

MINUTES
JOINT FINANCE-APPROPRIATIONS COMMITTEE

DATE: Tuesday, January 08, 2019

TIME: 8:00 A.M.

PLACE: Room C310

MEMBERS PRESENT: Senators Co-chairman Bair, Johnson, Lee, Agenbroad, Crabtree, Grow, Burtenshaw, Woodward, Ward-Engelking, and Nye.

Representatives Co-chairman Youngblood, Horman, Anderson, Amador, Kauffman, Raybould, Syme, Troy, Wintrow, and Toone.

**ABSENT/
EXCUSED:** None

CONVENED: **Co—Chairman Bair** called the meeting of the Joint Finance and Appropriations (JFAC) (Committee) to order at 8:00 a.m. He welcomed members of the Committee and introduced the Pages who will assist the Committee for the first six weeks.

Senate Page Emily White is a Senior at New Plymouth High School where she serves on the Business Professionals Club. Emily loves to ski and hopes to attend the University of Washington, majoring in Education.

House Page Arlie Bledsoe is a Senior at Compass Honors High School who loves writing and government. She plans to major in International Relations and hopes one day to work as a diplomat for the United States Foreign Service.

Chairman Bair noted the Rules governing JFAC and explained that the proceedings of each meeting will be recorded as the official Minutes. In addition, the Committee Secretaries will prepare written Minutes for the Legislative Library. Roll call voting will be conducted according to seniority.

LSO STAFF PRESENTATION: **JFAC BUDGET HEARING SCHEDULE AND PROCESS; REVIEW OF LEGISLATIVE BUDGET BOOK (LBB)**

PRESENTER: **Paul Headlee**, Division Manager, Legislative Services Office (LSO) Mr. Headlee, introduced his staff and budget analysts, and described the logistics and processes covering the first nine weeks of the Legislative Session.

During the first six weeks, state agencies will present their budgets to the Committee in a standardized format, comparing the 2018 appropriations, 2018 actual expenses, 2019 appropriations budget and the projected 2020 budget, together with details of the 2020 requests. During that time, the Committee will also address supplemental budget requests.

During weeks seven, eight and nine (7, 8 and 9), the Committee will vote on the budget requests. Decisions by the Committee result in appropriation bills. During weeks 10 and eleven (10 and 11), additional trailer appropriations may be addressed.

Mr. Headlee reviewed each of the Rules Governing the Joint Finance Appropriations Committee. In response to questions by Representative Anderson, **Mr. Headlee** confirmed that the Vice Chair of the presiding body will chair the Committee only in the absence of both Chairs. The call of the Chair is the final decision in all matters of the governing Rules.

Mr. Headlee noted additional resources and publications, including the LSO Website, the Legislative Budget Book (LBB), budget hearing packets and the daily update "Green Sheet".

The Idaho 2019 Legislative Budget Book (LBB) is the primary reference document used by JFAC in setting the Idaho State Budget. Section I of this document contains statewide summary reports, charts, graphs and historical tables. Section II provides a detailed description of agency budget requests for the Executive, Judicial and Legislative Branches. The LBB provides the Legislature with a side-by-side comparison of each agency's budget request and the Governor's budget recommendation in a single, inclusive document.

Mr. Headlee reviewed Section I, the State Budget Process, with emphasis on the Idaho Decision Unit (DU) Budget Model and its benchmarks, the Fiscal Year (FY) 2019 and FY 2020 General Fund Summaries and other statewide reports. See [Presentation](#) and [Audio](#).

**AGENCY
PRESENTATION:**

**REVIEW OF GOVERNOR'S F7 2019 AND FY 2020 BUDGET
RECOMMENDATION**

PRESENTER:

Alex Adams, Administrator, Office of the Governor, Division of Financial Management

Mr. Adams restated Governor Little's commitment to ensuring the best opportunities for the citizens of Idaho. The Governor's Budget reflects that vision.

