



## FY 2023 Budget Activity Summary

### Education Remains the Top Priority

The enacted budget increases the public schools General Fund by more than \$300 million, the single largest increase in state history, with a 12.5% General Fund increase over the previous year. Specifically, the enacted budget:

- Accelerates implementation of the **career ladder** in FY 2023 (\$104 million), representing a 10% increase in pay for Idaho teachers. The budget also includes \$1,000 bonuses for all school employees in the current year to reflect the increased workload due to the pandemic (\$36.7 million). In addition, the budget includes a 7% increase in compensation for all **administrative and classified staff**.
- Increases the state's ongoing contribution for teacher **health insurance** premiums by approximately \$4,000 per teacher and classified staff (\$105 million), ensuring school districts have the resources necessary to expand family coverage and lower out-of-pocket costs.
- Invests \$47 million ongoing in **literacy** programs so that school districts have the flexibility to deliver local solutions (e.g., all day kindergarten, reading coaches, etc.). This increases state literacy funding five-fold over the last three years.
- Provides \$51 million for **Empowering Parents Grants** to help families take charge of education expenses for their children. This builds off the previously successful program which served more than 18,000 Idaho families and 46,000 students.

The Governor recommended and the Legislature appropriated the following key investments in career and workforce training:

- An 8% budget increase for universities and a 9.9% increase for community colleges.
- \$10 million in **career technical education** (CTE), with an emphasis on allowing school districts to more rapidly stand up CTE programs that meet local industry needs.
- \$50 million from the American Rescue Plan Act (ARPA) to the **Workforce Development Council** to invest in job training and apprenticeships for in-demand professions.

### **Providing Historic Tax Relief**

The enacted budget puts an additional \$1.5 billion back into the wallets of Idahoans over 5 years – shattering the record for tax relief established in the previous legislative session! This year’s budget:

- Provides \$350 million in **income tax rebates** to provide immediate relief to all Idaho taxpayers. This provides approximately a 12% rebate of income taxes.
- Further **lowers income tax rates**, providing a flatter and fairer structure for Idaho taxpayers. The top income tax rate is reduced from 6.5% to 6.0% for both individuals and businesses, resulting in tax relief of \$251 million for Idaho taxpayers in the first year.
- **Freezes unemployment base tax rates** at 2021 levels, saving Idaho businesses \$64 million over the next two years.
- Provides \$34 million in **property tax relief** by eliminating the county charity and indigent fund levy and more than \$1 million in property tax relief by expanding eligibility for the circuit breaker.

Since Governor Little took office, Idahoans have already benefitted from approximately \$1 billion in tax relief on income taxes, property taxes, and unemployment insurance taxes:

- When Governor Little took office, Idaho had seven income tax brackets and a top rate of 6.925%. Last year, the legislature passed and the Governor signed, a proposal to consolidate brackets from seven to five, while reducing the top rate to 6.5%. This led to \$447 million of tax relief in the first two years while also providing \$220 million in income tax rebates.
- Governor Little was also able to leverage federal funds to provide \$200 million of tax relief to Idaho businesses by rebuilding the balance of the state’s Unemployment Trust Fund, making Idaho’s fund one of the most solvent in the country.
- Governor Little worked with local governments to hold the line on property tax increases during the pandemic. The Governor’s Public Safety Initiative saved property taxpayers \$118 million statewide, leading to a net 5.1% property tax reduction between 2019 and 2020; the first time the state has achieved a reduction since 2006. Governor Little also signed legislation to increase the exemption of personal property tax from \$100k to \$250k, providing \$16 million in relief to Idaho small business in the first two years.

