit to evaluate the best method for providing services to rural Idaho; technology modernization and consolidation; and the trailer bill to **H 184** of 2019, which extends the period for wage earners filing claims with the agency. A mid-year request removes onetime funding to start the Jobs Corps Program. Also recommended is removal of onetime funding provided for replacement items, and in base adjustments, the governor recommends two transfers; both proposals result in a net-zero impact to the budget and align spending to reflect priorities in FY 2021,

FY 2021: Current year statewide adjustments recommended by the governor include benefit costs, statewide cost allocation, CEC, and the 2 percent ongoing General Fund reduction. Line item requests include \$150,000 to purchase a Visual Threat Analysis program that analyzes fire cybersecurity threats; \$690,000 in capital outlay to purchase three servers; 26.00 FTP for a total of \$1,520,700 in personnel costs; \$1,550,600 in operating expenditures; and \$3,125,000 in trustee and benefit payments for the Job Corps demonstration project. The request for trustee and benefit payments includes an estimated amount for community colleges for faculty pay and overhead estimates. Also included is a per day stipend for each student, an employer stipend, and a stipend for tuition, fees, and books for \$1,516,100. Finally, there is a request in operating expenditures for administering the program. See [Audio](#) and [Presentation](#).

**AGENCY**

**PRESENTATION: WORKFORCE DEVELOPMENT COUNCIL, Wendi Secrist, Executive Director; Keith Bybee, Deputy Division Manager, Budget & Policy Analysis, LSO**

The Workforce Development Training Fund initiated from the diversion of Unemployment Insurance taxes equal to 3 percent of the taxable wage rate authorized and payable under Section 72–1203, Idaho Code, and maintained separately in the state treasury. FY 2019 was the Council’s first fiscal year from a financial standpoint. The governor and legislature set goals for the Council to increase public awareness of career education and training opportunities, to improve the effectiveness of programs, and to provide for the most efficient use of federal, state, and local workforce resources.

Performance Measures: **Executive Director Secrist** reviewed specific measures and projects accomplished in 2019. This is a new agency, so there is little history. There were no audits to report.

FY 2019 Actual Expenditures: **Mr. Bybee** reviewed FY 2019 expenditures, transfers, reversions, and the current year appropriation. The Council has \$7.6 million in spending authority, and nearly 40 percent or \$2.8 million was reverted. The large fund balance that accrued was built due to the unemployment insurance fund going broke, which forced the state to borrow and bond against the amount and also triggered an automatic increase in the unemployment insurance tax rate. For the intention of making the fund solvent, there was a big spike in taxes.

Comparative Summary: The outline illustrates a side-by-side analysis of the agency's request and the governor's recommendation. FY 2021 the governor recommends an appropriation of \$12,894,800, a 50.4 percent increase from the FY 2020 appropriation.

FY 2020: The Legislature provided additional funding in FY 2020 for technology consolidation and modernization. The governor recommended that a portion of line item 1 be a supplemental appropriation for the Workforce Development Council. An additional request removes onetime funding related to mobile device security and network equipment replacement.

FY 2021: Current year statewide adjustments recommended by the governor include benefit costs, statewide cost allocation, and CEC. An annualization recommended by the Governor for \$2,913,000 is the difference between the supplemental appropriation recommendation and the amount requested in Line Item 1 (FY20). If the supplemental is approved, this amount would be added to the maintenance portion of the council's budget before setting the FY 2021 appropriation. Line items include a Workforce Development Council request of \$4,315,500 in trustee and benefit payments to provide additional grants to worthy applicants, a fund shift of \$3,200 in operating expenditures from the federal grant fund to the Workforce Development Training Fund, OITS Operating Costs of \$100, and OITS Servers and Licensing for \$800.

**Director Secrist** answered Committee questions about the teacher externship program and the need for a supplemental this year. See [Audio](#) and [Presentation](#).

**AGENCY**

**PRESENTATION:**

**DEPARTMENT OF FINANCE, Patti Perkins, Director; Keith Bybee, Deputy Division Manager, Budget & Policy Analysis, LSO**

The mission of this agency is to aggressively promote access to vigorous, healthy, and comprehensive financial services for Idaho citizens, which is accomplished through prudent and efficient supervision and oversight of financial institutions, investment opportunities, and credit transactions. The agency regulates all state chartered, licensed, or registered financial service providers except those related to insurance; over 195,999 businesses were granted licenses. Funded entirely by fees paid by the industries it regulates, nearly \$6 million was transferred to the General Fund in the past year. In addition to regulation, the department also conducts investigations of financial fraud. Critical to the department's mission is the continued support of the dual chartering system. Due to retirements, the department has lost 22 percent of its staff in one year.

Performance Measures: **Director Perkins** reviewed specific measures and projects accomplished in 2019. In FY 2019, the department licensed or registered a record total of just over 195,000 entities and professionals. The agency conducted 100 percent of all examinations within the statutory time frame. There were no audit findings in the previous audit.

