

MINUTES
JOINT FINANCE-APPROPRIATIONS COMMITTEE

DATE: Monday, February 02, 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: Senator Woodward
CONVENED: **Co-Chairman 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: **Office of Information Technology Services, LBB 6-091 Christopher Lehosit, Senior Analyst, Legislative Services Office (LSO)**

Mr. Lehosit presented a budget base review for the Office of Information Technology Services (OITS), describing its role in coordinating statewide information technology policy, telecommunications, and cybersecurity under the oversight of the Idaho Technology Authority. He explained the agency was in the final stages of a multi-year consolidation effort, noting that prior consolidations included the Idaho State Police and the Department of Juvenile Corrections, with the Department of Health and Welfare scheduled for consolidation in fiscal year 2027.

He described OITS as a single budgeted agency, though internally organized into multiple cost centers. OITS has 243 authorized full-time positions (FTP) with six vacancies. He reviewed five years of appropriations and expenditures for FY 22 – FY26, stating that the agency consistently spent close to its authorized amounts and had grown significantly as IT staff from other agencies were consolidated into OITS.

He explained the agency's use of continuously appropriated expenditures, which consisted primarily of pass-through payments for hardware and services purchased on behalf of other agencies. He emphasized that personnel costs made up the majority of expenditures, while capital outlay and operating costs increased as technology investments expanded. He also discussed the agency's dedicated fund cash flow timing issue, noting that revenue collection lagged expenditures due to billing cycles, but stated a solution was being developed with the Governor's office and that the agency remained structurally balanced.

He provided FY 25 and FY 26 budget enhancements, highlighting ongoing funding increases related to IT modernization and consolidation, along with significant one-time appropriations for technology purchases. He noted OITS submitted a FY 26 supplemental request for office furnishings to support incoming Health and Welfare staff and requested federal grant funding appropriation to develop a statewide data repository leveraging artificial intelligence.

For FY 27, he outlined the agency's enhancement requests and the Governor's recommendations, including a General Fund cash transfer to address the dedicated fund timing issue, investments in enterprise cybersecurity upgrades, continued use of federal grant funding, and costs associated with consolidating Health and Welfare IT staff. He also noted a rescission reflecting a three percent reduction in ongoing costs. He stated the total FY 27 enhancement request amounted to approximately \$11 million.

Finally, he discussed potential future legislation to separate continuously appropriated revenue into a distinct fund to improve accounting clarity. He concluded by summarizing OITS's funding mix, noting the agency was primarily supported by dedicated funds with limited General Fund support.

DISCUSSION:

Mr. Lehosit answered questions from Committee related to E-CORE federal grant funding, stating the E-CORE federal grant request involved one-time federal funding rather than ongoing state support. The agency intended to evaluate the program over several years and return to the legislature for future consideration rather than build the funding into its base budget.

In response to a Committee question regarding personnel cost transfer, Mr. Lehosit said the legislature previously authorized General Fund support to cover staffing costs while the agency waited for a one-year billing cycle to generate dedicated fund revenue. Once sufficient billing data existed, the agency no longer needed General Fund support and shifted the costs to its dedicated fund, reducing pressure on the General Fund.

In response to a Committee question about consolidation of IT positions, Mr. Lehosit said full-time positions transferred from other agencies into the Office of Information Technology Services while corresponding positions disappeared from the originating agencies. Budget totals remained unchanged because agencies continued paying for IT services through internal charges. This structure allowed agencies to claim overhead expenses for federal grant matching purposes.

In response to a Committee question addressing growth in FTPs, Mr. Lehosit stated growth was the result of IT staff consolidation across state agencies. Each increase corresponded with reductions elsewhere, while agencies continued paying for IT services through the centralized model.

Alberto Gonzalez, OITS Administrator stood to answer questions from the Committee. He described how legislative support strengthened statewide cybersecurity, allowing OITS to contain massive monthly attack volumes while limiting breaches. He stated firewall expansion and system redesign improved protection across all branches of government and avoided higher future costs. He explained consolidation increased OITS staffing numbers but reduced overall state personnel costs through economies of scale, shared infrastructure, and centralized purchasing. Transfers from other agencies lowered duplicative spending and produced annual savings.

He stated Security funding focused on critical hardware and vendor support, while some technology purchases could be deferred during tight budgets. He reported most cyberattacks originated overseas and involved sophisticated actors. OITS coordinates with federal partners for investigation and response, though prosecutions had not occurred. He reported service response times

remained strong for high-priority issues, procurement improved through national contracts, and slower areas included networking and software security reviews. He described AI and modernization efforts as improving efficiency, reducing in-person transactions, and supporting long-term cost control, with security remaining the top non-negotiable expense.

