

MINUTES
JOINT FINANCE-APPROPRIATIONS COMMITTEE

DATE: Thursday, February 10, 2022
TIME: 8:00 A.M.
PLACE: Room C310
MEMBERS: Senators Co-chairman Agenbroad, Crabtree, VanOrden (Bair), Grow, Woodward, Lent, Riggs, Cook, Ward-Engelking, Nye
Representatives Co-chairman Youngblood, Troy, Horman, Amador, Syme, Bundy, Giddings, Nate, Green, Nash
**ABSENT/
EXCUSED:** None

Co-Chairman Youngblood called the meeting to order at 8:02 a.m.

Mr. Tim Hibbard, Analyst, LSO Budget & Policy Analysis, presented an overview of the Idaho State Tax Commission, which serves as the constitutional state board of equalization. The Commission has five budgeted programs: General Services, Audit, Collections, Revenue Operations, and Property Tax. Mr. Hibbard explained the Commission had two audits; one has been resolved, and the other is in process. Internal control procedures were not consistently followed while employees worked remotely during the pandemic, resulting in a lack of critical reviews for sales tax distributions, fuel tax distributions, Rebound Idaho distributions, reversals, and total monthly refunds that occurred in February, March, April, and May of 2021.

Mr. Jeff McCray, Chairman, Idaho State Tax Commission, explained the agency resolved one audit by creating new internal control procedures and processes. Mr. McCray explained the second audit finding recommended the Commission design and implement control procedures to ensure accounts receivable amounts are reasonable and substantiated with adequate supporting documentation. The agency is working with their software vendor to develop a reporting method for calculating receivables and anticipates a resolution to the problem by the end of June 2022.

Mr. John Bernasconi, Chief Operating Officer, Idaho State Tax Commission, explained the Commission's budget requests. The Commission requests a FY 2022 supplemental appropriation for a one-time \$1.5M from the General Fund to develop a cloud-based collection analytics tool offered by FAST Enterprises, the state's software vendor for GenTax. This program will take six to nine months to complete and anticipates approximately \$20M in revenue and a 15% increase in annual collections. Included in the FY 2023 budget is a request for an ongoing \$750K from the General Fund to update and maintain this FAST Collection Services (FCS) program.

Mr. Bernasconi expressed support for the Governor's recommended budget for FY 2023 for replacement items. The Governor recommends \$189.5K in ARPA funds, \$113.5K in dedicated funds, and \$12.2K in General Funds to replace information technology equipment.

Mr. Bernasconi explained the Commission's FY 2023 budget requests regarding personnel. They request one FTP and \$86.6K in ongoing funds for a business analyst to lead the Commission's process improvement efforts. The Commission also requests two FTPs and \$156K in ongoing funds for two software engineers.

Mr. Bernasconi explained the FY 2023 budget alignment request to create a centralized cost center under General Services, which involves a series of net-zero program transfers of personnel costs.

In response to committee questions about the FCS system, **Mr. Bernasconi** stated FAST Enterprises feels the projected \$20M revenue is a conservative estimate; the company is hesitant to make further projections until it has implemented the program and met its first-year goal. Mr. Bernasconi stated the agency has partnered with FAST since 2003 and feels confident in its estimations.

In response to other committee questions, **Mr. Bernasconi** stated the agency anticipates collecting \$240M in tax revenues this year.

Mr. Hibbard presented an overview of the Board of Tax Appeals. The Board provides taxpayers the opportunity to appeal their ad valorem assessed valuations from a county board of equalization or tax decisions from the Idaho State Tax Commission. The three-member board provides an opportunity for appellants and respondents to present testimony and evidence at a quasi-judicial board hearing, rather than a district court trial which can necessitate legal representation and expense. The agency has no open audit findings.

Ms. Cindy Pollock, Director, Board of Tax Appeal (BTA), explained the three board members of the BTA are situated around the state to make it easier to conduct in-person hearings. The majority of hearings are tax assessment appeals.

For FY 2023, BTA requests ongoing base adjustments including the removal of one FTP and \$42.5K from personnel costs. BTA also requests a net-zero object transfer of \$40K from personnel costs to operating expenditures. The agency will utilize contractors, rather than part-time employees, to meet additional workload. The remaining amount in operating expenditures will provide for travel and continuing education.

