

Legislative Session Summary



2006
Sine Die Report

A Publication for the Idaho Legislature
by the Legislative Services Office
State Capitol
Boise, Idaho 83720
208/334-2475

April 2006

Contents

Introduction: Key Actions	2
Volume of Legislation and Length of Session	7
Rules Review	9
Legislative Action on Major Issues	10
2006 Legislative Council Interim Study Committees	12
Budget Update	19
Budget Highlights	21
FY 2007 General Fund Revenue and Appropriations	31
General Fund Comparison by Agency	32

This report and a complete listing of all legislation are available on the Idaho Legislature's Internet site. Full text of all bills is included, along with statements of purpose, fiscal notes and legislative action. The Legislature's Web site is:

www.legislature.idaho.gov

Introduction: Key Actions

As Yogi Berra might say, the 2006 legislative session had everything — and a whole lot more! Some of the biggest issues were in response to outside pressures: growing property tax unrest, a proposed coal-fired plant, and court decisions on eminent domain and school facilities funding. Others were legislative initiatives, such as mental health insurance coverage, creating aquifer protection districts, and expanding Idaho’s “sunshine” laws to cover the lobbying of executive branch officials. Measures to amend the state constitution were sent to the voters dealing with the definition of marriage and a permanent endowment fund for tobacco lawsuit settlement payments. The Legislature made sweeping changes in the state’s Medicaid program, and the effort to restore Idaho’s statehouse went underground — literally — when the legislature agreed to build atrium wings on the Capitol Building. Legislators debated community colleges, toughening sex offender laws, ethanol in gasoline, recharging the Eastern Snake Plain Aquifer, more science and math in classrooms, and less junk food in school vending machines. They said “no” to funding a lawsuit against video gaming in tribal casinos, and to making dogfighting a felony, but said “yes” to outlawing bullying in schools, increasing road construction, tax incentives for movies made in Idaho, and property tax relief for low-income seniors. When the 93-day session adjourned, they had:

- < Restricted eminent domain condemnation powers to keep governments in the state from claiming and taking private property for commercial use. (S 1243, S 1247, S 1429, H 555)
- < Placed a two-year moratorium on applying for or building unregulated coal-fired plants in Idaho, and charged the Legislature’s Environment, Energy and Technology Interim Committee to begin immediately to develop an integrated state energy plan that provides for the state’s energy needs and protects the health and safety of Idaho’s citizens. (H 791, HCR 62)
- < Increased the homeowners exemption from property taxes from \$50,000 to \$75,000, included the value of the land, and indexed the top amount to future housing prices. (H 421)
- < Provided \$200 million in first-year funding that will be spent on buying land and construction for six major projects from Sagle to Soda Springs, as part of an ambitious “Connecting Idaho” road-building program. (H 854)
- < Expanded Idaho’s “Sunshine Law” lobbying registration requirements to include those who are paid to try to sway executive-branch officials, or who contact department heads and other state employees while helping clients win contracts, or try to change policies and influence agency rules. (H 707)
- < Toughened sexual abuse laws, including giving grounds for the death penalty for certain convictions, closing a loophole that allowed sex offenders to be removed from the sex offender registry, creating mandatory minimum sentences for offenders who re-offend, keeping sex offenders away from schools, broadcasting violent

- sex offender registration information, and removing the statute of limitations for reporting sex crimes involving children. (H 533, S 1304, S 1301, H 713, H 535, H 534)
- < Approved going forward immediately to restore and expand Idaho's Capitol Building, with two-story, garden-level atrium additions to house larger, more modern hearing rooms that will improve public access to the legislative process. (HCR 47)
 - < Responded to an Idaho Supreme Court decision that the state's system of funding public school facilities is unconstitutional, by setting aside over \$5 million for school maintenance, requiring school districts to deposit money in school building maintenance accounts, ensuring that poorer school districts are provided with larger state subsidies, and establishing a \$25 million state loan fund that districts can tap to fix safety problems. (H 743)
 - < Approved submitting to voters in the November 2006 general election a proposed constitutional amendment to provide that a marriage between a man and a woman is the only domestic legal union that shall be valid or recognized in Idaho. (HJR 2)
 - < Increased the "circuit breaker" property tax credit for the low-income elderly and people with disabilities. (H 422).
 - < Let low-income seniors defer their property taxes until they die or sell their homes, at which time deferred taxes would be recovered. (H 680)
 - < Entered in the Journal of the House of Representatives a stipulated agreement between Idaho Power and the state of Idaho that opens the door for the state to move forward with diversion of water from the Snake River, under certain water rights held by the Idaho Water Resource Board, for the purpose of recharging the Eastern Snake Plain Aquifer.
 - < Closed a loophole that has allowed developers and others to reduce annual property tax payments on valuable resort property. (H 676)
 - < Changed Senate and House procedural rules to restrict executive sessions of legislative committee meetings to certain limited situations, to keep member discipline proceedings open, and to require 24-hour advance notice if a committee intends to take a vote on whether to hold an executive session. (SR 108, HR 3)
 - < Reformed the state's Medicaid program by breaking Medicaid funding into separate programs for the elderly, disabled, and low-income children and working-age adults (H 776), as well as letting some disabled Medicaid recipients go to work without losing health care coverage (H 664), starting an in-home respite care program for vulnerable caregivers to avoid Medicaid costs of institutional care (H 877), and giving direction to the Department of Health and Welfare on Medicaid policies relating to mental health benefits, prescription drugs, contracting for services, Medicaid copayments, personal health accounts, long-term care counseling, and dually eligible enrollments. (HCR 48 through HCR 53)

- < Took steps to combat identity theft by requiring companies or groups whose computer databases are breached by hackers to inform the people whose personal information has been compromised. (S 1374)
- < Adopted a state employee compensation plan that will move employees in midpoint pay ranges toward market averages, as well as help state agencies recruit and retain employees. (S 1363)
- < Made it a misdemeanor for an adult or a juvenile to threaten to commit a violent act using a firearm or other deadly weapon on school grounds. (H 630)
- < Gave sales and use tax rebates to filmmakers who spend money on movies and hire workers to make films in Idaho. (H 497)
- < Restricted sales and limited possession of pseudoephedrine-containing cold products and other over the counter pharmaceuticals that can be used as ingredients in manufacturing the drug methamphetamine, and lowered the amount of pseudoephedrine an individual may legally possess, to impede methamphetamine production. (H 530, H 762)
- < Approved a 300-bed prison expansion at the Idaho Correctional Center and a new drug treatment center for inmates in the Boise region. (H 839, S 1457)
- < Required insurance companies that cover Idaho's state employees to treat serious mental health conditions the same as physical ailments. (H 615)
- < Offered voters the opportunity to create a constitutionally protected endowment fund for cigarette settlement payments to be used to treat tobacco-related illness and to fund smoking cessation programs. (SJR 107)
- < Made bullying in schools and on the Internet a legal infraction, and required school district trustees to prescribe rules on student harassment, intimidation and bullying. (H 750)
- < Lengthened the sentences for repeat drunken driving offenders and toughened the penalties for refusing to take tests to determine blood alcohol content. (S 1397)
- < Established an income tax credit for Idahoans who donate bone marrow or organs for transplantation. (H 745)
- < Banned the sale or use of "breathable booze" and alcohol-inhaling machines. (S 1351)
- < Tightened Idaho's campaign finance laws and limited what office-holders and candidates can pay for from their campaign war chests. (H 556)
- < For the first time in history, filled Idaho's "rainy day" fund with surplus revenues to its statutory cap, bringing the state's Budget Stabilization Fund to \$108 million. (H 409)

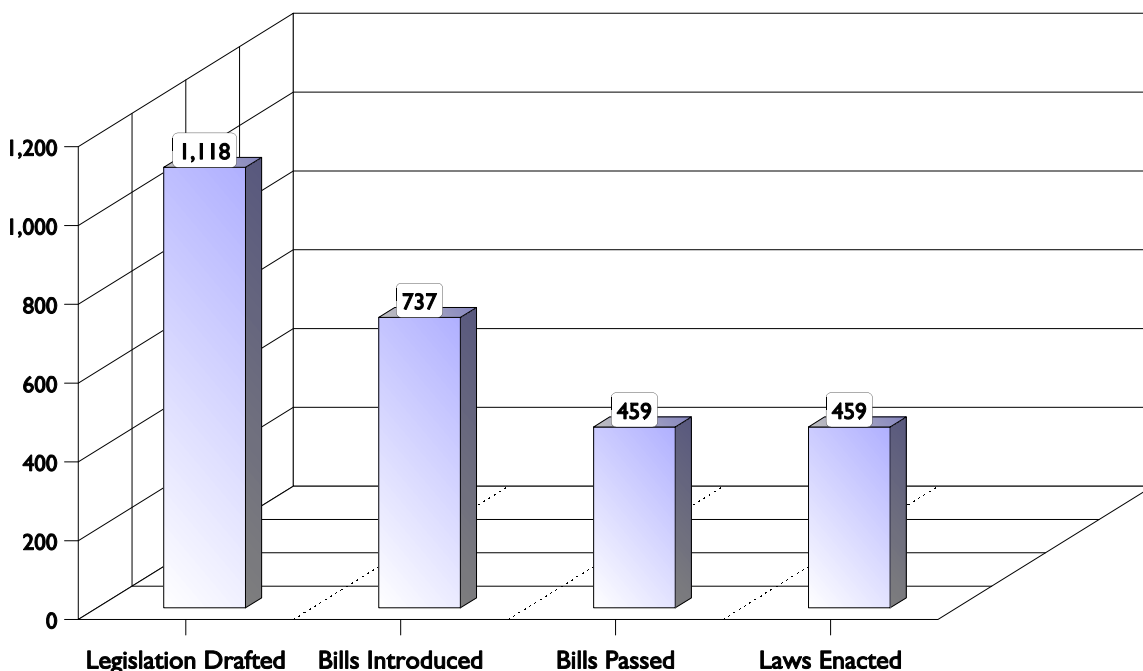
- < Toughened laws on gang membership by lengthening prison sentences for any convicted felon shown to be in a gang, and made it illegal to recruit gang members and supply guns to gangs. (S 1336)
- < Lowered the age of eligibility from 65 to 55 for insurance discounts to drivers who take a safe driving course. (H 462)
- < Appropriated \$26.5 million to fund the “Experience Idaho” program for improvements, repairs and planning at state parks across Idaho. (H 875)
- < Created a health care directive registry within the Secretary of State’s office, allowing individuals to register their living wills and durable powers of attorney, and making those documents accessible from remote locations and in time of emergency. (H 708)
- < Passed legislation to help Idaho residents safeguard their water by creating aquifer-protection districts. (H 650)
- < Kicked off an effort to adjudicate all the water rights in North Idaho, using the existing water court from the Snake River Basin adjudication. (H 545)
- < Voted to use \$3.7 million of state funds to supplement the federal Low-Income Energy Assistance Program to help poor families who have had their heat shut off for failing to pay their fuel bills. (S 1431)
- < Increased from 5 years to 20 years the time required to adversely possess real property. (S 1311)
- < Allowed out-of-state wineries with a permit to ship wine to Idaho customers for personal consumption and to enable reciprocal shipments by Idaho’s wine industry. (H 454)
- < Passed the “Genetic Testing Privacy Act,” to prevent employers and insurers from obtaining results of genetic testing, and preventing insurance companies from discriminating on the basis of genetic testing results. (S 1423)
- < Defined and set increased penalties for the crime of human trafficking, and asked for a report outlining how existing victim and witness laws respond to the needs of human trafficking victims. (H 536)
- < Made it easier for doctors and other health care professionals to apologize to patients for mistakes without affecting lawsuits. (H 634)
- < Approved \$2 million in grants dedicated to building mental health facilities, transitional housing and detoxification centers. (S 1471)
- < Set up the Rural Economic Development and Integrated Freight Transportation Program to assist businesses and industries to develop and expand their operations in shipping freight and products to market, with a revolving loan program to upgrade short line rail and freight-shipping infrastructure. (H 820)