### **Ensuring Safe and Secure Elections and Promoting Government Transparency**

The Governor recommended and the Legislature appropriated the following to ensure safe and secure elections in Idaho and government transparency:

- \$12 million for the **Cyber Response and Defense Fund**. This will ensure the state is prepared to respond to any cybersecurity events that may occur with elections throughout the state.
- The Governor recommended \$500k for proactive **integrity audits** to enhance transparency and confidence in the results of all Idaho elections. The Legislature appropriated \$50,000 in ongoing General Fund in FY 2022 and \$200,000 in one-time General Fund for FY 2023 for integrity audits.
- The Governor recommended and the Legislature appropriated \$2 million to **improve statewide information technology** and ensure all agency board meetings can be accessed online to maximize public participation and government transparency.

## **Investing in Public Safety**

The enacted budget reflects that safe communities form a thriving Idaho:

- **Backs the Blue** by increasing the number of police troopers by 13 new FTP (\$2.8 million) in the Capitol Protective Services Unit. The Governor's enacted budget also includes \$11.2 million for a new Idaho State Police district facility in Idaho Falls and \$29 million for a new forensics laboratory to ensure fair and impartial scientific analysis is provided to the criminal justice system.
- Implements **Operation Esto Perpetua** (\$250k), including two additional investigators, to combat the smuggling of fentanyl and other high-profile narcotics into the state due to the ongoing border crisis under President Biden.
- Continues to invest in strategies to **reduce crime** by decreasing the revolving door back into prison. The Governor's enacted budget includes a \$12 million community reentry center for the Pocatello area, and adds 20 probation, parole, and reentry specialists (\$1.6 million) to help better set up individuals for success after leaving state institutions. These efforts are part of a blended approach to criminal justice reform, together with \$50 million in investments in behavioral health infrastructure, an anticipated \$120 million for prevention and treatment of substance use disorders, and \$112.4 million for a new 848-bed minimum custody women's facility that will allow the state to eliminate its current out-of-state placements.
- Upgrades **public safety communication infrastructure** with \$4.3 million in tower upgrades, \$4.3 million for microwave network upgrades, and \$1.4 million for software upgrades. This will provide a stable backbone for interoperable communications for Idaho's emergency network into the future.
- Supports the **National Guard** by doubling the investment (\$300k) in the State Education Assistance Program, which provides scholarships for approximately 200 soldiers and airmen in the Idaho National Guard. Our men and women of the Guard stepped up to serve Idahoans throughout the pandemic, reinforcing the critical role they play in our communities.

### **Making Record Investments in Transportation Infrastructure**

Last year, Governor Little championed historic investments in transportation without raising taxes or fees. The Governor signed legislation to secure revenue for bonds of up to \$1.6 billion that will allow the development of new infrastructure to save all Idahoans time and hassles.

This year, to tackle the state's deferred maintenance backlog to preserve and restore our existing transportation infrastructure:

- The Governor recommended and the Legislature appropriated a cash transfer of \$200 million as the first installment on an ongoing investment package to address road and bridge deferred maintenance. Funding is split between the state (\$120 million) and local governments (\$80 million). Paired with previous legislation signed by Governor Little, the state will have fully funded transportation maintenance needs to the level estimated by the *Moving Idaho Forward* study while reducing pressure on local property taxpayers!
- The enacted budget includes \$100,000,000 to reduce the amount needed for the bonding of six design projects and five construction projects.
- The Governor recommended and the Legislature appropriated \$200 million as a one-time investment package to improve local bridges. Idaho has 966 local bridges that are more than 50 years old, and many that are closed or have restrictions that impede commerce. This investment package will allow local governments to improve approximately one-third of these deficient bridges to improve safety for all Idahoans.
- The Governor recommended and the Legislature appropriated funding for airports (\$6.4 million), railroads (\$8 million), port improvement (\$10 million) and pedestrian safety (\$10 million) to ensure Idaho's economic opportunities remain vibrant.

In addition, the Governor recommended and the Legislature appropriated \$124,884,100 for contract construction, of which \$45 million is for bridges, in the upcoming year under the federal Infrastructure Investment and Jobs Act (IIJA). These short-term federal funds will help with one-time projects at the state and local level but will not defray the known long-term maintenance costs of the state.