Sen. Patrick and **Rep. Holtclaw**, co-Chairs of the Change in Employee Compensation (CEC) Committee, presented a report based on the input of state departments, Human Resources, the Governor's recommendations, and over 150 pages of written testimony. The CEC Committee also considered inflation, increased housing costs, and other factors in making these recommendations.

The CEC Committee made the following recommendations to the Joint Finance-Appropriations Committee for FY 2023: 3% salary structure increase, measures to address specific recruitment/retention issues, \$1.25/hour merit-based salary increase, maintain the current employee health insurance benefit package and PERSI benefit package, and implement a one-year holiday for employers that contribute to the PERSI-managed sick leave plan.

In response to committee questions, **Sen. Patrick** explained inflation and pressures on the job market had increased since the Governor's well-researched recommendations; the CEC Committee felt it had to offer even more to address the acute staffing recruitment and retention issues of governmental agencies. He noted the hard work of the committee and the many options they considered while working toward this recommendation.

Rep. Syme explained his longtime membership on the CEC Committee. He noted every year there is a divided vote on recommendations; often the decision comes down to a single vote. Rep. Syme stated this year's voting differential was normal.

Sen. Patrick read the committee's recommendation to JFAC.

UNANIMOUS CONSENT REQUEST: **Rep. Syme** requested the Joint Finance & Appropriations Committee accept the report of the Change in Employee Compensation (CEC) Committee Report. **Rep. Nate** objected.

MOTION: **Rep. Syme** made a motion, seconded by **Sen. Ward-Engelking**, to accept the report.

Co-Chairman Youngblood called for a voice vote.

Rep. Nate requested a roll call vote.

Rep. Syme stated the vote was to accept the report, not adopt the report.

Co-Chairman Youngblood called for the vote.

VOTE ON MOTION: **Motion carried by a vote of 14 AYES, 2 NAYS, and 4 ABSENT/EXCUSED.**

AYES: 14. Agenbroad, Crabtree, Grow, Lent, Riggs, Cook, VanOrden (Bair), Ward-Engelking, Youngblood, Troy, Amador, Syme, Bundy, Nash. **NAYS: 2.** Giddings, Nate. **ABSENT/EXCUSED: 4.** Woodward, Nye, Horman, Green.

Mr. Nate Osborne, Analyst, LSO Budget & Policy Analysis, presented a FY 2022 supplemental request from the Division of Veteran Services. The agency requests an additional \$25K from the Federal Grant Fund and \$10K from the Miscellaneous Revenue Fund to acquire a list of veterans living in Idaho.

In response to a committee question, **Mr. Osborne** clarified the agency would use this appropriation to contract with a private company to collect the data.

UNANIMOUS CONSENT REQUEST: **Rep. Bundy** requested and it was granted by unanimous consent, the FY 2022 budget for Veteran Services was reopened.

In response to committee questions, **Mr. Mark Tschampl**, Chief Administrator, Idaho Division of Veteran Services (IDVS), stated contrary to popular belief, not all veterans know about all available services. He further explained IDVS is separate and distinct from the federal Veterans Administration. The agency currently has a list of 40K veterans living in Idaho; according to the VA, there are 122K veterans living in the state.

In response to further committee questions, **Mr. Tschampl** explained the agency would contract with TransUnion, one of three main credit bureaus in the US, to compile a list of contact information for all confirmed veterans living in Idaho. The actual contact list would remain in the Division of Veteran Services; any third-party information would be sent by IDVS itself.

Mr. Tschampl clarified the agency was requesting a one-time supplemental appropriation of \$35K to compile the list; the ongoing cost to maintain the list is estimated at \$400-\$1K.

MOTION: **Rep. Bundy** made a motion, seconded by **Sen. Riggs**, for the Division of Veteran Services, an increase of \$10K from the Miscellaneous Revenue Fund and an increase of \$25K from the Federal Grant Fund for a total of \$35K.

VOTE ON MOTION: **Motion carried by a vote of 14 AYES, 2 NAYS, 4 ABSENT/EXCUSED.**

AYES: 14. Agenbroad, Crabtree, Grow, Lent, Riggs, Cook, VanOrden (Bair), Ward-Engelking, Youngblood, Troy, Amador, Syme, Bundy, Nash. **NAYS: 2.** Giddings, Nate. **ABSENT/EXCUSED: 4.** Woodward, Nye, Horman, Green.

