

MINUTES
JOINT FINANCE-APPROPRIATIONS COMMITTEE

DATE: Friday, January 16, 2026

TIME: 8:00 A.M.

PLACE: Room C310

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

Representatives Co-Chairman Tanner (14), Miller, Furniss, Petzke, Manwaring, Mitchell, Price, Bruce, Harris, Green

ABSENT/ EXCUSED: Senators Woodward

CONVENED: **Co-Chairman Grow** called the meeting of the Joint Finance-Appropriations Committee (Committee) to order at **8:24 a.m.** with a quorum present.

LSO STAFF PRESENTATION: **General Fund Revenue Overview - Christopher Lehosit, Senior Analyst, Budget & Policy Analysis Division, Legislative Services Office (LSO)**

Mr. Lehosit presented an overview of Idaho's General Fund (see, attachment 1). He defined the General Fund as the state's primary fund for depositing revenues and spending on core functions. He described how General Fund revenue was generated through individual and corporate income taxes, sales taxes, and miscellaneous sources, and how those revenues flowed into state appropriations. He explained where General Fund dollars were spent, highlighting that roughly half supported public schools and a significant portion funded health and welfare. He also placed the General Fund in the broader context of Idaho's finances, noting that it accounted for about 40 percent of total state expenditures alongside federal and dedicated funds. He emphasized the General Fund's role as the state's primary and most closely balanced fund.

DISCUSSION: In response to questions from Committee members, **Mr. Lehosit** provided additional detail related to continuously appropriated funds and sale tax exemptions.

LSO STAFF PRESENTATION: **General Fund Daily Update - Christopher Lehosit, LSO**

Mr. Lehosit presented an overview of the weekly General Fund Budget Update sheet, commonly referred to as the "green sheet," aiming to clarify how the document worked and how General Fund revenues and expenditures were structured (see attachment 2). He explained the update sheet was printed weekly at the start of the session, increasing in frequency as more bills moved through the chambers. The document acted as a cash reconciliation tool that showed the relationship between forecasted tax revenues, cash transfers, fiscal impacts from policy bills, and appropriations. He also explained how policy bills with fiscal impact could require trailer bills to adjust appropriations, and where those amounts were shown. The green sheet ultimately calculated the estimated fiscal year ending General Fund balance.

He walked through further detail on the green sheet, and explained that projected revenue, as set and periodically adjusted by the legislature and the Division of Financial Management, was added along with any transfers between the General Fund and dedicated funds to determine net revenues, which represented the total resources available for the year. The expenditure section included original appropriations and supplemental rescissions recommended by the Governor. He noted that if the legislature were to adjourn without further action, the forecasted ending General Fund balance would be negative \$78 million.

He noted that the General Fund did not receive all tax collections in Idaho, but only the portion directed by statute. He then described how the revenue forecast was set over a three-year budgeting cycle, beginning with the legislature projecting revenue for a future fiscal year. He explained that once the fiscal year began, tax collections were reported by the Tax Commission, and the Division of Financial Management adjusted the projection between sessions using updated economic data. He stated the legislature finalized the revenue projection when it reconvened in January, set the next year's forecast, and repeated the cycle as part of the ongoing budgeting process.

He reviewed how legislative policies passed during the session were tracked on the budget update. He also outlined how transfers to and from dedicated funds were reflected and clarified that although transfers involved money leaving the General Fund, they were not marked as expenditures because the funds did not leave state government. Instead, the document was used to reconcile cash flow by tracking transfers between the General Fund and dedicated funds.

Structural balance was defined as creating a government budget in which long-term, recurring revenues covered long-term, recurring expenditures after removing short-term revenue sources and one-time expenses. He explained that this concept was tied to base budgets, which removed one-time expenses to identify ongoing costs.

DISCUSSION:

In response to questions from Committee members, **Mr. Lehosit** provided additional detail related to interest earnings and the state's Luma tracking system used for cash balance reconciliation. **Co-Chair Grow** commented on prior year Luma concerns and stated the Legislative Audits department could address concerns further.

**LSO STAFF
PRESENTATION:**

Department of Health and Welfare (DHW), LBB 2-0003 – Alex Williamson, Senior Analyst, Budget & Policy Analysis Division, LSO

Ms. Williamson explained that because the Department of Health and Welfare was large and complex, budgeting and presentations were conducted at the division level rather than solely at the agency level to allow for more detailed analysis. She stated that her presentation first provided an overall view of the agency before transitioning into a division-level review (see, attachment 3). She also guided participants on where to locate relevant documents in SharePoint, including LBB pages and presentation slides.

She described the department's mission as providing services and regulatory programs in partnership with taxpayers, consumers, and providers to promote economic well-being, support vulnerable populations, enhance public health, and encourage self-sufficiency. She noted that the department operated

under numerous statutes and currently had 3,029.64 authorized FTP, with approximately 252 vacancies, representing an 8% vacancy rate. She reviewed the organizational structure, five-year averages for staffing and personnel costs, and explained that color-coded organizational charts were used to show how budgeted divisions and programs fit together. She provided an agency-wide consolidated fund analysis, explaining how beginning fund balances, receipts, transfers, re-appropriations, and cash expenditures were calculated to determine ending free fund balances.

