

MINUTES
SENATE COMMERCE & HUMAN RESOURCES COMMITTEE

DATE: Thursday, February 02, 2023

TIME: 1:30 P.M.

PLACE: Room WW54

MEMBERS PRESENT: Chairman Cook, Vice Chairman Lenney, Senators Lakey, Guthrie, Ricks, Foreman, Hartgen, Ward-Engelking, and Ruchti

ABSENT/ EXCUSED: None

NOTE: The sign-in sheet, testimonies and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.

CONVENED: **Chairman Cook** called the meeting of the Senate Commerce and Human Resources Committee (Committee) meeting to order at 1:30 p.m. He announced the Minutes Approval would be moved to later on the agenda.

GUBERNATORIAL REAPPOINTMENT VOTE: **Committee Vote on the Gubernatorial Reappointment of Donald "Keith" Reynolds, Director, Idaho Department of Administration.**

MOTION: **Senator Ward-Engelking** moved to send the Gubernatorial Reappointment of Keith Reynolds to the floor with the recommendation he be confirmed. **Senator Lakey** seconded the motion. The motion carried by **voice vote**.

GUBERNATORIAL REAPPOINTMENT: **Committee Consideration of the Gubernatorial Reappointment of Thomas Kealey, Director, Idaho Department of Commerce (IDOC),** of Boise, Idaho, for a term commencing January 2, 2023 and serving at the pleasure of the Governor. **Mr. Kealey** gave a brief overview of his background. He outlined the goals of the IDOC Council and related agencies, commissions, universities, and Legislators to:

- assist existing Idaho businesses to grow and prosper
- promote Idaho tourism
- expand broadband connectivity
- grow international trade
- attract new businesses
- be a strong partner in rural and urban Idaho communities
- facilitate innovation and technological advances with businesses and universities

Mr. Kealey remarked the mission of the IDOC and priorities continued to evolve, as internal and external factors arose. Overall, the objective was to ensure Idaho companies, entrepreneurs, and communities attained their goals and prospered.

Mr. Kealey noted he frequently traveled outside of Boise with members of his team to reach every part of this great State. In his travels, he met with municipal leaders, economic development professionals, representatives of large companies, small firms, startups, higher education institutions, and more.

As part of the duties of the Director, **Mr. Kealey** mentioned he reported to or served and contributed to nearly a dozen boards, committees, sub-committees, and task forces. He noted the IDOC assisted with several investments and expansions ranging from \$100 to \$500 million each. Because of recent strong growth in Idaho's economy, the number of Idaho small businesses was up 16 percent. In 2022, according to the U.S. Small Business Administration, over 182,000 small businesses were located in Idaho. This number made up over 99 percent of all Idaho businesses.

Mr. Kealey noted prior to his time at IDOC, he worked for both large and small manufacturing, financial services, construction, and hospitality companies in both domestic and international locations. The IDOC had the potential to do more. He stated he believed in excellent customer service for clients and partners.

DISCUSSION: **Senator Ricks** asked Mr. Kealey for an overview of tourism in the State and how monies were returned to help the economy. **Mr. Kealey** explained the lodging tax of 2 percent helped with the distribution of funds to the economy.

Senator Lakey asked about the different challenges faced in different parts of the State and how did the IDOC deal with those challenges. **Mr. Kealey** noted the State was booming, but across the State the workforce, housing, and childcare were impacted due to population growth.

Chairman Cook announced the Gubernatorial Reappointment vote would take place at the next meeting.

PRESENTATION: **Idaho Department of Commerce (IDOC).** **Thomas Kealey**, Director, IDOC, remarked the IDOC was pleased with the 2022 economic results for Idaho. He gave an update on Idaho's small businesses, recent business retention expansion and attraction, travel and tourism, and the broadband program. **Mr. Kealey** stated those four areas were particularly significant to understand Idaho's economic strengths and weaknesses, as well as growth and resiliency in the future (Attachment 1).

Mr. Kealey thanked the Committee and noted the IDOC team would continue its mission to keep Idaho's economy growing and citizens prospering.