FY 2019 Actual Expenditures: **Mr. Bybee** reviewed FY 2019 transfers, reversions, and current year appropriation.

FY 2020: The Legislature provided additional funding including \$384,000 for moving costs, of which \$5,000 is ongoing; a transfer of \$81,900 from personnel costs to operating expenditures; and a net reduction of 4.00 FTP and \$173,900 for technology consolidation and modernization. The governor recommended removal of onetime increases provided in FY 2020, which included costs associated with the move to the Chinden Campus, computers, and network and mobile device security.

FY 2021: Current year statewide adjustments recommended by the governor include benefit costs, statewide cost allocation, and CEC. The governor recommends ten task chairs for \$4,000. Recommended line items include two FTP money services business examiner/investigator positions for \$204,400; onetime \$1,800,000, in operating expenditures to build out the space at the Chinden Campus; 1.00 FTP for a financial examiner/investigator in the mortgage program; OITS operating costs for \$900, servers and licensing for \$14,400, and agency billings for \$50,400.

**Director Perkins** answered Committee questions regarding Chinden Campus remodeling costs, agencies to be located at the Chinden Campus, current location rent costs, and recruiting challenges. See [Audio](#) and [Presentation](#).

**AGENCY**

**DEPARTMENT OF INSURANCE, Dean Cameron, Director; Keith Bybee, Deputy Division Manager, Budget & Policy Analysis, LSO**

The agency is funded completely with fees from the regulated insurance industry; it also collects a premium tax that goes to the General Fund. There are two budgeted programs: the Insurance Regulation Division, which monitors the financial condition of all insurance entities domiciled in the state of Idaho, and the State Fire Marshal Division. The Insurance Regulation Division researches consumer and industry complaints and provides assistance to consumers and the insurance industry on matters involving insurance contracts and potential violations of the insurance code while the State Fire Marshal coordinates a statewide system designed to protect human life. The agency has experienced significant turnover; the current turnover rate is now 17.8 percent (down from 20 percent).

**Director Cameron** answered Committee questions regarding The Idaho Immunization Assessment Board and fire insurance premiums used to partially fund fire fighter's retirement through PERSI.

Performance Measures: **Director Cameron** reviewed specific measures and projects accomplished in 2019. Each bureau has met or exceeded performance expectations. The agency struggles to retain qualified staffing; producer applications have increased; current active licenses total 122,000, and insurance entities in the state total 2,200 with 19 being domiciled in Idaho; and 35 percent of the rules have been cut. There were no findings on the most recent audit. The agency improved its collection of retaliatory taxes, collecting \$1.1 million in corporate taxes.

FY 2019 Actual Expenditures: **Mr. Bybee** reviewed FY 2019 reversions and discussed under-utilized contracts.

Comparative Summary: The outline illustrates a side-by-side analysis of the agency's request and the governor's recommendation. FY 2021 the governor recommends an appropriation of \$9,912,200, a 1.4 percent increase from the FY 2020 appropriation.

FY 2020: The legislature reduced funding in FY 2020 by \$245,200 and included a reduction of 5.00 FTP for technology consolidation and modernization and removal of onetime increases provided in FY 2020 for the Insurance Regulation and State Fire Marshal programs for a total of \$199,600.

FY 2021: Current year statewide adjustments recommended by the governor include benefit costs, statewide cost allocation, and CEC. The governor recommends funding replacement items valued at \$128,200. Line items for OITS include operating costs for \$1,000, servers and licensing for \$19,800, and agency billings for \$46,800. See [Video](#) and [Presentation](#).

**COMMITTEE PRESENTATION: CHANGE IN EMPLOYEE COMPENSATION (CEC), Committee Report; Rep. Anderson and Senator Patrick, Committee Co-Chairs**

The Joint Change in Employee Compensation (CEC) Committee has completed its hearings and deliberations. The CEC Committee recognizes the goal of Idaho's total compensation system for state employees to fund a competitive salary and benefit package that will attract qualified applicants to the work force, retain employees who have a commitment to public service excellence, motivate employees to maintain high standards of productivity, and reward employees for outstanding performance within the means reasonably available to the state. The CEC Committee offers the following recommendations to the Joint Finance-Appropriations Committee: (1) *Salary Structure Adjustment* with an estimated fiscal impact of \$248,000 from all fund sources to bring 318 employees up to the new minimum of the salary ranges. (2) *Specific Occupational Inequities* with no additional cost because the classifications are already covered in the personnel cost appropriation in each agency budget.

**UNANIMOUS CONSENT:** Requested by **Senator Bair**, granted by unanimous consent, to accept the Change in Employee Compensation (CEC) Committee report. **Chairman Youngblood** called for any objections; hearing none, it was so ordered. See [Video](#) and [Presentation](#).

**ADJOURN:** There being no further business to come before the Committee, **Chairman Youngblood** adjourned the meeting at 10:51 a.m.

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Representative Youngblood  
Chair

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Jenny Miller  
Secretary