- < Approved funding to help pay for a new community health clinic in Caldwell serving the poor and uninsured. (H 868)
- < Passed a bill that removes civil liability for anyone who is found to have used justifiable force in defending themselves, their property or their families. (S 1441)
- < Opposed the sale of federal lands in Idaho, and urged Congress to repeal the Federal Lands Recreation Enhancement Act and to not allow recreational fees authorized under that Act to be imposed on using federal public lands in Idaho. (SJM 120, HJM 14)

Volume of Legislation and Length of Session

During the 2006 legislative session 1,118 proposed pieces of legislation were prepared for legislative committees and individual legislators. From that initial group of draft proposals, 737 bills were actually introduced, along with another 101 various resolutions, memorials and proclamations.

Workload from Drafting to Enactment

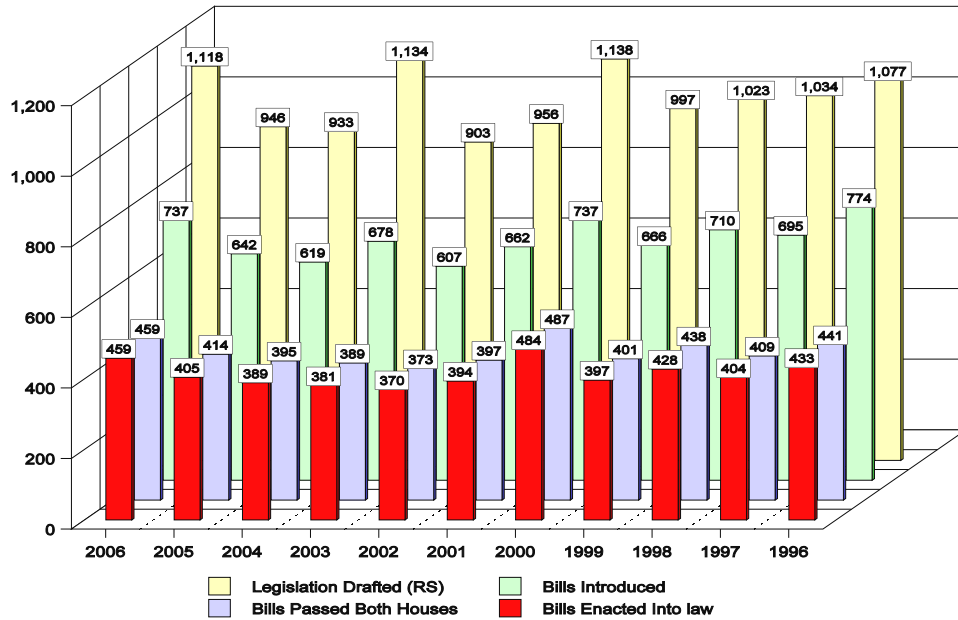


By the end of the session, 459 bills had passed both houses. All of these bills entered the law books following the Governor's review, with the majority of laws to become effective July 1, 2006. Both the number of bills introduced and the number passed by both houses were the second-highest totals in the last decade.

This was the first session in Governor Kempthorne's eight years in office that he chose not to wield his veto stamp. In fact, this was the first regular session of the Idaho Legislature during which no bills were vetoed since at least 1959, when the Secretary of State began recording these statistics in the *Idaho Blue Book*.

From Drafting to Enactment

Ten-Year Comparison



Length of Session

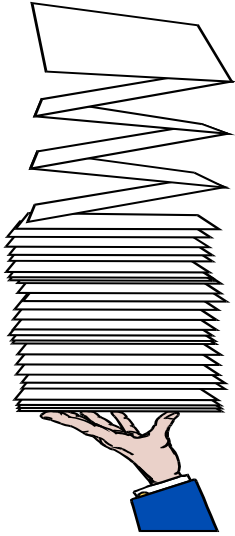
When the Legislature adjourned sine die on April 11, the 2006 legislative session had lasted 93 days — the third longest in Idaho history.

Length of Recent Legislative Sessions

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
93	87	69	118	68	82	87	68	71	73

Rules Review

A critically important but little recognized duty of the Legislature is its annual review of the administrative rules promulgated by the various state agencies under the Administrative Procedures Act. Under the law, the Legislature exercises legislative oversight of the state agencies by rejecting those rules that do not reflect legislative intent. This rule review generally occurs during the first weeks of the legislative session.



The Senate and House standing committees reviewed 200 individual rule dockets and a total of 4,129 pages in 2006. While the number of individual dockets reviewed was less than half of the 411 dockets reviewed by these standing committees in 2005, the total number of pages increased over two hundred pages from the 3,918 pages reviewed in 2005.

By far the majority of the administrative rules reviewed by the Legislature in 2006 were accepted. However, concurrent resolutions were adopted by the Legislature rejecting a handful of rules:

- < Department of Lands fee rule governing exploration and surface mining in Idaho (SCR 128);
- < Department of Health and Welfare rules pertaining to residential care or assisted living facilities in Idaho (SCR 128) and governing the medical assistance program (SCR 126);
- < Idaho State Board of Dentistry rules pertaining to licensing and fees (SCR 125);
- < Division of Building Safety rules governing electrical specialty licensing (HCR 55);
- < Department of Fish and Game rules governing the importation, possession, release, sale or storage of wildlife (HCR 59);
- < Idaho Transportation Department rules governing over legal permittee responsibility and travel restrictions and governing sale of no longer useful or usable real property (HCR 56); and
- < Idaho Industrial Commission temporary rule pertaining to the determination of acceptable charges for medical services (SCR 129).

2006 Legislative Action on Major Issues

Agriculture

- < Established a permit system for wineries that applies the same requirements for direct shipments to consumers to all wineries, whether located in Idaho or in another state. (H 454)
- < Updated Idaho's commercial feed law and exempted items such as single ingredient minerals, high moisture food processing waste, live or whole animals, and animal remedies from registration requirements and adopted penalties for the distribution of unregistered products and late renewal submission. (H 465)
- < Clarified the requirements for the staffing of emergency veterinary facilities to assure that qualified personnel, including a licensed veterinarian, are on the hospital premises during all hours of operation. (H 491)
- < Changed the definition of "confined animal feeding operation" from the former EPA standard of "animal units" to the current EPA standard of actual animal numbers. (H 492)
- < Authorized the State Board of Examiners to issue up to \$5 million in deficiency warrants against the General Fund for control and eradication costs if the director of the Department of Agriculture determines there is a threat of an infestation of a pest or disease to Idaho's agricultural resources. (H 514)
- < Included Conservation Reserve Program (CRP) land in the Crop Residue Program, which will allow agricultural burning of unharvested CRP land under certain circumstances to control diseases, insects, pests and weeds and to improve crop yields. (H 593)
- < Assured that agricultural operations not be deemed "deteriorated areas" or "deteriorating areas" subject to eminent domain unless they meet specified conditions and have not been used for three consecutive years. (H 735)

Commercial Transactions

Required agencies, individuals and commercial entities with computer systems that include personal information about Idaho residents to conduct an investigation if they become aware of a system security breach and to give notice as soon as possible to the affected Idaho residents if misuse is possible. (S 1374)

Courts

- < Provided that United States citizen parents, upon finalization of an international adoption, may file for recognition of the foreign adoption in Idaho and receive an Idaho birth certificate for the child. (H 581)
- < Increased to \$5,000 the allowable claim amount for small claims court and provided for reimbursement of fees to a prevailing party if they must take action in order to collect the judgment. (S 1400)
- < Added two new district judge positions for the First Judicial District in Kootenai County and for the Third Judicial District in Canyon County. (S 1407)

Criminal Justice & Corrections

- < Included sexual abuse as an aggravating circumstance for purposes of sentencing in capital cases. (H 533)
- < Eliminated the statute of limitations for prosecution of child sexual assault cases. (H 534)
- < Required sheriffs to disseminate the name, address and photo of registered sex offenders to all major local radio and television media. (H 535)
- < Increased the punishment for certain crimes if human trafficking is involved and provided for restitution and rehabilitation costs for victims. (H 536)

