

MINUTES
JOINT FINANCE-APPROPRIATIONS COMMITTEE

DATE: Wednesday, February 03, 2016
TIME: 8:00 A.M.
PLACE: Room C310
MEMBERS: Senators Co-chairman Keough, Bair, Mortimer, Brackett, Nuxoll, Johnson, Thayn, Guthrie, Schmidt, Lacey
Representatives Co-chairman Bell, Gibbs, Miller, Youngblood, Horman, Malek, Monks, Burtenshaw, King, Gannon
ABSENT/EXCUSED: None
CONVENED: Chairman Keough convened the meeting at 8:00 A.M.
STAFF PRESENT: Houston, Headlee, Burns
AGENCY PRESENTATION: **DEPARTMENT OF ENVIRONMENTAL QUALITY (DEQ)**
PRESENTER: **John Tippetts, Director**

To view the presentation, please click on the following link: [Department of Environmental Quality](#)

The following staff members in attendance were introduced: Jess Byrne, Deputy Director; Barry Burnell, Water Quality Division Administrator; Orville Green, Waste Management & Remediation Division Administrator; Tiffany Floyd, Air Quality Division Administrator; Dave Sande, Fiscal Officer; and Kari Kostka, Policy Analyst. Since becoming Director seven months ago, **Tippetts** has had meetings with all regional offices and most departments in the state office and he found employees to be dedicated, hardworking, capable and doing a good job of serving Idaho citizens. Two of the four priorities of the Director are that employees: 1) continuously look for ways to be more efficient and effective, and 2) do their jobs with service in mind to make sure Idahoans understand and comply with laws before enforcement becomes necessary.

DEQ has about 250 employees in the State office in Boise and about 100 other employees in the six regional offices located in Coeur d'Alene, Lewiston, Boise, Twin Falls, Pocatello, and Idaho Falls. The agency's mission is to protect human health and preserve the quality of Idaho's air, land and water for use and enjoyment today and in the future. Idaho is blessed with wonderful natural resources that should be preserved in reasonable ways to serve the citizens of Idaho. DEQ implements state environmental programs pursuant to state laws and rules in lieu of EPA implementing federal programs. The state programs include the following: Clean Air Act, Clean Water Act, Safe Drinking Water Act, and the Resource Conservation and Recovery Act (includes regulation of hazardous waste, solid waste, and underground storage tanks). The advantages of Idaho regulating the various programs (primacy) include increased flexibility, better customer service, assistance before enforcement, increased public participation, lower penalties, and shorter timelines for permits and reviews.

DEQ's range of activities include: 1) monitoring air and water quality as well as contaminated land cleanup, and INL oversight; 2) permitting which includes air quality, wastewater reuse, and hazardous waste permits, approvals for solid waste disposal facilities, and working toward authorization for IPDES permits; 3) inspections related to air quality, wastewater reuse, NPDES permits, hazardous waste and underground storage tanks; and 4) outreach and assistance such as emergency response, technical assistance, public outreach, and pollution prevention.

The Governor's FY 2017 budget recommendation totals \$67,351,500 with 372 FTPs which represents a 4.2% total increase over last year and a general fund increase of 10.1%. Replacement items total \$569,100 and include 3 vehicles, 125 personal computers, IT hardware and software, 5 air quality monitors, water quality monitoring equipment, and INL monitoring equipment. The Director is very supportive of the Governor's 3% CEC increase. **Tippets** discussed four program enhancements: \$464,200 in General Funds (\$412,200 ongoing and \$52,000 one-time) for the Idaho Pollutant Discharge Elimination System (IPDES) which is a program that regulates discharges to surface waters; there is a mandated application due date of September 1, 2016, 2) \$160,000 in General Funds, one-time, and a one-time transfer of 1.5 FTP from federal funds to the General Fund for the Underground Storage Tank Program, 3) \$60,000 fund shift from operating to personnel and also to shift .7 FTP from federal funds to the General Fund in the Air Quality Program, and 4) a transfer of \$1.5 million from the Water Pollution Control Account to the Environmental Remediation account.

AGENCY
PRESENTATION:
PRESENTER:

OFFICE OF THE GOVERNOR
Office of Energy Resources (OER)
John Chatburn, Administrator

To view the presentation, please click on the following link: [Office of Energy Resources](#)

Through Executive Order 2012-08, the Governor continued the Office of Energy Resources with the primary responsibility of coordinating energy planning and policy development in Idaho. OER coordinates the state's comments on all federal energy policy issues and documents, serves as Idaho's clearinghouse for energy information, represents Idaho in regional and national energy policy forums and processes, administers loan and financial assistance programs, and coordinates and supports the Idaho Strategic Energy Alliance (ISEA).

