

MINUTES
JOINT FINANCE-APPROPRIATIONS COMMITTEE

DATE: Tuesday, January 13, 2026
TIME: 8:00 A.M.
PLACE: Room C310
MEMBERS: Senators Co-Chair Grow, Woodward, Cook, Bjerke, Hart, Carlson, Zuiderveld, Galloway, Ward-Engelking, Wintrow
Representatives Co-Chair Tanner (14), Miller, Furniss, Petzke, Manwaring, Mitchell, Price, Bruce, Harris, Green
**ABSENT/
EXCUSED:** None

Co-Chair Tanner (14) called the meeting to order at 8:00 a.m.

Co-Chair Tanner (14) welcomed committee members to the Second Regular Session of the 68th Idaho Legislature. He introduced two new members to the committee, **Rep. Bruce** and **Rep. Harris**. The Co-Chairs introduced the House Page, **Konrad Ferch**, and the Senate Page, **Easton Chandler**.

Mr. Keith Bybee, Division Manager, Budget & Policy Analysis, Legislative Services Office (LSO), introduced the LSO Budget & Policy Analysts, the LSO Impact Team, and the Science and Technology policy fellows. Mr. Bybee presented the JFAC budget hearing schedule and reviewed agendas, publications, and resources for JFAC.

Ms. Lori Wolff, Administrator, Division of Financial Management (DFM), introduced her staff. She presented the Governor's Enduring Idaho Budget and reviewed the FY 2026 and FY 2027 budget recommendations. She explained Idaho entered the FY26–FY27 budget cycle facing a significant revenue decline, with FY 2026 projections dropping 14% between January and August 2025, totaling about \$850M. Early revenue shortfalls and agency supplemental requests created an immediate deficit risk nearing \$200M and a projected FY 2027 gap of approximately \$750M. In response, the Governor took early action in August 2025 by ordering a 3% FY 2026 spending reduction (excluding Public Schools), limiting new budget requests, and requiring agencies to identify efficiencies. These steps reduced FY 2026 spending by more than \$200M while prioritizing essential services and avoiding more disruptive cuts later in the year.

Ms. Wolff stated the Governor's FY 2027 budget emphasized ongoing structural balance through agency reductions, position eliminations, and program adjustments, while protecting key investments in education, workforce development, infrastructure, and public safety. No pay increases were recommended due to revenue constraints, though rising employee benefit costs were partially mitigated through plan adjustments. She stated the budget also addressed fast-growing cost drivers such as Medicaid and online education through rate reductions, funding realignments, and proposed statutory changes. Federal tax conformity beginning in 2026, limited onetime interest transfers, and the preservation of reserve balances supported overall budget balance.

In response to committee questions, **Ms. Wolff** explained employee health insurance contributions would increase because both the State's and employees' shares were rising by 14.5%; she acknowledged without salary increases, this would result in an effective reduction in take-home pay. Ms. Wolff recognized rising healthcare costs affected everyone and noted all budget reductions, including proposed Medicaid changes, would shift costs elsewhere; she emphasized the need to work closely with the Legislature on statutory changes while prioritizing long-term investments and economic growth. She explained budget decisions were made deliberately to balance onetime actions with ongoing reductions and to avoid excessive structural cuts, while ensuring revenues and spending aligned.

In response to committee questions, **Ms. Wolff** stated confidence in future revenue came from strong economic indicators, including GDP growth, low unemployment, job and population growth, and stable sales tax collections. She explained early corporate tax shortfalls reflected filing timing changes and later corrected; she further indicated tax conformity assumptions relied on a forward-looking start date of January 1, 2026, following Tax Commission guidance.

In response to a committee question about the proposed \$10M reduction to the Idaho Digital Learning Academy (IDLA), **Ms. Wolff** stated the Governor recommended online schools no longer receive the transportation portion of their distributions. She explained the reductions resulted from a detailed review with the Department of Education, which identified areas of double funding, including elementary courses, driver's education, and situations where both physical and online schools received Average Daily Attendance (ADA) funding for the same students. She emphasized the intent was not to diminish IDLA's value but to right-size funding amid rapid growth in online education costs and ongoing financial pressures on traditional classrooms, ensuring public funds were used efficiently and appropriately.

Co-Chair Grow explained the Tax Commission had raised concerns about conforming Idaho's tax code to federal changes in 2025 due to timing and software challenges, noting implementation was impractical until January 2026. He also discussed federal changes to Research and Experimentation credits, explaining Idaho would likely not allow carrybacks to prior years to avoid double-dipping with existing state deductions and credits. He also clarified that, unlike the federal deduction—which reduces revenue and can carry back several years—the Idaho credit reduces the tax owed rather than taxable revenue. Co-Chair Grow indicated the projected \$155M impact reflected the choice to continue the credit rather than provide an additional federal-style deduction.

Co-Chair Tanner (14) expressed concern over the tax conformity numbers in the budget, noting the figures had fluctuated enormously and questioned whether the final amount was chosen to produce a positive ending balance. He pointed out onetime adjustments might create a temporary surplus, while the ongoing budget remained negative; many of the proposed cuts required policy decisions outside the Governor's authority. Co-Chair Tanner (14) also noted historical patterns, particularly in Medicaid, where large supplemental appropriations were repeatedly needed. He argued the budget did not sufficiently protect against downturns and cautioned against future reliance on reserve funds and the possibility of returning midyear to address imbalances.

Ms. Wolff stated revenue projections were carefully assessed and economic indicators suggested Idaho would meet them. She explained the \$155M tax conformity figure was set with expert input, and the budget deliberately balanced onetime and ongoing reductions while preserving reserve funds to allow continued growth. She emphasized the Governor and state agencies have and will make hard decisions when revenue does not meet spending. Idaho will not spend more than the collected revenue.

In response to a committee comment, **Co-Chair Grow** stated JFAC planned to set the FY 2026 and FY 2027 revenue assessments on Friday, January 20, 2026.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 9:46 a.m.

Representative Tanner (14)
Chair

Alyson Jackson
Secretary