DISCUSSION: **Vice Chair Lenney** asked how many small businesses closed from 2020 to 2023. He also asked for an update on the Meta or Facebook center in Kuna. **Mr. Kealey** stated he could gather information about the number of closures. He noted the hospitality and restaurant area had been hit the hardest. He explained the Meta Data Center was approved in 2020. In 2022 Meta announced they would headquarter in Idaho, but the pause was for redesign of artificial intelligence (AI) modules.

Senator Ruchti asked what were the State successes and struggles. **Mr. Kealey** noted there were many businesses who wanted to come to Idaho. Idaho competed with Utah and some of Montana because of a lowered tax rate. Idaho products were of high quality. The IDOC had stiff competition for the semi-conductor program for Micron.

Senator Ricks asked if it was possible to know how many home-based businesses existed and the economic impact of those businesses. **Mr. Kealey** noted that was hard to stratify information for those businesses.

Chairman Cook remarked while serving on the Economic Outlook Committee (EOC), he heard testimony from representatives from the private and public sectors who noted the biggest challenge was the workforce. The concerns

raised were getting people to work, being able to pay a competitive wage, and employee retention. **Mr. Kealey** stated there was a high turnover and most businesses were struggling with the workforce. More recently, however, businesses were reaching full employment. Because incomes had risen, some people who held two or three jobs, no longer did. Now, due to inflation, more people would be looking for jobs. The Workforce Development proposal would assist in training more people to return to the workforce.

Senator Guthrie commented there were still workforce issues, especially in restaurant businesses. Idaho had grown too fast and could not keep up. Many have been taxed out of their homes. **Mr. Kealey** remarked the higher interest rates put a damper on growth. In his opinion, the housing market was in the process of readjustment.

**MINUTES
APPROVAL:**

Senator Guthrie moved to approve the Minutes of January 26, 2023. **Senator Ruchti** seconded the motion. The motion carried by **voice vote**.

**GUBERNATORIAL
REAPPOINTMENT:**

Committee Consideration of the Gubernatorial Reappointment of Dean Cameron, Director, Idaho Department of Insurance (IDOI), of Meridian, Idaho, for a term commencing January 2, 2023 and expiring January 2, 2027. **Mr. Cameron** gave a brief overview of his background. He remarked he was grateful for the opportunity to serve as the IDOI Director. He outlined his accomplishments while being Director. Some of those accomplishments included reduction and organization of rules and regulations; growth in the number of domestic insurance and health companies; applying for and receiving a 1332 waiver, which reduced individual rates by 12 percent; Workers' Compensation rates decreased each year by working with the National Council on Compensation Insurance (NCCI) and passing legislation; response during the pandemic to make it easier to obtain coverage; the use of telemedicine and obtaining prescriptions in a safe manner; accreditation by the National Association of Insurance Commissioners (NAIC), which was critical to retain carriers in Idaho; elected as an officer of the NAIC four years ago and served as President; the addition of hearing aid and autism coverage for children; enhanced short-term plans; Medicare Supplement Open enrollment at the qualification of Medicare; Medicare Supplement community rating and birthday enrollment; and premium tax electronic filing.

Mr. Cameron explained the challenges the IDOI faced including federal interference; Federal Insurance Office (FIO) mission expansion and climate survey with forthcoming requirements; U.S. Department of Labor potentially eliminating independent agents from marketing annuities and other retirement approaches; pushing a fiduciary standard; global standard setting with insurance becoming more international ownership with Europe attempting to impose regulations; hardening of the market across the country due to increased natural disasters; inflationary costs for replacing homes and vehicles; access to reinsurance; retention of good employees in support of the Governor's Change in Employee Compensation (CEC) recommendation; the need to help in attracting and keeping highly technical positions; keeping up with the growth of carriers and the volume of work; Big Data and the use of AI due to plans rapidly changing to determine rates based on AI and Big Data; and cybersecurity and consumer protection in a cyber-world. He thanked the Committee.

