

MINUTES
JOINT FINANCE-APPROPRIATIONS COMMITTEE

DATE: Wednesday, February 03, 2021
TIME: 8:00 A.M.
PLACE: Room C310
MEMBERS PRESENT: Co-Chairman Bair, Senators Agenbroad, Crabtree, Grow, Woodward, Lent, Riggs, Cook, Ward-Engelking, and Nye.
Co-Chairman Youngblood, Representatives Troy, Horman, Amador, Syme, Bundy, Giddings, Nate, Green (Morales), and Nash.
ABSENT/ EXCUSED: None
CONVENED: **Co-Chairman Bair** called the Joint Finance-Appropriations Committee (Committee) to order at 8:01 a.m.

AGENCY PRESENTATION:

IDAHO STATE TAX COMMISSION, Jeff McCray, Chairman; Keith Bybee, LSO Analyst

The Idaho State Tax Commission is an executive branch agency, and operates under the guidance of the governor of the state of Idaho. The governor appoints the four tax commissioners, and their appointments must be confirmed by the state Senate. The commissioners serve six-year terms. The tax commissioners also sit as the State Board of Equalization for two weeks in August. In that capacity, they hear and decide appeals for operating property such as railroads and utilities, which cross county lines.

Historical Summary: The tax commission is organized into five divisions, General Services, Audit Division, Collections Division, Revenue operations division, property tax program, and the new Idaho Rebound. The General Fund makes of 82 percent, dedicated funds make up 18 percent, and federal funds are less than 1 percent.

Organizational Chart: There are 448.00 Full Time Positions (FTP) and 41.00 vacant positions as of January 28, 2021.

Chairman McCray and Alex Adams, Department of Financial Management, answered multiple questions from the Committee regarding the organizational structure of the Tax Commission.

FY 2020 Actual Expenditures Variance Report: the FY 2020 appropriation was \$45,096,000 which included an adjustment for the omnibus decisions. There was a noncognizable increase of \$300,000,000 from CARES Act funds that was used for the two programs the Commission ran to help with the COVID relief. The Tax Commission spent \$56.6 million in CARES Act funds. They were able to balance the budget by using vacant and open positions, thereby reducing unspent appropriation funds with less reversion at the end of the year.

Mr. Bybee and Mr. Adams answered questions regarding the CARES Act funds.

FY 2021 Budget: There were 2 line items requested. The first was for \$171,800 for office space changes and a second one for a \$10,000 increase for the commissioner's CEC.

There was a supplemental request increase of \$15,000,000 recommended by the Governor for Building Idaho's Future. There was a rescission in rent costs for \$647,200 due to the Commission's move to the Chinden Campus. There were two noncognizable adjustments for a total of \$125,100,000 which were used for the Return to Work Initiative and Small Business Grants.

Mr. Adams provided more details on the noncognizable adjustment of \$125,000,000 and the rent reduction. **Nick Landry**, Financial Executive Officer, said the Commission spent \$52.7 million of the \$125.1 million appropriation, and the remainder was reverted, with a remaining balance of \$6,750.

FY 2022 Budget Request: There were two line items. The first was for \$10,000 CEC for a commissioner that the Governor recommended, and the second was for \$933,600 from General Fund in operating expenditures to provide hosting services for GenTax by FAST Enterprises, the Commission's integrated tax software solution. The Governor recommended authority to carryover unspent appropriation up to \$15.0 million for Building Idaho's Future.

See [Presentation](#) and [Audio](#) Here.

**AGENCY
PRESENTATION:**

**BOARD OF TAX APPEALS, Cindy Pollock, Executive Director;
Keith Bybee, LSO Analyst**

The Board of Tax Appeals is situated in the executive branch, which provides a quasi-judicial function. The board is comprised of three citizen board members appointed by the Governor and they serve in three year rotating terms.

Historical Summary: In FY 2020 the Board received a total appropriation of \$670,200 and spent \$663,300. That included the one percent reduction at the end of the year and a 5.5 percent less than the FY 2020 appropriation. For FY 2022, the agency requests a 2.3 percent increase over the original appropriation of 2021, and the Governor recommended a 1.6 percent increase. They are completely funded from the General Fund.

Organizational Chart: There are 5.00 FTP and there is 1.00 FTP vacant.

Performance Report: **Director Pollack** presented the measures, outcomes and changes from FY 2020. The Board did not meet the May 1 2020 deadline due to receiving late cases from Bennett County and requested supplemental funding to hear those appeals. All the other counties measures were met. She said the Board does hear a large variety of appeals from the State Tax Commission, with threshold of \$25,000. Any appeals over that amount would go directly to court or to the Tax Commission.

FY 2020 Actual Expenditures Variance Report: The Board had an original appropriation \$635,600. There was a supplemental request that was funded for \$42,100 used for the for Bennett County appeals. There was a small rescission and a one percent holdback. Of the total appropriation of \$670,200, 5.5 percent of the total. was reverted.

