

MINUTES
JOINT FINANCE-APPROPRIATIONS COMMITTEE

DATE: Tuesday, January 09, 2024
TIME: 8:00 A.M.
PLACE: Room C310
MEMBERS PRESENT: Senators Co-Chairman Grow, Bjerke, Burtenshaw, Lent, Cook, VanOrden, Adams, Herndon, Ward-Engelking, Just
Representatives Co-Chair Horman, Miller, Bundy, Raybould, Furniss, Handy, Lambert, Petzke, Tanner, Green
ABSENT/ EXCUSED: None

Co-Chair Horman called the meeting to order at 8:00 a.m.

Co-Chair Horman welcomed the committee and reviewed the new organization, tools, and materials JFAC will use for budget work and budget setting. The transition to digital devices and new online tools will allow the committee easier access to more detailed budget information. JFAC will have shorter formal budget hearings to allow more time for committee members to work together and with budget staff. State agencies will submit presentations to the committee 72 hours in advance of their budget hearings. These new procedures will allow committee members more time during budget hearings to query the state agencies.

Co-Chairman Grow discussed the role of audits in setting budgets and the importance of addressing uncorrected findings in agency budgets. He also gave a brief overview of the new JFAC process and schedule, which will move budget bills to the House and Senate floors earlier in the legislative session. JFAC will set the statewide maintenance budgets first, then meet as workgroups and the entire committee to review and analyze the new line items and budget requests.

Co-Chairman Grow stated during the legislative interim, JFAC will perform a detailed examination of one-fifth of state agencies' base budgets. Thus, in five years, JFAC will complete a thorough review of every state agency base budget.

Co-Chair Horman stated these changes are intended to increase the visibility and transparency of spending in state agencies. This new schedule means JFAC will take votes on statewide budget decisions, such as the Change in Employee Compensation (CEC), earlier in the legislative session. The voting procedures for JFAC will remain the same as 2023. If there is not a majority in either the House Appropriations or the Senate Finance Committees, the budget will be retained in JFAC until a majority of both can agree on a budget.

Mr. Keith Bybee, Division Manager, LSO Budget & Policy, gave a brief overview of Sharepoint, a new online tool for JFAC members. This website is a central location for publicly available information such as the Legislative Budget Book, agency presentations, and TransparentIdaho. Mr. Bybee also introduced the LSO Budget & Policy staff and reviewed their budget assignments. **Co-Chair Horman** expressed appreciation to the LSO staff for creating the new online tools.

Mr. Bybee explained the organizing philosophy of this year's JFAC agenda schedule. JFAC meetings will focus first on high-level, statewide reports and vote on statewide maintenance budgets. After statewide maintenance budgets have been set, there will be agency budget hearings for additional requests such as replacement items or non-discretionary adjustments, line items, and any other additional requests. Some agencies have requested only a maintenance budget. Those agencies will not have specific budget hearings.

Co-Chair Horman explained this is standard practice for the second legislative session. If an agency has a pure maintenance budget, it does not have a budget hearing in JFAC. She expressed hope this accelerated budget schedule will help legislative colleagues consider budgets in the context of germane policy bills.

Co-Chairman Grow reminded the committee the legislature has a constitutional mandate to balance the budget.

Mr. Alex Adams, Administrator, Division of Financial Management (DFM), presented the Idaho Works budget outlined in the Governor's State of the State speech, which was delivered the previous day to the Legislature.

Mr. Adams reviewed the Governor's approach to budgeting. He observed successive tax cuts have limited any budget surplus to a planned ending balance. Pandemic relief funds have ended, and revenues are normalizing. Mr. Adams discussed managing uncertainty in revenue projections and the importance of ensuring obligated expenditures will sustain over the five-year budgeted time horizon.

Co-Chair Horman put the committee at ease at 9:06 a.m.

Co-Chair Horman resumed the meeting at 9:07 a.m.

Mr. Adams presented data regarding revenue projections, revenue adjustments, and maintenance adjustments. He explained recommendations for \$125M for the School Modernization Trust Fund and \$75M for the school building maintenance match. He reviewed additional recommendations for investments in Idaho jobs and businesses, transportation, natural resources, and property tax relief.

Co-Chairman Grow stated there are several policy bills incorporated into the Governor's budget proposal which will need to be passed by the Legislature. He noted these extra recommendations and requests will not affect the maintenance budgets. JFAC will move ahead with the maintenance budgets and then consider extra requests. Some of those requests are dependent on policy legislation. Co-Chairman Grow also emphasized the need to be careful which revenue predictions to adopt. He observed the proposed bonding for school facilities will obligate future legislators.

Rep. Furniss observed the Governor's proposal to lower the bonding threshold for public schools could facilitate communities getting much-needed maintenance for their facilities. **Sen. Ward-Engelking** recognized the difficulty in passing a school bond, but emphasized the importance of providing safe facilities for students. She noted this school bonding proposal is similar to the transportation funding process.

In response to a committee question, **Mr. Adams** stated the Governor's FY 2025 budget proposal uses the Millennium Fund for anti-fentanyl purposes. He emphasized the Governor's proposals are recommendations, but the legislature determines the budget.

In response to committee questions, **Mr. Adams** further explained the school bonding proposal is a policy bill, and the legislature sets policy. The germane committees will determine the policies. After additional questions, it was determined under the Governor's bond proposal, the state will pay the interest on the school bonds, not the local districts.

Co-Chair Horman referenced the current discussion of funding Public School Support Units based on average daily attendance (ADA) vs. enrollment. She stated school funds must be distributed according to the law, and current law is based on ADA. She anticipates policy bills will come forward during this legislative session, which will affect the work of JFAC.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 9:58 a.m.

Representative Horman
Chair

Alyson Jackson
Secretary