



**Legislative Council Meeting
November 2, 2023**

On November 2nd, the Legislative Council met to hear updates from various departments with Sen. Winder (R-20) leading the meeting. Terri Kondeff, Director of the Legislative Services Office (LSO), was the first presenter and introduced new LSO staff, the FY25 LSO budget request, the FY24 strategic plan, and the bill drafting process. The FY25 base budget is \$10M, with \$8M from the general fund and \$2M from dedicated funds. They have two line items the first being a compensation adjustment for LSO staff at \$100,000, and the second is a \$120,000 increase in operating expenditures for legal services. The Council motioned to approve the budget.

Director Kondeff noted the strategic plan is the same as last year and can be reviewed if needed but seeks a motion for approval; the Council approved the strategic plan. Director Kondeff explained the complimentary bill drafting staff does for agencies and legislators, once the Division of Financial Management (DFM) approves state agency legislation, LSO drafts the bills in RS form and returns them to DFM. Rep. Blanksma (R-8) asked for the numbers on how many hours LSO spends drafting bills for agencies and legislators and what the cost of this is. Rep. Horman (R-32) made a motion that legislative bill requests have priority over agency requests. The motion passed.

Sen. Winder (R-20) and Rep. Moyle (R-10) discussed 2024 Legislative Session plans. The Council was notified of a presentation on January 9, 2024, by the National Conference of State Legislatures on leadership. There will also be a respectful workforce training on January 10, 2024. Rep. Horman (R-32) informed the Council that she and Sen. Grow (R-14) sent an email to leadership outlining the change in process for JFAC and their goal of getting budgets to the floors in February. Rep. Horman and Sen. Grow will be meeting with Keith Bybee, Budget and Policy Manager LSO, to finalize dates to make this all possible. Sen. Rabe (D-16) expressed her support for doing rules review at the beginning of session, Rep. Blanksma stated these dates aren't binding and leadership will meet to determine the dates for this.

Josh Whitworth, Chief Deputy Controller, provided a LUMA update for the council. LUMA launched on July 1, 2023, and was designed to help aging unsupportable systems, duplication of IT system purchases by agencies, lack of standardization and data transparency, and evolution of work methods. LUMA has four key areas of modernization that encompass transparency, efficiency, security, and innovation. They have full audit ability now and all the data needed to conduct audits will be kept in the same space making the process more efficient. Mr. Whitworth addressed concerns about LUMA not working by providing some key benefits they've seen so far, they've been able to process invoices totaling \$4.3B, payroll cycles for 16,500 employees, and hire 1,700 employees through the system. He noted there has been some employee resistance to organizational changes and fears about these changes, and the biggest challenge they've so far is payroll errors. The State Controller's Office (SCO) is working through the errors and implementing updates as they go.

Rep. Horman asked about the technical problems the agencies have been seeing, with some having more errors than others, and the interruption to workflow. Mr. Whitworth discussed having SCO staff provide better guidance to agencies and they are hopeful to have a better process by the end of the year. Rep. Moyle expressed his dislike of LUMA and how the system isn't working, he believes it is not transparent or secure and wants to know if there is a plan to address the problems right now. Mr. Whitworth explained they are handling complaints and working with agency leaders to see where they are finding issues and what SCO can do to help. He noted that it is a continuous improvement process and that it is going to take time for everyone to learn how to use it. Mr. Whitworth asked the council to be mindful of the asks that the SCO office is making and to think long-term about what the benefits are going to be when more employees and resources are going into making this process better for all. Rep. Moyle wants an exit strategy as he will push for a new system if LUMA doesn't start working as promised in the next few months.

Jeff Tucker, General Manager of IPTV, discussed the IPTV MOU. This addresses changes to the service of the past nine (9) years, but the rest is unchanged. Mr. Tucker has been working with Director Kondeff on the MOU. Sen. Anthon (R-27) had various questions about the language in the MOU and who makes executive decisions, he would like to see



executive decisions fall to the LSO director, Speaker of the House, and Pro Tempore of the Senate. There were concerns about some of the language regarding what can be used in a court of law, and other processes in the document. Mr. Tucker said they are going to review the document and make some changes that were suggested by Sen. Anthon. Rep. Rubel discussed some of the exclusion of usage and that including this in the document should be removed entirely. She had concerns about the restrictions on where footage can be put or used. They moved to table the matter until the next meeting.

Amanda Bartlett, Principal Evaluator at the Office of Performance Evaluation, presented an update on the office. In March they released the Sustainability of Idaho Workforce Report, which found that direct care service workforce numbers were lower than the national average. They also released a re-entry criminal justice report, which looked at whether re-entry programs were working properly or not. The most recent report looks at the state oversight of Idaho's health data exchange. Upcoming reports will look at Medicaid hospital rates, prevention programs and services for criminal justice, the child protection system, and residential care follow-up reports.

