

MINUTES
JOINT FINANCE-APPROPRIATIONS COMMITTEE

DATE: Wednesday, January 10, 2024

TIME: 8:00 A.M.

PLACE: Room C310

MEMBERS PRESENT: Senators Co-chairman Grow, Bjerke, Burtenshaw, Lent, Cook, VanOrden, Adams, Herndon, Ward-Engelking and Just
Representatives Co-Chairman Horman, Miller, Bundy, Raybould, Furniss, Handy, Lambert, Petzke, Tanner and Green

ABSENT/ EXCUSED: None

CONVENED: **Co-Chairman Grow** called the Joint Finance-Appropriations Committee (Committee) to order at 8:30 a.m. with a quorum present. Co-Chairman Grow noted that the meeting time was delayed by 30 minutes due to weather conditions and to allow members time to get to the meeting.

LSO STAFF PRESENTATION: **GENERAL FUND FY 2024-FY 2025 BUDGET REVIEW Keith Bybee, Division Manager, LSO Budget & Policy Analysis**

Mr. Bybee provided a budget review for FY 24 and FY 25 (see, attachment 1). Detail on the General Fund budget is found in the Legislative Budget Book (LBB) and available within the SharePoint application for use by Committee members. Mr. Bybee presented a brief history on General Fund revenues and expenditures, and referenced the Governor's forecast amounts within the General Fund budget discussion, including a discussion on revenue volatility and budget structural balance(see, attachment 2 and attachment 3).

He stated that the gap between revenues and expenditures is starting to shrink. For FY 24 there was a \$400 million gap as the difference between \$5.6 billion of revenue versus \$5.2 billion of expenditures. This is lower than the previous gap of \$700 million gap. He outlined current General Fund obligations and the need moving forward to stay risk adverse to make sure there is sufficient cash to cover obligations. He also pointed out the categorization of the Governor's proposals for reduction of \$175 million of sales tax. Looking forward to FY 26, growth is projected at 5.6%. He stated this information re-emphasizes the budget numbers presented to the Committee the prior day January 9, 2024 by Mr. Alex Adams, Administrator Office of the Governor.

He walked through the General Fund obligations and tax rebates table to give the committee a sense of historic budget surpluses. He stated LSO is working to independently verify cash balances, and this is an ongoing process. He also emphasized executive carryforward and reappropriation considerations and impact on cash balances, as well as legislative authorized reappropriation authority. He discussed details of revenue adjustments and how some could be deemed as general fund obligations. He discussed deficiency warrants and the impact of authorizing an agency to spend against the general fund in order to pay for a declared emergency.

He presented detail regarding appropriations, including maintenance costs. He provided the example of current appropriation for health insurance of \$13,750 per employee was reduced to \$13,000 through a new insurance provider. Mr. Bybee outlined to the committee that LSO is working to look not just at the short term impact, but to look at long term costs and how the model relies on data and information inputted into the model from sources including the State of Idaho and outside entities. He highlighted for the committee the importance of cost categorization impacting sustainability going forward.

DISCUSSION:

In response to a question from **Co-Chair Grow** whether reappropriation as a spending authority increases the subsequent year's budget, Mr. Bybee stated it does have the affect of increasing the total appropriation, an increase in the subsequent year's budget.

In response to a question form **Representative Tanner** regarding the inclusion of H 292 in forecast numbers, Mr. Bybee stated the \$5.78 billion revenue forecast includes impact of H 292.

In response to a question from **Senator Ward-Engelking** regarding the categorization of public school funding, Mr. Bybee stated that the \$80 million is a dedicated fund for in-demand careers.

Co-Chair Grow asked for clarification regarding transfers and reserves from the general fund. In response, Mr. Bybee stated that historically a transfer out of the general fund to other funds was treated as a revenue adjustment and explained that other states, specifically Colorado, have treated amounts going out of the general fund for spending as general fund appropriations rather than as revenue adjustments.

