

MINUTES  
**JOINT FINANCE-APPROPRIATIONS COMMITTEE**

**DATE:** Tuesday, January 07, 2020

**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 Joint Finance-Appropriations Committee (Committee) (JFAC) to order at 8:00 a.m. He introduced the new pages and acknowledged and thanked staff.

**LSO STAFF PRESENTATION:** **Paul Headlee, Division Manager, Legislative Services Office (LSO), Budget Policy Analysis**

**Mr. Headlee** described the budget hearing process and the current schedule for each agency's presentation. The Legislative Budget Book (LBB) will serve as the primary resource for all committee members, and it is available on the Legislative Website. It contains all of the analysis for each agency for the past, present and upcoming fiscal years, and includes the Governor's recommendations for each agency request. The LBB also includes a packet of spending reset plans created by each agency in response to the Governor's request to trim one percent (1%) of its current 2020 budget, and to reduce the 2021 budget by an additional two percent (2%).

Each budget presentation will contain nine specific steps involving the Committee Co-Chair, the assigned LSO budget analyst, and the agency director. The format of the presentations will be consistent for all agencies. Each agency is required to develop a strategic plan and an annual performance measure which will, for the first time, be part of the budget presentation. Any open audit findings will also be addressed at that time. See [Audio](#).

**AGENCY PRESENTATION:** **Alex Adams, Administrator, Office of the Governor, Division of Financial Management.**

The Governor's State of the State Address on January 6, 2020 set forth specific areas of the Governor's focus. Among these are (1) improved revenue forecasts; (2) reductions in spending for 2020 and 2021 (excluding education); (3) rainy day fund growth, (4) tax relief and (5) investments in education and health services.

Sound budgeting reflects sound economic forecasts. The Department of Financial Management (DFM), the Legislative Services Office (LSO), and the state's chief economist made three important changes to revenue forecasting: (1) extending the forecast from three to five years; (2) using alternative economic forecasts, both optimistic and pessimistic, to provide estimated upper and lower bounds for the general fund over those five years, and (3) assigning probabilities to each. The Governor's recommendation uses the weighted average to arrive at the best possible forecast for FY 2021. FY 2020 is expected to create a \$60,000,000 ending balance, and FY 2021 anticipates an excess of an additional \$61,000,000.

In October 2019, Governor Little called for a budget reset and requested a one-time one percent (1%) decrease in FY 2020 spending. This rescission resulted in a \$19,100,000 savings. Additionally, the Governor requested an ongoing two percent (2%) decrease in spending from each agency for FY 2021. This savings equates to an additional \$37,600,000. These rescissions do not affect education. Governor Little has recommended \$145,000,000 in new spending in FY 2021. Increases include, maintenance growth, Medicaid growth, state employee compensation, and a new approach to fleet management, replacement items, and other categories.

K12 Education continues as Governor Little's top priority. His 2021 budget reflects investments to raise starting teacher pay, additional investments in literacy, and the Advanced Opportunities Program. Other targets include educator accountability, and service to students facing trauma or mental illness.

In higher education, Governor Little supports the State Board of Education's promise to freeze tuition for resident undergraduate students in 2020, together with additional scholarship funds to ease student's financial burdens. The Governor also recommends a \$1,000,000 general fund investment to create a cybersecurity degree in collaboration between Boise State, Idaho State University and the University of Idaho. This collaboration across Idaho's higher education institutions will offer Idahoans the opportunity to advance in an in-demand profession.

In Health and Human Services, the Governor has proposed several recommendations to advance the work of his opioid task force, including enhanced accessibility of the state's prescription monitoring program. Additional proposals would modernize Medicaid reimbursements by shifting from a fee for service reimbursement model to a value based method for Medicaid hospital payments.

The Governor's budget also implements the first full year of Proposition 2, Medicaid Expansion, with a net zero impact on the state's general fund. To date, approximately 53,275 Idahoans have enrolled in the program.

In public safety, the Governor's budget adds 806 additional beds to the Department of Corrections, 160 of which will be at the Twin Falls Community Reentry Center. The Governor also recommended a new model mission would be to reduce recidivism by targeting outpatient counseling, drug testing, transitional housing, and other services.

The Governor will continue to enhance state government efficiency by consolidating information technology functions over several agencies into one Office of Information Technology (OTIS). Focus areas include enhancement of cybersecurity through secure watch software designed to create a smaller IT footprint with fewer machines. More computing capacity allows the state to act like a cloud provider for agencies. A technology consultant will assist in developing budgets and refine billing methods.

The Governor intends to boost rainy days funds by an additional \$102,000,000 over a two year period to the budget stabilization fund and the public education stabilization fund, raising Idaho's reserves to 14.9 percent of revenue collections. While the National Association of State Budget officers ranks Idaho among the top 10 states nationally, Moody's Analytics, recommends between 18 percent to 23 percent in reserves to weather any upcoming recession. Such a recession would not only decrease revenue, but also increase spending in Medicaid enrollment.

The Governor is committed to finding the most responsible ways to ease the grocery tax burden on Idahoans without any impact to education programs. HB 259, passed in 2019, directed internet retailers and marketplace facilitators to collect and remit sales and use taxes. The money was directed into a dedicated fund for the sole purpose of funding future tax relief statutes enacted by the legislature, subject to appropriation.

In answer to questions from the Committee, Mr. Adams explained that the reduction in agency budgets by one percent (1%) in 2020 was based on the best projections of revenue growth and the spending requests of each agency. While revenue is expected to grow over the next five years; the 2019 budget spending growth outpaced revenue growth and is not sustainable. The Governor gave several months' notice to allow agencies time to thoughtfully trim their budgets with minimal impact on Idahoans. [Audio](#) and [Presentation](#).

**ADJOURN:**

Having no further business before the committee, **Chairman Bair** adjourned the meeting at 10:05 a.m.

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Senator Bair  
Chair

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Elaine Leedy  
Secretary