Major transmission projects include the Gateway West Transmission Line Project, the Boardman to Hemmingway Transmission Line Project, and the Hooper Springs Transmission Line Project. The following details progress on federal regulations regarding the Clean Air Act 11(d) Rule — Carbon Emission Standards for Existing power plants: 1) final emission guidelines were published August 3, 2015, 2) OER worked with DEQ, PUC and interested stakeholders to develop the State's comments to the Clean Energy Incentive Program (CEIP) and the Federal Plan, 3) OER submitted comments on the CEIP on December 15, 2015 and the Federal Plan on January 21, 2016, 4) EPA is to release the final federal plan in the summer of 2016, 5) Idaho must provide an initial plan submittal and request for extension to EPA by September 6, 2016, and 6) if the extension is granted, final state plans must be submitted by September of 2018.

Some of the programs OER is involved in includes: 1) Government Leading by Example, 2) DOE State Energy Program Competitive Grant, and 3) the State Energy Loan Program.

The Governor's FY 2017 budget recommendation totals \$1,257,700. The three line items discussed include: 1) ongoing spending authority for \$11,000 for indirect costs to enable OER to utilize indirect revenue received from federal grants, 2) one-time spending authority for \$30,000 to complete administration of the Statewide Wood Energy Team (SWET) grant, and 3) shift an appropriation from the Renewable Energy Resources Fund to the Petroleum Price Violation Fund.

AGENCY

PRESENTATION: **IDAHO DEPARTMENT OF WATER RESOURCES (IDWR)**

To view the powerpoint presentation, please click on the following link:
[Department of Water Resources](#)

Water Adjudication Court

PRESENTER: **The Honorable Eric Wildman, District Judge, Fifth Judicial District**

Judge Wildman gave a brief update on the Coeur d'Alene-Spokane River Basin Adjudication (CSRBA), the Palouse River Basin Adjudication (PRBA), and a wrap up of the Snake River Basin Adjudication (SRBA).

The number of claims filed in Basins 91 through 95 total 11,739; there are 29 unresolved claims in Basins 91 through 93. The filing date for the Director's report for Basin 94 with 1,978 claims is scheduled for this month (February, 2016) and in Basin 95 with 7,634 claims filed, the Director's report is scheduled to be filed in the Spring of 2017. A summary of pending federal law claims indicates: Avista Corp has two, the U.S. Forest Service has nine, and the Bureau of Indian Affairs on behalf of the Coeur d'Alene Tribe has 353 with approximately 85,000 objections.

Regarding the SRBA, **Judge Wildman** signed the Final Unified Decree on August 25, 2014. Remaining claims include 1) Owyhee Federal Reserved Wild and Scenic claims (16) — settlement reached, 2) Reservoir refill claims in Basins 1, 21, 25, and 37 —settlements reached; Basin 63 has 5 claims in litigation, and Basin 65 has 2 claims in litigation, and 3) post-adjudication procedure for deferrable domestic and stockwater claims is now in effect.

Public meetings are scheduled in Potlatch and Moscow for March, 2016 for the Palouse River Basin Adjudication. Filing of the Commencement Petition is anticipated for May, 2016.

Department of Water Resources

PRESENTER: **Gary Spackman, Director**

Zero-base budgeting was used in FY 2016 for budgeting and the Director decided to use it again this fiscal year; with it they have reviewed statutory assignments and authorities, reviewed and revised cost center rankings, identified legislative concepts to address priorities, and identified budget decision units to address those priorities. The following information was discussed: 1) a graph showing FY 2016 and FY 2017 appropriations compared side by side, 2) a graph showing a 10-year appropriation comparison, and 3) a comparative summary of the Governor's recommendations.

The following budget decision units were discussed briefly: 1) \$18,200 for the Idaho Water Center Sublease, 2) \$716,000 for aquifer measuring and monitoring by a cash transfer from IWRB Revolving Development Fund to the Aquifer Planning and Management Fund, 3) Shift the North Idaho Adjudication staff to the General Fund, 4) \$546,100 to add four FTP's to support the Surface Water Coalition-Idaho Ground Water Appropriators settlement agreement, 5) \$5,000 for the Bear River Commission Assessment, 6) \$125,200 to hire a technical hydrologist to be located in Coeur d'Alene, and 7) \$235,700 for funding to fill two vacant FTP's to address the water right licensing backlog, and 8) \$21,500,000 for Water Sustainability Projects (\$16,500,000, one-time General Fund transfer and \$5,000,000 General Fund ongoing).