- < Reduced the allowable possession limit for pseudoephedrine to 25 grams and revised penalties applicable to other possession limits. (H 762)
- < Made it a felony for a person to make a false report of explosives to any employee of a police department, sheriff's office or emergency dispatch center. (H 580)
- < Provided a civil penalty for a person operating a motor vehicle who refuses to submit to evidentiary testing for alcohol or drugs. (H 582)
- < Increased the penalties applicable to the manufacture or delivery of methamphetamine or amphetamine where children are present. (H 589)
- < Provided that any person who willfully threatens by word or act to use a firearm or other deadly or dangerous weapon to do violence to another person on school grounds is guilty of a misdemeanor. (H 630)
- < Expanded Idaho's "marijuana hotline," which is managed by the Idaho State Police, to include a 24-hour hotline for reporting tips on methamphetamine laboratories and drug dealing. (H 633)
- < Set forth penalties for individuals who fail to report deaths to appropriate officials as required by law. (H 709)
- < Made it a misdemeanor for registered sex offenders to be upon or reside within 500 feet of school grounds, with certain limited exceptions. (H 713)
- < Provided that a defendant may be discharged or a judgment amended if the defendant graduates from a drug court program or mental health court program and complies with probation terms and conditions. (H 716)
- < Added the commercial production of sexually exploitative materials involving children to the list of crimes for which an offender may be reviewed for designation as a violent sexual predator. (S 1300)
- < Increased the mandatory minimum term of confinement for certain sex offenders to 15 years and to life imprisonment for certain repeat sex offenders designated as violent sexual predators. (S 1301)
- < Provided that a conviction for a violation of any offense requiring sex offender registration shall not be subject to dismissal or reduction. (S 1304)
- < Increased the maximum penalties for sex offenders who fail to register and for certain crimes requiring sex offender registration, and increased registration requirements for violent sexual predators. (S 1312)
- < Enacted the "Idaho Criminal Gang Enforcement Act" to extend sentences for gang members who commit certain crimes, to criminalize the recruitment of criminal gang members and to create a new felony for supplying firearms to a criminal gang member. (S 1336)
- < Prohibited "alcohol without liquid" devices and vaporized alcohol. (S 1351)
- < Increased the maximum effective period for protection orders in certain cases and revised the limitations a court may impose in a protection order. (S 1356)
- < Provided that a prosecution must be commenced within five years for certain misdemeanors under Idaho Fish and Game Code. (S 1386)
- < Increased the potential administrative license suspension for refusal to submit to DUI evidentiary testing, and increased the maximum sentence for subsequent felony DUIs. (S 1397)
- < Provided that no restrictions be imposed on any lawful use of firearms or ammunition during a disaster emergency. (S 1401)
- < Addressed the need for mental health treatment for victims of trauma arising out of certain crimes by allowing mental health treatment to continue, subject to annual review, for as long as it is needed by the crime victim. (S 1414)

Education, Public Schools

- < Exempted certain defendants convicted of statutory rape from sex offender registry requirements if they are 19 or 20 years of age and are not more than three years older than the victim. (S 1425)
- < Enacted the “Castle Doctrine” to provide immunity from civil liability for a person who injures another while using justifiable force in self defense, unless the person knew or reasonably should have known that the person against whom the force was used was a law enforcement officer acting in his official capacity, and provided for the award of fees and costs incurred in defending such an action. (S 1441)
- < Allowed the State Board for Professional-Technical Education to adopt rules governing the Extended Employment Program that was transferred from the Department of Health and Welfare to Idaho Division of Vocational Rehabilitation, and permitted the board to enter into agreements to provide vocational rehabilitation services with service providers approved by the board. (H 547)
- < Authorized school district staff to dispose of real property with an estimated value of \$500 or less, with prior notification to the school district board but without a vote of the board. (H 624)
- < Allowed a school district candidate to authorize a watcher to observe the counting of votes, clarified the role of poll watchers in school district elections and allowed any qualified elector to vote by absentee ballot. (H 671)
- < Authorized a cooperative service agency to request an additional .1 percent property tax levy from its member school districts for constructing and maintaining cooperative service agency facilities, and required a 66 and 2/3 majority approval of district electors before the tax can be levied. (H 705)

Education, Colleges and Universities

- < Revised and clarified the powers of the State Board of Education in maintaining registers of postsecondary educational institutions and proprietary schools approved by the board, and in determining acceptance of academic credits for public postsecondary educational institutions, and provided for assessment of fees. (H 712)
- < Provided an exception to participation in the direct writing and the direct mathematics assessments for students with limited English proficiency who have been enrolled in Idaho's public schools for less than two years, if certain conditions exist. (H 739)

Legislative Council Interim Study Committees

Two new interim committees were authorized during the 2006 legislative session:

SCR 132 – Postsecondary Education

HCR 63 – Mental Health and Substance Abuse Treatment Delivery Systems

Interim committees continuing from 2005:

HCR 16 – Energy, Environment and Technology

HCR 25 – Natural Resources

- < Responded to an Idaho Supreme Court decision that the state's system of funding public school facilities is unconstitutional, by setting aside over \$5 million for school maintenance, requiring school districts to deposit money in school building maintenance accounts, ensuring that poorer school districts are provided with larger state subsidies, and establishing a \$25 million state loan fund that districts can tap to fix safety problems. (H 743)

- < Allowed superintendents and principals the discretion to temporarily suspend pupils for student harassment, intimidation or bullying; granted additional powers and duties to local boards of trustees; and provided that any student who commits or conspires to commit an act of harassment, intimidation or bullying may be guilty of an infraction. (H 750)
- < Permitted the Idaho State Board of Education to adopt rules to provide for a student information management system. (H 752)
- < Allowed for two additional instructional staff for school districts with at least one separate secondary school serving grades 9 through 12. (H 770)
- < Established minimum qualifications and continuing education requirements for K-12 educational interpreters serving deaf or hard-of-hearing students. (S 1316)
- < Provided that, beginning in the 2005-06 school year, actual prior years' experience teaching in an accredited college or university shall count in determining the experience factor for public school teachers for salary purposes. (S 1395)
- < Authorized counties to establish, create, develop, acquire, own, maintain and operate or contract for the ownership, operation and maintenance of certain electrical generation plants not to exceed 25 megawatts in capacity which use as a fuel source landfill gas, wood waste or other biomass fuels, and provided that all the electricity produced from the electrical generation facility shall be sold by the county at wholesale. (H 696)
- < Provided the process by which a county with three or fewer resident attorneys who are willing or qualified to act as the prosecuting attorney can fill the position on a temporary basis by contracting for prosecutorial services, and provided a limited exception to allow a prosecuting attorney to temporarily hold another county office. (H 631)
- < Provided a process for setting fees for electronic duplication of records in the office of a county recorder; provided for negotiation and approval of the fee for duplication of recorded documents in excess of 100 pages or continuous copy requests using electronic means; provided that the fee not exceed costs; ratified and approved existing agreements; provided for review of a fee; and clarified page specifications. (S 1350)

Government, Local

- < Clarified election procedures and responsibilities in maintaining the statewide voter registration list required by the federal Help America Vote Act and included such changes as: clarifying the role of poll watchers by allowing them to observe the conduct of an election; allowing persons for and against issues and candidates to be at polling places for the purpose of challenging voters and observing the conduct of an election; providing for utilization of the statewide voter registration system for notifying registration officials or the county clerk where the elector was previously registered so the prior registration may be canceled; deleting language allowing an elector to request a change in the information on his registration card; and providing that the county clerk supply to a requesting school board a list of registered electors. (H 672)
- < Amended the Charter of the City of Bellevue to align Bellevue's election laws with those of other cities in Idaho. (H 758)
- < Extended the absentee voting period and revised candidate filing deadlines, ballot preparation, printing deadlines and general administration provisions of city election law. (H 711)
- < Amended local land use planning law to ensure that planning and zoning commissioners are not allowed to testify or present evidence in public hearings or similar public processes on matters of interest to them and that they will not participate in a governing board's decision regarding such matters. (H 724)

Government, State

- < Clarified which uses of campaign contributions accepted by a candidate are permitted and which are not, and prohibited converting campaign funds to personal use. (H 556)
- < Amended and simplified the procedures for the imposition of development impact fees and extended the number of years from five to eight years that a governmental entity may hold development impact fees before expending them. (H 780)
- < Provided that Public Employee Retirement System (PERSI) retirees who retire without early retirement reductions, and who are reemployed after being retired for at least six months, may elect to continue receiving retirement benefits and not accrue additional service if they are subsequently elected to a public office other than an office held prior to retirement. (S 1345)
- < Restricted the use of eminent domain laws to condemn property in order to convey it to a private interest for urban renewal or economic development purposes and provided for review at judicial proceedings involving the exercise of the power of eminent domain. (H 555)
- < Provided for an emergency interim successor to a legislator who resigns from office during a legislative session using the same procedure established for an emergency interim successor when a legislator dies during office: an interim legislator is chosen from the list of substitutes submitted by the elected legislator at the beginning of the legislator's term, and the substitute serves until the county nominates and the Governor appoints a permanent replacement. (H 488)
- < Required persons who, for compensation, attempt to influence executive or administrative actions at the state level to register with the Secretary of State, as do legislative lobbyists, and to file semiannual reports of lobbying activities and expenditures. (H 707)
- < Provided that all officers and employees of the state of Idaho who are members of the National Guard or reservists in the armed forces of the United States shall be entitled each calendar year to 15 days of military leave of absence from their state jobs without loss of pay, time or efficiency rating during the time they are engaged in military duty ordered or authorized under the provisions of law. (S 1375)
- < Revised the current statutes dealing with veterans preference in hiring practices within state government to remove outdated language and to bring changes in line with federal hiring practices. (H 571)
- < Changed the name of the Idaho State Library to the Idaho Commission for Libraries to better reflect its mission, which is to "assist libraries to build the capacity to better serve their clientele." (H 684)
- < Established a state employee compensation philosophy and a revised state compensation plan which specified issues to be addressed in an annual survey, report and recommendation; provided that employees below the state's midpoint market average shall move through the pay range toward midpoint market average; amended law regarding bonuses and employee suggestion awards; authorized a number of other pay delivery options to give agencies and institutions some flexibility to help facilitate retention and recruitment of employees; allowed employee suggestion awards to be paid from the area in which savings were realized; codified the payment of moving expenses; and prohibited executive employees from earning compensatory time or earned administrative leave. (S 1363)

Health and Insurance

- < Lowered the age of eligibility for auto insurance premium discounts from 65 years to 55 years. (H 462)
- < Allowed insurance carriers to discontinue obsolete health insurance products while continuing to guarantee coverage to members through new and existing product lines in order to facilitate a better response to market needs. (H 655)
- < Enacted law to regulate self-funded health plans offered to employees of governmental entities when the self-funding arrangement involves multiple employers. (H 825)
- < Provided a one-time paid leave of absence for state employees for five days for bone marrow donation and 30 days for live organ donation. (S 1373)
- < Allowed minors at least 16 years of age to make anatomical gifts with parental or adult guardian consent. (S 1403)
- < Established a minimum stream flow water right for a stretch of the North Fork of the Clearwater River below Dworshak Dam to the confluence with the Clearwater River to be held by the Idaho Water Resource Board in trust for the people of the state of Idaho, agreed to as part of the Snake River Water Rights Agreement of 2004. (H 636)
- < Authorized boards of county commissioners to form aquifer protection districts for the protection of underground water quality in counties that include a state-designated "Sensitive Resource Aquifer." (H 650)
- < Created the Idaho Community Reinvestment Pilot Initiative aimed at increasing the number of private sector cleanups and redevelopment projects conducted in the interest of land remediation. Allocation of funds under the initiative will be based on a priority list for community revitalization projects developed annually by the Department of Environmental Quality. The pilot initiative will afford ten high priority projects up to \$150,000 in community reinvestment rebates. (H 728)

