

MINUTES
JOINT FINANCE-APPROPRIATIONS COMMITTEE

DATE: Wednesday, January 14, 2026
TIME: 8:00 A.M.
PLACE: Room C310
MEMBERS PRESENT: 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
CONVENED: **Co-Chair Grow** called the meeting of the Joint Finance-Appropriations Committee (Committee) to order at **8:00 a.m.** with a quorum present.

LSO STAFF PRESENTATION: **Legislative Services Office (LSO) FY 2026 and FY 2027 Budget Review - Keith Bybee, Division Manager, Budget & Policy Analysis, LSO**
Mr. Bybee provided an overview of the state budget and outlined the key decision-making responsibilities facing the Committee for the year (see, attachment 1). He focused on the General Fund, including its structural balance and cash reconciliation. He provided detailed budget considerations for fiscal years (FY) 2026 and 2027. He reviewed stabilization funds, available cash balances, and the total budget for FY 2026 and 2027. He noted that while the General Fund totaled approximately \$5.6 billion, the total budget for fiscal year 2026 approached \$15 billion.

He explained the concept of structural balance using historical and projected revenue and expenditure trends. Revenues and expenditures are compared over a multi-year cycle, showing that projected expenditures exceed projected revenues. He emphasized that while revenue forecasts mattered, the Committee retained control over expenditures and would need to make decisions balancing short-term actions with long-term sustainability.

Mr. Bybee reviewed historical General Fund growth, highlighting significant statutory changes over the past five years, including funding for public schools, Medicaid expansion, water resources, and new or expanded state agencies. These changes accounted for roughly \$500 million in additional ongoing costs and were now crowding out other statutory growth areas, making budget balancing more complex.

He stated the budget set during the 2025 legislative session exceeded projected revenue by roughly \$100 million. The state budget set in the spring of 2025 was \$5,624,000,000, and is above the projected revenue number for fiscal year 2026 of \$5,512,000,000. He explained cash reserved for reappropriations, executive carry-forward, and year-end reversions, which together affected available cash. Adjusted revenue forecasts for fiscal year 2026 reflected tax law changes and updated economic assumptions based on taxpayer behavior

and economic activity.

The Governor's recommended budget adjustments were summarized, including reappropriations, supplementals, rescissions, executive carry-forward, and holdbacks. While the General Fund saw a modest increase, total funds grew more significantly due to federal and dedicated fund changes, including fund shifts related to health and human services. Net General Fund growth for fiscal year 2026 remained minimal, ending with a relatively small projected cash balance.

Mr. Bybee reviewed the FY 2027 Maintenance budget Governor recommendation and FY 2027 budget enhancements, noting enrollment-driven reductions in public school funding and significant cost pressures from Medicaid and correctional populations. He emphasized that although supplemental requests are included in the Governor's budget, final support decisions rested with the legislature. Relating to the public schools budget, he stated Superintendent Critchfield requested and received approval to revise funding due to lower-than-expected enrollment.

Mr. Bybee reviewed the status and purpose of the Budget Stabilization Fund and the Public School Income Fund, and their role in smoothing budget volatility. He provided a comparison of current cash reserves to those at the start of the 2009 Great Recession, showing that the state was in a far stronger financial position, with approximately \$1.6 billion in available reserves. He emphasized that the legislature had positioned itself well to manage future economic downturns and make informed budget decisions moving forward.

DISCUSSION:

In response to questions from Committee members, **Mr. Bybee** provided additional detail related to the fire deficiency warrants, the Empowering Parents Grant, the use of policy bills versus intent language in drafting legislation, historical tax laws impacting trends, and the Department of Corrections budget.

**LSO STAFF
PRESENTATION:**

Overview of Budget Hearing Process - Janet Jessup, Principal Analyst, Budget & Policy Analysis, LSO

Ms. Jessup provided an overview of the budget hearing process (see, attachment 2). She clarified a prior Committee member question regarding fire suppression deficiency funds, noting a potential deficiency request during the 2027 legislative session.

Ms. Jessup reviewed common reports within the Legislative Budget Book (LBB), including historical summaries, analyses of funds, issues and information pages, comparative summaries, and detailed budget pages. Emphasis was placed on the three-year budget framework that examined prior actuals, the current fiscal year, and future projections.

The budget presentation format was outlined using the Endowment Fund Investment Board as an example. Ms. Jessup explained how presentation slides corresponded to specific legislative budget book pages, and how agency descriptions, statutory authority, and organizational structures were displayed. Agency staffing data, including authorized and filled FTP (full time position),

vacancies, turnover, and personnel spending, were highlighted as key elements for understanding agency operations.

