

MINUTES
JOINT FINANCE-APPROPRIATIONS COMMITTEE

DATE: Wednesday, February 10, 2021
TIME: 8:00 A.M.
PLACE: Room C310
MEMBERS PRESENT: Senators Co-chairman Van Orden (Bair), Agenbroad, Crabtree, Grow, Woodward, Lent, Riggs, Cook, Ward-Engelking, Nye
Representatives Co-chairman Youngblood, Troy, Horman, Amador, Syme, Bundy, Giddings, Nate, Green, Nash
ABSENT/ EXCUSED: None
CONVENED: **Chairman Youngblood** called the Joint Finance-Appropriations Committee (JFAC) to order at 8:00 a.m.

AGENCY PRESENTATION: **DEPARTMENT OF COMMERCE, Tom Kealey, Director.**
Keith Bybee, LSO Analyst.

Dir. Kealey introduced the Department of Commerce highlighting the agency 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 offers many economic development programs to both existing and new businesses to the state and is committed to ensuring access to services and information for all its customers and partners.

The agency received almost \$3 billion in funds from Idaho enterprises and organizations. The agency granted almost \$50 million and completed 83 broadband expansion projects for \$38 million, impacting over 110 communities, and improving broadband infrastructure and service for 30,000 households, businesses, libraries, health care clinics, hospital facilities, public safety organizations and local governments across Idaho.

The agency has 43 appropriated positions, of those five are non-classified, including Director of public information specialist, economic development initiative specialist, and two Administrator positions; and 38 positions are classified.

Mr. Bybee presented the historical summary for the Idaho Department of Commerce, pointing out the department is funded by several funds, including General Fund, dedicated funds (which include the Idaho Opportunity Fund), and projects (or Director Fund), and the Idaho Tourism Promotion Fund. This last fund is funded with the 2% tax on hotels, motels, and campgrounds, the funds are split almost 50/50 between local tourism districts and the Idaho Department of Commerce.

The total original appropriation in 2021 amounted to \$37.5. The request for this year is almost \$37.6 million, and the Governor's Budget is at \$37,597,400, a 0.3% increase from FY 2021.

Dir. Kealey introduced the performance measure for the agency. FY 2020 showed strong results. The state's 2% lodging tax declined by just returned 4% in FY 2020 over 2019. A direct result of the COVID-19 impacts in the spring and early summer of the calendar year 2020.

Mr. Bybee spoke about the budget report, highlighting the agency had an original appropriation of \$42,419,000, with almost 6 million originated from the General Fund, and \$16.3 million from federal grants. The budget shows a total reversion of \$13,720,900 million, which is the difference between appropriation and actual expenditures and is composed of 38.5% for the Federal Fund, and 32.4% overall.

For FY 2022, the agency requested \$37.59 million. For FY 2021, the legislature funded two line-items: one for a broadband coordinator position, and one to reduce the Federal Fund appropriation in trustee benefit payments by \$5 million.

The Building Idaho's Future supplemental request has a \$1 million transfer to the Idaho Opportunity Fund which seeks to further the state's economic rebound and create a long-lasting benefit to all Idahoans. There is also a 35 million supplemental for broadband. It is also noted the department of commerce participated in the 5% temporary reduction.

**AGENCY
PRESENTATION:**

**DEPARTMENT OF LABOR, Jani Revier, Director.
Keith Bybee, LSO Analyst.**

Dir. Revier introduced the Department of Labor, its main function is to administer Unemployment Compensation (UC), a social insurance program. It is designed to provide benefits to most individuals out of work, generally through no fault of their own, for periods between jobs.

Due to the pandemic, congress passed additional federal assistance to out of work individuals. These programs expired at the end of December and Congress extended them through March 15 with the Continued Assistance Act. The department was able to immediately pay about 80% of claimants eligible for an extension of benefits. The remaining 20% were paid within one month of the bill's passage.

The department is organized into three divisions: workforce and Commission, Determination, and Administrative Services.

My Bybee introduced the budget, explaining the reorganization of the agency changes the budget programs from five to three. The budget shows a total appropriation for FY 2020 for \$93.9 million, the agency spent \$54.9 million. For FY 2021 the budget was \$97,300,000 with a Governor's recommendation of \$100,400,000.

Dir. Revier spoke about the performance measures, pointing out the department met its established performance target in FY 2020.

