

MINUTES
JOINT FINANCE-APPROPRIATIONS COMMITTEE

DATE: Friday, January 21, 2022

TIME: 8:00 A.M.

PLACE: Room C310

MEMBERS PRESENT: Senators Co-chairman Agenbroad, Crabtree, VanOrden (Bair), Grow, Woodward, Lent, Riggs, Cook, Ward-Engelking, and Nye

Representatives Co-chairman Youngblood, Troy, Horman, Amador, Syme, Bundy, Giddings, Nate, Green, and Nash

ABSENT/ EXCUSED: Representative Amador

CONVENED: **Co-Chairman Agenbroad** called the meeting of the Joint Finance-Appropriations Committee (Committee) to order at 8:01 a.m.

AGENCY PRESENTATION: **IDAHO DEPARTMENT OF LANDS (IDOL), Dustin Miller, Director; Rob Sepich, Legislative Services Office (LSO) Senior Budget and Policy Analyst**

Mr. Sepich discussed IDOL's historical summary and six budgeted programs. He explained the Fire Deficiency Fund Analysis disbursements, receipts, and transfers into the fund, and reminded the Committee that in 2016 they pre-loaded the balance in anticipation of future fires, and the fund currently has a negative balance of \$10,589,400 (see attachment 1). **Mr. Sepich** informed that IDOL's main mission is to maximize income from state-owned land, including the endowments, as well as support the Land Board and ensure they are protecting mineral and forestry resources through conservation, prevention of wildfire, and fighting wildfire. He detailed the percent of dedicated fund appropriation is used, pointing out that Endowment Earnings Administration funds and Navigable Waterways funds are the most consistently utilized in terms of how they are appropriated and what their actual expenditures are (see attachment 2). **Mr. Sepich** expressed the federal funds generally are 50 to 60 percent, and dedicated funds are approximately 83 percent, of total appropriation amounts expended. He informed the Committee there were no open audit findings.

Mr. Miller stated IDOL was primarily charged with managing state endowment trust lands and generating revenue on those lands, and most of the activities are guided by the State Board of Land Commissioners. He explained that the IDOL is charged with securing the maximum long term financial return to the beneficiaries as outlined in Idaho's Constitution. **Mr. Miller** summarized revenues generated from selling timber harvested from endowment lands and the leasing of those lands for various use. **Mr. Miller** detailed that all endowment programs are fully funded by dedicated earnings reserve funds; and the assistance and protection programs are funded by a combination of dedicated, federal and general fund dollars. He brought attention to specific FY 2021 performance highlights. **Mr. Miller** reported that IDOL has two FY 2022 supplemental requests totaling \$106,600,000. He discussed IDOL's Fire Management Program and the vision for modernizing this program with historically unprecedented fire danger and significant challenges across the state due to drought, high temperatures, and lack of spring moisture.

Senator Cook asked about the \$600,000 FY 2022 supplemental request to hire a fire consultant. **Nate Fisher**, Policy Advisor, Governor's office, answered that the consultant will review IDOL spending on fire suppression as a matter of budgeting and fiscal prudence so money spent on fire suppression is done efficiently, explaining it is comparable to an audit to make sure that the typical \$30 million spent on fire suppression, this past year it was \$70 million, is being spent efficiently.

Co-Chairman Agenbroad asked how IDOL became \$40 million in arrears, how the endowment funds did not cover the costs, and the requirement to obtain funds from the General Fund. **Mr. Miller** replied that due to the complexity of fire and multiple types of ownerships within the covered districts, it is customary to utilize use deficiency funds from the general fund to fight wildfires as they are not only protecting their endowment assets, but also federal and private land based upon their agreements with other agencies.

Mr. Miller reviewed specifics of IDOL's FY 2023 budget requests (see attachment 3), and answered questions from the Committee regarding various line items and enhancements.

**AGENCY
PRESENTATION:**

ENDOWMENT FUND INVESTMENT BOARD (EFIB), Chris Anton, Investment Manager; Rob Sepich, LSO Senior Budget and Policy Analyst

Mr. Sepich explained that EFIB is entirely funded through dedicated funds and is budgeted underneath the Board of Land Commissioners. He stated EFIB's mission is to maximize investments to the land grant endowment funds, State Insurance Fund, and investments within the Idaho Department of Parks and Recreation, Idaho Department of Environmental Quality, IDOL, and Idaho Department of Fish and Game. **Mr. Sepich** referenced page 4-24 of the 2022 Legislative Budget Book Fiscal Year 2023 (LBB) which details the profile of key services provided and distributions to beneficiaries, with the distributions for FY 2023 estimated to reach \$100 million. He highlighted that EFIB has an exemption to allow for continuously appropriated expenses for investment fees which tend to grow over time and are difficult to predict since they are based on assets under management (see attachment 4). He informed the Committee there were no open audit findings.

Mr. Anton explained that EFIB's mission is to provide outstanding investment management services to its stakeholders consistent with its constitutional and statutory mandates. He stated on June 30, 2021, EFIB had oversight of approximately \$4.3 billion in assets and discussed the specific funds overseen by the nine member Endowment Fund Investment Board. **Mr. Anton** detailed the significant growth in the fund since 2009, with 2021 being a record year, and that growth has allowed EFIB to increase its distributions to beneficiaries (see attachment 5). He summarized EFIB also administers the School Bond Credit Enhancement Program which allows school districts financing to construct new schools and issue bonds, thereby reducing their borrowing cost over the term of the loan. He reported on EFIB's FY 2023 budget request.

