

MINUTES
JOINT FINANCE-APPROPRIATIONS COMMITTEE

DATE: Wednesday, April 03, 2024

TIME: 9:15 A.M.

PLACE: Room C310

MEMBERS PRESENT: Senators Co-chairman Grow, Bjerke, Burtenshaw, Lent, Cook, VanOrden, Adams, Herndon, Ward-Engelking, and Just
Representatives Co-chairman Horman, Miller, Bundy, Raybould, Mickelsen (Furniss), Handy, Lambert, Petzke, Humphreys (Tanner), and Green

ABSENT/ EXCUSED: None

CONVENED: **Co-Chairman Grow** called the meeting of the Joint Finance-Appropriations Committee (Committee) to order at 9:23 a.m.

DISCUSSION: **Co-Chairman Grow** stated that the Senate was at recess and awaiting the return of Committee members. He provided an overview of why the Committee was meeting to address the Division of Vocational Rehab Supplemental. He stated that in the last year there were 115 supplemental requests, many of which were not supplementals but the issue before the Committee is a true supplemental. The Committee was just made aware of the issue on April 1, 2024. The Governor's office sent a letter to Committee Co-Chairs on April 2, 2024 addressing the issue. Co-Chairman Grow asked Brooke Dupree, Legislative Services Office (LSO) Budget and Policy Analyst to provide further information.

LSO STAFF PRESENTATION: **DIVISION OF VOCATIONAL REHABILITATION: FY 2024 SUPPLEMENTAL; Brooke Dupree, LSO Budget and Policy Analyst**
Ms. Dupree summarized the contents of the supplement packet (see, attachment 1) provided to members including: background information, the April 2, 2024 letter from the Idaho Division Vocational Rehabilitation detailing the request and circumstances, the April 2, 2024 letter from the Governor's Office, and a listing of outstanding division obligations that have not yet been invoiced. The supplemental request totaled \$2,700,000 with \$2,300,000 from Federal Funds and \$400,000 from the Miscellaneous Revenue Fund.

DISCUSSION: In response to a question from **Senator VanOrden**, Ms. Dupree confirmed the list of vendors represents outstanding accounts and not all accounts are due.

In response to a follow-up question from **Senator VanOrden** about how long the accounts have been outstanding, Ms. Dupree stated it was her understanding the agency hasn't had time to determine the exact length of how long the accounts have been outstanding. The department has had issues getting timely invoices from vendors for services provided in the past.

Representative Green stated she had concern with the onetime nature of the \$ 2.7 million appropriation request and asked what decrease in services for the final quarter would be expected and who will be impacted by decreased services with the budget shortfall. In response to Representative Green's question, **Co-Chair Grow** asked **Alex Adams, Department of Financial Management** for further clarification. Mr. Adams stated that the question was best answered by the Division. **Jane Donnellan, Division of Vocational Rehabilitation Administrator**, stated the amounts before the Committee are obligated funds to vendors. The Division authorizes services, invoices come in, and at this point the amounts show total authorized obligation for services for customers.

Representative Raybould stated the FY 22 Division audit indicated no findings and asked what financial controls were in place for the FY 22 Division audit. April Renfro, LSO Legislative Audits Division Manager, stated her team has seen the letter provided in the packet but has not yet had the chance to look over the report and specific controls. She stated there are many things, including Luma and other considerations that could be at play that would be different from FY 22. In response to a question from Representative Raybould about whether any additional authority is required by the Legislative Audit office to address concerns, **Ms. Renfro, Legislative Audits Division Manager**, stated that her office already has authority from Idaho Code 67-702 to go back and review any agencies, and that an additional review of concerns will allow her team to know where to look.

In response to a question from **Senator Cook**, Ms. Dupree stated that the \$4.7 million budget shortfall represents roughly 20% of the entire Division budget.

Senator Herndon stated that according to the April 2, 2024 letter from Jane Donnellan, there are 8,244 Idahoans with disabilities and asked if that number has changed significantly from this time last year. **Administrator Jane Donnellan** responded there have been increases in customer participation and the numbers before the Committee are only 75% of participants as there is still a quarter left in the fiscal year. Ms. Donnellan stated there are 1,000 more participants from FY 22 to FY 23, and even though the 8,244 number is lower than FY 23 she would anticipate serving equal to or more than FY 23 amounts.

