

MINUTES  
**JOINT FINANCE-APPROPRIATIONS COMMITTEE**

**DATE:** Friday, January 13, 2023  
**TIME:** 8:01 A.M.  
**PLACE:** Room C310  
**MEMBERS PRESENT:** Senators Co-chairman Grow, Bjerke, Burtenshaw, Lent, Cook, VanOrden, Adams, Herndon, Ward-Engelking, Just  
Representatives Co-chairman Horman, Miller, Bundy, Raybould, Furniss, Handy, Lambert, Petzke, Tanner, Nash  
**ABSENT/ EXCUSED:** Representative Nash

**Co-chairman Horman** called the meeting to order at 8:01 a.m.

**Ms. Erin Phipps**, Revenue Analyst, LSO Central Administration, presented an economic overview of the national and state economies. She cited several indicators relevant to Idaho's economy, including Gross Domestic Product (GDP), Consumer Price Index (CPI) and inflation, interest rates, real income per capita, and unemployment rates.

**Ms. Phipps** explained inflation has risen sharply since 2020. Two leading factors of current inflation are the increased money supply due to Covid-relief funds and low interest rates. Leading impacts from the rise of inflation include increased transportation costs, increased costs of production, and wage-price inflation. These increased costs are a result of inflation but also affect and increase inflation.

**Ms. Phipps** compared Idaho economic indicators to the rest of the country. Idahoans' real income is growing at a higher rate than the national growth rate, after controlling for inflation and population. Idaho's unemployment rate has recovered fully from the Covid pandemic disruption and is in fact lower than before the pandemic. Rising personal income and a low unemployment rate suggest Idaho will fare better than the national average. Ms. Phipps cited multiple years of record revenues and healthy reserve fund balances. She noted Idaho is ranked as the state with the highest economic momentum, according to the Federal Funds Information for States report released in early October 2022. She further noted forecasts now show if there were to be a recession, it wouldn't be as severe as the Great Recession.

In response to a committee question, **Co-chairman Grow** explained the increase in corporate income tax revenues from FY 2021 to FY 2022. He co-sponsored **H 317**, enacted in 2021, which allowed individuals to pay their taxes at the entity level. He noted the Trump tax reforms limit state tax deductions from federal tax returns. The new law allows individuals to receive their full deduction.

**Mr. Keith Bybee**, Division Manager, LSO Budget & Policy Analysis, explained the General Fund Daily Update, also known as the Green Sheet, which helps the legislature ensure the state has a balanced budget. The Green Sheet helps the Joint Finance-Appropriations Committee (JFAC) track the General Fund expenditures in comparison to the revenue numbers accepted by the committee.

**Ms. April Renfro**, Division Manager of Audits, explained the audit process. The agency's authority comes from Idaho Code §67-702. The Legislative Services Office (LSO) completes four types of reports under the direction of the Legislative Council, including a financial audit of Annual Comprehensive Financial Report; the annual Single Audit Report; agency-level Accountability Reports; and additional audits or reports of entities established by Idaho statutes or funded by appropriation from the legislature.

**Ms. Renfro** explained the LSO Audit Office does follow-up on all findings to determine if the agency/entity has completed the corrective action and if the agency/entity has corrected the underlying problem.

**Ms. Renfro** described the types of audit reports the Audit Division issues. She explained the types of findings the Division might identify in an audit report. Findings result from deficiencies in internal controls, significant errors or omissions in financial reporting, noncompliance with state or federal requirements, and other program issues that may be required from legislative directives. Findings include the criteria, condition, cause, effect, recommendation, management views, and auditor response.

**Co-chairman Grow** reminded the committee when agencies make their budget presentations, the members should ask questions about their audit reports and uncorrected findings. **Co-chairman Horman** stated audits are a critical tool to ensuring funds are being used as directed and appropriated. Auditors are responsible for identifying problems; legislators are responsible for making sure the problems get fixed.

**Mr. Andrew Olson**, Senior Budget & Policy Analyst, Federal Funds Information for the States, explained the federal supplemental funding provided as Covid-relief funds. He pointed out the total for all Covid-relief monies was \$5.2T. From 2020-2021, there was an enormous amount of outlays due to ARPA funding; these outlays will taper off for the next few years.

**Mr. Olson** reviewed several different pieces of federal legislation providing funding to states and noted over roughly six fiscal years, Idaho can expect to receive about \$23B from these federal acts. He reminded the committee the states have until 2026 to spend these funds.

**Rep. Furniss** noted several of the grants target disadvantaged communities and asked for further explanation. **Mr. Olson** explained "disadvantaged communities" is an umbrella term and can mean different things from program to program. For example, it can mean low-income communities; it can also mean communities experiencing disproportionate effects of climate pollution.

**Ms. Frances Lippitt**, LSO Budget & Policy Analyst, provided a more Idaho-focused lens on the federal money and funding decisions ahead for JFAC. Idaho's ARPA allocations totaled \$5.9B. Roughly half of these monies were outside the control of state government (i.e., stimulus checks and local fiscal recovery funds to municipalities and tribes). The other half of ARPA funds are subject to Idaho legislative appropriation.

The 2021 legislature described its intent for ARPA discretionary funds in **S 1204**, essentially providing a framework for consideration in using these monies.

1. ARPA funds are intended for long-range programs.
2. ARPA funds should not be used for any programs that will become ongoing and thus shift the fiscal burden to the state General Fund.

**Ms. Lippitt** gave a broad overview of the ARPA funds for FY 22-23 and encouraged committee members to ask the appropriate LSO analysts about ARPA money appropriated by individual agencies.

**Ms. Lippitt** then provided an overview and breakdown of the way Idaho used the IJA monies. Much of the funding is captured in an agency's basic appropriations. Again, she encouraged committee members to contact the appropriate LSO analysts for questions about an individual agency's uses of IJA monies in its appropriations.

**Ms. Lippitt** highlighted potential new sources of funding from the Bipartisan Safer Communities Act (BSCA). This federal funding must be expended by September 30, 2025. She then explained the Inflation Reduction Act (IRA) provides funding for improved household energy efficiency, pollution reduction, and drought mitigation. This federal funding must be expended by September 30, 2031.

**ADJOURN:** There being no further business to come before the committee, the meeting adjourned at 10:41 a.m.

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Representative Horman  
Chair

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Alyson Jackson  
Secretary