Co-Chair Grow requested further detail showing percentage expense increases and breakouts of revenue reductions versus transfers and expressed thanks to Mr. Bybee in providing the information for the benefit of the Committee and increased transparency.

AT EASE:

The Committee went at ease at 9:45 a.m. and was back in order at 9:55 a.m.

LSO STAFF PRESENTATION:

IDAHO STATUTES RELATING TO BUDGET: Keith Bybee, Division Manager, LSO Budget & Policy Analysis

Mr. Bybee outlined the Idaho Statutes related to powers and duties, and audit and oversight of the state budget (see, attachment 4). The discussion was broken out in three statute groupings: 1) §67-432 through §67-440, Idaho Code, 2) §67-3502, Idaho Code, and 3) §67-3513 through §67-3514, Idaho Code.

The Joint Finance and Appropriations Committee (JFAC) consists of the members of the Senate Finance Committee and members of House Appropriations Committee. Idaho statute directs the Committee shall function during the legislative sessions and during the interim between sessions and shall meet as often as may be necessary for the proper performance of its duties upon the call of Co-chairs. Idaho Code outlines that Committee powers and duties include reviewing the Executive budget and budget requests of each

state department, agency, and institution, including requests for construction of capital improvements, as well as other requests for appropriations submitted to the legislature, and to conduct hearings as it may deem necessary and proper. The Committee shall submit a report for each session of the legislature.

Statute provides that all reports produced by the Legislative Audits Division shall be delivered to the Co-chairs for review and approval prior to release. Co-Chairs at their discretion conduct hearings related to any report and seek input and testimony prior to or after reports. Statute provides that state government agencies are required to submit reports of actual and estimated receipts and expenditures to DFM. The Committee has authority to examine and inspect all properties, equipment and facilities.

Statute outlines the Committee shall sit jointly in open session while considering the budget and, the administrator of the Division of Financial Management, or his designated representative shall attend all meetings and shall present to the committee that recommendations of the governor for amounts to be appropriated for each department, office, institution, including elected officers and the state Board of Education and such presentation shall include all information necessary to substantiate recommendations of the Governor. The Committee at its discretion, may cause the attendance of heads or responsible representatives of said department offices and institutions, and the Committee may increase or decrease items in the budget as it may deem to be in the interests of greater economy and efficiency in public service.

According to statute, by no later than January 15th of each year, the administrator of the Division of Financial Management shall report to the Joint Committee the following minimal information: list by department, program by funding source of all permanent positions authorized as of January 1st of the year, the current salary established for each position as of January 1st; the list shall also designate which of the listed positions were vacant as of January 1st, and the date such position became vacant, a list by department program and by funding source of the amounts needed to fund the state employee compensation changes being recommended by the Governor which list must be prepared to show the individual cost of each component of the compensation changes, and a report that complies and summarizes with the information the Division of Financial Management received.

DISCUSSION:

Senator Lent asked if Alex Adams, DFM Administrator could provide further insight on budget structural balance discussion. **Alex Adams, DFM Administrator** stood to address the Committee. Mr. Adams addressed the numbers that Mr. Bybee presented, stating the primary difference is breakout of onetime transfers and revenue reductions and stated the budget DFM presented the prior day is structurally balanced through FY 28.

**LSO STAFF
PRESENTATION:**

**BUDGET DEVELOPMENT MANUAL -BUILDING BLOCKS, LBB
FRONT END REPORT: DECISION UNIT BUDGET MODEL; Janet
Jessup, Principal Analyst, LSO Budget & Policy Analysis**

Ms. Jessup outlined the Decision Unit (DU) Budget Model included in the LBB (see, attachment 5). She explained that individual Decision Units (known as DUs) are building blocks that make up an agency budget. She referenced page 5 of the Idaho Legislative Budget Book (LBB) for Fiscal Year 2025, highlighting various categorizations of DUs. She explained how the prior presentation from Keith Bybee provided a macro budget overview, while her remarks were focused on a micro budget summary. She walked through how benchmark highlight budget changes including the difference between original appropriation and total appropriation is reappropriation and supplemental appropriation. She stated that a major item for Members to look at is benchmark 4 on LBB page 5 because it relates to what changes the Legislature wants to make going forward between benchmark 4 and 5. The desired or needed enhancements by agencies, such as personnel, is included between Benchmark 5 and 6. Janet stated that the DU Model is a cyclical model, where benchmark 6 becomes benchmark 1. She also stated how the DU model is repeated in all departments, and she walked through the Department of Agriculture as an example.

