

MINUTES
JOINT FINANCE-APPROPRIATIONS COMMITTEE

DATE: Friday, January 10, 2025

TIME: 8:00 A.M.

PLACE: Room C310

MEMBERS PRESENT: Senators Co-chairman Grow, Woodward, Cook, Bjerke, Hart, Carlson, Zuiderveld, Galloway, Ward-Engelking, and Wintrow

Representatives Co-chairman Horman, Miller, Furniss, Handy, Petzke, Tanner (14), Manwaring, Mitchell, Price, and Galaviz

**ABSENT/
EXCUSED:** None

CONVENED: **Co-Chair Grow** called the meeting of the Joint Finance-Appropriations Committee (Committee) to order at **8:00 a.m.**

EORAC COMMITTEE PRESENTATION: ECONOMIC OUTLOOK & REVENUE ASSESSMENT COMMITTEE (EORAC) REPORT TO JFAC

Senator Cook and **Representative Ehlers**, Co-Chairs of the EORAC committee, presented the Joint Legislative EORAC Report (see, attachment 1).

Senator Cook stated the EORAC committee had completed its overall assessment of the Governor's General Fund revenue projections for the fiscal years ended June 30th, 2025, 2026, and 2027. He emphasized the Idaho constitution requires balancing the state's appropriations and expenditures with its revenues, and it is the role of the EORAC committee to provide advice to JFAC about the reasonableness of such revenue projections. He stated the EORAC committee reviewed business tax, financial data, and trends relating to the states economy. He stated the EORAC committee recognized economic uncertainty related to the impact of the Federal Reserve Bank addressing inflation and the recent presidential election.

UNANIMOUS CONSENT: Requested by **Co-Chair Horman**, and accepted by unanimous consent, the EORAC committee report was accepted.

CEC COMMITTEE PRESENTATION: CHANGE IN EMPLOYEE COMPENSATION (CEC) COMMITTEE REPORT TO JFAC

Senator Foreman and **Representative Holtzclaw**, Co-Chairs of the CEC committee, presented their committee's report before JFAC (see, attachment 2).

Senator Foreman provided a summary of the CEC committee compensation recommendations. **Representative Holtzclaw** emphasized the CEC committee tried to strike a balance between managing the pubic funds in an appropriate way and making sure employees know they are appreciated.

**UNANIMOUS
CONSENT:**

Requested by **Co-Chair Horman**, and accepted by unanimous consent, the EORAC committee report was accepted.

**UNANIMOUS
CONSENT:**

Requested by **Co-Chair Horman**, and accepted by unanimous consent, the Committee hearing agenda was amended to hear the LSO presentation on Program Maintenance Budget Overview prior to the LSO presentation on General Fund Revenue.

**LSO STAFF
PRESENTATION:**

PROGRAM MAINTENANCE BUDGET OVERVIEW Keith Bybee, Division Manager, Legislative Services Office (LSO) Budget and Policy Analysis

Mr. Bybee provided an overview of the Program Maintenance budget (see, attachment 3), particularly the reasoning behind organizing the bills into ten distinct areas of state government. He outlined the budget process, showing where the Maintenance budget falls as a benchmark, and showed how CEC, personnel benefit cost adjustments, and contract inflation are factored into the maintenance bills. Looking ahead, he noted that the Committee would have an initial hearing on the statewide adjustments with the Program Maintenance budgets the following week. He also emphasized that the Committee would review budget enhancement items in detail throughout the session.

DISCUSSION:

Mr. Bybee answered questions from Committee members related to the Program Maintenance budget including non-discretionary versus population forecast adjustments, the removal of onetime expenditures, and replacement item categorization.

**LSO STAFF
PRESENTATION:**

GENERAL FUND REVENUE (LBB PAGES 8-9) Keith Bybee, Division Manager, (LSO) Budget and Policy Analysis

Mr. Bybee provided an overview of General Fund revenue projections for fiscal years 2025 and 2026 (see, attachment 4). The revenue data is found in pages 8–9 of the LBB. He highlighted the Governor's recommended General Fund revenue projections of \$5.948 billion for 2025 and \$6.262 billion for 2026. These projections were slightly lower than those from the Economic Outlook and Revenue Assessment Committee, which had forecasted \$6.4 billion for 2026 and \$5.99 billion for 2025. He discussed various revenue sources in detail, including individual income taxes, corporate income taxes, and sales taxes, with individual income taxes growing from \$1.6 billion in 2019 to a projected \$2.4 billion in 2025. Corporate income taxes were projected to rise from \$283 million in 2019 to \$868 million in 2025. Sales tax revenue was projected to grow from \$1.6 billion in 2019 to \$2.18 billion in 2025. He further explained the distribution of funds from various sources, including interest income, court fines, premium taxes, and unclaimed property. He highlighted the growth in unclaimed property revenue, which had increased from \$11.8 million in 2019 to a projected \$27.8 million in 2025. He discussed on the Tax Relief Fund, which had seen significant growth due to online sales tax revenue. He discussed the distribution formula for the fund's revenue to public school facilities and the

General Fund. These various revenue streams contributed to the overall General Fund projections for the upcoming years.

