

MINUTES
JOINT FINANCE-APPROPRIATIONS COMMITTEE

DATE: Tuesday, February 03, 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:** Senator Woodward

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

Mr. Keith Bybee, Division Manager, Legislative Services Office (LSO) Budget & Policy Analysis, presented information on possible additional rescissions to the FY 2026 budget. JFAC will vote on these decisions on Friday, February 6, 2026. He summarized three different scenarios: the Governor's recommendation, an additional 1% reduction, and an additional 2% reduction.

The Governor's recommendation would reduce 96.36 FTP, \$116M from the General Fund, \$9M from dedicated funds, and \$52M from federal funds, for a total reduction of \$177M. The additional 1% rescission package would reduce 114.05 FTP, \$131M from the General Fund, \$9M from dedicated funds, and \$52M from federal funds, for a total reduction of \$192M. The additional 2% rescission package would reduce 138.55 FTP, \$145M from the General Fund, \$8.5M from dedicated funds, and \$52M from federal funds, for a total reduction of \$206M.

Mr. Bybee explained the Governor had authority to request temporary spending reductions; these reductions could be reversed if the executive order was lifted. The JFAC action on February 6, 2026, would initiate the process to ensure the reductions were enacted and the State budget was balanced.

In response to a committee question, **Mr. Bybee** explained the additional 1% and 2% reductions did not apply to Public School Support, the Division of Medicaid, Idaho Department of Correction (IDOC), or Idaho State Police (ISP), noting Medicaid impacts would be limited to staff and administrative functions rather than benefits or services. He also noted the Secretary of State would return \$850K onetime to the General Fund following contract renegotiations tied to rebuilding internal election management system processes.

Co-Chair Tanner (14) stated these additional reductions were necessary due to tax conformity issues not previously addressed, noting **H.R. 1**, the One Big Beautiful Bill Act, had not been enacted when prior budgets were approved. He further commented the Governor relied heavily on onetime transfers in his recommendation to balance the State budget; these JFAC actions would right-size the budget and ensure ongoing structural balance.

Co-Chair Grow further stated these additional reductions were being considered due to concerns about onetime versus ongoing funding and significant uncertainty around tax conformity impacts, particularly related to individual taxes and research and experimentation (R&E) provisions. He noted concern about the projected small bottom line amid fluctuating revenue estimates.

In response to a committee question, **Mr. Bybee** explained the reductions reflected agency-specific 3% holdbacks from the General Fund, removal of dedicated funding tied to long-term vacant positions, and reversion of unallocated Change in Employee Compensation (CEC) under **S 1110** of 2025.

In response to a committee question, **Co-Chair Tanner (14)** explained the Governor's original 2027 tax conformity estimate of \$155M was later adjusted to \$175M, creating a budget imbalance despite \$152M in additional revenue reported in December 2025. He noted ongoing uncertainty around tax conformity costs, R&E impacts, and previous bottom-line assumptions. He highlighted last year's \$430M bottom line, ongoing supplemental costs for IDOC and Medicaid, rising expenses, reduced fire reserves, population growth, and cuts to road funding.

In response to committee questions, **Co-Chair Grow** noted revenue remained unpredictable and the Governor's requests for DHW and education policy bills could further affect the budget. He further stressed the importance of the JFAC workgroups, noting they were empowered to reallocate resources, make additional reductions, add back funding, and adjust state agency budgets as needed.

Mr. Bybee gave an overview of the cash transfers in the Governor's recommendation. These included \$10M from the In-Demand Careers Fund, \$15M from the Water Pollution Control Fund, \$45M from the Strategic Initiative Fund, \$3M from the Opportunity Scholarship Fund, and \$33.7M from the Permanent Building Fund.

In response to a committee question regarding the cash transfer from the Permanent Building Fund, **Mr. Bybee** explained the Legislature previously transferred approximately \$1.1B into the fund for statewide projects. The proposed rescissions were related to projects not moving forward.

Mr. Bybee explained the statewide decisions will apply to each state agency's budget. Decisions include personnel benefit cost adjustments, contract inflation, statewide cost allocation (SWCAP), Change in Employee Compensation (CEC), and base budget reductions. He explained statewide decisions were policy choices affecting all agency budgets and were used to prepare maintenance budgets.

In response to a committee question, **Mr. Bybee** confirmed the selected base reduction would establish the new base budget for every agency, and any subsequent changes for FY 2027 would be considered budget enhancements or supplementals, with the practical effect of adding to or further reducing appropriations.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 8:59 a.m.

Representative Tanner (14)
Chair

Alyson Jackson
Secretary