The majority having voted in the affirmative and without objection the legislation will carry a **DO PASS** recommendation. There being no objection, it was so ordered by **Chairman Youngblood**.

Mr. Osborne presented a FY 2022 supplemental request from the Division of Veteran Services. The agency requests an additional ongoing net-zero fund shift of \$225K from the Miscellaneous Revenue Fund to the General Fund to supplement funding for interment costs. Of the request, \$190,300 is for personnel costs and \$34,700 is for operating expenditures. This request will be used to supplement the Veterans Affairs burial fees that do not cover the total operational costs. The General Fund request will ensure the cemetery can continue to provide burial and interment services while maintaining National Shrine Standards.

MOTION:

Rep. Bundy made a motion, seconded by **Sen. Riggs**, for the Division of Veteran Services, for a reduction of \$225K from the Miscellaneous Revenue Fund and an increase of \$225K from the General Fund for a net-zero increase.

Rep. Bundy noted this appropriate use of state funds and hoped for the committee's support to use state funding to cover costs incurred above the VA allotment.

VOTE ON MOTION:

Motion carried by a vote of 16 AYES, 0 NAYS, 4 ABSENT/EXCUSED.

AYES: 16. Agenbroad, Crabtree, Grow, Lent, Riggs, Cook, VanOrden (Bair), Ward-Engelking, Youngblood, Troy, Amador, Syme, Bundy, Giddings, Nate, Nash.
NAYS: 0. ABSENT/EXCUSED: 4. Woodward, Nye, Horman, Green.

The majority having voted in the affirmative and without objection the legislation will carry a **DO PASS** recommendation. There being no objection, it was so ordered by **Chairman Youngblood**.

Mr. Osborne presented a FY 2022 supplemental request from the Division of Veteran Services. The agency requests a \$1M one-time appropriation from the Veteran Recognition Income Fund for increased construction and materials costs associated with the Post Falls Veterans Home project. This project is being partially funded by a Veterans Affairs (VA) reimbursement grant, which requires up-front payment for supplies and equipment.

MOTION:

Rep. Bundy made a motion, seconded by **Sen. Riggs**, for the Division of Veteran Services, \$1M from the Veterans Recognition Income Fund.

VOTE ON MOTION:

Motion carried by a vote of 16 AYES, 0 NAYS, 4 ABSENT/EXCUSED.

AYES: 16. Agenbroad, Crabtree, Grow, Lent, Riggs, Cook, VanOrden (Bair), Ward-Engelking, Youngblood, Troy, Amador, Syme, Bundy, Giddings, Nate, Nash.
NAYS: 0. ABSENT/EXCUSED: 4. Woodward, Nye, Horman, Green.

The majority having voted in the affirmative and without objection the legislation will carry a **DO PASS** recommendation. There being no objection, it was so ordered by **Chairman Youngblood**.

Mr. Matt Farina, Analyst, LSO Budget Policy & Analysis, presented a FY 2022 supplemental request from the Department of Commerce. The Governor recommends a \$2M cash transfer from the General Fund to the Idaho Opportunity Fund for allocations to local governments for construction or improvements to new or existing water, sewer, gas, or electric utility systems for new or existing building to be used for industrial or commercial operations; flood zone or environmental hazard mitigation; and construction, upgrade or renovation of other infrastructure-related items including, but not limited to, railroads, broadband, parking lots, roads, or other public costs that are directly related to specific job creation or expansion projects pursuant to Section 67-4734(2), Idaho Code.

MOTION: **Sen. Crabtree** made a motion, seconded by **Rep. Syme**, that the Office of the State Controller shall transfer \$2M from the General Fund to the Idaho Opportunity Fund as soon as practicable.

VOTE ON MOTION: **Motion carried by a vote of 16 AYES, 1 NAY, 3 ABSENT/EXCUSED. AYES: 16.** Agenbroad, Crabtree, Grow, Lent, Riggs, Cook, VanOrden (Bair), Ward-Engelking, Youngblood, Troy, Amador, Syme, Bundy, Giddings, Green, Nash. **NAYS: 1.** Nate. **ABSENT/EXCUSED: 3.** Woodward, Nye, Horman.

The majority having voted in the affirmative and without objection the legislation will carry a **DO PASS** recommendation. There being no objection, it was so ordered by **Chairman Youngblood**.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 9:54 a.m.

Representative Youngblood
Chair

Alyson Jackson
Secretary