

MINUTES
JOINT FINANCE-APPROPRIATIONS COMMITTEE

DATE: Friday, January 23, 2015
TIME: 8:00 A.M.
PLACE: Room C310
MEMBERS PRESENT: Senators Co-chairman Cameron, Keough, Mortimer, Bair, Nuxoll, Johnson, Thayn, Guthrie, Schmidt, Lacey
Representatives Co-chairman Bell, Gibbs, Miller, Youngblood, Burtenshaw, Horman, Malek, Monks, King, Gannon
ABSENT/ EXCUSED: None
CONVENED: Chairman Cameron convened the meeting at 8:00 A.M.
STAFF PRESENT: Holland-Smith, Hoskins
PRESENTATION: **Legislative Services Office (LSO)**
PRESENTER: Eric Milstead, Director

To view the presentation, please click on the following link: [Legislative Services Office](#)

The Legislative Services Office has a staff of 64 nonpartisan professionals that provides support services to the Idaho Legislature. Under the direction of the Director, the office consists of the Division of Research and Legislation, the Division of Budget and Policy Analysis, the Legislative Audit Division, and the Information Technology Division. The LSO administrative office, staffed by five people, manages, and administers all activities of the office, staffs Legislative Council and the Capitol Services Committee, manages and administers HR and fiscal operations, manages the Capitol Tours program with 30 volunteers, and also manages and operates the Capitol Gift Shop which features Idaho artists, craftsmen, and authors.

The Research and Legislation Division staffed by 13 people provides research, analysis, drafting, proofing and editing of approximately 1,000 pieces of draft legislation annually. In addition the Division: 1) provides staff support for up to ten interim legislative study committees, special committees and task forces, 2) creates a final version of Idaho Session Laws and maintains the Idaho Code database, 3) develops, edits and prints legislative publications, 4) provides germane joint subcommittees with information and analysis on proposed agency rules annually and also assists with the legislative rules review process, and 5) provides a legislative research library to legislative analysts, legislators, and the public.

The entire appropriations process is coordinated by the Budget and Policy Analysis Division with a staff of 10 professionals. The Division analysts provide support to the Joint Finance-Appropriations Committee (JFAC) in setting a \$6.7 billion state budget involving over 200 state programs. In addition similar support on budget and policy issues is provided to other germane committees, interim committees and Senate/House leadership. The analysts draft approximately 100 appropriation bills annually with corresponding Statements of Purpose (SOP), fiscal notes and information for to support JFAC members while they debate on the Senate/House floors. Staff also provides support for the Economic Outlook Committee, the Change in Employment Compensation (CEC) Committee and the Millennium Fund Committee. The Division develops all official documentation and publications for the budget and appropriations process.

The largest division in LSO is Legislative Audits. With a staff of 28 the Division 1) completes an audit of the Statewide Comprehensive Annual Financial Report (CAFR) due annually at the end of each year, 2) completes the Statewide Federal Single Audit due at the end of March each year, 3) evaluates internal controls and financial operations of every state agency at least once every three years, 4) maintains a repository of audit reports for state and local governmental units required to have an audit, and finally, 5) conducts special audits/research reports as resources allow.

With a staff of 8 people, the Information Technology Division 1) manages and maintains the entire computer network system for the Idaho Legislature in addition to staffing the Information Technology Advisory Committee, 2) manages and maintains servers, desktop/laptop computers, printers, and tablets, 3) provides assistance to legislators with their individual devices (smart phones, iPads and tablets), 4) manages and provides continual improvement to the Legislature's GEMS information management system, and 5) manages and supports the e-mail and telephone systems for the Legislature.

Milstead listed the following as priorities for his office: 1) maintaining and strengthening agency excellence, 2) attracting and retaining professional support staff, 3) training and professional development to encourage innovation by networking with other legislative staff throughout the United States, and 4) having the best technology available to legislators and staff.

He briefly reviewed the FY 2016 budget for LSO wherein he requested some replacement items and software. The total FY 2016 budget request is for \$7,095,100.

PRESENTATION: **Executive Office of the Governor**

PRESENTER: **Jani Revier, Administrator, Division of Financial Management**

The Office of the Governor has 18 staff. The FY 2016 recommendation is a maintenance budget totaling \$2,032,600 and the Governor requests Lump Sum Authority.

