



State of Idaho

DIVISION OF FINANCIAL MANAGEMENT

Executive Office of the Governor

BRAD LITTLE
Governor

ALEX J. ADAMS
Administrator

June 2, 2022

MEMORANDUM

TO: Agency Directors and Fiscal Officers
FROM: Alex J. Adams, Administrator
SUBJECT: FY 2024 Budget Overview

A handwritten signature in black ink, appearing to read "Alex J. Adams", is written over the "FROM" line of the memorandum header.

DFM and LSO will soon jointly issue the Budget Development Manual (BDM) which provides agencies with technical guidance on preparing their annual budget requests.

This memo outlines Governor Little's expectations for executive branch agencies as they prepare and submit their FY 2024 budget requests.

A. General Overview

To call the FY 2023 budget historic would be an understatement. Governor Little's *Leading Idaho* plan successfully enacted record tax cuts on top of record investments in education and transportation. Accomplishing this trifecta overshadowed other record state investments in water infrastructure, outdoor recreation, environmental remediation, energy resilience, broadband infrastructure, behavioral health, and the largest CEC in state history (7.6%). Governor Little also made a major down payment on deferred maintenance and funded many vital state facilities. All will build resilience for future prosperity.

This success was achieved against fierce headwinds: a global pandemic, surging inflation, soaring energy prices, labor market shortages, supply-chain disruptions, global geopolitical strife, and an evolving federal monetary policy. While caseloads from the pandemic have eased, the remaining headwinds continue to gain strength, and the odds of a recession over the next 24 months have increased. The economic forecast from which the state's revenue forecast is derived now places the odds of a recession at 1 in 3 in the next year. Other economists have placed the estimates of a recession as high as 75% in the next 24 months. Further, the U.S. fiscal confidence index fell, reflecting heightened concern about the latest economic indicators.

Preparing for the FY 2024 budget is a "best of times, worst of times" scenario. On one hand, revenue has exceeded forecast each month of the fiscal year. This means we will end the year with a robust budget surplus. On the other hand, this surplus is driven, in part, by inflation and unsustainable levels of federal spending, meaning large portions of it should be viewed as one-time in nature. Further, several of the state's safety nets will not be available in FY 2024 setting up a fiscal cliff: the enhanced federal match for Medicaid is nearing expiration, and nearly all (99.8%) of the state's ARPA discretionary dollars are obligated.

Given all these factors, the Governor's top priority for the FY 2024 budget is to preserve the historic gains made during the 2022 legislative session. Generally, agencies should prioritize successfully implementing the major multi-year programs from the previous year's budget rather than looking to create new ones.

The Governor is also exploring another CEC for the upcoming budget to ensure agencies can recruit and retain top talent, as well as additional education investments.

As is often stated, “it won’t be the bad years that put you out of business; it’s what you did in the good years that sets you up for failure or success.” Now, more than ever, is the time to ensure our success from *Leading Idaho* endures, and that our ongoing expenses do not exceed realistic forecasts of ongoing revenue given the historic economic volatility. As directors, it is critical that you work within your agencies and externally with your constituencies to keep expectations appropriately calibrated from the outset of the budget cycle.

B. FY 2023 General Fund Supplemental Requests

Agencies must actively manage their budget and absorb all costs in their existing FY 2023 appropriation to avoid General Fund supplemental requests. If an extraordinary circumstance has occurred in which a General Fund supplemental request may not be absorbed or covered through a net-zero transfer, the agency head should set up a meeting with the Governor’s Chief of Staff and DFM Administrator to discuss options no later than **July 29, 2022**.

C. FY 2024 General Fund Agency Requests

C1. General Fund Budget Growth

While preservation of the FY 2023 gains is the top priority, we are pleased that Governor Little’s management of the budget makes it possible for us to accept agency budget requests that are up to 3% above the FY 2023 original ongoing General Fund appropriation. For convenience, agency caps are available in **Appendix A** attached to this memo. In several instances, agency caps are adjusted to reflect prior legislative commitments that were expected to increase in FY 2024 (denoted in the table).

The 3% growth factor is inclusive of all requisite adjustments found in the Budget Development Manual, including the CEC placeholder, health insurance adjustment, and other variable benefit adjustments. We do anticipate that the health insurance adjustment will increase approximately \$1,200 per person given the increased medical claims and cost per claim.

DFM will **not** accept an agency budget submission **or** a budget revision that exceeds this cap without prior approval of the Governor’s Chief of Staff and DFM Administrator.

C2. Line-Item Enhancements

If an agency intends to request a line-item enhancement from **any** source of funding, the agency must meet with their Governor’s office contact and DFM analyst no later than **July 29, 2022**, to discuss its necessity for inclusion.

Agencies must adhere to the following:

- General Fund line-item requests must be within the budget cap established under C1 of this memo.
- Line-items relating to personnel matters (e.g., FTP addition, reclassification, equity adjustments, etc.) must have **prior** written attestation from the Division of Human Resources (DHR) that the request is in line with all statewide HR policies. Requests for new FTP must be accompanied by a letter from the Director outlining why vacant FTP exceeding six months cannot be used to cover the request.
- Line-items that involve custom information technology must have **prior** written attestation from:
 - Office of Information Technology Services that no off-the-shelf technology can meet the agency’s need and that ITS supports the request; and
 - State Controller’s Office that the proposed technology is Luma compatible.

