

The Idaho Legislature convened this week for the 2018 session. Below is summary of highlights from the Governor's State of the State. A copy of the actual address is also attached. The main issue of interest this week was the introduction of legislation that would revise how the taxable wage rate is calculated in Idaho and could save employers collectively as much as \$46 million this year. This change will still keep our unemployment insurance system solvent while costing employers less. It is worth noting that Idaho is one of only 16 states with a solvent system. Next week we anticipate seeing rules from IDEQ.

2018 State of the State Address

The governor's State of the State 2018 Address today was a broad outline of both Idaho's current state and where Idaho is headed in the future. Governor Otter spoke positively about Idaho's previous improvements in areas such as education and economic growth. He also proposed a number of changes to education, health, and tax programs.

His proposals were wide ranging with a focus on education and healthcare. He proposed providing \$42 million for the fourth year of the career ladder system that benefits educators. Also in the realm of education was his recommendation of an additional \$10 million for school technology and \$5 million for college and career advising. He also proposed an additional \$1.4 million per year for the Idaho School Mastery Programs. Additionally, Governor Otter recommends expanding Career Technical Education (CTE) course offerings for 7-8 grade students, and online-based classes for further career training. These changes could potentially expand the workforce for future generations.

Governor Otter also discussed increasing literacy efforts in the state. He recommended \$6.5 million for improving the K-3 literacy programs, and developing programs that promote reading to learn. Otter hopes to refocus current literacy programs to focus to help all students who are not yet reading proficiently at grade level.

On the topic of higher education, in an attempt to reach Governor Otter's education goal of 60% of Idahoans achieving a post-secondary or technical degree, currently at 42%, he has proposed an executive officer position to manager higher education institutions with the intention to find tens of millions of dollars in efficiencies. In addition, the governor also hopes to expand post-secondary schools.

Governor Otter also called for a 3% pay increase for state workers. Additionally, he is re-proposing the unemployment insurance tax relief. This would cost the Department of Labor around \$75,000 but would save Idaho employers \$115 million in taxes over the next three years. The governor also proposed conforming state income tax codes to federal changes, potentially bringing in \$97.4 million in state revenue. He also recommends around \$200 million in tax cuts that would result in a reduction of state revenue by an estimated \$94.7 million.

Otter recognized Idaho National Laboratory for their advances in technology and nuclear energy research. He also announced a new stage in the development of small modular reactor technology and a five-year management contract that help to maintain relations with INL.

He also announced his plan for a new Idaho Healthcare Plan, which would allow you to move to Medicaid when needed due to costly medical expenses. This could lower premiums by cutting costs for payers, without expanding Medicaid. It could also stabilize insurance markets and allow more availability for coverage. The health plan would pull \$17.4 from the state general fund and \$11.4 from the

Millennium fund to implement the program. Otter also called for expansion of the medical profession in the state through the opening of Idaho's first medical school, Idaho College of Osteopathic Medicine, 11 new residency opportunities, and the continuation of the regional WWAMI consortium, a program offering a medical residency to Idaho medical students.

After noting the success of current behavioral health crisis centers, Governor Otter called for \$2.6 million to establish three new crisis centers by the end of next year in Lewiston, Nampa/Caldwell area, and Pocatello.

Changes in Senate Leadership:

In addition to the State of the State Address, changes in the State Senate were implemented. Chuck Winder is the new majority leader, with Steve Vick as the assistant majority leader. Kelly Anthon will take the position of the caucus chair.