The Financial Management staff includes Shelby Kerns, Budget Bureau Chief; Sara Stover, Senior Policy Advisor, Policy Division, Sara Stover, Senior Financial Management Analyst; Gideon Tolman, Analyst, and others.

The largest revenue source to the General Fund comes from individual income tax (49 percent), followed by sales tax (40 percent), corporate income tax (six (6) percent) and other sources (five (5) percent). General Fund revenue in the first five months of FY 2019 was \$62.9 million below projections, which appears to be a timing issue since other economic indicators are generally positive. The State's chief economist expects that the shortfall will be offset by individual income tax filing payments in Spring 2019. The Governor's budget has an ending balance for FY 2019 of more than \$97 million, which will offset any unanticipated expenses or revenue shortfalls. The Governor's FY 2020 budget has an estimated ending balance of \$172,600,000.

On the expenditure side, the Governor has budgeted \$171 million from the General Fund to maintain current operations, including education. Of that, non-discretionary adjustments including Medicaid growth, public school growth, the teacher career ladder and other similar items, total \$132 million which is the largest portion of operations maintenance. Other categories serviced from the General Fund include replacement items, inflation, six-month Department of Human Resources (DHR) fee holiday, a three (3) percent employment compensation adjustment, a two (2) percent pay structure shift, and adjustments to health benefits.

Higher Education Initiatives include an enrollment workload adjustment, Opportunity Scholarship, graduate medical education and occupancy costs. These initiatives increase the Governor's overall higher education budget by 4.72 percent.

Strategic Investments include a First-Time Home Buyers Savings Account and a program to combat opioid abuse in Idaho.

The Governor's budget implements Proposition 2 with a net-zero impact on the state's General Fund while covering approximately 91,000 adults in the expansion population. Medicaid expansion's targeted start date is January 1, 2020, allowing lead time for the Department of Health and Welfare (DHW) to develop its state plan amendment, receive approvals and make changes necessary for implementation.

The Governor's budget supports programs to help reduce overcrowding in the prison population and to increase education for at-risk youth.

The Governor continues to emphasize strengthening the state's cyber-security infrastructure through training and replacement of the state's core network equipment to ensure reliable network operations. Modernization will enhance security, lessen cyber-vulnerability and provide long-term savings.

The Governor proposes \$80 million in General Fund transfers to various dedicated funds such as the Public Education Stabilization Fund, fire suppression, peace officer standards and training, the Public Defense Commission and others.

The Governor is committed to build the state's reserve funds with a projected FY 2020 ending balance of approximately \$510 million.

DISCUSSION:

In answer to questions by Representative Wintrow specifically relating to Proposition 2, **Mr. Adams** and **Ms. Stover** affirmed that the Health & Human Services budget, as currently structured, does not include sideboard additions, While the Governor is open to discussion, such additions would not be covered by a 90/10 match from the state and federal governments.

In answer to questions by Senator Ward-Engelking, **Mr. Adams** and **Mr. Tolman** confirmed that the \$48 million increase for the fifth year of the Career Ladder would benefit all teachers, from first year residency to experienced, professional levels.

In answer to questions by Representative Kaufman, **Ms. Kerns** explained that by consolidating IT personnel from various agencies into a newly formed Office of Information Technology Services (ITS), an \$87,500 savings can be realized in personnel efficiencies. The ITS would then bill each agency their respective share from dedicated federal funds.

Ms. Kerns explained that a General Fund transfer was utilized in creating the new Public Defense Commission General Fund appropriation of \$11 million to address the problem of carryover reimbursements from one fiscal year to the next.

In answer to questions by Representative Raybold, **Mr. Adams** and **Ms. Stover** explained that the \$5 million increase for the Catastrophic (CAT) Fund presumes its current form. The budget increase addresses the number of people served as well as the cost of the claims. The Governor recommends a one-time increase with anticipated savings by 2022. See [Presentation](#) and [Audio](#).

ADJOURNED: There being no further business at this time, **Chairman Bair** adjourned the meeting at 10:42 a.m.

Senator Bair
Chair

Elaine Leedy
Secretary