Mr. Bybee highlighted the FY 2020 budget for the agency had a large appropriation of \$93.9 million, and \$39 million were reverted as unspent appropriation, most of which in the Federal Fund category. The Wage and Hour program is funded by the General Fund and it participated in the 5% reduction for \$26,500. The agency was authorized for a total of almost \$26 million non-cognizable adjustments, in response to the global pandemic

AGENCY **WORKFORCE DEVELOPMENT COUNCIL, Wendi Secrist, Director.**
PRESENTATION: **Keith Bybee, LSO Analyst.**

Dir. Secrist introduced the Idaho Workforce Development Council, explaining the council has been in existence as an independent entity under the executive office of the Governor since late 2017. The council consists of 37 dedicated members of the business community, state agency leaders, and labor, education, and community organizations.

The objective of the council is to help Idahoans in the careers they choose and puts them on a path of prosperity. The council works to provide employers with highly educated, skilled talent they need to thrive today and into the future.

The council received \$2.5 million from the U.S. Department of Labor to scale youth apprenticeship in DPLOA.

My Bybee explained the historical summary of the budget, highlighting the council had a budget of \$8,571,100 in FY 2020. The council spent \$6.5 million, which is a 23.8% decrease from the budget. FY 2021 shows an increased appropriation of \$12,894,800. FY 2022 has a request of \$9.3 million and the Governor's recommendation of \$9.337 million. The organization chart shows five positions authorized.

The Workforce Development Council is funded with a combination of small federal grants, but the Workforce Development Training Fund is derived from the diversion of Unemployment Insurance taxes equal to 3% of the taxable wage rate authorized and payable under Section 72-1203, Idaho Code, and maintained separately in the state treasury.

Dir. Secrist spoke about the performance measures, pointing out the goals set for the council is focusing on partnerships among agencies and industry associations, along with education and employers specific to outreach responsibilities.

The council developed new performance measures for FY 2022.

Mr. Bybee highlighted the variance report showing the council had \$8,572,100 available in the FY 2020, most of the budget (\$7.7 million) is dedicated to grants. This is due to the slow rollout of grants, payments, and reimbursements.

For FY 2021, the legislature approved two line-items: \$4,315,500 for additional grant awards on a one-time basis, and a \$3,200 fund shift from federal grants to the Workforce Development Training Fund.

The Workforce Development Council (WDC) requests 1.00 FTP and \$750,500 from federal funds for a new program administering Youth Apprenticeship Readiness Grants.

The agency requests authority to carry over its unencumbered and unspent appropriation balances from FY 2021 into FY 2022.

AGENCY **DEPARTMENT OF FINANCE, Patti Perkins, Director.**
PRESENTATION: **Keith Bybee, LSO Analyst.**

Dir. Perkins introduced the Department of Finance, explaining the department is a regulatory agency charged with the supervision and oversight of state-chartered financial institutions, regulated lenders, securities issuers, broker-dealers and stockbrokers, residential mortgage brokers and lenders, investment advisers and sales personnel, collection agencies, endowed care cemeteries, and others. The department licenses over 200,000 individual businesses or entities, administers 22 regulatory statutes, and has 66 full-time employees.

The department is funded entirely by the fees paid by the industries that are being regulated. The fees allow the department to be self-funded the next FY and contribute to the General Fund all revenue and salary savings that exceed 125% of the following year's budget. For FY 2021, the department transferred over \$4 million to the General Fund.

The department enforcement actions for the past FY resulted in over \$935,000 in restitution and refunds ordered for the benefit of Idaho residents.

Mr. Bybee spoke about the budget for the Department of Finance, showing that FY 2020 had a total appropriation of \$10,720,800. The large increase in the budget was caused by the move of the offices to the Chinden Campus.

The FY 2020 expenditures were \$8.4 million. The request for this year was \$9,124,000, a 2.2% increase over FY 2021. The Governor recommended a slight reduction, largely due to the changes in the benefit costs.

The department is funded with the fees received from banks, credit unions, savings banks, and finance companies, etc. These are loaded in the main regulatory fund and used to cover the cost of regulating the financial industry in Idaho. The department has also small funds, used for training and also for payments that a court of law should order.

Dir. Perkins spoke about the performance measure, pointing out that in FY 2020 the department licensed over 202,000 professionals to do business in Idaho, and nearly 7% of growth in the mortgage company and branch licenses. Over 95% of the licensees reside outside of Idaho.

In summary, despite the COVID-19, the department conducted 100% of the state-chartered bank examination within the statutory time frame. The department filled 23 open positions.