DISCUSSION: **Senator Ruchti** asked Mr. Cameron to expound on the challenges of Big Data and AI. **Mr. Cameron** remarked every progressive insurance company was looking for AI or Big Data in order to price products appropriately. He noted that as long as Big Data helped lower costs, that was good. He stated the IDOI needed to know what was included in pricing factors.

Vice Chair Lenney asked for an explanation of Environmental, Social, and Governance (ESG). **Mr. Cameron** explained the insurance industry was told by the rating agencies who rated them or rated their financial solvency, that if they had inappropriate investments or they insured individuals with certain standards, they insured individuals that had natural resource energy, but they would be downgraded. The IDOI was charged with looking at the risk that companies were incurring in their investments, but the IDOI was not looking at whether those investments met someone's social agenda.

Chairman Cook stated the Gubernatorial Reappointment vote would take place at the next meeting.

PASSED THE GAVEL: Chairman Cook passed the gavel to Vice Chair Lenney.

DOCKET NO. 15-0401-2201 **Rules of the Idaho Division of Human Resources (IDHR) and Idaho Personnel Commission - Proposed Rule**, p. 3. **Michelle Peugh**, Administrator, IDHR, reported the IDHR considered continued efforts to clarify and streamline rules to align with the Red Tape Reduction Act and Human Resources Modernization. Minor housekeeping edits were included with the intent to make the rules consistent with recent statutory changes, simplify existing language, and reduce or eliminate unnecessary restrictions, which had been addressed in statute.

MOTION: **Senator Ward-Engelking** moved to approve **Docket No. 15-0401-2201**. **Senator Guthrie** seconded the motion. The motion carried by **voice vote**.

PASSED THE GAVEL: Vice Chair Lenney passed the gavel back to Chairman Cook.

S 1020 **State Government - Amends existing law to remove a requirement for promulgation of administrative rules regarding eligibility determinations for participation in state employee health insurance plans.** **Steven Bailey**, Deputy Director, Idaho Department of Administration (IDOA), stated this proposed legislation repealed the requirement for the Office of Group Insurance (OGI) to promulgate rules for determining the eligibility of participants in the State's health insurance plan. Eligibility was already determined in contracts with health insurance providers.

Mr. Bailey noted this legislation added a member to the Group Insurance Advisory Committee (GIAC) from a school district participating in the State's group health insurance plan. These rules had become redundant because State and federal statutes determined eligibility. **Mr. Bailey** stated there was a question during the print hearing regarding the Legislature's involvement in setting eligibility if the requirement for rules was repealed. The Legislature would remain involved because Idaho Code § 67-5761, subsections (2) and (3), required the Director of the Department of Administration to formulate and implement health plans that covered employees, their dependents, and retirees. He stated this code did not stipulate the maximum age that dependent children would be covered, but the Federal Affordable Care Act required plans and issuers that offered dependent child coverage to make the coverage available until a child reached the age of 26. With these two statutes, there was no latitude in health plan eligibility for the State unless legislation was passed that would

change the current requirements.

Mr. Bailey noted as a result, rules had not been promulgated in several years. This bill required appointing an Idaho School District representative to the GIAC. This proposal would make the statute consistent with current practices. The statute required the Director of the IDOA to appoint other members of GIAC, which set the current and future direction of the State's health plan. Adding this appointment would guarantee representation for the two school districts with 10,920 consumers that joined the State's health insurance plan last year. There was no impact to the General Fund or any dedicated or federal funds because the structure and staffing were currently in place to implement the statute.

DISCUSSION: **Senator Ward-Engelking** asked if the number of participating school districts increased, would the number of teacher representatives be increased. **Mr. Bailey** stated not at this point.

MOTION: **Senator Guthrie** moved to send **S 1020** to the floor with a **do pass** recommendation. **Senator Ward-Engelking** seconded the motion. The motion carried by **voice vote**.

ADJOURNED: There being no further business at this time, **Chairman Cook** adjourned the meeting at 2:41 p.m.

Senator Cook
Chair

Linda Kambeitz
Secretary