Governor Little's long-term plan will ensure the sustainability of the state's transportation infrastructure over time so that Idaho's economic engine is not dependent on future Congressional action.

### **Strengthening Our Commitment to Agriculture and Natural Resources**

The enacted budget makes historic investments in projects for agriculture and natural resources to aid in the economic vitality of rural Idaho. Combined, the Governor's enacted budget provides more than \$750 million to improve the quantity and quality of water throughout the state:

- Provides record investments in state **water infrastructure** to ensure a dependable supply (\$75 million General Fund and \$100 million ARPA). The Department of Water Resources will manage these funds to bring critical projects to completion, including raising the Anderson Ranch Dam and finishing the pipeline to the Mountain Home Airforce Base. These funds will also support water recharge infrastructure on the Upper Snake River and replace aging infrastructure for irrigation districts and canals.
- Leverages \$450 million from ARPA and IJJA and invests \$44 million General Fund for **safe water systems for our communities**. The Department of Environmental Quality will oversee support for local drinking and wastewater systems, with an emphasis on disadvantaged communities in need of major infrastructure upgrades.
- Provides \$70 million over five years from ARPA and \$10 million General Fund to **improve water quality** throughout Idaho. The Department of Environmental Quality will prioritize nutrient reduction projects identified by the Coeur d'Alene Lake Advisory Committee in overseeing these funds. Grants will also help farmers, ranchers, dairies, and confined animal feeding operations implement best management practices that improve Idaho's priority watersheds.
- Provides for the personnel and equipment necessary to combat wildfires adding eight engine bosses, two fire management officers, and a North Idaho booster crew to increase boots on the ground in high fire load areas. The budget also fully reimburses the estimated fire costs from this past season and bolsters the fire suppression fund by an additional \$80 million to ensure the Department of Lands is prepared for any future challenge.
- Prioritizes \$15 million to **strengthen Idaho's energy sovereignty**. Funds will be used to protect utility corridors from natural disasters such as wildfire and to improve grid resilience for critical infrastructure like hospitals and schools.
- Provides over \$1 million to align University of Idaho and Idaho State University **nuclear engineering** programs with workforce needs and create sustainable partnerships with the Idaho National Laboratory.

### **Spurring Economic Opportunity Throughout Idaho**

The enacted budget invests in several programs that will increase economic development and promote rural tourism:

- The Governor recommended \$225 million from ARPA and IJA and the Legislature appropriated \$50 million from IJA to **upgrade broadband infrastructure** at the direction of the Idaho Broadband Advisory Committee which ensures every rural Idaho community can facilitate remote work, distance education, and telehealth. The enacted budget also includes \$1.3 million for the University of Idaho to train adults on computer literacy to unlock broader opportunities for remote work.
- Invests over \$20 million from ARPA in **outdoor recreation**. The Department of Parks and Recreation will leverage these funds to expand capacity and enhance accommodations to keep up with record attendance at the state's world class parks.
- Devotes \$5 million to the Idaho State Historical Society for the digitization of historical records, **improvements to Idaho's historic sites**, exhibit upgrades to Idaho's state-of-the-art historical museum, and enhances the visitor experience at the Old Idaho Penitentiary.
- Provides \$50 million from ARPA for **workforce housing development** throughout the state. Employers have cited housing availability as a significant challenge to recruiting and employee retention. This money will be used as gap financing for housing development by the Idaho Housing and Finance Association, with a specific set-aside for rural communities.
- Provides \$15 million from ARPA for **childcare infrastructure grant**, targeting business owners willing to build new childcare facilities or expand existing facilities to increase the number of childcare slots available to working families.

