



State of Idaho

## DIVISION OF FINANCIAL MANAGEMENT

Executive Office of the Governor

BRAD LITTLE  
Governor

ALEX J. ADAMS  
Administrator

May 26, 2023

### MEMORANDUM

TO: Agency Directors and Fiscal Officers  
FROM: Alex J. Adams, Administrator  
SUBJECT: FY 2025 Budget Overview

A handwritten signature in blue ink, reading "Alex J. Adams", is written over the "FROM" and "SUBJECT" lines 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 2025 budget requests.

#### A. General Overview

Through April 2023, General Fund revenue collections are 0.2% higher than forecast; this means that the state is on pace for a \$10.3 million surplus at the end of the fiscal year.

Under House Bill 292, this \$10.3 million surplus – and any additional surplus funds up to \$150 million – will be swept into the Homeowner Property Tax Relief Account. It is unlikely that the final two months of the fiscal year will yield a surplus that exceeds this surplus eliminator cap. For context, at this same stage last year, we knew the State was on pace for a surplus of more than \$1 billion.

As revenue stabilizes, it underscores the importance of how Idaho budgeted in recent years, namely treating most of the surplus as one-time in nature. We were able to use these one-time funds for capital infrastructure investments across agencies that will have benefits for generations. Making capital infrastructure investments at the level observed in the past two budget cycles was, as predicted, a short-term reality.

Importantly, the State appears to have accurately judged the one-time versus ongoing nature of state revenue, and we have appropriately calibrated the ongoing investments and tax cuts in a manner that will sustain over time. Other governments are reporting a fiscal cliff associated with surplus funds receding and federal COVID aid expiring. Idaho is not in that position due to the good decisions that agencies have collectively made over recent budget cycles.

The Governor's top priority for the FY 2025 budget is to preserve and build off the historic gains made during the 2023 Legislative session as revenue growth normalizes. Further, we are working with the Division of Human Resources on a CEC recommendation that is more robust than usual given the labor market challenges.

To accomplish this, it will take all of us working together to set appropriate expectations about what is realistic in this particular budget cycle. As agencies develop their FY 2025 budget requests, they should be prepared to discuss the following with both internal and external stakeholders:

- 1) There is no predicted budget surplus at the end of FY 2024;
- 2) Ongoing revenue growth continues to normalize to pre-pandemic levels; and
- 3) Dysfunction in Congress is sowing the seeds for a potential economic downturn, with several prominent firms still predicting a recession in the near future.

## **B. FY 2024 Supplemental Requests**

Agency supplemental requests from *any* source of funding should be used as a tool of last resort when all other options have been properly considered and determined impractical. Agencies are expected to actively manage their budget and work to absorb all costs in their existing FY 2024 appropriation to avoid supplemental requests. New federal grants that cannot be absorbed should be requested in FY 2025 unless a minor delay is expressly prohibited under the terms of the federal grant.

If an extraordinary circumstance has occurred in which a supplemental request is necessary because the agency may not absorb the expense, cover it through a net-zero transfer, or delay implementation, the agency head should set up a meeting with the Governor's Chief of Staff and DFM Administrator no later than **July 28, 2023**. Agencies should be prepared to provide documentation and discuss the circumstances surrounding the need and why other options are not possible.

## **C. FY 2025 General Fund Agency Requests**

### **C1. General Fund Budget Growth**

While preservation of the FY 2024 budget gains and a robust CEC 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 2024 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). No such restrictions are placed on dedicated or federal funds.

The 3% growth factor is inclusive of all requisite adjustments found in the Budget Development Manual, including the 1% CEC placeholder, health insurance adjustment, and other variable benefit adjustments. We do anticipate that the health insurance adjustment will increase at a lower rate than last year (approximately \$650 per person).

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. These discussions should occur no later than **July 28, 2023**.

### **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 28, 2023**, 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. Given the unlikelihood of a surplus upon year end, agencies should prioritize their top requests within this 3% cap rather than hoping for a later addition in the Governor's recommendation.

- Line-items relating to personnel matters (e.g., FTP addition, reclassification, compensation adjustments, reasonable accommodations, etc.) must have *prior* written attestation from the Division of Human Resources (DHR) that the request is in line with all statewide HR policies. When requesting new FTE, agencies shall include information supporting the classification and compensation being requested. Please use the following form to submit for your new FTE requests: <https://dhr.idaho.gov/hr-professional-resources/> . Requests for new FTP must also be accompanied by a letter from the Director outlining why vacant FTP exceeding six months cannot be used to cover the request. Agency requests for changes in classification or compensation for an entire job class or job family will not be considered in the agency requests and should instead be coordinated with DHR’s statewide CEC recommendations.
- 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 and articulated clearly using the appropriate five-year fiscal note template that has been provided to agencies.

