

MINUTES
JOINT FINANCE-APPROPRIATIONS COMMITTEE

- DATE:** Friday, January 19, 2024
- TIME:** 8:00 A.M.
- PLACE:** Room C310
- MEMBERS PRESENT:** Senators Co-chairman Grow, Bjerke, Burtenshaw, Lent, Cook, VanOrden, Adams, Herndon, and Just
- Representatives Co-chairman Horman, Miller, Bundy, Raybould, Furniss, Lambert, Petzke, Tanner, Petzke and Green
- ABSENT/ EXCUSED:** Senator Ward-Engelking and Representative Handy
- CONVENED:** **Co-Chairman Grow** called the meeting of the Joint Finance-Appropriations Committee (Committee) to order at 8:00 a.m.
- PRESENTATION: JOINT CHANGE IN EMPLOYEE COMPENSATION COMMITTEE (CEC) REPORT TO JFAC**
- CEC Co-Chairs Senator Cook and Representative Bundy** presented the CEC Committee report including its recommendations and the estimated fiscal impact in four categories including: Salary Structure Adjustment, Specific Occupational Inequities, Salary Increase, and Employee Benefit Package (see, attachment 1).
- DISCUSSION:** In response to a question from **Senator Herndon, Christine Otto, LSO Principle Budget & Policy Analyst** stated that the CEC Report would be available for members within the Share Point drive. **Co-Chairman Grow** highlighted that JFAC must wait for the CEC report before finalizing budgets, and that is why a 1% placeholder was included in the maintenance budget, with the Committee planning to vote to accept CEC recommendations at a later JFAC meeting. In response to questions from **Representative Tanner** and **Senator Bjerke**, Ms. Otto stated the salary raise of 3% included a 2% merit based salary increase and a 1% across-the-board increase for all permanent employees.
- UNANIMOUS CONSENT:** Requested by **Co-Chairman Horman**, granted by unanimous consent, the CEC Report was accepted.
- LSO STAFF PRESENTATION: GENERAL FUND DAILY UPDATE Keith Bybee, Division Manager, Legislative Services Office (LSO), Budget & Policy Analysis**
- Mr. Bybee** provided a General Fund Budget Update green sheet handout (see, attachment 2). As of Jan. 18, 2024, the FY 25 original appropriations was \$5.13 billion and the Governor's Revised recommendation for FY 25 appropriations was \$5.29 billion. LSO is tracking four bills and watching for impact on the General Fund Budget including H 394 related to the sale of state facilities, S 1219 employee compensation dealing with telework, and Senate bills 1223 and 1224 related to procurement contracts.
- DISCUSSION:** **Co-Chairman Horman** asked what proposed legislation, bill status, or action triggers new financial information entering onto the General Fund Budget Update sheet. **Mr. Bybee** explained that if a bill is printed and has a stated fiscal impact, then it is added to the sheet. He explained that the four bills LSO is watching do not yet have a stated fiscal impact.

LSO STAFF PRESENTATION: OFFICE OF SPECIES CONSERVATION, LBB 6-127 Janet Jessup, Principal Analyst, LSO, Budget & Policy Analysis

Ms. Jessup provided the base review for the Office of Species Conservation including organizational structure, full time personnel (FTP) counts, and budget detail (see, attachment 3). The agency was established in 2000 and is charged with implementing the state's efforts to preserve, protect and restore species listed as candidate, threatened and endangered under the Endangered Species Act. She provided the Consolidated Fund Analysis for FY 21 — FY 25, showing one dedicated fund with a \$55,700 balance that receives funds from donations, non federal grants and settlements. She reviewed FY 20 — FY 24 appropriations and expenditures, highlighting a FY 23 reversion resulting from a \$5,000,000 federal grant in FY 23. For the FY 20 – FY 24 five-year base snapshot, line items enhancements were predominantly federal funds, while the maintenance items are made up of a 50/50 split between federal and general funds. She explained the FY 25 enhancement for Grant and Donation Appropriation related to a miscellaneous revenue fund grizzly bear conflict grant.

DISCUSSION: In response to a question from **Representative Tanner**, **Ms. Jessup** explained there are two components to appropriation: 1) cash to spend and 2) approval to spend funds. In regards to the grizzly bear conflict grant, an agency can apply for and receive grant funds, but may not have enough appropriation or permission from the legislature to spend the cash. Both cash and appropriation structures must be in place.