She explained the role of general, federal, and dedicated funds, and how fund balances and transfers were evaluated. Examples illustrated how dedicated funds were restricted to specific purposes. Five-year appropriation and expenditure trends, expenditure breakdowns, and visual summaries were discussed as tools for evaluating agency spending patterns.

Ms. Jessup reviewed the five-year base snapshot slide, stating it was a way to highlight ongoing costs from onetime expenses and to show how maintenance costs and enhancements contributed to budget growth or reductions over time. She reviewed budget enhancements, including the distinction between ongoing and onetime requests. Additional materials embedded in the presentations were described, including historical enhancement data, expenditure detail, performance measures, and fiscal source book information, which allow Committee members to conduct deeper analysis outside of hearing time.

**LSO STAFF
PRESENTATION:**

**Review of Deficiency Warrants and Supplemental Appropriation -
Morgan Poloni, Senior Analyst, Budget & Policy Analysis, LSO**

Ms. Poloni provided a summary of two methods for adjusting current-year appropriations: deficiency warrants and supplemental appropriations (see, attachment 3). She gave a high-level overview of these tools, emphasizing how they differed from normal appropriations set by the Committee, with additional details to be addressed during upcoming budget hearings.

Deficiency warrants were described as a statutory exception that allowed certain agencies to incur expenses without a prior appropriation, with legislative approval sought only after the expense had occurred. These expenditures applied to the prior fiscal year, were appropriated in the current fiscal year, and were charged to the General Fund. The authority to use deficiency warrants was limited by statute, including restrictions on purpose, authorization, and spending limits. Agencies using deficiency warrants later appear before the Committee to receive an appropriation that cleared the outstanding balance. She noted that deficiency warrants were typically used for urgent needs such as fire suppression, pest control, and dam safety. These expenditures were initially authorized by either the Board of Examiners or the Board of Land Commissioners, which reviewed and approved the appropriateness of the spending. A historical overview showed that deficiency warrant requests had increased over the past five years, with pest control accounting for much of the growth.

Ms. Poloni also reviewed the constitutional emergency clause governing current-year budget adjustments, explaining that supplemental appropriations, rescissions, and deficiency warrants required specific effective-date language to take effect before the end of the fiscal year. The Committee was responsible not only for approving these requests but also for determining when the authority should become effective. Supplemental appropriations were described as adjustments to an agency's current fiscal year budget that functioned like standard appropriations. Unlike deficiency warrants, supplementals could apply to general, dedicated, or federal funds and could

include additions, transfers, or exemptions from budget law. She directed members to the legislative budget book for a summary of all rescissions, deficiency warrants, and supplemental requests, along with comparisons to the Governor's recommendations.

AT EASE:

The Committee went at ease at **9:32 a.m.** and was back in order at **9:41 a.m.**

**LSO STAFF
PRESENTATION:**

Review of Health Insurance Costs - Frances Lippitt, Senior Analyst, LSO

Ms. Lippitt provided an overview of the state's health insurance costs and explained how the legislature evaluated and set appropriations for changes in those costs (see, attachment 4). The legislature sets a per-employee health insurance appropriation and budgets annually for the difference between prior appropriations and projected costs. She explained that actuarial projections for the state's group insurance plan were prepared twice a year and informed agency budget requests, the Governor's recommendation, and legislative appropriations. Medical costs per enrollee had increased steadily and were projected to grow more rapidly in coming years, driving higher appropriations. Health insurance appropriations were expected to grow faster than in prior years, with fiscal year 2027 projected to require a significant increase.

She reviewed the structure of plan funding, including premiums, retiree subsidies, health savings account contributions, and administrative costs. Funding sources included employer premiums, a sweep account funded by premiums from employees not enrolled in the plan, and reserves above the required minimum. The state maintains contingency reserves equal to 10% of annual premiums, with excess reserves used to stabilize costs over time.

She outlined how reserve balances were shown to have declined in recent years as they were used to offset rising costs, and further draw-downs were anticipated. The Governor's recommended fiscal year 2027 appropriation targeted the minimum required reserve level, resulting in a 14% per-employee increase and funding sufficient to cover plan costs in approximately half of possible claim scenarios. Higher funding levels would reduce risk but require substantially more state funding. She noted that employee cost sharing averaged about 20% of total plan costs. To maintain that ratio in fiscal year 2027, employee premiums were projected to increase by an average of 7.3%, with impacts varying by plan type and dependent coverage.

DISCUSSION:

Ms. Lippitt answered questions from Committee members related to health insurance cost sharing percentages and health insurance contract negotiation.

Faith Knowlton, Department of Administration, Administrator, Division of Insurance and Internal Support, answered questions from Committee members related to benefit eligibility, and Idaho's health insurance contract details.

ADJOURNED:

There being no further business to come before the Committee, the meeting adjourned at **10:06 a.m.**

Senator Grow
Chair

Linsy Heiner
Secretary