PRESENTATION: Division of Financial Management (DFM), Office of the Governor

PRESENTER: Jani Revier, Administrator, Division of Financial Management

To view the presentation, please click on the following link: [Division of Financial Management](#)

The Division of Financial Management, staffed by 14 professionals, is part of the Executive Office of the Governor and its primary function is to assist the Governor in his duty as Chief Budget Officer of the State. The Division consists of three bureaus. David Fulkerson who is the Deputy Administrator of DFM heads the Management Services Bureau which provides accounting support and coordinates statewide accounting issues. The Economic Analysis Bureau headed by Chief Economist Derek Santos is responsible for the Idaho General Fund Revenue Report, the Idaho Economic Forecast, and the General Fund Revenue Book. Shelby Kerns, Budget Bureau Chief, is responsible for developing the Executive Budget. DFM performs a variety of fiscal control functions in the operational management of state government by providing guidance to agencies in the implementation of the budget and ensuring that transactions follow code, rule and policy.

Regarding budget adjustments **Revier** explained that DFM analysts are authorized to allow agencies to make budget transfers mid-year and to allow for the spending of federal grants that were unknown at budget-setting time through a noncognizable funds process. DFM can also make expenditure adjustments to help agencies meet emergency needs throughout the year within current budgets. Idaho Code gives the Board of Examiners authority to transfer appropriated spending authority between object classes. Since 1994, the Board has requested that DFM approve these transactions first with final release by the Office of the Controller, which acts as the secretary for the Board. In 2013 the Board reaffirmed said policy. Idaho Code requires the approval of both DFM and the Board of Examiners for transfers between programs. Again, since 1994 the Board has delegated the final release of said actions to the Office of the Controller and that policy was also reaffirmed with a vote in 2013.

The recommendation for the Division of Financial Management is a maintenance budget of \$1,706,000 for FY 2016.

SPECIAL HEARING

PRESENTATION: Lessons Learned from Governor Otter's Zero-Base Budgeting and Program Prioritization Initiative

PRESENTER: David Hahn, Senior Financial Management Analyst, Division of Financial Management (DFM)

To view the presentation, please click on the following link: [Special Hearing: Zero Base Budgeting](#)

In the 2008 State of the State address, just prior to the Great Recession, Governor Otter launched his Zero-Base Budgeting Initiative which was designed for implementation over a six-year period. It required state agencies to go through a systematic review of base operations according to Zero-Base Budgeting principles. The challenge to state agencies was to use a modified approach to Zero-Base Budgeting as a planning and budgeting tool to help assess *why* things were being done, what *should* be done, and what *could* be done within limited resources.

DFM defined zero-base budgeting as a budgeting process wherein base budget cost centers were 1) identified, justified, and then prioritized and aligned for the most efficient and effective fulfillment of an agency's strategic plan and statutory mission, 2) designed to complement the traditional budget process rather than replace it, and further, 3) designed to challenge the thinking that each cost center was as valuable today as when it was first conceived and that all base cost centers were of equal value. DFM's intention was to identify the real end value of Zero-Base Budgeting and back into that end value by developing a modified approach tied to general Zero-Base Budgeting principles.

The steps agencies used in Zero-Base Budgeting were: 1) review of an agency's strategic plan, 2) identify cost centers and cost center related activities, 3) compare legal mandates to actual activities (called "gap analysis") to establish a baseline for where an agency should be, 4) complete a staff time study, 5) develop decision packages for each cost center, and 6) prioritize cost centers.

Over 60 agencies, boards, and commissions undertook the Zero-Base Budgeting process with the following outcomes/benefits: 1) prioritization of cost centers helped a number of agencies continue to fulfill core statutory responsibilities while meeting mandatory budget cuts during the Great Recession, 2) the process was a key tool used by a number of agencies to identify resources that could be reallocated to meet priorities, 3) systematic review of statutory authority resulted in 13 pieces of legislation signed into law that resulted in more clearly defined statutory responsibilities, and 4) systematic review of staff resources resulted in agencies identifying the need to better align staff resources to meet programmatic objectives.

It is important to note that the Governor's Office/DFM will not undertake another cycle of Zero-Base Budgeting, although the process may be proposed as a budget and planning tool for use in certain cases, such as agency reorganizations.