In response to a question from **Senator Herndon** asking if there were changes in personnel of financial staff managing authorizations, **Administrator Donnellan** stated there have been changes in the fiscal team staff. Administrator Donnellan stated the current Financial Officer on board has been in the position since March 2, 2024, and the fiscal team member primarily responsible for inputting budget information into the case management system has been with the Division for many years.

In response to a question from **Senator Just**, **Administrator Donnellan** stated based on her team's analysis, Luma did not impact the situation.

In response to a question from **Senator Cook** about why salary amounts would increase when salaries should not be impacted by participant fluctuations, **Ms. Dupree** stated the \$4.7 million influx is trustee and benefit payments going to vendors and is not for employee salaries.

In response to a question from **Representative Lambert** about what the vendor payments are for, **Administrator Donnellan** stated the vendors provide a wide range of services to customers. This includes working with individuals with disabilities to achieve employment. For example, if the Division identifies a need for an individual to attend a university and become a social worker, vendor payments could include tuition and books. Other types of payments could include: tools for an apprenticeship program, job coaching, work readiness, counseling, career exploration and education in self-advocacy.

In response to a request from **Senator Cook** to see what the Legislative body passed for the Division as part of the FY 25 budget, **Ms. Dupree** provided the FY 25 budget Statement of Purpose.

Representative Raybould stated that she understands the Division has had changes in staff, and asked who the staff reports to and at what point in the process did Administrator Donnellan realize there is this shortfall. Representative Raybould asked where the responsibility lies and how did the Division reach the point in time where there was not enough money. In response, **Administrator Donnellan** stated the Division fiscal team answers to the fiscal officer and the fiscal officer answers to Administrator Donnellan. Administrator Donnellan stated she reviews the budget on a monthly basis, and this issue of the Division surpassing appropriation was brought to her attention on Friday. In response to a follow-up question from **Representative Raybould** asking how did the Administrator not know, **Administrator Donnellan** stated she was not provided information, nor did she know there was a problem, and she relied on her fiscal team.

Representative Green stated concerns about a lack of services and asked how to ensure services not disrupted. In response Administrator Donnellan stated her concern about customers with disabilities, and stated her team has employed efforts and recalibrated expectations to see where to reduce services. Her team is looking at outstanding authorizations to see what can be adjusted to not impact customers. Her team is looking at fiscal processes and ways to manage within budget appropriations with least impact to customers. She stated if her department does not have adequate funds, it will need to go to order of operations.

In response to a question from **Senator Herndon** whether her department is asking for a 55% overage on trustee and benefit payments, Administrator Donnellan stated that is correct.

Senator VanOrden requested to get on the screen the original request from the budget book. **Ms. Dupree** provided the requested information and stated that the body passed the Maintenance bill H 458, and the Enhancement Bill H 700.

In response to a request from **Co-Chair Horman** to draw a line between services owed and already rendered, **Administrator Donnellan** stated it is a process, and some of the services in play had not yet been invoiced. In a follow-up **Co-Chair Horman** asked if Administrator Donnellan could provide a number owed based on services rendered, and **Administrator Donnellan** stated she could not. Administrator Donnellan emphasized services don't

always happen the day the service is authorized, as some payments are for tuition or job site development or coaching, and her department doesn't pay until after vendors bill the department. In a follow-up, **Co-Chair Horman** asked how the department arrived at \$2.7 million. **Administrator Donnellan** stated that the original request was much higher than \$2.7 million, but she asked her department to reevaluate and see what needed to be paid in this year versus being pushed out to the next fiscal year. **Co-Chair Horman** stated she appreciated the letter explaining the situation with a corrective action plan, however it was deeply worrying the plan was not already happening. **Co-Chair Horman** stated the Governor is calling for an independent audit and urged the department to act with urgency to implement things have not been happening.

