

MINUTES  
**JOINT FINANCE-APPROPRIATIONS COMMITTEE**

**DATE:** Tuesday, January 12, 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 called the meeting to order at 8:00 A.M..

**WELCOME  
AND PAGE  
INTRODUCTIONS:** Chairman Keough welcomed all Joint Finance-Appropriations Committee (JFAC) members to the Second Regular Session of the Sixty-Third Legislature. After seat selection which was done according to seniority and set up of laptop computers, the Chairman introduced the high school Pages who will serve the Committee for the first six weeks of the session. Emily Anderson from Rigby, Idaho, who attends Rigby High School will serve as the House Page. Marshall Toryanski who lives in Boise, Idaho and attends Timberline High School will serve as the Senate Page.

**LSO STAFF  
INTRODUCTIONS:** The following people were introduced as members of the Budget and Policy Analysis Division of the Legislative Services Office: Deputy Manager Paul Headlee; Analysts Richard Burns, Ray Houston, Keith Bybee, Robyn Lockett, Jared Tatro, and Jared Hoskins; Data Systems Coordinator Shane Winslow; and Margaret Major provides administrative support. The Division Manager, Cathy Holland-Smith, was working offsite.

**AGENCY  
PRESENTATION:** **REVIEW OF GOVERNOR'S FY 2017 BUDGET RECOMMENDATIONS**

**PRESENTER:** **Jani Revier, Administrator, Division of Financial Management (DFM)**  
**Ms. Revier** presented the Governor's budget recommendations for FY 2017. To view the presentation, please click on the following link: [Review of Governor's Recommendation](#)  
**Revier** introduced the following DFM staff members: David Fulkerson, Deputy Administrator/State Financial Officer and Acting Administrator of the Division of Human Resources; Shelby Kerns, Budget Bureau Chief; Financial Management Analysts David Hahn, Sara Stover, Anita Hamann, Adam Jarvis, Matt Warnick, and Gideon Tolman; Nate Clayville, Economic Analysis Bureau and Derek Santos, Chief Economist.

**Revier** reviewed the current condition of Idaho's economy and General Fund revenue collections. Idaho is settling into a sustainable period of economic expansion. Employment has grown steadily since FY 2011 and the unemployment rate dropped to 3.9% in the fourth quarter of 2015; wages and salaries should accelerate. Idaho nominal personal income is forecasted to grow over the next few years which is encouraging since personal income is a major determinant of the State's General Fund. The largest component of General Fund receipts is the individual income tax; sales tax is the second largest component of receipts and is also influenced by income. Farm proprietors' incomes were at record highs in FY 2014 but have since retreated as commodity prices declined. The state economists' projection, based on several indicators, becomes the basis for the Governor's Executive Budget recommendation. The General Fund grew by 8.6% and topped \$3 billion for the first time last year; revenue is projected to increase. Between reversions and increased receipts, a surplus of \$108 million was split between the Budget Stabilization Fund and the Idaho Transportation Department (Strategic Initiatives Program). After the statutory balance transfer at the end of FY 2015, the Budget Stabilization Fund had a balance of almost \$244 million.

The revised General Fund forecast for FY 2016 is \$3.18 billion or 4.1% growth which is \$56 million higher than anticipated. The following events have impacted revenues available for FY 2016: 1) tax conformity legislation for \$17,202,000, 2) a transfer to the Group Insurance Account for \$13,140,000, 3) a transfer to the Constitutional Defense Fund for \$2,000,000, and 4) \$425,400 for supplementals and deficiency warrants.

The forecast for FY 2017 General Fund revenue is \$3.34 billion or 4.49% growth. Two revenue reducers will be tax conformity for \$28,669,000 and \$21.2 million for recommended funding of the Primary Care Access Program which will redirect revenue from the existing tobacco tax and a portion of the cigarette tax.

Governor Otter's guidelines for preparing the FY 2017 budget recommendations were: 1) education is the top budget priority, 2) growth in government should be limited, and 3) the focus should remain on strategic investments and core services. The Executive Budget includes recommendations for \$8.3 billion in spending from all funding sources (General Fund, dedicated funds, and federal funds). Today's presentation focused on the \$3.3 billion General Fund recommendation of which almost two-thirds is education spending. \$77,452,900 from the General Fund has been budgeted to maintain current operations including education; of that amount \$10,208,000 is for replacement items, \$13,185,400 for nondiscretionary adjustments, and \$780,100 for inflation (limited to contract inflation). Dedicated fund agencies were given the same scrutiny and held to the same standard as General Fund agencies.

The Governor recommended a 3% CEC based on merit with flexibility for directors to address agency needs. In addition to the CEC, the Governor recommended three agency-specific line items where turnover is significantly higher than the state average or positions cannot be filled due to compensation levels. Idaho will have a 27th payroll in FY 2017 and it is recommended that the amount be paid from the General Fund,

The Executive Budget reflects the Governor's priority of providing significant funding to implement recommendations from the Governor's Task Force for Improving Education including: 1) \$40 million for the Career Ladder, 2) \$30 million for restoration of operational or discretionary funding, 3) \$10.7 million for Literacy Proficiency, 4) \$5 million for Teacher Professional Development, 5) \$10 million for Classroom Technology, 6) \$5 million for college and career advising, 7) \$1.1 million for Mastery-Based System Planning and Assessment, and 8) \$2.5 million for ADA Stability and Mobility. The Governor also recommended the following strategic investments in public school funding: 1) school security assessments for \$270,000 and 5.0 FTP, 2) \$97,300 in funding for the Military Division Youth ChalleNGe Program, 3) 189,500 for the Idaho School for the Deaf and Blind to open a cottage to house 10 new residential students, 4) \$10 million to support Idaho's programs and priorities in advancing science, technology, engineering, and mathematics (STEM) education, 5) \$2 million for STEM Education Fund, 6) \$2 million for professional development promoting STEM education, and 7) \$99,000 and one FTP for a new Computer Science and Coding Initiative.