Natural Resources

- < Added three additional members to the carbon sequestration advisory committee, one to represent American Indian tribal interests, one whose expertise is in geology and one whose expertise is in economics. (H 466)
- < Allowed landowners within irrigation districts to adopt an alternative form of voting in district elections to provide that the number of votes be based on assessed acres owned within the irrigation district. (H 544)
- < Authorized the initiation of water rights adjudications for the Coeur d'Alene-Spokane River Basin, the Palouse River Basin and the Kootenai and Clark Fork-Pend Oreille River Basins, and related ground water sources, whether or not hydraulically connected to a surface water source. (H 545)
- < Authorized the Water Resource Board to facilitate loans from the revolving loan fund in excess of \$500,000 for costs of construction of water projects. (H 546)
- < Entitled nonirrigators who are members of ground water districts, or whose ground water rights are appurtenant to property located within ground water districts, to credit for the contributions made by their mitigation plans towards their particular district's mitigation obligation and also provided a process for exclusion of nonirrigator lands from ground water districts. (H 736)
- < Provided that holders of junior ground water rights on the Eastern Snake River Plain who are not covered by mitigation plans and not members of ground water districts, that are causing material injury to senior priority water rights, shall be notified by the director of the Department of Water Resources that they have 15 days to join and participate in ground water districts solely for mitigation purposes. The director is authorized to proceed with any appropriate action or remedy against such ground water rights if the holders elect not to join a district and do not have approved mitigation alternatives. (H 737)

- < Placed a two-year moratorium on the issuance of variances, licenses or permits for construction of certain coal fired power plants and on applications for variances, licenses or local conditional use, building or air permits. The moratorium does not apply to coal-fired power plants owned or constructed by a public utility regulated by the Idaho Public Utilities Commission or by a cooperative or municipality, the Idaho National Laboratory, or power plants utilizing the integrated gasification combined cycle technology where coal is not burned but rather is oxidized as a power source. (H 791)
- < Confirmed that the exclusive authority over the appropriation of the public surface and ground waters of the state is delegated to the Department of Water Resources and prohibited any agencies or political subdivisions of the state from taking any action to prohibit, restrict or regulate the appropriation of such waters, declaring that any such action shall be null and void. (S 1353)
- < Provided a state income tax credit for charitable contributions made to Project P.A.T.C.H., Planned Assistance for Troubled Children, a residential school, treatment facility and wilderness program located in Garden Valley since 1990. (H 726)
- < Provided an income tax credit for contributions to the Idaho Drug Free Youth organization. (H 731)
- < Established a one-time, state income tax credit up to \$5,000 for expenses of travel, lodging or lost wages incurred through live organ donations of bone marrow or any part of an organ, including the intestine, kidney, liver, lung or pancreas. (H 745)
- < Provided a state income tax credit for donations to Shepherd's Home, Inc., which provides immediate help and resources for young people in crisis. (H 765)
- < Revised both income tax credits and sales tax exemptions under the Idaho Small Employer Incentive Act of 2005 by expanding eligible projects to include new plant and building facilities, and replaced the existing employee capital expenditure ratio for investment over \$500,000. It also required that all additional employees earn on average \$15.50 an hour plus benefits using only wages ranging from \$12.00 an hour to \$48.08 an hour to determine the average. (H 754)

Taxation

Income Tax

- < Allowed a taxpayer to donate \$10.00 to the American Red Cross of Greater Idaho fund at the time of filing the taxpayer's state income tax return. The \$10.00 donation will reduce the taxpayer's refund by that amount, or will increase the taxpayer's income tax liability by \$10.00. (H 483)
- < Provided a state income tax credit for charitable contributions made to the Learning Lab, Inc., or its foundation. The Learning Lab is a nonprofit 501(c)(3) organization that provides educational intervention to functionally illiterate and under-educated adults and their children from birth to age five. (H 685)
- < Provided a state income tax credit for charitable contributions made to a Project Safe Place, which provides immediate help and resources for young people in crisis. (H 688)

Property Tax

- < Increased the homeowners' exemption from the lesser of 50 percent or the first \$50,000 of market value for assessment purposes of residential improvements, to the lesser of 50 percent or the first \$75,000 of market value for assessment purposes; and indexed the maximum allowable deduction for succeeding years to cost of living adjustments according to the Idaho housing index as determined by the federal government. (H 421)
- < Increased the annual income limit to \$28,000 for qualification under the circuit breaker property tax relief program, or to 185 percent of federal poverty guidelines, and increased the maximum property tax reduction from \$1,200 to \$1,320. (H 422)

Sales Tax

- < Clarified that the occupancy tax applies to industrial property but not to operating property and redefined "operating property" to include an electrical generation plant under construction. (H 474)
- < Amended the "developer discount law" to provide that if the land qualified for the developer discount exemption in 2005, the land will qualify in 2006 for the speculative portion of agricultural land exemption, upon certain events occurring, and provided that the platting of land actively devoted to agriculture does not alone cause the land to lose its status as land actively devoted to agriculture. (H 676)
- < Allowed individual homeowners with low incomes who are elderly, disabled or widowed and who qualify for "circuit breaker" property tax relief to defer payment of property taxes on their homes, if there is sufficient equity in that property, after consideration of encumbrances that are superior to any liens for deferral, to secure the payment of all existing deferrals granted in the property. The home cannot be co-owned by other persons, other than a spouse, or be held in trust or subject to a life estate. The state will reimburse counties and local governments up to a maximum of \$500,000 each year, and payments of deferred taxes and interest accrue to the state when the property is sold or the deferral is terminated. (H 680)
- < Provided that school district taxes shall be separately shown on tax notices as maintenance and operation, bond, supplemental and other, and provided that the tax collector may establish a payment schedule to allow payments of current or future real or personal property taxes on a monthly or quarterly basis of at least \$25 or the balance owing. (H 781)
- < Provided an exemption from sales tax for admissions to and purchases by museums, but did not exempt sales of museum merchandise from the sales tax. (H 475)
- < Provided a rebate of sales or use tax paid on qualifying expenses when a minimum of \$200,000 is spent by an eligible media production company on a media production project in Idaho over 36 consecutive months. This rebate will sunset in 2011. (H 497)
- < Provided a sales tax exemption for fees charged at shooting ranges and shooting competitions by nonprofit organizations and for membership dues charged by nonprofit hunting and shooting sports organizations. (H 686).
- < Provided a sales tax exemption for the sales of glider kits when the glider kit will be used to assemble a glider kit vehicle that will be immediately registered under the international registration plan or similar proportional or pro rata registration system. (H 687)
- < Provided an exemption from sales tax for purchases made by any Idaho nonprofit organization offering free dental clinic services to children. (H 706)
- < Extended the sales and use tax exemption to heating materials in the production exemption and in the logging exemption so those industries can participate in the production exemption in the same manner as other manufacturing companies. (H 756)
- < Provided a sales tax exemption for donations to, and sales to or purchases by the Advocates for Survivors of Domestic Violence and Sexual Assault, Inc., a nonprofit corporation. (H 757)
- < Clarified that the sales tax exemption for pollution control equipment applies to the purchase of liners and reagents, which are required to meet specified water quality standards for the purpose of protecting ground water. (H 796)

Transportation

- < Authorized bonding authority for the issuance of Grant Anticipation Revenue Vehicle (GARVEE) bonds to finance up to \$200 million for six highway transportation projects. (H 854)
- < Added a \$3.00 Project Choice fee to each motor vehicle registration to create a career ladder and provide salaries to encourage the hiring and retention of trained and qualified employees for Idaho State Police positions. (H 602)
- < Established an Idaho State Historic Preservation special license plate program, and created an Idaho Historic Preservation and Cultural Enhancement Fund, with moneys to be used for the protection and preservation of the state's cultural resources, historic buildings, structures, artifacts and records; enhancement of statewide cultural and historic education opportunities; and historical research. (H 605)
- < Established an Idaho Elks Rehabilitation Hospital special license plate program, with revenues to be used by the hospital, located in Boise, Idaho, to provide rehabilitative programs and services in specialized areas, including pediatrics, brain injury, stroke, hearing and balance, the wound clinic, and physical, speech and occupational therapies. (H 606)
- < Established a Breast Cancer Education and Screening special license plate program, with revenues to be distributed by the Idaho Primary Care Association to Idaho community health centers for breast cancer education and screening of women who lack insurance coverage or funds to pay for services related to breast cancer education and screening. (H 607)
- < Established a National Rifle Association special license plate program, with revenues to be transferred to the Highway Distribution Account for use by local units of government, the Idaho Transportation Department and law enforcement. (H 608)
- < Provided a condition under which the driver of a motorcycle may proceed through a steady red traffic-control signal after coming to a full and complete stop at the intersection, and specified when such action is not a defense to a violation of the law. (S 1367)
- < Provided motor vehicle titling and registration for off-highway operation of utility type vehicles through the Department of Parks and Recreation, and provided for representation on the Off-Road Motor Vehicle Advisory Committee. (H 603)
- < Required dealers and vehicle manufacturers to obtain liability insurance as a condition of licensure, and required that certificates of insurance be filed with the Idaho Transportation Department. (H 653)
- < Authorized the Department of Commerce and Labor to administer the Rural Economic Development and Integrated Freight Transportation Program and fund, created an interagency working group, and directed the Idaho Transportation Department to prepare and update a state rail and intermodal facility system plan. (H 820)
- < Provided relief from liability for private property owners who have airstrips on their property and who allow the public free use of the airstrip for recreational purposes, in the same manner as other private property owners allow the public access to their property for hunting and fishing. (S 1266)

STATE OF IDAHO - 2006 LEGISLATIVE SESSION
GENERAL FUND BUDGET UPDATE
Prepared by Legislative Services Office, Budget & Policy Analysis