She presented a five-year historical review of agency expenditures, highlighting estimated expenditures. She highlighted key changes over recent years, noting a significant increase of about \$670 million between 2022 and 2023, largely driven by Medicaid budget increases related to population forecast adjustments, the ongoing public health emergency, higher upper payment limits for hospitals, increased hospital assessments, and higher provider rates. She also discussed a roughly \$580 million increase in 2025, again primarily tied to Medicaid growth, updated population forecasts, increases in Idaho Behavioral Health Plan capitation rates, and higher hospital assessments tied to rising hospital revenues. She emphasized that these adjustments were mainly funded by federal and dedicated funds rather than the General Fund. She noted that in FY 2025, the agency had a total authorization of \$5.91 billion and spent 94% of that amount. She then provided a high-level breakdown of the \$5.54 billion spent, showing allocations among trustee and benefit payments, personnel costs, operating expenses, and capital outlay. She emphasized that the department was heavily focused on benefit and assistance payments and subgrants, and that more detailed analysis would follow at the division level.

DISCUSSION:

Chairman Grow emphasized that the reason the Committee chose to address the Health & Welfare budget as the first presentation in the agency hearing process is because it is a \$5 billion dollar budget and the Committee needs time to dig into the details.

In response to questions from Committee members, **Ms. Williamson** provided additional detail related to reverting personnel costs back to the General Fund, the upper payment limit, program continuously appropriated funds for the Idaho Children's Trust Fund, and Medicaid population forecast adjustments.

Mr. Michael Pearson - DHW Deputy Director stood to introduce his team and answer questions from the Committee.

In response to a Committee question about personnel vacancies and turnover, **Misty Lawrence - DHW Chief Financial Officer**, stood to address the Committee. She stated that after joining the department 18 months earlier, a full review of positions and funding was conducted, leading to a temporary hiring freeze to ensure proper alignment. FTP authorization was shifted within the department to match available funding, correcting long-standing mismatches where funding existed without corresponding FTP. She highlighted an adjustment at State Hospital South, where funding for 16 positions was realigned so they could be filled. Overall, the department reverted 30.87 positions and about \$5.6 million in unused federal personnel spending authority. She also answered questions from the Committee related to behavioral health positions, and funding for foster care

**LSO STAFF
PRESENTATION:**

Indirect Support Services - DHW, LBB 2-0073 – Alex Williamson, LSO

Ms. Williamson introduced the first division-level budget hearing for the Department of Health and Welfare, focusing on the Division of Indirect Support Services (see, attachment 4). She explained that the division provides policy direction, administrative leadership, and management support across the department, including management services, IT, legal services, the Office of the Director, and communications.

She reported that the division was authorized 244.6 FTP, with 21 vacancies, six of which were expected to transfer to OIT (Office of Information Technology) as part of a modernization effort, while the remaining vacancies were in recruitment. Reviewing five-year expenditure trends, she explained that annual spending typically ranged between \$40 and \$50 million, with a spike in FY 2025 driven by an \$8 million executive carryforward for interagency billing, technology infrastructure, and construction projects. In FY 2025, the division spent \$53.9 million, primarily on personnel and operating costs.

She also reviewed the five-year base budget snapshot, noting a \$1.5 million reduction in FY 2024 tied to DHR consolidation and a \$2.3 million base adjustment in FY 2025 related to a department reorganization. This reorganization shifted funding and FTP from Indirect Support Services to Medicaid for program integrity functions. She concluded that most budget growth in the division was driven by personnel-related costs such as compensation and health benefits.

She provided budget FY 2025 and FY 2026 budget enhancement detail. She explained that in FY 2026, there was one ongoing enhancement along with three one-time appropriations. She reminded the Committee that agencies were now required to provide anticipated outcomes for budget requests, and those outcomes were included in agency deep dives beginning with the current legislative session.

For FY 2027, the budget request included a one-time \$40,000 replacement item request for an irrigation system at State Hospital West, which was budgeted within Indirect Support Services because the centralized operations team would manage the project. She discussed additional ongoing requests related to IT modernization, explaining that as part of statewide IT centralization, 58 FTP would transfer from Health and Welfare to the Office of Information Technology, resulting in a net increase of \$524,900. She also described a zero-dollar request to remove two sections of restrictive budget language that limited transfers between expense classes, allowing the department to operate under standard statutory transfer provisions.

Ms. Williamson described a new item in the Governor's recommendation related to the Rural Health Transformation Program (RHTP). This program provided new federal funding from CMS (Centers for Medicare & Medicaid) to strengthen rural health care access, with a focus on preventive health, workforce development, technology innovation, and new care models. Authorized under HR1 (One Big Beautiful Bill Act), Idaho was awarded \$925 million over five

years, with an initial annual base award of \$185.9 million. Funds were available for two years before expiring. The Governor’s recommendation included appropriations to begin using these funds immediately. This included a FY 2026 supplemental for 12 limited-service full-time positions tied to the grant funding, as well as a FY 2027 request to continue those positions on an ongoing basis with \$1.3 million in personnel costs. The recommendation also included a one-time \$294 million appropriation in FY 2027 for operating expenditures to implement the program in Idaho. The Governor established the Rural Health Transformation Task Force to oversee and advise the application of the RHTP in Idaho.

DISCUSSION:

In response to questions from Committee members, **Ms. Williamson** provided detail on personnel and operating costs.

Michael Pearson, Deputy Director, stood to answer a Committee question about the potential to use artificial intelligence within the Rural Health Transformation Grant.

Alberto Gonzalez, ITS Administrator, stood to answer a Committee question regarding IT expenses. He emphasized that this was not a true increase in spending, but rather a transfer of existing operating expenditures. He stated the Department of Health and Welfare reduced 8 FTE positions and explained it as a straight transfer of personnel dollars, with the other costs largely covering licensing, equipment, training, and other general operating expenses associated with IT staff.

ADJOURNED:

There being no further business before the Committee, **Chairman Grow** adjourned the meeting at **10:14 a.m.**

Senator Grow
Chair

Linsy Heiner
Secretary