The Governor's higher education budget continues to emphasize meeting the goal of at least 60% of Idaho citizens between the ages of 25 and 34 having a post-secondary degree or professional certification by 2020. The recommendation includes \$5 million for the Opportunity Scholarship program, \$5 million for a new completion scholarship to incentivize people to finish a post-secondary program, and \$10 million for a Tuition Lock program which would cap tuition for qualified students over a four-year period. Other higher education recommendations include: 1) \$1 million for the INL/BSU Cyber Security Lab, 2) \$617,100 for BSU Materials Science and Engineering Research Initiative, 3) \$1.7 million for expansion of the Meridian Campus for ISU, 4) \$1.6 million for UI occupancy costs and rent, 5) \$193,700 for safety, security and compliance at LCSC, 6) \$300,000 for Higher Education Research Council (HERC), and 7) \$3.8 million for enrollment-workload adjustment restoration.

For community colleges the Governor recommended the following: 1) \$113,200 for CSI Instructional Support and \$91,500 for an Institutional Researcher, 2) at NIC, occupancy costs of \$116,100 and \$615,100 for security measures, 3) \$500,000 in funding equity at CSI, and 4) \$5 million to establish a community college in eastern Idaho. For Professional-Technical Education, the budget recommendation is for \$3.7 million and 38.0 FTP for postsecondary capacity expansion at six postsecondary institutions, and \$325,000 for Agricultural and Natural Resource Education grants. In health programs the Governor recommended \$278,900 to add five additional seats to the WWAMI medical program, to add two additional seats for medical students at the University of Utah, and \$180,000 for the Kootenai Health Family Medicine Residency program.

Other recommendations from the Executive Budget include: 1) funds for fire suppression, fire preparedness, and expansion of fire protection associations, 2) funding for water issues including \$2 million for ongoing water sustainability projects, \$10 million one-time transfer to the Aquifer Planning, Management and Implementation Fund, and \$56,100 and 4.0 FTP for the Surface Water Coalition Settlement Agreement, and 3) funding for the Sage Grouse Initiative. The Governor also recommends important investments in health and human services to provide better outcomes for Idahoans including 1) \$19.3 million for the Primary Care Access Program, 2) \$1.7 million for another Community Crisis Center, 3) \$128,000 to expand the Access Program, and \$16.5 million for growth in Medicaid. Regarding Public Safety, the Executive Budget includes \$5 million to reform the public defense system, staffing for the ISP Regional Communication Center including 4 FTP for \$257,000, and \$967,900 to replace the integrated radio and phone console and recording systems at the ISP Regional Communications Centers.

The Governor also recommends \$4 million in General Funds with an additional \$4 million in dedicated fund spending authority for the Idaho State Historical Museum Educational Exhibitions. Regarding the Idaho Transportation Department, the Governor is recommending increased spending authority to include \$58.2 million in the State Highway Account, \$54.7 million for the Strategic Initiatives Program, and a federal fund increase of \$21.2 million. The Governor also recommended ongoing funding for the State Tax Commission Fraud and Identity Theft Prevention program amounting to \$363,500 and 2.0 FTP.

Under current statute, when General Fund revenue grows by more than 4 percent over the previous year, revenue above 4 percent, up to a maximum of 1 percent of total General Fund collections, is transferred to the Budget Stabilization Fund. The 4.1% growth in FY 16 triggers a \$4.6 million transfer while the 4.9% growth in FY 17 triggers a \$28.9 million transfer. However, when adjusted for the reduction in revenue from tax conformity and the redirection of tobacco and cigarette tax, growth drops below 4% so no statutory transfer is triggered. (If the legislation proposed for tax conformity or for the Primary Care Access Program does not pass, a transfer to the Budget Stabilization Fund may be triggered.)

**BUDGET  
& POLICY  
PRESENTATION:  
PRESENTER:**

**Review of Budget Hearing Schedule, Legislative Budget Book, and  
FY 2016 and FY 2017 General Fund Review**

**Paul Headlee, Deputy Division Manager, Budget & Policy Division,  
Legislative Services Office**

To view the presentation, please click on the following link: [Review FY 2016  
— FY 2017 Budget](#) and [FY 2017 Line Item Comparison](#)

The Budget and Policy Analysis Division assists legislators with the State’s budget and appropriations process. Analysts provide professional, nonpartisan fiscal and policy analysis for the Joint Finance-Appropriations Committee, individual legislators and other legislative committees.

The following information was discussed with the Committee: 1) a review of the Governor’s FY 2016 recommendation for a revenue estimate of 4.1% and recommended supplemental appropriations leaving an estimated FY 2017 General Fund ending balance of \$102,464,200, 2) an FY 2017 Comparison showing the Governor’s estimated ending balance of \$5,779,700, 3) the Governor’s FY 2017 budget breaking out public schools from other state agencies, 4) information on the Governor’s recommendation for the State’s savings accounts, and an FY 2017 Line Item Comparison.

**ADJOURNED:**

There being no further business, Chairman Keough adjourned the meeting at 10:30 A.M.

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Senator Keough  
Chair

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Peggy Moyer  
Secretary