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

### **C3. ARPA Discretionary Funding Requests**

The ARPA State and Local Fiscal Recovery Fund (ARPA SLFRF) has been fully obligated. As a result, no new requests will be accepted from this source of funding in FY 2025.

### **D. Summary of Key Dates**

- **July 28, 2023**
  - Last day to meet with Governor’s office contacts and DFM analysts to discuss potential line-items for FY 2025.
  - Last day to meet with Governor’s Chief of Staff and DFM Administrator to discuss extraordinary supplemental requests for FY 2024 or exceptions from the FY 2025 budget cap.
- **September 1, 2023**
  - 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.

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

<b>Agency Code</b>	<b>Agency Name</b>	<b>FY 2024 Ongoing Amount</b>	<b>FY 2025 Agency Request Cap</b>
177	Information Technology, Office of	\$ 2,359,600	\$ 2,430,388
179	STEM Action Center	\$ 3,282,100	\$ 3,380,563
180	Financial Management, Division of	\$ 2,155,600	\$ 2,220,268
181	Governor, Office of the	\$ 2,549,800	\$ 2,626,294
187	Aging, Commission on	\$ 5,361,600	\$ 5,522,448
189	Blind and Visually Impaired, Commission for the	\$ 1,692,900	\$ 1,743,687
190	Military Division	\$ 8,473,800	\$ 8,728,014
195	Species Conservation, Office of	\$ 1,655,600	\$ 1,705,268
196	Arts, Commission on the	\$ 932,800	\$ 960,784
197	Wolf Board	\$ 392,000	\$ 403,760
198	Drug Policy, Office of	\$ 370,000	\$ 381,100
200	Administration, Department of	\$ 2,692,000	\$ 2,772,760
210	Agriculture, Department of	\$ 13,014,900	\$ 13,405,347
215	Soil and Water Conservation Commission	\$ 3,488,100	\$ 3,592,743
220	Commerce, Department of	\$ 6,664,800	\$ 6,864,744
230	Correction, Department of	\$ 317,639,400	\$ 327,168,582
232	Pardons and Parole, Commission of	\$ 4,005,700	\$ 4,125,871
240	Labor, Department of	\$ 595,000	\$ 612,850
245	Environmental Quality, Department of	\$ 26,104,900	\$ 26,888,047
270	Health and Welfare, Department of (Medicaid) <sup>1</sup>	\$ 856,336,900	\$ 941,336,900
270	Health and Welfare, Department of (Non-Medicaid)	\$ 207,711,000	\$ 213,942,330
285	Juvenile Corrections, Department of	\$ 48,566,000	\$ 50,022,980
300	Industrial Commission	\$ 294,000	\$ 302,820
320	Lands, Department of	\$ 10,245,100	\$ 10,552,453
330	State Police <sup>2</sup>	\$ 51,043,500	\$ 52,574,805
340	Parks and Recreation, Department of	\$ 3,915,000	\$ 4,032,450
351	Tax Appeals, Board of	\$ 655,200	\$ 674,856
352	State Tax Commission	\$ 43,349,900	\$ 44,650,397

360	Water Resources, Department of	\$ 23,536,700	\$ 24,242,801
437	Office of the State Public Defender	\$ 13,391,400	\$ 13,793,142
441	Hispanic Affairs, Commission on	\$ 272,200	\$ 280,366
443	State Appellate Public Defender	\$ 3,936,800	\$ 4,054,904
444	Veterans Services, Division of	\$ 1,646,200	\$ 1,695,586
460	Office of Administrative Hearings	\$ 816,900	\$ 841,407
501	Board of Education	\$ 41,353,500	\$ 42,594,105
503	Career - Technical Education	\$ 76,444,200	\$ 78,737,526
505	Community Colleges	\$ 60,894,500	\$ 62,721,335
510	Colleges & Universities	\$ 353,939,200	\$ 364,557,376
514	Ag. Research	\$ 36,798,300	\$ 37,902,249
515	Health Ed. Programs	\$ 26,845,500	\$ 27,650,865
516	Special Programs	\$ 29,133,100	\$ 30,007,093
520	Public Television	\$ 2,885,500	\$ 2,972,065
521	Libraries, Commission for	\$ 4,589,900	\$ 4,727,597
522	State Historical Society	\$ 4,417,500	\$ 4,550,025
523	Vocational Rehabilitation, Division of	\$ 5,172,200	\$ 5,327,366
525	Public Charter School Commission	\$ 190,100	\$ 195,803
905	State Independent Living Council	\$ 255,700	\$ 263,371

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

2 – HDA shift pursuant to prior legislation is exempt