AGENCY PRESENTATION: DIVISION OF VETERANS SERVICES (IDVS), Mark Tschampl, Chief Administrator; Nathan Osborne, LSO Budget and Policy Analyst

Mr. Osborne summarized that IDVS operates the state veterans' homes, manages state veterans' cemeteries, provides medical and assisted living care to veterans, extends financial relief and assistance to disabled or destitute wartime veterans, and administers programs offered by the United States Department of Veterans Affairs. He said they also provide training and other educational assistance to veterans, and assists veterans and their families in navigating federal processes to obtain non-state benefits. **Mr. Osborne** reviewed a five year look back at total appropriations and expenditures, which included \$42 million for construction of a new veterans' home in Post Falls, Idaho, the carryover for which was previously authorized. He discussed the breakdown of FTP allocations by staffing category and highlights from the most recent performance reports (see attachment 6). He informed the Committee there were no open audit findings.

Mr. Tschampl stated that IDVS serves over 122,500 Idaho veterans spanning four generations and who have served across five major wars. He detailed that IDVS provides veterans' homes, education services, an advocacy program, and manages two veterans' cemeteries. He discussed that Idaho's three veterans' homes ranked in the top 15 percent of nursing care facilities in the nation. **Mr. Tschampl** explained IDVS is having difficulty providing skilled nursing staff in those homes due to staff shortages, which then drives their census on how many veterans they can take care of, stating in FY 2022 there was a 29 percent vacancy rate, consequently decreasing the homes' revenue. He informed the Committee of the new Post Falls State Veterans' Home construction progress, on track to be completed late 2022. He summarized the conditions and interments in the two veterans' cemeteries. **Mr. Tschampl** summarized the FY 2022 reappropriation and supplemental requests, referring to specific page numbers in the LBB and providing specific examples and explanations for several requests. He detailed IDVS' FY 2023 line item requests pointing out IDVS' funding needs (see attachment 7).

In response to Committee questions, **Mr. Tschampl** provided more details about the veterans' homes' staffing shortages and strategies IDVS is implementing to overcome those shortages, thereby lowering census numbers, as well as the conversion project for Idaho State veterans' homes recommended by the Governor.

AGENCY PRESENTATION: OFFICE OF DRUG POLICY (ODP), Marianne King, Director; Nathan Osborne, LSO Budget and Policy Analyst

Mr. Osborne informed that ODP leads Idaho's substance use and misuse policy and prevention efforts. He reviewed the last five years of total appropriation and expenditures, pointing out the increase in appropriations for FY 2022 due to a one time, \$1.6 million, appropriation from the federal COVID 19 Relief Fund for substance abuse prevention services. **Mr. Osborne** reported the five year average of expenditures by account category, being trustee/benefit payments, capitol outlay, operating expenditures, and employee salary/wages/benefits. He explained that federal funds accounted for approximately 92 percent, general funds for 7 percent, and dedicated funds for one percent (see attachment 8). **Mr. Osborne** disclosed that ODP's most recent audit, published August 2021, had one finding relating to the Schedule of Expenditures of Federal Awards closing package and the agency has a five step corrective action plan in place to remedy the finding.

Ms. King, addressed the audit finding in which the Business Enterprise Program mistakenly coded a grant as a primary grant rather than a sub-grant. ODP has improved internal controls and have reviewed administrative guidance to maintain compliance. She stated ODP's purpose is to coordinate policy and programs related to the prevention of substance misuse and summarized the change ODP has undergone since FY 2021, and their focus shift from treatment to primary prevention in that they develop, implement, and fund primary prevention efforts statewide. **Ms. King** discussed ODP's FY 21 successes and achievements, measured by the impact and program participant outcomes (see attachment 9). She discussed the FY 2022 appropriation update and the FY 2023 recommendations.

**AGENCY
PRESENTATION:**

IDAHO COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED (ICBVI), Beth Cunningham, Administrator; Nathan Osborne, LSO Budget and Policy Analyst

Mr. Osborne explained ICBVI was established in 1967, and assists individuals who are blind or visually impaired achieve social and economic independence, and at least three of the five ICBVI members must be blind or visually impaired. He discussed a five year overview of total appropriations and expenditures, detailing the average expenditure being approximately \$5 million, therefore 93 percent of total appropriations were expended (see attachment 10). **Mr. Osborne** detailed that \$1.46 million, or 32 percent of total expenditures, came from the general fund, federal funds averaged \$3 million or 65 percent, and dedicated funds averaged \$75,000 or three percent. He reported ICBVI had four findings in their most recent audit dated November 8, 2019, and three findings have been corrected and closed, with the final finding to be reviewed again as part of the next audit.

Ms. Cunningham advised of ICBVI's mission to empower people who are blind or visually impaired by providing vocational rehabilitation, skills training, and educational opportunities to achieve self-fulfillment through quality, employment, and independent living. She explained the audit findings, and discussed that the FY 2023 budget was a maintenance budget with no line item appropriations requested (see attachment 11). **Ms. Cunningham** reviewed the services and programs ICBVI provides, and the functions of their assessment and training center.

ADJOURNED:

There being no further business before the Committee, **Co-Chairman Agenbroad** adjourned the meeting at 10:42 a.m.

Senator Agenbroad
Chair

Erin Miller
Secretary