**LSO STAFF
PRESENTATION:**

Idaho State Tax Commission, LBB 6-183 Christopher Lehosit, LSO

Mr. Lehosit presented the budget overview for the Idaho State Tax Commission, describing it as an approximately \$55 million budget distributed across five programs including: general services, audit, compliance, revenue operations, and property tax. He explained that the commission was responsible for administering tax collection and distribution for the state, including revenue sharing with local governments and taxpayer rebates.

He reviewed the agency's organizational structure and staffing, noting 447 authorized full-time positions and consistent spending of most appropriated funds over the past five years. He explained that certain spikes in expenditures were attributable to one-time cash transfers, including distributions related to the transition of the Office of the State Public Defender from a county to a state function. He also discussed the significant role of continuously appropriated expenditures, particularly for sales tax distributions and large taxpayer rebate programs, which caused total expenditures to appear substantially higher than the agency's base budget in some years.

He outlined the commission's expenditure categories, emphasizing personnel costs comprised the majority of expenses. He reviewed the agency's use of five dedicated funds and noted that revenues and expenditures within those funds were generally balanced, resulting in a positive ending fund balance.

He summarized the five-year base snapshot, noting staffing levels had stabilized around 440 positions and the agency's ongoing base budget had grown from approximately \$44.6 million in fiscal year 2022 to about \$55 million in FY 26. He provided prior year budget enhancements, including seven new positions added to administer the Parental Choice Tax Credit for FY 2026.

For fiscal year 2027, the speaker described the commission's budget requests, which included limited use of dedicated funds for property tax education outreach, system automation enhancements, funding for a chief operating officer position, standard replacement items, and the Governor's recommended holdback. He noted that the impact of the holdback was larger for the Tax Commission than for more dedicated-fund-supported agencies because of its heavier reliance on the General Fund.

DISCUSSION:

In response to a Committee question about base adjustments for FTP, **Mr. Lehosit** explained the base adjustment reflected an ongoing reduction of two full-time positions rather than a one-time change. Those positions had been added to administer a temporary rebate program, and once the rebate distributions ended, the positions were no longer needed. While the full-time positions were eliminated, the associated funding did not disappear and was reallocated across other programs and dedicated funds within the agency. In response to a Committee question about the sustainability of dedicated fund sources, Mr. Lehosit stated the agency projected those revenues as stable based on forecasted fee collections tied to agency activities.

Jeff McCray, Idaho State Tax Commission Chairman stood to answer questions from the Committee. Mr. McCray explained the Idaho State Tax Commission generated more than \$7.8 billion in revenue using roughly a \$55 million budget, producing a return of less than one cent per dollar collected. He stated the agency had reached a tipping point where further funding reductions would limit work volume, slow tax processing, and delay deposits to the General Fund. He identified population growth and increased taxpayer inquiries as the main operational challenges.

In response to Committee questions, Mr. McCray provided detail related SWCAP legal costs, limited staffing at Commission call centers, vehicle replacements, staffing levels, childcare grants, and the new Commission Chief Operating Officer position.

In response to Committee questions about tax conformity, Mr. McCray explained that retroactive provisions in the One Big Beautiful Bill Act significantly increased workload for the Commission and his team needed to analyze dozens of provisions, revise forms, update software, coordinate with vendors, and respond to taxpayer inquiries within compressed timelines. He stated further budget cuts would likely require personnel reductions. He emphasized current staffing levels generally accommodated annual conformity work, but retroactive changes created unusual pressure since 2025 returns had already been filed. In response to a Committee question about conformity implementation timing, he said normal conformity updates required several months of testing, education, and coordination. He stated compressing the implementation process risked overtime costs, vendor delays, or taxpayer filing extensions.

In response to questions from the Committee regarding the Parental Choice Tax Credit, he explained seven staff members were added to implement the program. He described safeguards including electronic-only applications, eligibility parameters, expense limits, audits, criminal penalties, and an appeals process. He said priority went to applicants at or below 300 percent of the poverty level, followed by others on a first-come basis if funds remained. He noted the agency did not track private school enrollment beyond confirming students were not enrolled in public schools.

He also provided detail on the Multistate Tax Compact, stating it was a statutory organization formed to protect state taxing authority and coordinate multistate audits. He said Idaho participates as a full member with voting rights, audit access, legal resources, and influence over model legislation. He

said the compact improved audit efficiency and produced positive returns through shared audits. He outlined Tax Commissioners' responsibilities, including adjudicating tax disputes, advising on policy implementation, and serving in a governance role similar to a board of directors.

ADJOURNED:

There being no further business before the Committee, **Co-Chairman Grow** adjourned the meeting at **9:48 a.m.**

Senator Grow
Chair

Linsy Heiner
Secretary