Erin Phipps, Revenue Analyst LSO, provided economic indicators and state revenue updates to the council. Total revenue for FY22 was \$6.1M and FY23 revenue was slightly lower at \$5.9M. For FY24 forecasted revenue looks at four out of the five categories as LUMA hasn't reported one category. Ms. Phipps reported on individual and corporate income, sales, and product tax, they are missing miscellaneous income. Individual income tax is reporting higher than last year, the individual income tax holdings have been increasing the last three (3) fiscal years. FY23 had the highest holdings in Idaho history, even though the labor force participation rate has been declining over the last few decades. She discussed real income per capita for Idaho using 2009 as the base year, Idahoans real income is growing at a rate higher than the national growth rate. There is a positive trend between Idaho's economic growth and income, as the two grow more taxes are coming into the general fund. LSO monitors gross sales tax for the state and the rates remain steady with previous years and track closely with DFM predicted amounts. Housing starts will be a leading indicator in monitoring sales tax. The last indicator was inflation, Ms. Phipps showed CPI and inflation for the mountain region. The mountain region sees a slight increase in inflation due to import costs, which also relates to increased rent and home prices. As inflation levels, we might see sales tax level out as well, but population growth is also a determining factor. Revenues appear to level out after FY21 and FY22, withholdings remain strong, sales tax remains steady, and they are still seeing strong economic activity in Idaho. Rep. Green (D-18) asked about the decline in labor force participation and if they have data on this, Ms. Phipps replied that as the older population starts to retire, they are still counted in the labor force.

Keith Bybee, Budget and Policy Manager, provided a state budget update. He discussed that his presentation will mainly focus on high-level data. The statewide cost allocation numbers were released yesterday so they don't have these ready to present yet, but they will be ready to go by session. The general funds make up 37% of the budget with federal at 40% and dedicated funds at 23%. The largest fund sources are Health and Human Services, Education, and Economic Development. Sen. Anthon asked what all is encompassed in Economic Development so that they might better educate the public. Mr. Bybee stated that there are agencies included in Economic Development and a lot goes to ITD.

He then discussed one of the larger pieces of their federal funding which is ARPA at \$1.09B. Most of these funds are appropriated to Natural Resources, with Education and Economic Development being the next largest appropriations. Some notable projects that utilized ARPA funds are \$250M for aquifer recharging and water storage projects, \$300M or water remediation and drinking and wastewater projects, \$50M for workforce training, \$50M for workforce housing, \$73M for public school salary increases, and \$40M for childcare infrastructure. Rep. Horman asked to receive a version of this that shows the COVID-19 relief funds. Mr. Bybee highlighted federal spending beginning to increase in 2019 and skyrocketing due to COVID-19, from \$2.5M to about \$6M respectively.

Individual income tax is about 37% of the General Fund, sales tax 32%, corporate income tax at 16.7%, sales tax at 5.7%, and all other takes about 7.6%. Public schools receive 52.2% of appropriations, and Health and Human Services are roughly 30% of appropriations. Mr. Bybee discussed the general fund throughout the years and showed the budget



surplus that allowed them to expand or create new programs. They predict a slight dip in the general fund for 2023 and 2024 but then an increase again starting in 2025. The legislature has used \$1.3B in General Funds for transportation and local bridge projects, and \$1.1B for permanent building funds. Idaho Department of Health and Welfare (IDHW) added a line item for \$58M for hospital assessments, this is an exact non-discretionary growth from the Medicaid budget and would be a huge policy change brought to the legislature.

April Renfro, Legislative Audits Manager, presented an audit update and a review of findings. She touched on Luma and how they are in negotiations with a private firm to complete an IT audit of the LUMA system. This is to support their audit of the state's finances. They are hopeful to have the work start in January or March and have the report issued in May. Ms. Renfro highlighted two upcoming reports that are dependent on receiving data from SCO the annual comprehensive financial report will tentatively be done on December 31, and the annual single audit report will be tentatively done on March 31. Sen. Winder asked about the IDHW audit and there were 8 findings, but IDHW disagrees with the audits, and they will not provide a corrective action plan. The audits typically have three types of findings, internal control weaknesses, noncompliance, or substantive errors.

Secretary of State Phil McGrane briefly discussed the new campaign finance reporting system that will open on December 20th. He explained how annual reports will be entered into the new system and they have been taking feedback on LUMA and doing various user tests, but everyone will have to make an account in the new system. They are using Reframe and Idaho will be the only state using it for campaign financing. Secretary McGrane noted the office will be increasing staffing in December and January and Reframe will be conducting staff training. A goal he mentioned is to ease the pain of having campaign financing starting at the same time as session, to accomplish this they are creating an Excel document that will allow an easier upload of new data. Rep. Blanksma asked if they should continue entering data or stop until the new system is ready and only be updating the Excel file. Secretary McGrane responded that the Excel document isn't fully ready yet but will be this month and they should stop reporting campaign finances and start building the Excel document. He also noted his staff is aware of accounts that are out of balance and another goal is to find a way to balance accounts. An update to the lobbyist portal will come next year.

Ryan Bush, Principal Drafting Attorney, provided an update on the Federalism Committee and that they met three (3) times throughout the summer. They discussed natural resources, border security, PILT payments, Good Neighbor Authority, Sage Grouse, digital currency, and broadband towers on federal land (they are currently drafting language for a joint memorial on the federal level for this).

Matt Drake, Research and Legislation Manager, presented on the Occupational Licensure Review Committee and Idaho Council on Indian Affairs, the OPL committee met once and reviewed their charge and the sunset review process for occupational licensing.

Elizabeth Bowen, Legislative Services Legal Counsel, provided an update on the Medicaid Managed Care Task Force. The task force has met seven (7) times with one more meeting. They expect a final report to be created with recommendations to be announced.

Before adjourning Sen. Winder discussed the press release they have been working on but haven't reached a conclusion on yet. He did not mention the subject of the press release. Sen. Rutchi (D-29) expressed his discomfort with the release, and Sen. Anthon would like to have the majority and minority leaders approve the document first. The Council motioned to have the Speaker of the House and Pro Tempore of the Senate release the statement after approval by Minority and Majority Leaders. The motion was approved, and the Council adjourned.