Comparative Summary: The Board requested a 2.3 percent increase, driven largely by the health insurance costs and the Governor recommended a 1.6 percent increase.

FY 2021 Budget: There is a current year adjustment for the five percent hold back. There were no line items funded for the agency.

FY 2022 Budget Request: Included the standard adjustments for benefit costs and changes in employee compensation. There is an inflationary adjustment request for a three percent increase in their current rent contract for \$1,300. The biggest changes were in the maintenance area of the budget. The total agency request was for \$648,800 and the Governor's recommended \$644,400.

See [Presentation](#) and [Audio](#) Here.

AGENCY PRESENTATION:

DEPARTMENT OF ADMINISTRATION, Keith Reynolds, Director Maggie Smith, LSO Analyst

The Department of Administration provides services to Idaho state agencies, businesses, and citizens by: Promoting effective and innovative business practices through technology, facilitating purchasing and cost savings through statewide contracts and streamlined processes, providing services to minimize overhead and operating costs throughout state government, and effectively managing and protecting facilities assets and controlling on-going building lease expenses.

Historical Summary: Department of Administration is organized into four budgeted programs: Management Services; Public Works; Purchasing and Insurance Management. They are funded by both general funds and dedicated funds. Dedicated funds make up about 90 percent of the of the budget, General funds make up the rest of the 10 percent.

Organizational Chart: There are 124.00 FTP and 12.00 vacant positions as of 2/1/2021. There is a proposed new program with a line item request for FY 2022 to move the functions of the copy service center as well as central postal services and create a fifth budgeted program. This would be a net zero transfer moving 16.52 FTP and the associated personnel costs and operating expenditures to be a standalone program.

Performance Report: **Director Reynolds** discussed the agency's performance measures, which were revamped last year. The performance measures are established with the commitment to save taxpayer dollars and improve services to our customers. 1. Reduce the five year rolling property claims payments by 20 percent 2. Reduce the average length of time for issuing construction contracts.

FY 2020 Actual Expenditures Variance Report: The Department of Administration has a number of dedicated funds and in the interest of time, Ms. Smith directed the committee to the page that explains the source and use of each of the funds. The actual expenditures can be cross-referenced with this list.

Comparative Summary: There are two line items requested for FY 2022, and both are zero dollar line item shifts between the programs or the funds and were recommended by the Governor.

FY 2021 Budget: There were seven line items:

- \$350,000 one-time dedicated funding to evaluate options to self-fund state employee health insurance.
- \$125,000 in dedicated funds for a postal employee and related equipment to help serve the growing number of agencies at the Chinden campus.
- \$95,900 of ongoing dedicated funds and \$5,400 one time for a new safety and loss control program manager.
- \$43,900 and an additional employee for the Capitol Mall due to the volume increases.
- \$80,000 in ongoing dedicated funds to lease a document management system at the Capitol Mall Copy Center.
- \$ 314,000 in one time dedicated funding to remodel and update the office to utilize the square footage as efficiently as possible
- \$25,000 in ongoing dedicated operating spending authority to purchase one hundred additional user licenses for the Public Works Project Management System

The Department of Administration received \$580,000 in CARES Act funding to be used for PPE efforts. This funding was also used to update the audio visual systems in the JRW Building and the Chinden Campus conference rooms, install touchless water fountains, and upgrade the postal loading dock at the Capitol Mall. There was an additional \$10 million from CARES Act funds for the Office of Group Insurance that reimburses a continuously appropriated fund used to pay medical claims on behalf of state employees and their dependents related to COVID-19. The department had been reimbursed for just over \$8.0 million dollars. The Department anticipates most of the remaining balance of \$1.9 million will be recouped. The use of the CARES Act funds has a positive impact on the state's Medical Reserve Fund.

FY 2022 Budget Request: There are two line item requests. The first is to create a new document services budgeted program under the Department of Administration. This is a net-zero transfer. The second is for fund shifts to the Permanent Building Fund that will transfer funds from the facility services group to the design and construction group.

See [Presentation](#) and [Audio](#) Here.

**AGENCY
PRESENTATION:**

**BOND PAYMENTS PROGRAM, Keith Reynolds, Director
Maggie Smith, LSO Analyst**

The Department of Administration's Bond Payments Program consolidates payment of the State's bonded indebtedness for the construction of building.

Historical Summary: This budgeted program is organized under the Department of Administration. The majority of bonds are paid from the Permanent Building Fund. There is one paid from the General Fund and one paid from another dedicated fund within the Department of Administration. A summary of the 13 bonds that the state is currently paying was provided for the Committee's review. Director Reynolds gave a brief overview of the bonds.

FY 2021 Budget: There was one base adjustment for a reduction of \$414,000 which represents the annual obligation that was previously used to pay the Department of Parks and Recreation headquarters building, which will be fully paid in FY 2022.

