

MINUTES
JOINT FINANCE-APPROPRIATIONS COMMITTEE

DATE: Thursday, January 20, 2022
TIME: 8:00 A.M.
PLACE: Room C310
MEMBERS: Senators Co-chairman Agenbroad, Crabtree, VanOrden(Bair), Grow, Woodward, Lent, Riggs, Cook, Ward-Engelking, Nye
Representatives Co-chairman Youngblood, Troy, Horman, Amador, Syme, Bundy, Giddings, Nate, Green, Nash
**ABSENT/
EXCUSED:** Representative Nash

Co-Chairman Youngblood called the meeting to order at 7:59 a.m.

Ms. Christine Otto, Senior Analyst, LSO Budget & Policy Analysis, presented an overview of the Public Employee Retirement System of Idaho (PERSI). The mission of PERSI is to provide members and their beneficiaries with reliable and secure long-term retirement, survivor, and disability benefits as specified by law, and to assist members in planning a secure retirement by providing high-quality service, retirement education, and information. PERSI is funded through dedicated funds. Most of the revenue is received from contributions from both employers and employees, as well as interest on the contributions.

Mr. Don Drum, Director of PERSI, stated two of PERSI's most important accomplishments during the last year were providing a sustainable, stable pension fund for members and providing continuous service during the Covid pandemic disruptions. PERSI is one of the few pension systems in the nation to offer continuous service during the pandemic.

Mr. Drum reviewed several decisions the Board has made for FY 2022, including lowering the inflation assumption and proposing a third employee class for teachers, which will need legislative approval. The proposed new school district employee class may have a separate contribution rate from general members. Mr. Drum assured committee members that PERSI would continue investing with the goal of future sustainability.

Mr. Drum stated PERSI requested funds to upgrade its current member services system from ARRIVOS 1.0 to ARRIVOS 2.0. This four-year project is necessary to keep the system secure and technologically current and would also allow PERSI to expand its virtual services offered to members.

PERSI requested a reduction in funds as part of the governor's initiative to consolidate, streamline, and improve information technology operations across the state; PERSI would be added to the agencies supported by the Office of Information Technology Services (OITS).

In response to a committee member's question, **Mr. Drum** stated the goal of both PERSI and OITS is to ensure there is no degradation of services.

Ms. Christine Otto, Senior Analyst, LSO Budget & Policy Analysis, presented an overview of the Division of Human Resources (DHR). DHR is organized within the Office of the Governor. The division is responsible for employee recruitment, job classification, employee assessment and selection processes, compensation issues, workforce planning and development, employee relations, and providing human resource policy to comply with applicable laws and regulations. DHR is funded primarily with dedicated funds. Revenue is received from fees paid by all agencies with classified employees. Agencies pay an amount equivalent to a portion of each classified position's gross salary.

Ms. Lori Wolff, Administrator, Division of Human Resources (DHR), stated the agency is responsible for the administration of the state personnel system, which includes about 25K state employees. DHR is responsible for providing professional training and a system that supports state employees through compensation, classifications, and promotions based on merit and performance. They are also responsible for making recommendations on changes in employee compensation. Ms. Wolff stated the priorities for the next year include implementing Luma and modernizing the Division of Human Resources.

Ms. Wolff explained Phase 2 of Luma includes replacing all Human Resource Management systems. All agencies will transition to the new Human Capital Management System. Benefits of this transition include the opportunity to reduce manual work, improve onboarding processes, promote consistency in personnel management, and the ability to access better information and data.

In response to committee questions, **Ms. Wolff** stated the DHR funding changes will need legislative approval; most of those actions will happen in the next legislative session. One bill in this session will help clarify some of the statutes that support the new model.

In response to further committee questions, **Ms. Wolff** stated the DHR is working closely with the State Controller's Office to achieve a smooth transition. Ms. Wolff agreed it takes more than a couple months to train a cultural change; DHR has made commitments to agency directors including transparency, a cost-neutral goal, and flexibility to adjust as needed.

Ms. Wolff explained the division's FY 2022 supplemental request for the Human Resource Modernization program. DHR requests the transfer of five vacant HR positions in agencies to their division, including the spending authority for dedicated funds for those positions.

In response to committee questions, **Ms. Wolff** clarified this is a one-year request; next year, the spending authority for those salaries will be pulled back to the DHR dedicated fund.

Ms. Wolff explained the division's FY 2022 supplemental request for funds for a Classification/Compensation Review. This appropriation would enable DHR to study the classifications and pay schedules to make sure they are properly aligned with the corresponding jobs.

Ms. Wolff explained the division's FY 2022 supplemental request for funds for an Innovation Center. This one-time investment would fund resources in the Governor's office to work with agencies that need improvements in technology or business practices.

In response to committee questions and concerns, **Ms. Wolff** stated the purpose of this one-time investment is to allow DHR to identify and improve some of the problems left over from the Covid pandemic response.