- Any executive agency legislation submitted through the EALS process must be fully accounted for in the agency's budget submission and fit within the budget cap established under C1 of this memo. No legislation may be advanced by an agency directly or indirectly outside of the EALS and budget processes. Legislation that impacts General Fund revenue or deficiency warrants must be within the budget cap established under C1.

DFM will **not** accept an agency budget submissions or revisions that has not been vetted through this process.

Note that DHR will begin their full classification/compensation study on all state of Idaho job classes on July 1st. Based on the results of this study, DHR will make recommendations to the Legislature on classification/compensation changes in state jobs. Due to this effort, agency requests for changes in classification or compensation on an entire job class or job family will not be considered in the agency request and should instead be coordinated with DHR's recommendations.

C3. ARPA Discretionary Funding Requests

Nearly all (99.8%) of the ARPA State and Local Fiscal Recovery Fund (ARPA SLFRF) have been legislatively obligated. As a result, no new requests will be accepted for FY 2024. The only requests for ARPA SLFRF that will be accepted in the FY 2024 budget request are those outlined in **Appendix B** of this memo.

D. Summary of Key Dates

- **July 29, 2022**
 - Last day to meet with Governor's office contacts and DFM analysts to discuss potential line-items for FY 2024.
 - Last day to meet with Governor's Chief of Staff and DFM Administrator to discuss extraordinary supplemental requests for FY 2023.
- **September 1, 2022**
 - Budget submissions are due to DFM and LSO no later than 5:00 p.m. MT.

As always, please reach out to your DFM analyst with any budget-related questions. Thank you for your continued hard work and assistance during these challenging times.

Appendix A. Budget Submission Caps for Agency General Fund (GF) Request

Agency	Agency #	FY23 GF Ongoing (\$)	FY24 GF Request Cap (\$)
OITS	177	1,670,400	1,720,512
STEM	179	3,173,200	3,268,396
DFM	180	2,081,400	2,143,842
Office of the Governor	181	2,438,700	2,511,861
Aging	187	5,318,400	5,477,952
Blind & Visually Impaired	189	1,582,000	1,629,460
Mil. Division	190	8,058,800	8,300,564
OSC	195	1,615,600	1,664,068
Arts	196	905,700	932,871
WDCB	197	392,000	403,760
ODP	198	355,300	365,959
Admin	200	2,627,800	2,706,634
ISDA	210	12,527,100	12,902,913
SWCC	215	3,370,200	3,471,306
Commerce	220	6,408,300	6,600,549
IDOC	230	295,102,900	303,955,987
Pardons and Parole	232	3,746,200	3,858,586
IDOL	240	567,300	584,319
DEQ	245	24,760,400	25,503,212
IDHW (Non-Medicaid)	270	194,327,700	200,157,531
IDHW ¹ (Medicaid)	270	829,520,200	878,461,892
IDJC	285	46,071,600	47,453,748
Industrial Commission	300	294,000	302,820
IDL	320	8,802,700	9,066,781
ISP ²	330	41,313,800	42,553,214
IDPR	340	3,730,600	3,842,518
Tax Appeals	351	626,100	644,883
Tax Commission	352	40,404,900	41,617,047
IDWR	360	22,386,200	23,057,786
PDC	437	11,679,400	12,029,782
Hispanic Commission	441	262,100	269,963
SAPD	443	3,474,300	3,578,529
Veterans	444	1,531,800	1,577,754
Hearing Officers	460	577,100	594,413
OSBE	501	9,428,100	9,710,943
CTE	503	73,084,300	75,276,829
Community Colleges	505	56,928,900	58,636,767
Colleges & Universities	510	337,071,300	347,183,439
Ag. Research	514	34,989,800	36,039,494
Health Ed. Programs	515	24,833,300	25,578,299
Special Programs	516	27,620,000	28,448,600
IPTV	520	2,817,400	2,901,922
Libraries	521	4,467,800	4,601,834
Historical Society	522	4,099,600	4,222,588

Voc. Rehab	523	4,981,600	5,131,048
Charter School Commission	525	182,400	187,872
SILC	905	237,700	244,831

1 – adjusted for non-discretionary growth pursuant to prior actions

2 – HDA shift pursuant to prior legislation is exempt

Appendix B. Allowable ARPA Discretionary Fund Requests for FY 2024 Budget

Agency	Agency #	Brief Description	Amount
WDC	178	Childcare infrastructure expansion grants	\$15,000,000 ¹
Commerce	220	Enhance broadband infrastructure	\$125,000,000 ²
IDPR	340	Outdoor recreation capacity and maintenance	\$5,000,000 ^{1,3}

1. Should be coded to the ARPA State Fiscal Recovery Fund (Fund 344-30).
2. Should be coded to the ARPA Capital Projects Fund (Fund 344-40)
3. JFAC made \$10 million ongoing; thus, agency should add a line item for an additional \$5 million.

The following ARPA Discretionary Fund requests were made ongoing in FY 2023 and are thus including in the base budget for FY 2024:

Agency	Agency #	Brief Description	Amount
WDC	178	Workforce training for in-demand professions	\$25,000,000
DFM	180	Legal and audit support	\$1,081,200
Pardons and Parole	232	Extradition transportation	\$50,000
DEQ	245	Environmental remediation	\$13,709,600
		Drinking and wastewater grants	\$59,998,800
IDHW	270	Home visiting	\$1,000,000
IDWR	360	Community behavioral health clinics grant	\$6,000,000
IDWR	360	Water storage projects	\$50,000,000
Colleges & Universities	510	University of Idaho remote worker training	\$390,100