DISCUSSION:

In response to a question from **Senator Bjerke** about how inflationary adjustments are determined, Ms. Jessup stated Inflation adjustments are broken into 2 different categories including 1) general inflation and 2) contract inflation. General inflation captures general increased costs for operations and can vary greatly for different agencies. For example, the increase in gas prices will impact each agency differently. Contract inflation relates to agency contracts, such as contracts for services or leasing spaces, where cost escalation is built into contracts. The LSO analysts have worked toward identifying cost drivers in building models.

Senator Cook asked for clarification that benchmark 5 totals are the maintenance budget amounts the Committee will be passing. In response, **Co-Chair Grow** answered yes, that benchmark is maintenance of current operations and will be the ten budgets JFAC will be passing. Following maintenance budgets, the committee will look at line items and requests from departments in addition to base operations. Co-Chair Grow provided further detail regarding the maintenance budget process.

Senator Ward-Engelking asked for clarification on whether JFAC will look over the budgets two separate times, once for maintenance and then again to look at line items and requests. In response, **Co-Chair Grow** stated that maintenance budgets will pass, and then the Committee will make sure that no matter what happens on line items, the various departments move ahead. He stated that 23 departments have not requested any line item increases at all.

Ms. Jessup emphasized that if members have any questions about benchmarks to please ask analysts for further clarification.

**LSO STAFF
PRESENTATION:**

**BUDGET BOOK REPORTS; Jared Tatro, Deputy Manager, LSO
Budget & Policy Analysis**

Mr. Tatro provided an overview of the Legislative Budget Book (LBB). The first section of the LBB outlines State government structure. He discussed how the Idaho Constitution outlines 3 branches of government in Section 1, and stated Article 4, section 20 of the State Constitution limits the number of executive departments to 20. Mr. Tatro discussed how agencies are organized to meet this constitutional requirement. In addition to the State Government Organizational Chart, Mr. Tatro outlined other key sections of the LBB including: General Fund Request by Agency, General Fund Recommendation by Agency, All Funds Request Comparison by Agency and All Funds Recommendation Comparison by Agency.

He explained how the LBB is organized by section number and functional area titles. He outlined that the same basic structure and categorization is used by Governor's office, LSO and JFAC. Mr. Tatro showed members how to view general fund request comparisons by agency, including dollar and percentage amounts. Each agency has: division summary, division fund analysis, division comparative report.

He summarized the process for budget requests, stating that first every agency makes a request to the legislature. Second, the Governor's office makes a recommendation, which is its request to the legislature stating agency needs and asking the legislature to consider such needs. There are three different types of funds used: general funds, federal funds and dedicated funds. There are close to 300 dedicated funds that are not federal or general funds. An example of a dedicated fund is fishing license revenue. All of these dedicated funds are included within a fiscal sourcebook on JFAC website and the LBB is broken out into 8 sections.

DISCUSSION:

Co-Chair Grow emphasized that for the purpose of JFAC, the departments are combined into functional areas rather than separate departments, resulting in 10 maintenance budgets.

In response to question from **Co-Chair Grow** regarding executive carryforward, Mr. Tatro stated that an expenditure will be recorded in the year spent, not in the year appropriated. He reminded members that LSO analysts can help members with further detail and projections.

ADJOURNED:

There being no further business before the Committee, **Co-Chairman Grow** adjourned the meeting at 10:40 a.m.

Senator Grow
Chair

Linsy Heiner
Secretary