Graphs were provided showing processing time for active transfer applications, number of "proof of beneficial use" documents filed from FY 14 to FY 15, the number of applications for permits, the number of ownership change forms submitted, and the number of water supply bank lease and rental applications pending.

The Eastern Snake Plain Aquifer Agreement was discussed where ground water users agreed to reduce water consumption by 240,000 acre feet annually, supply 50,000 acre feet of storage water annually, and measure all significant diversions of ground water. All actions in the agreement are intended to stabilize and recover the aquifer. Although the state of Idaho did not sign the agreement, the State intends to: 1) recharge the aquifer with surface water by an average of 250,000 acre feet per year, 2) form a ground water management area for water administration to address factual and legal questions, and 3) coordinate and administer installation, calibration, and data gathering from 3,500 to 4,000 wells diverting water from the aquifer.

Water Sustainability

PRESENTER:

Roger Chase, Chairman, Idaho Water Resource Board

Water is a finite resource; therefore, it is important that Idaho ensure water supplies for existing uses, for future growth, and for environmental purposes; it starts with wise use, administration and management. The Water Board is concerned about the depletion of Idaho's water resources, especially the aquifers, and has drafted a statewide sustainability policy that will be incorporated into the Comprehensive State Water Plan after public comment. The Board's top priority is to make sure water levels in the aquifers stabilize and do not drop any more.

There is considerable emphasis on the Eastern Snake Plain Aquifer (ESPA) which is now at a crisis stage. For 40 years water levels were artificially raised because of increased surface water usage, but those levels have declined over the last 60 years due to ground water pumping. In 2015, for the first time, the water level fell below minimum flows required at Swan Falls. **Chase** discussed some charts which helped explain the concerns. Agriculture is Idaho's largest industry and is also the largest water user in the state. The Eastern Snake Plain region accounts for about one-third of Idaho's economy so the impact could be tremendous if the problem is not solved. Curtailments due to Rangen and Surface Water Coalition (SWC) delivery calls could have a significant adverse economic impact.

Aquifer recharge is the process where reclaimed water is routed to the subsurface. The most cost-effective way to get water into the ground is to divert and recharge large volumes of water by using unlined canals. Most of the recharge water is delivered through existing canals to sites known as spreading basins. The following actions have occurred to stabilize the ESPA. During the 2014–15 winter, the Water Resource Board recharged 75,000 acre feet from October 24 to March 4, and spilled 320,000 acre feet downriver. During the 2015–16 winter (through January 26, 2016) the Board recharged 33,000 acre feet and spilled 80,000 acre feet downriver. The Board has contracted with canal companies and irrigation districts to carry water. It has also created public/private partnerships and has outsourced work to canal companies.

The Board has approximately \$3.7 million in recharge capacity improvement projects underway and anticipates about \$8 million to be under construction by next winter and another \$10 million in projects the following winter. Even with using existing canals, substantial improvements are needed to carry winter recharge water to aquifer recharge sites. The goal is to meet existing and future water demands; recharge must be ongoing to keep aquifers in balance.

Some of the current statewide water sustainability projects include: Rathdrum Prairie Aquifer; Palouse Basin Aquifer future water supply study; Lewiston-Area Deep Regional Aquifer Investigation, potential Galloway Reservoir, Treasure Valley Aquifer CAMP, recharge study, and ground water model; Arrowrock Reservoir potential enlargement; Mtn. Home Air Force Base water supply and Mtn. Home aquifer study; Upper Salmon Basin/Lemhi/Pahsimeroi flow enhancement; Wood River aquifer ground water model; Eastern Snake Plain Aquifer and Snake River efforts, and Island Park Reservoir potential enlargement. In FY 2015 the IWRB approved nine loans totaling \$9.31 million.

The goal is to meet existing and future water demands. Recharge must be ongoing to keep aquifers in balance.

Director Spackman provided some ESPA recharge projects charts detailing funding, estimated project schedule, and an accelerated recharge schedule.