FISCAL YEAR 2006

REVENUES

Beginning Balance	\$ 222,652,000
FY 2006 Baseline Executive Revenue Estimate (6.5%)	2,229,057,000
Revenue in excess of estimate (Dec.-Mar.)	25,000,000
Formula transfer to Budget Stabilization Fund §57-814a	(22,676,900)
S 1194 (2005) - Trans. to endowments in deficit (Ag College; Charitables)	(4,600,000)
H 392 (2005) - Transfer to Water Resource Board Revolving Dev. Fund	(3,000,000)
H 403 - Transfers for deficiency warrants	(9,385,500)
H 409 - Additional transfer to Budget Stabilization Fund	(70,000,000)
H 444 - Eliminate requirement to reduce National Guard pay exemptions	(1,500,000)
H 686 - Sales tax exemption, shooting ranges	(25,000)
H 706 - Sales tax exemption, dental clinics	(7,500)
H 796 - Sales tax exemption, pollution control liners	(300,000)
H 846 - Transfer to Public Education Stabilization Fund	(5,000,000)
H 875 - Transfer to Economic Recovery Reserve Fund	(11,500,000)
S 1388 - Revise distribution of Liquor Dispensary profits	2,600,000
S 1449 - Transfers from dedicated funds for Attorney General costs	154,000
Executive Order 2005-21 for Hurricane Katrina assistance	(250,000)
TOTAL REVENUES	2,351,218,100

APPROPRIATIONS

Original Appropriations	2,180,928,300
Reappropriations	11,611,100
H 395 (2005) - One-time 1% salary inc. for state & school dist. employees	14,221,900
S 1263 - Supplemental 3% ongoing salary increase for state employees	6,796,200
S 1431 - Supplemental - low-income energy assistance	3,750,000
S 1450 - Supplemental - Department of Correction	9,078,900
Supplementals - Health & Welfare and Medically Indigent Health Care	4,090,700
All other supplementals	274,700
TOTAL APPROPRIATIONS	2,230,751,800

ESTIMATED ENDING BALANCE

\$ 120,466,300

STATE OF IDAHO - 2006 LEGISLATIVE SESSION
GENERAL FUND BUDGET UPDATE
Prepared by Legislative Services Office, Budget & Policy Analysis

FISCAL YEAR 2007

REVENUES

Beginning Balance	\$ 120,466,300
FY 2007 Baseline Executive Revenue Percent Increase (4.7%)	2,307,602,000
Revenue base increase from FY 2006 (Dec.-Mar.)	26,175,000
H 392 (2005) - water repayments (includes interest)	22,072,100
H 422 - Circuit breaker property tax eligibility to \$28,000	(4,200,000)
H 444 - Eliminate requirement to reduce National Guard pay exemptions	(200,000)
H 475 - Sales tax exemption, admissions to & purchases by museums	(150,000)
H 526 - Department of Lands, encroachment fee increase	50,000
H 529 - Divert scaling fund interest	(21,000)
H 680 - Property tax deferral for qualifying individuals	(500,000)
H 685 - Income tax credit, contributions to Learning Lab, Inc.	(28,400)
H 686 - Sales tax exemption, shooting ranges	(25,000)
H 687 - Sales tax exemption, glider kit vehicles	(240,000)
H 688 - Income tax credit, Project Safe Place	(25,000)
H 706 - Sales tax exemption, dental clinics	(7,500)
H 726 - Income tax credit, Project P.A.T.C.H.	(14,600)
H 731 - Income tax credit, Idaho Drug-Free Youth	(1,800)
H 743 - Transfer to Cooperative Fund, cigarette tax deposit (net)	(24,000,000)
H 754 - Income tax credit, new plant facilities	(86,000)
H 756 - Sales tax exemption, wood pellet manufacturers	(150,000)
H 757 - Sales tax exempt., Advocates for Survivors of Domestic Violence	(7,000)
H 765 - Income tax credit, Shepherd's Home, Inc.	(20,000)
H 796 - Sales tax exemption, pollution control liners	(2,500,000)
H 834 - Idaho Guard & Reserve Family Support Fund, retain interest	(15,000)
H 839 - Transfer to Permanent Building Fund	(21,000,000)
H 866 - Transfer to Public Education Stabilization Fund	(10,000,000)
S 1317 - Horse racing, meets, licensing	(11,000)
S 1388 - Revise distribution of Liquor Dispensary profits	3,800,000
Transfer to Economic Recovery Reserve Fund (Economic Devel. Pkg.)	(23,864,200)
TOTAL REVENUES	2,393,098,900

APPROPRIATIONS

TOTAL APPROPRIATIONS	2,343,077,800
-----------------------------	----------------------

ESTIMATED ENDING BALANCE

\$ 50,021,100

Budget Highlights

Fiscal Year 2006

The Idaho Legislature made its final adjustments to the 2006 fiscal year budget based on an estimated revenue increase of 6.5 percent. Through March, the state was exceeding that estimate by about \$25 million. Determining what to do with a \$222.6 million surplus, a cash balance carried over from the previous year, was the single biggest budget concern in FY 2006. The table below summarizes the disposition of that one-time surplus:

Total FY 2006 Surplus Available: (\$222.6 million)

FY 2006 Expenditures (in millions):

\$70.0	Transferred into the Budget Stabilization Fund to reach the 5 percent cap
14.2	1 percent one-time salary increase for state and school district employees
26.3	Supplementals (Medicaid, Indigent Health, Corrections and Fires)
6.8	Funded an early start to the 3 percent FY 2007 CEC for state employees
11.5	Transfer to the Economic Recovery Fund for "Experience Idaho"
<u>5.0</u>	Transfer to the Public Education Stabilization Fund
\$133.8	Total surplus expenditures used in FY 2006

FY 2007 Expenditures (in millions):

\$24.0	Transfer to the Public Schools Cooperative Fund (H 743)
21.0	Transfer to the Permanent Bldg. Fund (prison construction; higher education)
10.0	Transfer to the Public Education Stabilization Fund
23.9	Transfer to the Economic Recovery Fund for economic development projects
<u>9.9</u>	Used in miscellaneous FY 2007 agency budgets
\$88.8	Total surplus expenditures used in FY 2007
\$222.6	Grand total of surplus expenditures

Fiscal Year 2007

The fiscal year 2007 General Fund budget is based on a revenue estimate of 4.7 percent, which is the estimate of the Governor's Division of Financial Management and which also became the recommendation of the Economic Outlook and Revenue Assessment Committee. The spending blueprint approved by the Legislature for FY 2007 reflects a 5 percent increase over the final FY 2006 appropriation. For the first time in several years the Legislature had the resources to fully fund current program services. This budget blueprint included funding of health insurance increases, a 1.9 percent inflationary increase and 3 percent funding for a merit-based employee pay increase. In addition to the 3 percent funding, the Legislature provided \$5 million in general funds to target specific job classes that were substantially below the state's prevailing midpoint.

The FY 2007 budget covered all Medicaid cost and caseload increases, as well as education enrollment growth in K-12 and higher education. Costs associated with inmate growth in Idaho's corrections system, which will include the construction of a 300-bed medium security prison, also were covered in the FY 2007 budget.

These key revenue and spending issues and highlights of state agency and institution appropriations are profiled in the following pages.

Department of Health and Welfare

The General Fund appropriation for the Department of Health and Welfare increased from \$457.7 million in fiscal year 2006, to \$502,370,700 in fiscal year 2007. This level of funding represents an increase of \$44.7 million, or 9.8 percent over the department's fiscal year 2006 original appropriation from the General Fund. Of the total \$44.7 million of new dollars, \$26 million or 58 percent of the increase was for Medicaid.

The department recorded \$8.2 million for a General Fund carryover from fiscal year 2005 into fiscal year 2006 and was provided seven General Fund supplemental appropriations for fiscal year 2006:

- < \$730,000 for early intervention services for toddlers with developmental disabilities;
- < \$3,571,700 reduction in Medicaid due to the implementation of Medicare Part D (federal prescription drug coverage for the elderly and disabled);
- < \$1,718,700 for community hospital stays for mental health commitments to the state;
- < \$59,000 for the new vaccine Menactra;
- < \$16,000 for the new vaccine Tdap;
- < \$138,000 for a Food Stamp sanction from the federal government for excessive error rates; and
- < \$3,750,000 for state energy assistance distributed through the Low-Income Heat and Energy Assistance Program (LIHEAP) managed by community action programs.

Medicaid reform was a key budget and policy issue in the Governor's budget. Legislators partnered with the Governor's Office to implement the Medicaid Reform initiative. H 776 was the Medicaid Simplification Act that codified the new structure of eligible populations into services for the elderly, individuals with disabilities, and low-income children and working-age adults. Subsequently, the budget was separated into three new programs that reflected the eligible categories and a fourth program for Medicaid administration and a medical management program. The General Fund increase in the Medicaid appropriation for fiscal year 2007 was 7.8 percent, with a total fund increase of 4.9 percent, and the Joint Finance-Appropriations Committee incorporated the following reforms into the budget where additional expenditures or savings were identified.

Legislation was introduced to establish personal health accounts and cost sharing (H 663); extend Medicaid for a premium to workers with disabilities (H 664); create a Health Quality Planning Commission to further develop health information technology (H 738); extend respite care to caregivers (S 1390); and provide an option for children eligible for traditional Medicaid to sign up instead for the children's access card program (S 1417).

A series of six House concurrent resolutions, HCR 48 through HCR 53, were introduced that defined legislative intent to the Department of Health and Welfare in the modification of Medicaid dealing with mental health benefits; integrating programs for prescription drug benefits for persons dually eligible for Medicaid and Medicare; selective contracting for certain products and services; long-term care counseling for the elderly; and requiring enrollment in Medicare for persons dually eligible for Medicaid and Medicare.

The Legislature proposed significant reform through the Subcommittee on Mental Health that met throughout the 2005 legislative interim. The subcommittee was created by the Health Care Task Force to study how the delivery of mental health care in Idaho impacted the overall health care system. S 1389, proposed by the subcommittee and passed by the Legislature, codified the State Planning Council for mental health, defined additional services that the state could provide, and added a provision that the state could fund development grants in coordination with regional mental health boards to build capacity for mental health services. The recommendations of the subcommittee resulted in \$924,200 in funding for two new eight-member Assertive Community Treatment Teams; \$400,700 and 20 staff positions to increase the capacity of State Hospital North; and \$2 million for community mental health development grants.

Public Schools

For the current year, the Legislature provided public schools with a \$5 million cash infusion from the Budget Stabilization Fund to the Public Education Stabilization Fund (PESF), to cover costs associated with unexpected levels of enrollment growth. Of the new enrollment in Idaho, roughly one third was in the Meridian School District, one third in charter schools, and one third in the remaining 113 school districts combined.