Mike Edmondson, Office of Species Conservation Administrator, stood to answer questions from the Committee. In response to a question from **Senator Burtenshaw**, he explained the genesis and purpose of the grizzly bear funding. In response to a question from **Co-Chairman Grow**, he stated the FY 23 Salmon Migration Funding Budget Enhancement of \$5,000,000 was used to replace two culverts with bridges. In response to a question from **Senator Just** about additional funding for LUMA, he stated additional personnel is necessary to maintain internal controls, break up the functions of receipts and expenditures, and maintain reporting requirements within LUMA.

LSO STAFF PRESENTATION: OFFICE OF INFORMATION TECHNOLOGY SERVICES (OITS), LBB 6-95 Janet Jessup, Principal Analyst, LSO, Budget & Policy Analysis

Ms. Jessup provided a base review for OITS including organizational structure, FTP counts and detailed budget information (see, attachment 4). Created in 2018, OITS coordinates statewide IT policies, telecommunications and cybersecurity. The office provides services to state government agencies and bills agencies for those services pursuant to statewide cost allocation program (SWCAP). OITS is the entity through which funds, received by an agency for technology enhancements or improvements, are effectively passed through OITS for purchasing to take advantage of group purchasing agreements. OITS has been growing at a fast rate as IT personnel and IT functions from state agencies and departments have been consolidated. She reviewed the consolidated fund analysis for FY 21 — FY 25, appropriations and expenditures for FY 20 — FY 24, FY 23 expenditures broken out by percentages, a five-year base snapshot for FY 20 — FY 24, budget enhancements for FY 23 and FY 24, and budget requests for FY 25. She highlighted that the five-year base snapshot shows a significant increase from FY 20 to FY 24, reflecting the consolidation of different agencies; however, it does not reflect the reductions in FTP to other agencies. There was a slight break from consolidation in FY 23, and \$4.5 million for IT consolidation

in FY 24. This included the Department of Transportation, Commission for Libraries, Council for the Blind and Visually Impaired, PERSI, the Department of Environmental Quality, and the Department of Labor. For FY 25 the agency is requesting continued consolidation, including the Department of Labor, the Department of Land, Military Division, Liquor Division, the State Public Defense Commission, and the Idaho State Historical Society. Additionally, the agency is requesting funds for security services and equipment, network equipment, IT infrastructure and architecture, GIS costs, vehicle leases, and ongoing capital outlay for core infrastructure replacement items. Total FY 25 requested enhancements were \$8,576,500.

DISCUSSION:

Alberto Gonzalez, OITS Administrator and Chief Information Officer answered questions from the Committee. In response to a question from **Senator VanOrden**, he stated that some IT personnel are physically moving locations during consolidations to the Chinden campus, and some IT personnel are staying in place, dependant on the needs of the agencies. In response to a question from **Representative Raybould** about the communication between agencies during consolidations, he stated his team hosted open houses and individual meetings at various agencies to ensure a smooth transition. In response to a question from **Representative Furniss** about why \$1,040,200 is requested for infrastructure replacement on an ongoing basis, he explained his department requires regular capital replacement, and there is an ongoing replacement cycle for core infrastructure including servers and safe data centers. In response to a question from **Representative Tanner** about whether his offices budget request would be reduced dependent upon Senate Bill 1219, he stated the request would not be reduced as it includes more than just telework. In response to a question from **Senator Just** regarding centralizing GIS, he stated OITS does not intend to centralize. **Co-Chairman Grow** asked how many agencies have not yet been consolidated. **Mr. Gonzalez** stated there are 63 total agencies which will be consolidated down to 54. He anticipates 2 more phases before consolidation is complete. **Senator Bjerke** asked for further clarification on why there is a 36% increase in FY 24 base. Mr. Gonzalez stated continued consolidation impacts the high percentage increase, but will result in an overall reduction of 22 FTP and the intent is to reduce overall staff footprint and consolidation will ultimately lead to economies of scale and the reduced cost of IT.