DISCUSSION: **Mr. Bybee** answered questions from Committee members related to General Fund revenues including what monies are transferred from the General fund to other programs

LSO STAFF PRESENTATION: **SALES TAX DISTRIBUTION (LBB PAGES 32-34) Keith Bybee, Division Manager, (LSO) Budget and Policy Analysis**

Mr. Bybee provided an overview of how sales taxes are distributed and ultimately end up in the General Fund (see, attachment 4). Further information is found on pages 32–34 of the LBB, noting that while gross sales tax collections were growing, the distribution to the General Fund appeared smaller due to additional statutory distributions. The sales tax distribution formula can be found in Idaho Code 63-3638. In 2024, total sales tax collections in Idaho were \$3.1 billion, with projections of \$3.37 billion in 2025 and \$3.5 billion in 2026. The available revenue was reduced by refunds for incorrectly paid sales tax, amounting to \$12.9 million in 2024, as well as a statutory transfer of \$220 million to the tax relief fund in 2024. This transfer is expected to grow to \$253 million in 2025 and \$307 million in 2026, reflecting the rise in online retail purchases. After these adjustments, the remaining net collections were projected at \$2.8 billion in 2024 and \$3.1 billion in 2025.

He discussed revenue sharing distribution, which accounts for 11.5% of net sales tax collections and is shared with local governments, including counties, cities, and special purpose taxing districts. He briefly explained the history of this distribution, which began in 1967 as a form of property tax relief and was last revised in 2019. He mentioned a recent addition to the distribution formula, where 4.5% of net sales tax revenue for transportation is allocated \$80 million to bonding purposes, with any excess funding directed to local transportation districts. House Bill 521 earmarked \$125 million for the school modernization fund, which is used for bond payments. Other allocations included funds for homeowners' property tax relief, the School District Facilities Fund, and the Public School Income Fund.

He explained how the distribution of sales tax revenue has changed over time. Before the Great Recession, the General Fund received nearly 86% of sales tax collections. By fiscal year 2025, the General Fund's share had decreased to 65%, partly due to increased distributions to local governments through property tax relief, as well as growing state spending. He emphasized the importance of sales tax as a stable and less volatile revenue source, particularly during economic downturns. While income tax revenue tends to decrease during recessions, sales tax remains more reliable because people still need to purchase goods. He stated that despite the stability of sales tax, over-reliance on it could lead to challenges if there is a downturn, especially if sales tax growth slows. Such downturns might result in more significant budget cuts and tougher decisions for the legislature. He discussed how fiscal decisions during times of growth have an impact during downturns in the economy.

DISCUSSION: **Mr. Bybee** answered questions from Committee members related to sales tax distribution including questions related to Idaho’s transportation expansion and congestion mitigation fund (TECM), the Budget Stabilization fund, and the impact of policy decisions made by the larger legislative body on the decisions made by JFAC.

LSO STAFF PRESENTATION: **GENERAL FUND DAILY UPDATE Keith Bybee, Division Manager, (LSO) Budget and Policy Analysis**

Mr. Bybee presented a General Fund Daily Update before the Committee. He stated this report would be updated and available to the Committee on Fridays throughout the session. The report included a comparison of the Governor's budget with the legislature's decisions, noting areas where decisions still needed to be made. For fiscal year 2025, he provided a breakdown of revenue projections, strategic initiatives, and fire suppression funding. He explained how the report tracked the original appropriations for each agency, the Governor's recommendations, and the differences between the two. He emphasized data would be updated regularly as the legislature worked through the budget to reflect decisions on each agency's budget and any new legislative priorities, including bills that might affect revenue or appropriations. In addition, the daily update also tracked longer-term fiscal impacts, such as changes to taxes or programs that would take effect in future years.

ADJOURNED: There being no further business before the Committee, **Co-Chair Grow** adjourned the meeting at **9:29 a.m.**

Senator Grow
Chair

Linsy Heiner
Secretary