The General Fund appropriation for public schools increased by 5.5 percent for FY 2007, from \$987.1 million to \$1,040.9 million, making it the first General Fund appropriation in state history to top \$1 billion. Base salaries were increased by 3 percent for teachers, administrators and classified staff. In addition, the Legislature funded a 9.1 percent increase in the minimum teacher salary, from \$27,500 to \$30,000. The Legislature also funded 260 new support units for FY 2007, in an effort to get in front of near-record breaking enrollment growth.

The following summarizes the key issues provided in the appropriation bills for public schools:

Administrators: General Fund and total funds increase of 6.0 percent. Funded statutory increases for enrollment growth. The estimated experience/education index for administrators is fully funded for FY 2006. Administrators received a 3 percent base salary increase.

Teachers: General Fund and total funds increase of 6.1 percent. Funded statutory increases for enrollment growth and a 3.3 percent increase in the Early Retirement Program. The estimated experience/education index for teachers is fully funded for FY 2006. Teachers received a 3 percent base salary increase, and a 9.1 percent increase in the minimum teacher salary, from \$27,500 to \$30,000.

Operations: General Fund increase of 1.2 percent and total funds increase of 1.7 percent. Provided \$300,000, in the Technology & Remediation area, for the State Library's "LiLI Unlimited" program. This program will allow users of libraries in Idaho, including public school libraries, access to the WorldCat database, with over a billion records, covering millions of books and other materials, in over 20,000 libraries worldwide. This budget also increased the level of total discretionary funding by 3 percent, from \$24,695 to \$25,436 per classroom. This increase is driven entirely by a projected 16.2 percent increase in fiscal year 2007 school maintenance & operations (M&O) property taxes. Other funded items include statutory increases for enrollment growth and pupil transportation costs, including the cost of bringing electronic instruction to virtual charter school students.

Children's Programs: General Fund increase of 7.7 percent and total funds increase of 6.7 percent. Increased dedicated funds for Safe & Drug-Free Schools, from \$4.7 million to \$5.5 million, to make up for a reduction in federal funds. Increased funding for the Idaho Digital Learning Academy, from \$0.9 million to \$1.1 million, and directed that the increased funds be used to reduce

or eliminate tuition charged to Idaho public school students who enroll in Digital Learning Academy courses. Limited English Proficiency (LEP) funds are increased by nearly \$1 million. A portion of this money, \$230,000, keeps up with enrollment growth. The balance, \$750,000, goes to individual schools to assist them in reaching performance measures in math or reading. The state Department of Education is directed to develop the model for how to use these funds, based on the training, intervention and remediation model found in the Idaho Reading Initiative. The Superintendent of Public Instruction is directed to report back to the Joint Finance-Appropriations Committee and the House and Senate Education Committees on the use of these moneys by February 1, 2007.

Facilities: Total funds increase of 68.9 percent. This appropriation conforms with the requirements of the School Facilities Improvement Act (H 743). It appropriates \$6.3 million for bond levy equalization. For the first time, the bond levy equalization program is distributing state dollars for more than just the interest cost of bonds. As per the requirements of H 743, the state is subsidizing the principal costs of construction for the poorest school districts in the state. Also for the first time, this appropriation is putting General Fund money into the program. FY 2007 represents a transition year for bond levy equalization. The appropriation puts \$5.3 million in one-time Idaho Lottery Commission funds into bond levy equalization, as well as \$1 million in general funds. Under H 743, this will trigger the deposit of \$1 million in cigarette tax revenues in the General Fund. Starting in FY 2008, all of the money needed for bond levy equalization will come from the General Fund.

This appropriation increases the Idaho Lottery Commission distribution to schools by over 20 percent, from \$8.92 million to \$10.77 million, representing the largest-ever distribution of lottery funds for school districts. In FY 2008, when the full cost of bond levy equalization will be on the General Fund, it is anticipated that the lottery distribution will increase again, to \$13 million.

Additional moneys are appropriated to meet the state's matching fund requirements for school building maintenance, as delineated by H 743. This match functions on a sliding scale, with wealthier districts receiving a smaller match than poorer districts. The wealthiest district (Blaine County) will receive approximately 0.1 percent, while the poorest (Mullan) will receive just over 1 percent. The average district receives 0.5 percent. The remaining dollars, up to 2 percent, are supplied from school district funds, such as local discretionary funds, state discretionary funds, or plant facility levy funds. For the wealthier school districts, where the state match is smaller, the distribution of state lottery moneys is sufficient to meet the state match, and no additional funds need to be provided. For most school districts, however, the lottery distribution does not meet the state's obligations. As a result, this appropriation also has an additional \$5.65 million in state money for school facilities, \$4.5 million in general funds and \$1.15 million in interest.

College and Universities

The FY 2007 appropriation for the four institutions in the state's college and universities system reflects a 6.5 percent increase over the FY 2006 original appropriation. The appropriation provides funding for: 1.9 percent inflationary adjustment, replacement items, statewide cost allocation, enrollment workload adjustment, and utilities cost increases. Three line items were included in this budget.

Occupancy Costs: \$491,700 for maintenance, janitorial and utility costs. Boise State University received \$411,400 for the Interactive Learning Center and for academic space in Capitol Village and residence halls. Lewis-Clark State College received \$80,300, which reflects the annualized cost for academic space within its Activity Center.

Funding Equity: The second line item of the appropriation represents a historic agreement between the Legislature, the State Board of Education and the three universities. In 2001, the

Legislature prompted the Board of Education to examine its funding formula for equity of state funding distribution among Idaho's four-year institutions of higher education. Through a consultant, the Board of Education concluded, among other things, that state funds for similar students in similar programs were not distributed equitably among the three universities. Rather than redistribute existing resources to address this issue, the Board of Education has historically requested new funding (\$10.9 million); however, no additional funding has ever been provided for this purpose by the Legislature. In 2005, the college and universities appropriation included legislative intent language directing the State Board of Education to complete the "process within existing and future appropriations." As a result, \$196,800 was reallocated from the University of Idaho to Boise State University, Idaho State University and Lewis-Clark State College. This year, the University of Idaho proposed a funding equity settlement to the Joint Finance-Appropriations Committee, which the State Board ultimately agreed to support. As a result, this settlement in the amount of \$3,862,900 represents a payment equal to 50 cents on the dollar (working from the \$7.9M base funding equity). The Board of Education and the universities have agreed in writing that this constitutes a full and final settlement of all funding equity claims.

Endowment Funds Replacement: Last year the State Land Board voted to change its endowment fund distributions from 6 percent to 5 percent. This line item replaces the loss in endowment funds with general funds as a result of the reduced payout.

Department of Correction

The General Fund appropriation for the Department of Correction increased from \$118.6 million in fiscal year 2006 to \$143.6 million in fiscal year 2007. This level of funding represents an increase of \$25 million, or 21 percent, over the fiscal year 2006 original appropriation. Of that increase, \$9.1 million was provided through supplemental appropriations to the Department of Correction primarily for dealing with inmate population growth, county jail and out-of-state facility placements, and the increasing cost of medical services.

The appropriation includes the base amount less \$1,708,700 in benefit costs for the health insurance premium holiday. It also includes \$350,900 for a 1.9 percent inflationary adjustment; \$1,698,900 for replacement items; \$145,100 for covering the statewide cost allocation plan that reflected changes in risk management, State Controller, State Treasurer, and Attorney General fees; and \$2,784,200 in annualizations. Of that amount, \$1,893,200 was to annualize the new medical services contract that went from \$7.54 to \$9.75 per inmate day; \$891,000 to annualize the costs associated with the 128-bed expansion at the South Boise Women's Correctional Center; \$391,500 to annualize costs related to sending inmates to out-of-state facilities; \$197,700 to annualize costs associated with the one-hundred bed, sprung-type structure authorized last session for the Idaho State Correctional Institution, Boise; and \$149,200 to annualize four probation and parole officers that were initially funded for six months in the Community Supervision program.

Additionally, \$718,800 was provided to cover a 4.5 percent increase in the medical services contract. The cost of medical services for fiscal year 2006 was based on \$9.75 per offender day, and that will increase to a maximum of \$10.19 in fiscal year 2007. In addition, \$588,100 was included to cover a per diem rate increase for the privately operated prison facility. The rate there is expected to increase from \$42.30 per inmate day up to \$43.57 per day.

Other line-item changes, from all funding sources, include \$87,000 and one new position to provide for medical contract oversight and \$52,000 to hire one sentencing specialist. This latter position clarifies court orders with the sentencing court, reviews for compliance with the United Sentencing Act, and petitions the court for changes needed in the orders to avoid possible future litigation by an offender.

This appropriation also includes \$5,387,200 to cover the costs of housing additional inmates in county jails or in out-of-state facilities; a shift of \$117,600 from the penitentiary endowment fund to the General Fund to realign spending authority with ongoing revenues; \$20,000 in dedicated spending authority to increase chaplain services at the North Idaho Correctional Institution at Cottonwood; \$119,500 from the Economic Recovery Reserve Fund to purchase kitchen equipment at the South Idaho Correctional Institution in Boise; \$394,400 in dedicated spending authority to construct a 2,500 square foot structure that will provide ample space for offices, visiting, and programs at the South Idaho Correctional Institution Annex; \$794,600 to hire 12 probation and parole officers and two presentence investigators for handling a projected growth of 864 community supervised offenders; \$1,504,500 to contract with a private provider who will build, own and operate a 400-bed community treatment facility in Idaho; and \$315,700 to hire four parole hearing officers for the Commission on Pardons and Parole.

Finally, the Legislature capped the number of Department of Correction employees at 1,554.40; directed the use and allocation of salary savings; limited the department's ability to transfer moneys out of personnel costs into other expense categories; required the department to comply with the open competitive bid process prior to contracting, moving or relocating inmates to out-of-state prison facilities; directed the department to explore establishing video-teleconferencing capabilities between it and other jurisdictions and report on its findings, recommendations and cost estimates; and reappropriated General Fund moneys to replace any moneys lost through the Residential Substance Abuse Treatment (RSAT) grant and to expand community-based mental health and substance abuse services.

Change in Employee Compensation

On January 13, 2006, the Joint Finance-Appropriations Committee voted to introduce S 1263, an omnibus change in employee compensation (CEC) appropriation bill, to start a FY 2007 3 percent CEC early in FY 2006 (10 pay periods). The CEC Committee subsequently recommended that the 3 percent be made permanent in FY 2007 and that an additional \$5 million be targeted by JFAC to address priority market inequities in specific agencies. The Legislature approved H 844 to fund the remaining 16 pay periods for the FY 2007 CEC. H 844 also included an additional \$5 million CEC targeted by agency, program and job class.