LSO STAFF

PRESENTATION: Budget & Policy Analysis

BOARD OF TAX APPEALS, LBB 6-179 Tim Hibbard, Senior Analyst, LSO
Mr. Hibbard provided a base review for the Board of Tax Appeals including organizational structure, FTP and detailed budget information (see, attachment 5). The Board of Tax Appeals 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 board provides an opportunity for appellants and respondents to present testimony and evidence at a quasi-judicial board hearing, rather than through a district court trial which can necessitate legal representation and expense. The Board of Tax Appeals operated with five FTP, but currently has four FTP and total personnel cost of \$523,940. He provided five-year appropriations and expenditures for FY 20 — FY 24, pointing out expenditures constantly fluctuate as the amount of tax appeal cases fluctuate year to year. He provided a five-year base snapshot for FY 20 — FY 24. In FY 23, the Board of Tax Appeals asked for a reduction in overall budget, reducing personnel

by one and instead contracting out as necessary. In FY 25 there is an enhancement request for board member per diem to increase from \$300 per day to \$400 per day.

DISCUSSION:

Cindy Pollock, Board of Tax Appeals Director stood to answer questions from the Committee. In response to a question from **Senator Just**, Ms. Pollock clarified that per diem amounts are the only stipends for Tax Appeal Board members. **Senator Cook** inquired about the number of tax appeals. There are typically about 300 appeals a year with 40% of appeals having some modification or being reversed. In response to a question from **Senator Petske** about whether the one line item of increasing tax appeals board per diem would procedurally require a policy bill, **Mr. Bybee** stated that if the legislature were to take action on this line item and that bill failed, there would be an excess of \$29,200 in their budget. Mr. Bybee stated that if JFAC provides appropriation, then the spending authority and the appropriation authority are one in the same in that instance. **Co-Chairman Grow** inquired if that could be added to the trailer bill and **Mr. Bybee** answered that was one potential path.

LSO STAFF

PRESENTATION:

IDAHO STATE TAX COMMISSION, LBB 6-185 Tim Hibbard, Senior Analyst, LSO Budget & Policy Analysis

Mr. Hibbard provided a base review for the Idaho State Tax Commission including organizational structure, FTP, and detailed budget information (see, attachment 6). The Idaho State Tax Commission has five budgeted programs including General Services, Audit, Compliance, Revenue and Property Tax, with a five-year average personnel cost of \$32,942,640. He reviewed the consolidated fund analysis for FY 21 — FY 25 which showed a large jump in FY 24 estimated expenditures due to House bill 292, which provided \$36 million appropriation in cash transfer from the tax relief fund to the public defense fund. This was one time in nature with no impact on the base. He provided five-year appropriations and expenditures for FY 20 — FY 24, FY 23 expenditures broken out by percentages, a five-year base snapshot for FY 20 — FY 24. The majority of the base change came from the maintenance budget, specifically the CEC amount. He reviewed FY 23 and FY 24 budget enhancements. There were two main FY 24 line items appropriated for FAST Collection Services and an imaging system (allowing the commission to work though a large backlog of unpaid taxes). Total FY 25 enhancement requests were \$387,700.

DISCUSSION:

Jeff McCray, Idaho State Tax Commission Chief Operating Officer stood to answer questions from the Committee. **Senator Cook** asked why the amount of \$383,100 equipment modernization shown in Line Item 1 was included for specific license for the agency when there is currently already an enterprise license. **Mr. McCray** called upon staff in attendance to answer the question. **Mr. Brian Smith, Deputy OITS Administrator** stated OITS is making the purchase as part of its enterprise agreement and it would be lumped into the OITS enterprise agreement for both the Microsoft agreement for SQL as well as enterprise agreement for VMware services. **Representative Horman** asked for an update from Mr. McCray on the FAST collection services. **Mr. McCray** stated that it was implemented on November 6, 2023 with good results so far. The imaging system is key to increase efficiency and will report on its efficiency next year. In response to a question from **Senator Cook** about why an imaging system in necessary as fewer people submit paper tax returns, **Mr. McCray** stated that although 90% of returns are electronic, there are still many individuals filings, businesses filings, quarterly filings, withholding and sales tax forms submitted in

paper form and the imaging technology will be required going forward as long as it is not a requirement to file electronically.

ADJOURNED: There being no further business before the Committee, **Co-Chairman Grow** adjourned the meeting at 9:44 a.m.

Senator Grow
Chair

Linsy Heiner
Secretary