In response to further committee questions, **Mr. David Hahn**, Principal Financial Management Analyst, Division of Financial Management, emphasized this is a one-time appropriation request. The goal is to create the Innovation Center, identify the top priority system process issues, report to DHR, and take down the Center.

Ms. Wolff explained the FY 2023 budget line item for an Employee Engagement System. She explained DHR doesn't always receive good feedback from employees until they are already leaving state employment. She expressed the need to engage with employees on a regular and ongoing basis to obtain feedback which enables quick and regular adjustments.

In response to committee questions, **Ms. Wolff** confirmed that higher education institutions are excluded from the Luma Phase 2 implementation. She stated they work closely with the State Board of Education to coordinate statewide policies and practices to ensure consistency.

In response to further committee questions, **Ms. Wolff** clarified that due to recent legislation, public health district employees are not considered state employees and are not under the umbrella of the state's personnel system; however, they are working with the State Controller Office on a solution that would allow them to use Luma.

Mr. Matthew Farina, Analyst, LSO Budget & Policy Analysis, presented an overview of the Office of Information Technology Services (OITS). The agency was established in 2018 within the Office of the Governor. The agency is responsible for the state's telecommunication and information technology services. OITS is authorized to support all state agencies except for elected constitutional officers and their staff, the Legislature and their staff, and the Judiciary. The majority of their funding is dedicated funds.

Mr. Jeff Week, Administrator of Office of Information Technology Services, stated employee recruitment and retention are challenges for OITS. During the Covid pandemic, OITS made significant strides in network improvements and made numerous upgrades for supported agencies.

Mr. Week explained the agency is requesting an additional 34 FTP, of which 31 will be incorporated into the department's infrastructure network, mostly in the service department.

In response to committee questions, **Mr. Week** confirmed these are new FTP positions, not transfers from other agencies. He stated some IT positions will remain in agencies. When asked specifically about PERSI, Mr. Week stated the level of service OITS is going to provide to PERSI cannot be met by the resources PERSI currently employs; OITS will improve their services, not just maintain the status quo.

In response to committee questions about OITS' track record of IT support to agencies, **Mr. Week** stated OITS has satisfaction rating of 4.7/5, based on 60+K service tickets. Anyone who returns a survey with a one or two rating receives a personal follow-up phone call to better resolve the issue.

In response to committee questions about increasing costs, **Mr. Week** explained some agencies' costs had increased because of historic underinvestment in IT. He explained because of product standardization and the ability to renegotiate bulk licensing pricing, OITS saved the state \$1.2M on Microsoft software licenses alone. Mr. Week stated the purpose of modernization wasn't necessarily to save money, but to increase efficiencies, to improve cyber security, and to provide new functions not previously available.

Mr. Week explained OITS received nearly \$13.9M of CARES funding, which allowed them to dramatically increase capabilities for the state's core network, enhance cyber security, and implement remote administrative tools. Mr. Week explained the FY 2022 supplemental request funds five FTP, construction and equipment costs for the previously referenced 34 FTP, and the Governor's IT transparency initiative to ensure all agency board meetings can be accessed online to maximize public participation.

In response to a committee question, **Mr. Week** confirmed OITS uses a third-party vendor to do annual cybersecurity testing, in addition to monthly internal vulnerability assessments.

Mr. Matthew Farina presented an overview of the Division of Occupational and Professional Licenses (DOPL).

Mr. Russell Barron, Division Administrator, DOPL, explained the agency was created to gain efficiencies and improve effectiveness and customer service by reorganizing 11 agencies into one. DOPL is in the midst of relocating to the Chinden campus, which will reduce six offices into one. In the last year, DOPL simplified more than 20% of building and construction rules to supplement Idaho's explosive economic growth and removed existing barriers for telehealth in all health profession rules in efforts to respond to Covid.

Mr. Barron explained the FY 2023 budget requests. The agency is requesting funds to replace vehicles and computer equipment and to purchase and implement a single commercial licensing system that will perform all the work functions needed for all the boards under its purview.

Consolidation into one system creates one pathway for the agency's financial accounting work, improves customer service and customer experience, provides more options for operational support, eases integration into Luma, and provides greater fiscal transparency and accountability to the public.

In response to committee questions, **Mr. Barron** explained there isn't an existing commercial licensing program DOPL could purchase and customize. If the federal government invests in a software system, that software can be adapted and customized from state to state. There is no federal involvement in licensing software; no other state has a system similar enough to adapt to suit Idaho's needs.

Mr. Barron explained remaining FY 2023 budget requests. In the past, the agency asked for one-time spending authority for the Damage Prevention Grant. They now feel this problem is ongoing and request ongoing spending authority for federal funds to train the public about the dig line program safety. In conclusion, Mr. Barron expressed appreciation for previous budget law exemptions to allow more flexibility as they set up the new agency; DOPL is asking for one more year's exemption from program and object transfers.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 10:26 a.m.

Representative Youngblood
Chair

Alyson Jackson
Secretary