A legislative audit was conducted in April and May of 2014 with one finding for not depositing money when the amount reached \$200 or more; the recommendation was to implement monitoring procedures to ensure all offices are depositing receipts in compliance with Idaho Code, Section 59–1014. The Audits Division is scheduled to conduct a follow-up meeting in April, 2016.

AGENCY
PRESENTATION:
PRESENTER:

STATE BOARD OF EDUCATION
Idaho Division of Vocational Rehabilitation (IDVR)
Jane Donnellan, Administrator

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

The three programs under IDVR are Extended Employment Services (EES), Council for the Deaf and Hard of Hearing (CDHH) and Vocational Rehabilitation (VR). The purpose of EES is to provide to eligible clients services that are intended to increase opportunities for clients to work in their communities. The current budget of EES is \$3,908,100. EES served 760 individuals throughout FY 2015 and is in the process of implementing a new case management system. EES collaborates with other community rehabilitation programs.

The Council for the Deaf and Hard of Hearing provides increased community awareness as well as education on issues that impact individuals who are deaf and hard of hearing. The purpose of CDHH is to create an environment in which 200,000 Idahoans of all ages who are deaf and hard of hearing have an equal opportunity to participate fully as active, responsible citizens of Idaho. The Council participates as part of a statewide coalition of ten state agencies on assessing needs for transitioning youth; the program monitors transition services for students up to the age of 26 and identifies what is needed for students to transition either into post-secondary education or the workforce.

Vocational Rehabilitation assists individuals with a diverse array of disabilities to prepare, obtain, advance in and retain employment based on their unique skills and abilities. The program provides services to eligible Idahoans with disabilities to assist them to transition from unemployment to gainful employment or to maintain employment and from dependence to independence; i.e., self-sufficiency. Vocational Rehabilitation's mission is to prepare individuals with disabilities for employment and community enrichment. Some accomplishments include: 1) an 11% increase in successful employment outcomes, 2) 630% increase in wages, 3) \$10 million in additional sales tax, 4) \$27 million in additional state income tax, and 5) the program will generate over \$3.00 in increased sales tax for every \$1.00 the state invests. Clients earn an average of \$11.74 per hour which is 66% of the average state wage of \$17.85 and 62% above the federal/state minimum wage of \$7.25 an hour.

Other benefits of IDVR include: a reduction in public support (such as food stamps, SSA benefits, etc.); 85% of participants have wages as their primary source of income. IDVR maximizes its resources with partnerships. The required match for the VR program is 21.3% of the total program. Agreements assist IDVR to make up the gap from state funding to capture more available federal grant monies. Some current partnerships are with school districts, Department of Correction, Department of Juvenile Corrections and the Department of Health and Welfare. Each dollar of partnership funds generates \$3.69 in federal funds. As an example, \$627,219 in partnership funds leverage \$2,317,471.

A legislative audit for FY 2014 resulted in 3 findings; two of the three findings remain open. The IDVR workforce has a total of 152.5 full-time positions including 59 qualified counselors; currently five positions are vacant.

Donnellan briefly discussed the following issues: 1) the Workforce Innovation and Opportunity Act (WIOA) is a reauthorization of the Rehabilitation Act of 1973; it is designed to help job seekers access employment, education, training and support services and also matches employers with skilled workers. IDVR was required to implement changes upon enactment without final rules, 2) Pre-Employment Transition Services (PETS) requires a 15% reserve, 3) The Governor and the CEC Committee were thanked for the 3% merit increase as well as the recommendation for the discretion of directors to manage their workforce which will help in the recruitment and retention of qualified counselors.

The Governor recommended an FY 2017 budget of \$27,791,900 which includes \$49,900 for Employee Benefit Costs, Replacement Items for \$67,600, Statewide Cost Allocation for \$9,700, Change in Employee Compensation for \$256,700, \$316,300 for the 27th Payroll, \$1,270,600 for the Workforce Innovation & Opportunity Act in order to meet the new student transition requirement of WIOA, and \$340,000 to restore Extended Employment Services (EES).

Vocational Rehabilitation (VR) is an outstanding investment for the following reasons: 1) every \$1.00 invested by the state returns over \$3.00 in sales tax revenue, 2) increased wages for VR customers reduces public assistance, and 3) the program gives customers increased satisfaction with their personal lives.

ADJOURNED: There being no further business, Chairman Keough adjourned the meeting at 10:40 A.M.

Senator Keough
Chair

Peggy Moyer
Secretary