## Investing in Behavioral Health, Healthcare Capacity, and Our Veterans

Long-standing public health challenges facing Idahoans were addressed:

- The Governor recommended and the Legislature appropriated \$50 million in initiatives advanced by the **Idaho Behavioral Health Council**, including support for new community behavioral health clinics, psychiatric residential treatment facilities, and youth crisis centers. The Governor's enacted budget also converts the state's suicide prevention line to the national mental health crisis line (\$4.4 million) and continues support (\$900k) to the state's recovery centers.
- To enhance the quality of care in **State Veteran Homes**, the Governor recommended and the Legislature appropriated \$75 million in capital infrastructure to convert all existing facilities to single occupancy rooms. The Governor also recommended more than \$6.5 million to staff and operate the new home in Post Falls, providing expanded capacity and services for Idaho's veterans, in which the Legislature appropriated.
- **Increases healthcare capacity** by investing in health professional education:
  - Adds \$1.3 million and 21 new medical residents to address the shortage of physicians in the state and continue implementation of the 10-year Graduate Medical Education plan. All told, 80 new medical residency positions have been supported over the past three years.
  - Expands the capacity of STEM programs, including healthcare, at Boise State University (\$1.5 million).
  - Invests \$10 million in the health professions building at the College of Western Idaho which will increase the healthcare program's new student capacity by 64% for nursing, occupational therapy, and medical assistants, among other health professions.
- The Governor's enacted budget returns a net of \$130 million of taxpayer dollars to the General Fund from the Division of Medicaid and invests in **Medicaid cost containment** strategies such as enhanced staffing in the Medicaid fraud unit overseen by the Attorney General. These efforts will ensure the growth trajectory of Medicaid does not crowd out other critical state priorities.
- **Lowers the cost of healthcare** for Idahoans by reinvesting \$25 million of Medicaid savings into the state's High Risk Reinsurance Pool, which will lower premiums on the individual market by an estimated 7%.
- Provides \$5 million to **senior centers** to ensure essential services can be delivered across the state and provides modernization grants to meal sites and \$720k for respite services for vulnerable seniors.
- The enacted budget enhances the **child welfare** system by augmenting staffing with 21 social workers and 3 psychosocial rehabilitation specialists, while providing a 7% equity increase for safety assessors and case managers, to address current staffing challenges in the child welfare system. The enacted budget also invests in foster families, increasing monthly rates for all families, with a 60% rate increase proposed for families with foster children 12 years old and under starting in the current fiscal year.



### **Better Positioning the State Financially for the Future**

Through conservative budgeting and economic growth, for the first time ever Idaho has achieved a AAA credit rating, saving taxpayer dollars on future projects. The Governor's enacted budget continues this fiscal conservatism through prudent moves:

- **To pay off all state building debt**, the Governor recommended and the Legislature appropriated \$175.8 million in the Department of Administration's bond payment program, averting \$63 million in interest payments while lowering base budget costs at key agencies. The Governor also recommended and the Legislature appropriated \$18.5 million to pay off the callable portion of GARVEE transportation bonds, averting interest of \$3.5 million and freeing up additional ongoing transportation funding.
- **To clear out the state building deferred maintenance backlog**, the Governor recommended \$250 million, and the Legislature appropriated \$244 million as the first installment on a 10-year plan. A recent study revealed the state had a deferred maintenance backlog in excess of \$900 million. In addition to addressing deferred maintenance, the Governor recommended \$372.5 million and the Legislature appropriated \$368.5 million for major capital projects that include, for example, \$112.4 million for an 848-bed female prison, \$37.6 million for medical annex complex improvements at the Department of Correction, \$37 million for Chinden Campus improvements, and \$29 million for a combined lab at the Idaho State Police. Paying cash for these projects avoids debt service and ultimately saves taxpayer dollars.
- **Bolsters rainy-day funds** by \$311 million to ensure the state is prepared for future economic downturns. The enacted budget will achieve the statutory maximum balances for both the Budget Stabilization Fund and Public Education Stabilization Fund. All told, the rainy-day funds will total \$1.1 billion.
- Leaves a **larger-than-usual surplus** in both budgeted years to provide a greater cushion against uncertainty given the unsustainable federal spending levels and high inflation under President Biden.