All agency appropriation bills included the following legislative intent language: "Agencies are directed to allocate salary savings, based on performance, to provide for employee salary needs before other operational budget priorities are considered. Where applicable, employees whose salaries are below the midpoint of their pay grade or occupational groups with significant turnover rates shall be considered first in the order of salary savings distributions."

The Legislature also passed S 1363, a comprehensive rewriting of the state's compensation laws, legislation recommended by the State Employee Compensation Interim Committee in 2005.

Transportation Department

The Idaho Transportation Department's (ITD) fiscal year 2007 budget includes four line-item additions. It includes \$3,000,000 in dedicated funds for the first year of a multiyear project to convert and upgrade information technology systems in the Division of Motor Vehicles, including driver-related services provided across the state. The appropriation bill also includes \$3,402,000 in dedicated funds to construct a new District Four facility in Shoshone. Reflecting increased federal funding, ITD's appropriation includes an increase of \$27,744,800 for the contract construction and right-of-way acquisition program. There is also an increase of \$5,491,700 allocated among public transportation, planning and highway operations.

H 854 provides bonding authority for the issuance of Grant Anticipation Revenue Vehicle (GARVEE) bonds to finance up to \$200 million for six highway transportation projects. The bill allocates bond proceeds for the following projects:

- < U.S. Highway 95, Worley to Setters – \$45,600,000;
- < Interstate Highway 84, Caldwell to Meridian – \$70,000,000;
- < U.S. Highway 30, McCammon to Soda Springs – \$30,500,000;
- < Interstate Highway 84 to South Emmett – \$5,000,000;
- < U.S. Highway 95, Garwood to Sagle – \$35,000,000; and
- < Interstate Highway 84, Orchard to Isaacs Canyon – \$13,900,000.

The bill includes language allowing ITD to adjust the allocated amounts among the listed six projects when necessary due to unanticipated circumstances.

Permanent Building Fund Projects

For fiscal year 2007, the Permanent Building Fund received a one-time transfer of \$21 million from the General Fund, allowing the Legislature to more aggressively address repairs and maintenance on state-owned facilities. The Legislature appropriated a total of \$52,428,300 from the Permanent Building Fund for capital projects. Specifically, \$25,101,000 is allocated for repair and maintenance projects, including \$9 million earmarked for maintenance and repair projects at colleges and universities. Six other projects were authorized in addition to the maintenance projects:

- < \$3,861,300 was appropriated for a new Idaho State Police facility to allow for consolidation of various functions in Meridian. Originally approved for construction in FY 2002, the funding for this project was withdrawn during the budget holdbacks.
- < \$693,000 was appropriated for a major renovation of the armory in Pocatello. This provides half of the funding for the project while the other half comes from federal moneys.
- < \$2,079,000 was appropriated for the Department of Commerce and Labor for a new Canyon County Job Services facility.
- < \$4,392,000 was appropriated for a 24-bed mental health unit for the Department of Juvenile Corrections in Nampa. This will provide regionalized clinical services for offenders with serious emotional problems.
- < \$302,000 was appropriated for a new parking garage at the Veterans' Home in Pocatello.
- < \$16,000,000 was appropriated for a 300-bed expansion of the Idaho Correctional Center in Boise. This expansion will help accommodate inmate population growth and help reduce or slow the out-of-state movement of Idaho's inmate population.

Economic Development Package

The Legislature chose to use \$35.4 million of the one-time General Fund surplus to fund one-time economic development projects throughout the state, with an emphasis on rural needs.

Department of Parks and Recreation (H 875) – \$11,500,000: This bill provides funds for upgrading, improving and maintaining state parks across the state and provides funding for the Eagle Island Planning Committee and the Eastern Idaho State Park Search Committee. The bill also appropriated an additional \$15 million in dedicated funds for improvements at Eagle Island State Park, with the revenue to come from the sale of gravel found at Eagle Island. The appropriation will be used for remediation of the gravel extraction and for additional improvements at the park.

Rural Broadband Development (S 1498) – \$5,000,000: This appropriation to the Department of Commerce and Labor is to make broadband Internet connection available to rural communities in Idaho through a variety of technologies and partnerships. This initiative will make available matching funds, on a reimbursement basis, up to \$1 million per project to telecommunication carriers, cable companies and Internet providers that submit broadband investment plans for underserved rural communities.

TechConnect (S 1500) – \$300,000: This bill provides \$300,000 to the Department of Commerce and Labor to support regional TechConnect offices, which provide technical support for technology-related small businesses. The funds, to be administered by a new TechConnect private, nonprofit organization, will provide increased assistance to small entrepreneurial technology companies.

Idaho Rural Initiative (S 1499) – \$1,000,000: This bill provides funding of \$1 million to the Department of Commerce and Labor allocated to the new Business and Jobs Development Fund created by this bill. The fund will make moneys available, at the discretion of the director of the Department of Commerce and Labor, to cities and counties to offset public costs associated with the recruitment of companies to Idaho with an average annual wage of at least \$25,000 plus benefits.

Rural Economic Development and Integrated Freight Transportation Fund (H 874) – \$5,000,000: This bill creates a revolving loan fund using a one-time appropriation for shortline railroads and business partnerships to obtain no- or low -interest loans. Funds can be used to upgrade, expand, rehabilitate, purchase or modernize equipment and facilities for short line rail or intermodal freight shipping infrastructure. The Department of Commerce and Labor will implement rules to administer this fund.

Incumbent Worker Training Revolving Loan Fund (H 873) – \$2,000,000: This bill appropriates \$2 million to the Department of Commerce and Labor for a new revolving loan program that will be used to assist businesses in training workers for high-growth, high-demand occupations through financial assistance with tuition or other expenses. This program will begin as a pilot program targeted to the nursing and commercial truck driving occupational fields.

Rural Community Growth Management Initiative (H 872) – \$250,000: This bill appropriates \$250,000 to the Department of Commerce and Labor. The funding will be used to allow rural communities to hire experts who can bring innovative planning approaches to better meet challenges arising from rapid growth.

Health Facility Matching Grant (H 868) - \$650,000: This bill provides funding for a community health center in Caldwell through Terry Reilly Health Services.

Eurasian Watermilfoil Eradication (H 869) – \$4,000,000: This appropriation to the Department of Agriculture is for grants to cooperative weed management areas and other interested parties to combat Eurasian Watermilfoil statewide.

Conservation Improvement Grants (S 1493) -- \$160,000: This appropriation to the Soil Conservation Commission provides grants for water quality projects to implement best management practices.

Treasure Valley Air Quality Council Match (S 1494) – \$50,000: The Treasure Valley Air Quality Council, created in 2005, is responsible for developing a comprehensive air quality management plan for Ada and Canyon Counties. State funding up to \$50,000 was provided for a dollar-per-dollar match to corporate contributions to initiate a public awareness campaign.

Clark Fork Water Quality Monitoring (S 1495) – \$54,200: This bill provides funds for the Department of Environmental Quality to contract for a second year to expand water quality monitoring activities in the Clark Fork River and Lake Pend Oreille. This appropriation addresses ongoing Idaho citizen concern over the potential effects of the Rock Creek Mine development and the Milltown Dam removal on Idaho water quality.

Conservation Reserve Enhancement Program (H 870) – \$5,000,000: The Conservation Reserve Enhancement Program is a \$253 million proposal to take 100,000 acres of irrigated farm land out of production in an effort to increase spring flows from the Eastern Snake River Plain. Idaho's proposal, submitted to the Farm Service Agency in December 2005, included a provision that, in addition to \$10.7 million in cash contributions and \$59.3 million of in-kind contributions over 15 years, "the state will seek an appropriation of \$5 million over the term of the agreement from the Idaho Legislature for permanent retirement of water rights within the Eastern Snake Plain Aquifer CREP area."

ESPA Management Plan (S 1496) – \$300,000: This bill provides funding for the Idaho Water Resource Board to develop a comprehensive aquifer management plan for the Eastern Snake River Plain Aquifer.

Bear River Study (S 1497) – \$50,000: This appropriation and a like amount from the state of Wyoming will fund a preliminary study and apply as part of the 50/50 local match required by the federal government to fully fund a \$2 million feasibility study by the U.S. Corps of Engineers relating to the possibilities, benefits and costs of providing flood control of the Bear River above Bear Lake.

TechHelp New Product Development (H 871) – \$50,000: This appropriation provides TechHelp additional funding for the New Product Development Lab, which assists business clients with demand for new rapid prototyping materials, software and capacity, at Boise State University.

Millennium Fund

The Joint Millennium Fund Committee recommended that six projects be funded with the annual distribution from the tobacco settlement moneys for fiscal year 2007. The Joint Finance-Appropriations Committee and the Legislature supported those recommendations in S 1460 with the distribution of \$1,271,900 on a one-time basis to the following entities:

- < \$30,000 for the after-school program GRASP, which works with highly at-risk students in the Caldwell School District and includes classes on tobacco and substance abuse awareness;
- < \$500,000 to the Public Health Districts for statewide tobacco cessation programs;

- < \$77,900 to the American Lung Association of Idaho/Washington for Teens Against Tobacco Use (TATU), a tobacco-control intervention program;
- < \$300,000 to the Bureau of Health Promotion in the Department of Health and Welfare for targeted tobacco counter-marketing programs;
- < \$270,000 to the Idaho Supreme Court for youth courts and status offender services programs; and
- < \$94,000 to the Idaho State Police to enforce youth tobacco investigations.

