

MINUTES  
**SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE**

**DATE:** Tuesday, January 15, 2019

**TIME:** 3:00 P.M.

**PLACE:** Room WW53

**MEMBERS PRESENT:** Chairman Rice, Vice Chairman Grow, Senators Hill, Vick, Anthon, Lakey, Cheatham, and Nye

**ABSENT/ EXCUSED:** Senator Burgoyne

**NOTE:** The sign-in sheet, testimonies and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.

**CONVENED:** **Chairman Rice** called the meeting of the Local Government and Taxation Committee (Committee) to order at 3:05 p.m.

**BUDGET PRESENTATION:** **Chairman Rice** introduced Mr. Paul Headlee, Division Manager, Budget and Policy Legislative Services Office (LSO), to present the Statewide budget overview. **Mr. Headlee** described the model that Idaho uses to structure and set the budget. The Idaho 2019 Legislative Budget Book (LBB) is the primary reference document used by the Joint Finance-Appropriations Committee (JFAC) in setting the Idaho State Budget. The Governor's recommendation 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 (IDU) Budget Model and its benchmarks, the Fiscal Year (FY) 2019 and FY 2020 General Fund (Attachment 1).

**DISCUSSION:** **Senator Vick** and **Mr. Headlee** discussed differences between the maintenance budget request and the Governor's recommendation. **Senator Hill** asked Mr. Headlee about zero-based budgeting - if it was automatic, what the rationale was for using it, and how it would differ from the JFAC process. **Mr. Headlee** explained how they analyzed the base and described how this process differed in the private sector.

**Senator Hill** asked Mr. Headlee if analysts ever see something in the base that may be advantageous for a legislator to focus on in terms of benefits, and if they feel comfortable bringing that to the attention of legislators. **Mr. Headlee** replied that they do from time to time look at certain items.

**Vice Chairman Grow** asked Mr. Headlee to elaborate more on Senator Hill's question regarding the executive departments putting together the budget. He asked if JFAC has the authority to reduce the budget even though something in policy was already set. **Mr. Headlee** said there is some discretion, and his office keeps track of them and then advises JFAC.

**Vice Chairman Grow** and **Mr. Headlee** discussed cash transfers. **Mr. Headlee** said they do track all the cash transfers and sometimes they go into a reserve fund.

**Vice Chairman Grow** asked if they have a schedule of the dedicated funds

that shows the increase or decrease in expenditures for the fiscal year from the dedicated funds. **Mr. Headlee** said he would get one for him.

**Vice Chairman Grow** asked about the benefits of the Public Employee Retirement System of Idaho (PERSI). One of the challenges across the nation has been the unfunded portion of public retirement. **Vice Chairman Grow** asked both for information on the percentage of Idaho's funded portion.

**Senator Vick** asked Mr. Headlee to explain how the Budget Stabilization Fund is different than the Economic Recovery Reserve. **Mr. Headlee** explained the Budget Stabilization Fund has a dedicated revenue source where there are some automatic transfers into that fund.

**BUDGET  
PRESENTATION:**

**Chairman Rice** introduced Keith Bybee, Deputy Division Manager, Budget and Policy Analyst, LSO, to present budget specifics. **Mr. Bybee** said the State Tax Commission has five budgeted programs. The largest proportion of funding sources is the General Fund which is responsible for collecting income taxes for individual income tax, corporate income tax, and beer and wine tax. **Mr. Bybee** presented two budgets:

Budget #1 - The Board of Tax Appeals bill is funded primarily from the General Fund. The 2018 Total Appropriation and Total Expenditures is \$43,156,700. The 2020 Agency Request is \$45,422,800, which includes 6 new line items: Improve Field Office Security, Batch Monitoring Services, Additional Processing Staff, Taxpayer Services Positions, IT Help Desk, and Additional Auditors. The Governors Recommendation is \$44,818,500 (Attachment 2).

Budget #2 - Board of Tax Appeals. The 2018 Appropriation and Estimate was \$606,700. The 2018 Actual Expenditure was \$577,200. The 2019 Appropriation and Estimate were \$608,600. The 2020 Board of Tax Appeals Request is \$630,200, and the Governor Recommends \$639,900. The 2018 State Tax Commission Total Appropriation was \$45,381,200, and the Actual amount was \$43,156,700. In 2019 the Appropriation and Estimated Expenditures was \$43,750,200. For Fiscal Year 2020 the State Tax Commission requests an appropriation of \$45,422,800. The Governor recommends \$44,818,500. (Attachment 2)

**Chairman Rice** said he noticed the governor was recommending 11 fewer positions than were budgeted last year, and he asked Mr. Bybee if he knew what areas those positions or cuts are recommended to come from. **Mr. Bybee** replied that the plan is to take the current technology division, which is set up in the State Tax Commission, and move them over into the Office of Information Technology Services (IT), which is organized into the Governor's Office. This will consolidate the function so the State is saving by not having each individual agency have their own IT.

**Senator Vick** asked Mr. Bybee if the towns with a resort tax send some funds to the tax commission to help them with paperwork. He also asked if the county sends anything to help with property tax administration. **Mr. Bybee** responded that the property tax from the counties doesn't offer any support in code. The State is statutorily obligated to help the counties. They receive a General Fund appropriation to help the county support the work that the Tax Commission does.

**Mr. Bybee** said the Board of Tax bills are funded only with General Funds, though this year the Governor dedicated a small portion of the fund identified in Attachment 1.

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INTRODUCTION:**

Chairman Rice welcomed the Committee page, Mariya Ricks, and asked her to provide a personal introduction. **Ms. Ricks** said she is from Shelley, Idaho. Since Ms. Ricks is home schooled she's able to continue doing her work online as she has in the past. She loves the arts and loves drawing and music and wants to study illustration at Brigham Young University (BYU).

**ADJOURNED:**

There being no further business, **Chairman Rice** adjourned the meeting at 4:45 p.m.

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Senator Rice  
Chair

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Carol Waldrip  
Secretary