Senator Cook asked whether the department, currently requesting \$ 2.7 million will come back to the Committee for an additional \$2 million down the road. **Administrator Donnellan** stated her intent is to live within the means provided and to not to request additional funds in FY 25.

Co-Chair Grow stated he appreciates the letter from the Governor's office, and that it is imperative the issue is not just dealt with by JFAC. In response **Mr. Alex Adams** stated the Governor's office is taking the issue seriously and called for an independent audit with the firm BMRA firm. In a follow-up **Co-Chair Grow** asked if there would be an independent audit separate from the internal audit, and **Mr. Adams** confirmed yes, that more eyes reviewing the issue is better.

MOTION: Moved by **Representative Bundy**, for fiscal year 2024, for the Division of Vocational Rehabilitation an additional \$2,300,000 from federal funds and \$400,000 from dedicated funds for a total of \$2,700,000; seconded by **Senator Bjerke**.

DISCUSSION: **Senator Cook** asked whether more could be added by reducing the FY 25 request. **Co-Chair Grow** asked if **Senator Cook** would like to do a substitute motion. **Senator Cook** asked to go at ease.

AT EASE: The Committee went at ease at 10:05 a.m. to review motion language and was back in order at 10:10 a.m.

DISCUSSION: **Co-Chair Grow** stated addition language would be added to the motion, but the numbers would not change. As the legislature will be back in session in January to review further, the Committee can go ahead with the requested number to cover the shortfall and ensure services are covered. The added language will not allow the department to move ahead in hiring new approved positions or approved replacement items. The reason to not change the motion numbers is that it would be a process taking several hours and the House intends to go home, and the Senate is waiting, and it is not appropriate to put that pressure on editing staff.

UNANIMOUS CONSENT: Requested by **Representative Bundy**, and granted by unanimous consent to pull back the original motion. **Co-Chair Grow** stated the original motion is dead.

MOTION: Moved by **Representative Bundy**, for fiscal year 2024, for the Division of Vocational Rehabilitation an additional \$2,300,000 from federal funds and \$400,000 from dedicated funds for a total of \$2,700,000. The positions approved in H 700 shall not be hired by the agency and no money shall be spent on replacement items; seconded by Senator Bjerke.

DISCUSSION: **Senator Bjerke** stated there needs to be something done by the agency to rectify overshooting funds in light of this information. **Co-Chairman Grow** asked Senator Bjerke to clarify the term ‘overshot’ referred to the agency not the legislature. **Senator Bjerke** confirmed yes.

CARRIED: **AYES: 17**
Senators Grow, Bjerke, Burtenshaw, Lent, Cook, VanOrden, Adams, Ward-Engelking, and Just
Representatives Horman, Miller, Bundy, Raybould, Mickelsen (Furniss), Petzke, Handy, and Green.
NAYS: 3
Senator Herndon
Representatives Lambert and Humphreys (Tanner)
ABSENT/EXCUSED: 0

The majority having voted in the affirmative, the motion passed and without objection carried a **DO PASS** recommendation. There being no objection, it was so ordered by **Co-Chairman Grow**.

DISCUSSION: **Co-Chair Grow** stated the Committee would send the Committee’s action on the Supplemental request to the House. He thanked the Legislative Services Office (LSO) for their work and encouraged expediency in editing to move the process along.

UNANIMOUS CONSENT: Requested by **Representative Bundy** and granted by unanimous consent, the following language was adopted:

INTENT LANGUAGE: MANAGEMENT REVIEW. As provided for in Section 67-702(c), Idaho Code, the Audit Division of the Legislative Services Office shall perform a management review for the Division of Vocational Rehabilitation regarding the appropriation and obligation of trustee and benefit payments for fiscal years 2023 and 2024. The Audit Division may also evaluate other portions of the Division based on information gathered during the audit.

DISCUSSION: Co-Chair Grow stated the intent language would go forward with the motion and LSO will perform its own internal audit.

ADJOURNED: There being no further business before the Committee, **Co-Chairman Grow** adjourned the meeting at 10:18 a.m.

Senator Grow
Chair

Linsy Heiner
Secretary