The Legislature also supported the recommendation of the Millennium Fund Committee to propose a constitutional amendment to permanently endow a portion of future tobacco settlement payments (SJR 107). Key provisions include:

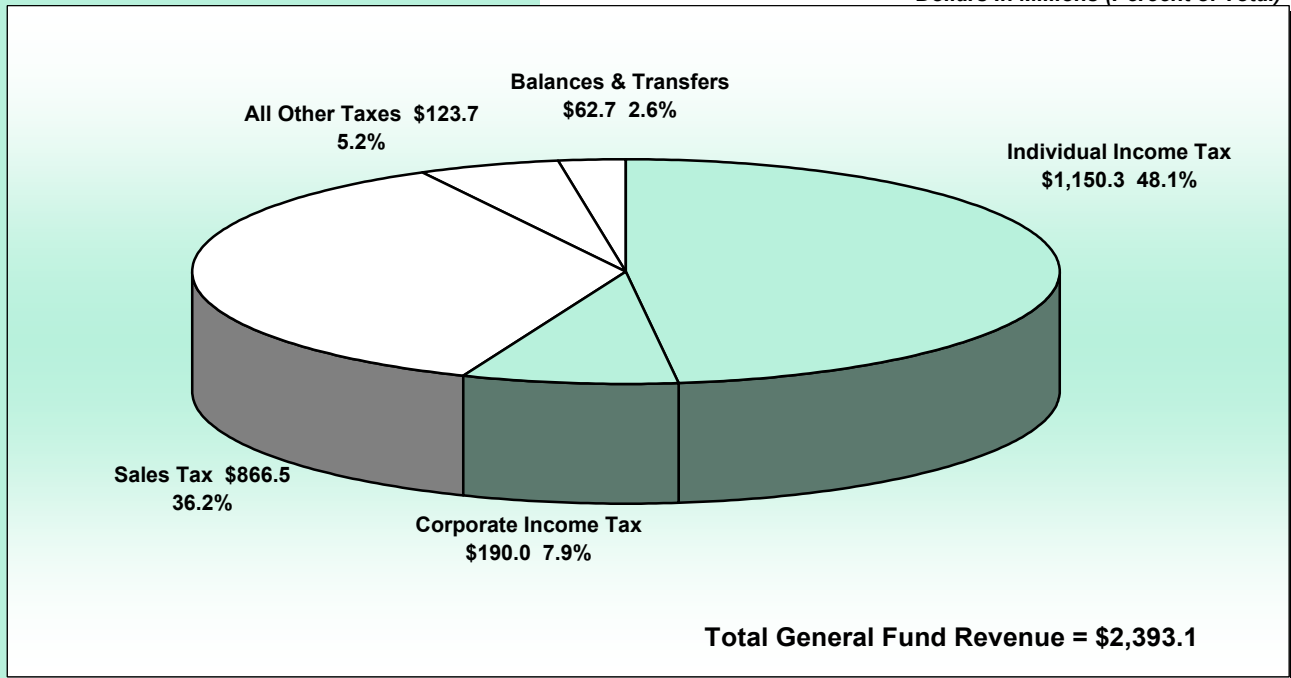
- < Eighty percent of future payments will be placed in a newly created Idaho Permanent Millennium Endowment Fund that will retain its earnings.
- < Twenty percent of future payments will be placed in the Idaho Millennium Fund. This fund retains its earnings but could be accessed by policymakers to deal with unanticipated events. This fund will also be subject to a statutory cap with all excess revenues and distributions above the cap to be deposited into the Idaho Permanent Millennium Endowment Fund.
- < Annual defined distributions from both the Idaho Permanent Millennium Endowment Fund and the Idaho Millennium Fund will be made into the Millennium Income Fund to be spent for projects in accordance with legislative appropriations.

In addition, the Legislature placed the provisions of the constitutional amendment into Idaho Code (S 1416), to become effective if voters in the November 7 general election pass the proposed amendment. S 1416 also creates a statutory cap of \$100 million for the Idaho Millennium Fund and transfers \$10 million from the Idaho Millennium Fund to the endowed fund to establish a beginning balance.

FY 2007 General Fund Revenue & Appropriations

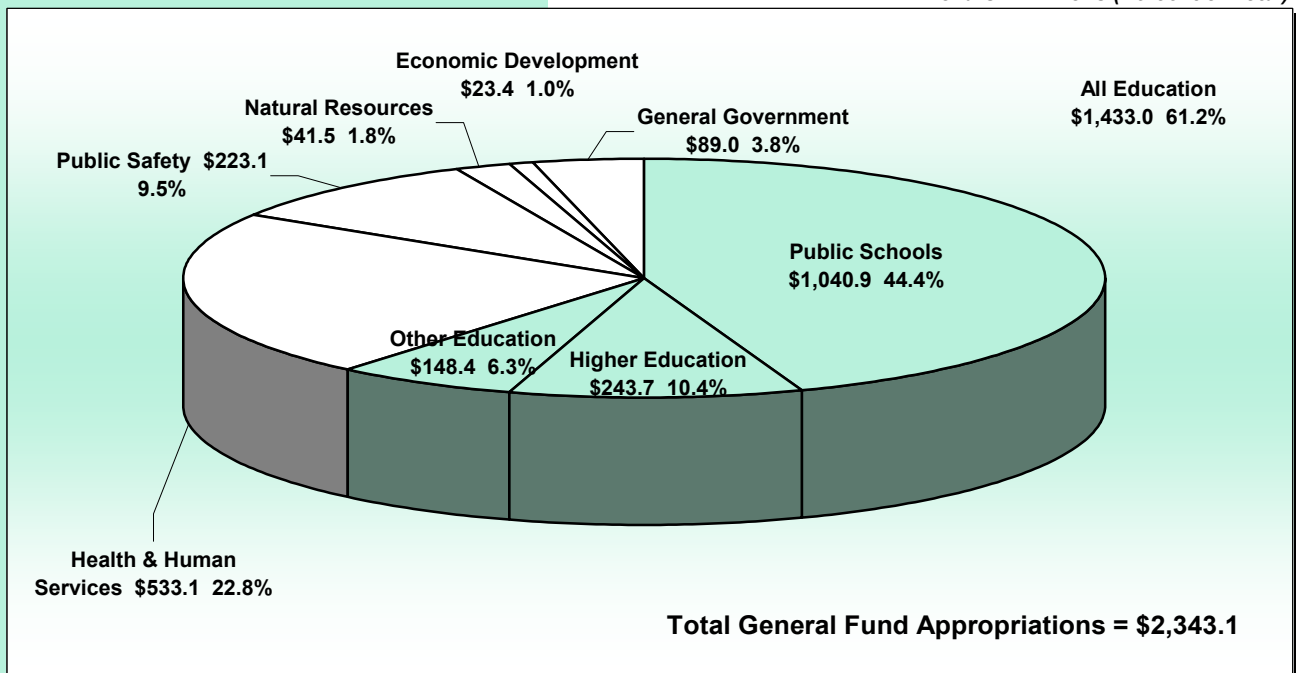
"Where the money comes from . . ."

Dollars In Millions (Percent of Total)



"Where the money goes . . ."

Dollars In Millions (Percent of Total)



Revenue less Appropriations = \$50.0 million

FY 2007 General Fund Comparison

	FY 2006 Total Approp	FY 2007 Gov's Rec	FY 2007 JFAC	Percent Change
1 Education				
Public School Support	995,344,700	1,035,366,300	1,040,941,300	4.6%
Agricultural Research and Extension Service	25,491,600	25,858,500	26,129,000	2.5%
College and Universities	234,132,900	239,916,800	243,726,400	4.1%
Community Colleges	20,817,500	21,335,600	22,067,200	6.0%
Deaf and Blind, Idaho School for the	7,787,600	7,625,500	7,694,100	(1.2%)
Education, Office of the State Board of	4,609,400	8,165,200	4,764,600	3.4%
Health Education Programs	8,434,600	8,642,200	8,800,000	4.3%
Historical Society	2,228,100	2,277,100	2,375,900	6.6%
Library, State	2,628,100	2,650,600	2,663,900	1.4%
Professional-Technical Education	47,279,900	48,448,700	48,714,300	3.0%
Public Broadcasting System, Educational	1,602,100	1,648,000	1,658,600	3.5%
Special Programs	9,905,600	9,968,400	9,971,800	0.7%
Superintendent of Public Instruction	5,304,500	5,450,100	5,422,500	2.2%
Vocational Rehabilitation	7,737,900	7,881,900	8,113,600	4.9%
Total Education	1,373,304,500	1,425,234,900	1,433,043,200	4.3%
2 Health and Human Services				
Medically Indigent Health Care	20,260,300	0	20,766,800	2.5%
Health and Welfare, Department of	470,705,100	511,909,500	502,370,700	6.7%
Independent Living Council, State	63,100	61,400	119,700	89.7%
Public Health Districts	9,776,500	9,718,200	9,809,700	0.3%
Total Health and Human Services	500,805,000	521,689,100	533,066,900	6.4%
3 Public Safety				
Correction, Department of	129,180,500	142,095,200	143,643,600	11.2%
Judicial Branch	25,809,300	27,079,600	27,749,100	7.5%
Juvenile Corrections, Department of	34,030,600	33,514,400	34,348,900	0.9%
Police, Idaho State	16,883,100	17,174,000	17,344,400	2.7%
Total Public Safety	205,903,500	219,863,200	223,086,000	8.3%
4 Natural Resources				
Environmental Quality, Department of	15,904,900	16,119,000	16,247,000	2.2%
Fish and Game, Department of	0	0	0	
Land, Board of Commissioners	4,753,500	4,545,200	4,769,100	0.3%
Parks and Recreation, Department of	7,549,800	7,107,200	7,144,300	(5.4%)
Water Resources, Department of	11,867,300	11,353,300	13,354,200	12.5%
Total Natural Resources	40,075,500	39,124,700	41,514,600	3.6%
5 Economic Development				
Agriculture, Department of	10,057,500	10,670,200	10,727,100	6.7%
Commerce and Labor, Department of	7,643,600	9,135,300	8,898,700	16.4%
Finance, Department of	0	0	0	
Industrial Commission	0	0	0	
Insurance, Department of	0	0	0	
Public Utilities Commission	0	0	0	
Self-Governing Agencies	4,328,100	3,730,400	3,757,300	(13.2%)
Transportation Department, Idaho	0	0	0	
Total Economic Development	22,029,200	23,535,900	23,383,100	6.1%
6 General Government				
Administration, Department of	9,016,400	2,471,500	9,016,600	0.0%
Building Fund Advisory Council	0	0	0	
Attorney General	17,324,500	15,520,500	16,064,400	(7.3%)
Controller, State	5,608,800	5,216,500	6,627,500	18.2%
Governor, Office of the	17,150,300	17,772,300	17,927,400	4.5%
Legislative Branch	10,779,500	10,776,100	10,759,300	(0.2%)
Lieutenant Governor	119,500	118,000	119,500	0.0%
Revenue and Taxation, Department of	25,297,700	25,043,400	25,199,700	(0.4%)
Secretary of State	2,099,100	2,009,200	2,020,300	(3.8%)
Treasurer, State	1,238,300	1,238,000	1,249,300	0.9%
Total General Government	88,634,100	80,165,500	88,984,000	0.4%
Statewide Total	2,230,751,800	2,309,613,300	2,343,077,800	5.0%