Mr. Bybee reported the variance report for FY 2020 pointing out the agency did not spend the \$1.8 million appropriated for the move out to the Chinden campus. The actual expenditures for FY 2020 were 21.6% less than the budget.

The original appropriation for 2021 had two line-items, including \$171,000 for two money services business examiners, and \$87,500 for one mortgage financial examiner.

The agency was authorized to reappropriate or carryover its unencumbered and unspent appropriation of \$1,800,000 for costs associated with designing and constructing space at the Chinden Campus from FY 2020 into FY 2022.

The department has a request that includes \$34,200 to replace 19 laptop, and \$11,400 for 19 monitors and docking stations.

AGENCY DEPARTMENT OF INSURANCE, Dean Cameron, Director.
PRESENTATION: Keith Bybee, LSO Analyst.

Dir. Cameron explained the Department of Insurance (DOI) mission is to serve and protect Idahoans by equitably, effectively, and efficiently administering the Idaho Insurance Code and the International Fire Code. The department has two budgeted programs: the Insurance Regulation Division and the State Fire Marshal's Office.

The department has 69 positions, 5.5 vacant positions, with 13 new hires in FY 2020. The department experienced an 18% turnover rate with 14 separations.

Mr. Bybee reviewed the historical summary for the department, pointing out it is organized in two divisions, the Insurance Regulation, and the State Fire Marshal. The department was funded with fees, penalties, and miscellaneous charges assessed on the insurance industry that are collected and deposited into the insurance administrative account.

For FY 2021 the General Fund distributions are projected to be \$104 million, and \$103.4 million for fiscal 2022. In FY 2020 the distributions were \$110 million.

The organizational chart shows 71.5 authorized full-time equivalent positions.

Mr. Bybee reported the total budget for FY was \$9.7 million. FY 2020 has an unspent amount of \$1.7 million. The comparative summary shows the largest increase for the current and last year was for replacement items. There were no line items in the FY 2021 budget and there are no line items requested for FY 2022 budget.

FY 2022 shows an agency request of \$206,000 increase over FY 2021 and the Governor's recommendation of about \$150,000 over FY 2021.

**AGENCY
PRESENTATION:**

CHANGE IN EMPLOYEE COMPENSATION (CEC). Sen. Jim Patrick & Rep. James Holtzclaw, Committee Co-Chairs. Christine Otto and Maggie Smith, LSO Analysts.

Sen. Patrick declared in accordance with section 67-5309, Idaho Code, that the intent of the legislature of the State of Idaho, that the goal of the total compensation system for the employees shall be to fund a competitive employee compensation benefits package that will attract qualified applicants to the workforce, retain employees who have a commitment to public service, excellence, motivate employees to maintain a high standards productivity, reward employees for outstanding performance.

The state's compensation program, which includes both salary and benefit components, when taken as a whole will be competitive with relevant labor market averages. Advancement in pay shall be based on job performance and market changes.

Pay performance shall be provided, shall provide salary advancement for high performers, based on merit, and all employees, below the state's market average in salary range meeting expectations of their jobs move through the pay range towards the market average. The studies have shown that the State is 12% below the market for the last several years.

A recommendation for the current year is relative to the salary structure, where adjustment should be shifted up by 2% at the minimum, policy, and maximum pay rates in all pay grades with the exception of Pay grade D, where the minimum is \$7.25 an hour. The state shall maintain job classifications with a pay line exception to address specific recruitment and retention issues recommended by the Change in Employee Compensation report from the Division of Human Resources.

The fiscal impact would be \$324,200 to bring 417 employees up to the new minimum of the salary ranges. Of the total of \$134,400 is from the General Fund, \$39,000 is from the dedicated funds, and \$150,800 is from the federal funds.

The legislature should fund an ongoing 2% increase in the personnel costs to provide a merit-based increase for state employees with flexibility that allows for agency heads and institution presidents to distribute those funds as needed. It is estimated the impact of 2% CEC is \$29,218,500 from all funds.

The legislature should maintain the current employee health benefits package with no significant changes in plan design. Appropriation levels should remain at \$11,650 per FTP.

The legislature should maintain the current PERSI benefit package. Additionally, a one-year holiday for employees that contribute to PERSI — managed sick leave plan, should be implemented.

**UNANIMOUS
CONSENT:**

Requested by **Sen. Bair**, granted by unanimous consent, the Committee report has been accepted.

ADJOURN:

There being no further business to come before the Committee, **Chairman Youngblood** adjourned the Committee at 10:50 a.m.

Representative Youngblood
Chair

Anna Maria Mancini
Secretary