Program Prioritization for Four-Year Higher Education Institutions

Hahn said DFM struggled to identify an approach that was suitable to higher education institutions that also met the Zero-Base Budgeting principles. Program Prioritization turned out to be the perfect match. The methodology for Program Prioritization was: 1) programs were evaluated according to Board-approved criteria and weighting, 2) metrics were developed to assess program performance in light of the criteria, 3) programs were placed in one of five prioritization quintiles based on program performance in meeting established criteria, and 4) action plans were developed for those programs in the bottom quintiles. Program Prioritization outcomes were: 1) a total of 1,256 academic and non-academic programs were evaluated, 2) 241 programs were placed in the first quintile making them candidates for expansion while 214 programs were placed in the fifth quintile making them candidates for substantive changes pursuant to action plans, 3) phase-in implementation plans were established, and 4) the State Board of Education will continue oversight of implementation (with follow-up reports planned for March and August, 2015).

PRESENTATION: Idaho Commission for the Blind and Visually Impaired (ICBVI), Office of the Governor

PRESENTATION: Nancy Wise, Acting Administrator

To view the presentation, please click on the following link: [Commission for the Blind and Visually Impaired](#)

ICBVI, established in 1967, assists individuals who are blind or visually impaired with achieving social and economic independence. There are five Commissioners who are appointed by the Governor and serve three-year terms. Regional offices are located in Coeur d'Alene, Lewiston, Twin Falls, Pocatello and Idaho Falls. The Commission's goal is to provide direct service training to those eligible so they can become employed and contribute independently to their own well being. The definition of legally blind is 20/200 vision best corrected. ICBVI's main office is in Boise where several of the following programs are administered: Vocational Rehabilitation, Independent Living, Older Blind, Business Enterprise Program, Assessment and Training Center, Summer Work Experience Program as well as Sight Restoration services.

The Governor's recommendation for FY 2016 is \$1,325,100 in General Funds, \$326,400 in Dedicated Funds, and \$2,983,400 in Federal Funds for a total of \$4,634,900 with 39.12 FTPs. ICBVI had three audit findings during FY 2013 which are still open; it is anticipated these findings will be closed at the completion of the current audit.

PRESENTATION: Idaho Commission on Hispanic Affairs, Self-Governing Agencies

PRESENTER: Margie Gonzalez, Executive Director

To view the presentation please click on the following link: [Commission on Hispanic Affairs](#)

The Commission on Hispanic Affairs was established in 1987 as an independent entity of state government. Its core functions are to advise the Governor, Legislature, executive departments and agencies on matters affecting Idaho's Hispanic population and to serve as a liaison between community and government entities to improve the quality of life for the Hispanic population. The Boise office has three people on staff and the Commission has a nine-member board composed of five commissioners appointed by the Governor and four from the Legislature. Hispanics are the largest minority group in Idaho representing 11.8% of the total population as of 2013. The population is continually increasing. **Gonzalez** said District 5 located in south central Idaho has the highest concentration of Hispanics,

Some of the key issues facing the Hispanic population are: 1) population growth, 2) improve educational outcomes, 3) health and human services, business and economic/workforce development, and public policy. There are 73,000 Hispanic eligible votes in Idaho – 78.5% are citizens by birth and 21.5% are naturalized citizens. The Hispanic population continues to contribute economically as the population increases. As the overall growth of buying power slowed in the post-recession expansion, the buying power of Hispanics rose 4.9% from 2012 to 2013, nearly twice the growth rate for the state overall.

The Commission leverages public and private partners to strategically improve outcomes for Hispanics by serving as an advisory body to policymakers, informing legislators on matters affecting Hispanics, conducting outreach opportunities to inform the public about public and private programs beneficial to Hispanics, sponsoring studies of relevance to the Hispanic population in Idaho, and serving as a referral agency. Other accomplishments include partnering with the Idaho State Department of Education to foster substance abuse prevention, eliminating academic performance gaps between Hispanic and non-Hispanic people and reducing dropout rates. Another accomplishment is the Hispanic Youth Leadership summit.

Legislative Audits Division conducted a management review of the Commission in FY 2011, 2012 and 2013 with no audit findings or recommendations. The Governor's FY 16 budget recommendation totaled \$268,000 with 3 FTP.

ADJOURNED:

There being no further business to come before the Committee, the meeting adjourned at 10:08 A.M.

Senator Cameron
Chair

Peggy Moyer
Secretary