FY 2022 Budget Request: The total agency request was for \$19,363,000, the Governor's recommendation mirrors the request.

See [Presentation](#) and [Audio](#) Here.

**AGENCY
PRESENTATION:**

**CAPITOL COMMISSION, Andy Erstad, Chairman;
Maggie Smith, LSO Analyst**

The Capitol Commission consists of nine members appointed by the Governor. The Commission was created by Legislature in 1998 and is charged with developing a master plan for the restoration and refurbishment of the Capitol.

Historical Summary: The Capitol Commission is funded 100 percent by dedicated funds. The dedicated funds are derived from investment earnings on state endowment funds. There are three funding sources: Commission Operating Fund, the Capitol Maintenance Reserve Fund and the Capitol Endowment Income Fund. The earnings from the endowment fund are transferred for operating expenditures and capital outlay purchases. Any remaining funds stay in the fund.

FY 2021 Budget: There are no line item requests. There was reappropriation authority, and the Commission carried forward \$56,000 from the FY 2020 into the FY 2021.

FY 2022 Budget Request: The Commission requested \$2,342,000 which the Governor mirrored in his recommendation.

See [Presentation](#) and [Audio](#) Here.

**AGENCY
PRESENTATION:**

**PERMANENT BUILDING FUND, Pat Donaldson, Administrator,
Division of Public Works;
Maggie Smith, LSO Analyst**

The Permanent Building Fund (PBF) is dedicated for the purpose of building needed structures, renovations, repairs to and remodeling existing structures at state institutions and state agencies.

Historical Summary: The PBF is a dedicated fund with seven statutory sources of revenue. The revenues come from a fee associated with income tax filings, a fixed amount from sales tax and the cigarette tax, a third of the beer tax, three eighths of the net lottery revenues and interest earnings from the permanent building fund itself, as well as the Budget Stabilization Fund. The Division of Financial Management (DFM) provides revenue estimates to the Permanent Building Fund Advisory Council. From there, after accounting for the appropriations needed for the Department of Administration there were three new capital projects recommended by the Permanent Building Fund Advisory Council for FY 2022, and were all recommended by the Governor.

FY 2021 Budget: There were five line items and \$36,924,000 funded: \$33,817,400 for a statewide building alteration and repair projects, \$1,300,000 for Americans with Disabilities Act (ADA) projects, \$500,000 for asbestos abatement, and \$1,307,400 for Capitol Mall facilities maintenance. Additionally, \$9,604,000 which funded five capital construction projects.

The Governor recommended a supplemental request in the budget for Building Idaho's Future which was for a onetime General Fund transfer to the PBF and a onetime dedicated fund appropriation for a total of \$96,217,500.

Alex Adams discussed the details of this Building Idaho's Future funds and answered questions from the Committee.

FY 2022 Budget Request: There were replacement items that included alteration and repair projects and are accounted for under replacement items and differ from typical replacement items.

FY 2022 line items which were for the three capital projects approved:

- \$800,000 for a facility for the Idaho State Police in Idaho Falls. We're happy to turn the time over to the administrator to discuss that administrator.
- \$3,200,000 for juvenile corrections to replace a dorm in St. Anthony, to replace a 24 bed dormitory style cottage with a twenty four bed, single room style cottage on the campus of Juvenile Corrections at St. Anthony.
- \$5,429,600 for Military Readiness Center in Twin Falls.

See [Presentation](#) and [Audio](#) Here.

**AGENCY
PRESENTATION:**

**DIVISION OF HUMAN RESOURCES, Susan Buxton, Administrator;
Maggie Smith, LSO Analyst**

The Division of Human Resources (DHR) is organized within the Office of the Governor. The division is responsible for employee recruitment, job classification, employee assessment and selection processes, compensation issues, workforce planning and development, employee relations and providing human resource policy to comply with applicable laws and regulations.

Historical Summary: The Division of Human Resources is entirely funded by dedicated funds from all state agencies that have classified employees. There was a onetime \$500,000 supplemental given last session. This was in response to the Governor's emergency declaration and was for advanced sick leave and paid administrative leave for employees. However, that money was reverted at the end of the fiscal year. CARES Act money was used for that purpose instead.

In the interest of time, Ms. Smith moved ahead to the FY 2022 Budget.

FY 2022 Budget Request: There was one line item recommended by the Governor for \$15,400 for additional office space Borah building.

In her closing remarks, **Ms. Buxton** discussed the two line items from FY 2021 which were for \$25,000 spending authority to provide director and agency head training and \$79,200 for one FTP for the personnel complaint line.

See [Presentation](#) and [Audio](#) Here.

ADJOURNED:

There being no further business before the Committee, **Co-Chairman Bair** adjourned the meeting at 10:44 a.m.

Senator Bair
Chair

Denise B. McNeil
Secretary