



State of Idaho

DIVISION OF FINANCIAL MANAGEMENT

Executive Office of the Governor

BRAD LITTLE
Governor

LORI A WOLFF
Administrator

May 29, 2024

MEMORANDUM

TO: Agency Directors and Fiscal Officers

FROM: Lori Wolff, Administrator

SUBJECT: FY 2026 Budget Overview

A handwritten signature in blue ink, appearing to read "Lori Wolff".

I hope you all enjoyed your short-lived relief from the 2024 Legislative session. Governor Little's Idaho Works plan was very successful during the 2024 Legislative Session. We appreciate agencies' support of critical investments and priorities that will better position Idaho for the future. Governor Little appreciates the time and focus you and your staff dedicated during the budget-setting process. And now, it's time to do it again!

This memo outlines Governor Little's expectations for executive branch agencies as they prepare and submit their FY 2026 budget requests.

A. General Overview

General Fund revenue collections – through April 2024 are 2.3% higher than forecast; this means that the state is on pace for an estimated \$100 million surplus at the end of the fiscal year. As with anything, this is a forecast, and subject to change. DFM did miss on the April tax filings, and if this carries over into May, it is possible that this amount will recede.

Under House Bill 292, this forecasted \$100 million surplus – and any additional surplus funds up to \$150 million – will be swept into the Homeowner Property Tax Relief Account. With this surplus eliminator cap in place, it is unlikely that the final two months of the fiscal year will yield a surplus.

However, even with this year's revenue projections exceeding estimates, we continue to see signs of the economy softening. April revenues were down 5.8% and the one-time COVID Aid funding is fully obligated and must be expended December 30, 2026.

With this economic picture in mind, Governor Little will continue to make strategic investments in top-priority areas while ensuring a conservative and balanced budget for Idaho. As Idaho continues to experience record population growth, workforce challenges, infrastructure needs, and public school investments, his focus will be on investments that solve problems and prepare Idaho for a successful future.

B. FY 2025 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 2025 appropriation to avoid

supplemental requests. New federal grants that cannot be absorbed should be requested in FY 2026 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 26, 2024**. Agencies should be prepared to provide documentation and discuss the circumstances surrounding the need and why other options are not possible.

C. FY 2026 General Fund Agency Requests

C1. General Fund Budget Growth

For FY 2026, Agency Directors are asked to submit agency budget requests that are no more than 3% above the FY 2025 original **ongoing** General Fund appropriation. The 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 2025 (denoted in the table). The 3% budget cap applies only to General funds. No such restrictions are placed on dedicated or federal funds.

The 3% growth factor is inclusive of all required 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 more than last year at approximately \$1,200 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 26, 2024**.

C2. Line-Item Enhancements

The 2024 Legislative session showed JFAC’s new approach to line items and we anticipate this will continue. Essentially, line items are voted for in a standalone agency budget bill, separate from your maintenance budget. This invites a higher level of scrutiny of each line item and will require agencies to be even more prepared to justify their need.

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 26, 2024**, to discuss its necessity for inclusion.

DFM will work closely with the Division of Human Resources on a Change in Employee Compensation (CEC) recommendation that addresses market challenges across classifications. We ask that agencies work closely with DHR if they intend to request additional personnel funds to address specific pay challenges outside of CEC. Through this process, DHR will determine if the request is supported and, if so, determine whether it should be included in the agency’s budget request or the statewide CEC request.

Agencies must adhere to the following:

- General Fund line-item requests must be within the budget cap found in Appendix A 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 refer to the budget development manual for specific instruction and request deadlines. Requests for new FTP must also be accompanied by a letter from the agency Director outlining why a vacant FTP exceeding six months cannot be used to cover the request. Agencies must work closely with DHR if they intend to request additional personnel funds to address specific pay challenges outside of CEC. Through this process, DHR will determine if the request is supported and, if so, determine whether it should be included in the agency’s budget request or the statewide CEC request.
- Line items that involve custom information technology must have *prior* written attestation from:
 - The Office of Information Technology Services stating:
 - The technology aligns with ITS standard solutions or that an exception for non-standard technology has been evaluated and approved by ITS.
 - The requesting agency has completed an RFI with ITS participation or ITS has evaluated the requirements and made a recommendation for solution and budget.
 - The State Controller’s Office that the proposed technology is Luma compatible and not duplicative of Luma functionality.
- 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 in Appendix A 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 in Appendix A 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 2026.

D. Summary of Key Dates

- **July 26, 2024**
 - Last day to meet with the Governor’s office contacts and DFM analysts to discuss potential line items for FY 2026.
 - Last day to meet with the Governor’s Chief of Staff and the DFM Administrator to discuss extraordinary supplemental requests for FY 2025 or exceptions from the FY 2026 budget cap.
- **August 30, 2024**
 - 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

Agency Code	Agency Name	FY 2025 Ongoing Amount	FY 2026 Agency Request Cap
177	Information Technology, Office of	\$ 2,502,500	\$ 2,577,600
179	STEM Action Center	\$ 3,276,200	\$ 3,374,500
180	Financial Management, Division of	\$ 2,228,200	\$ 2,295,000
181	Governor, Office of the	\$ 2,666,300	\$ 2,746,300
187	Aging, Commission on	\$ 6,278,900	\$ 6,467,300
189	Blind and Visually Impaired, Commission for the	\$ 1,734,900	\$ 1,786,900
190	Military Division	\$ 8,850,200	\$ 9,115,700
195	Species Conservation, Office of	\$ 1,766,500	\$ 1,819,500
196	Arts, Commission on the	\$ 933,400	\$ 961,400
197	Wolf Board	\$ 392,000	\$ 403,800
198	Drug Policy, Office of	\$ 376,200	\$ 387,500
200	Administration, Department of	\$ 2,709,700	\$ 2,791,000
210	Agriculture, Department of	\$ 15,011,800	\$ 15,462,200
215	Soil and Water Conservation Commission	\$ 3,592,200	\$ 3,700,000
220	Commerce, Department of	\$ 5,901,600	\$ 6,078,600
230	Correction, Department of	\$ 326,156,200	\$ 335,940,900
232	Pardons and Parole, Commission of	\$ 4,140,800	\$ 4,265,000
240	Labor, Department of	\$ 607,200	\$ 625,400
245	Environmental Quality, Department of	\$ 27,313,500	\$ 28,132,900
270	Health and Welfare, Department of (Medicaid) ¹	\$ 932,383,700	\$ 960,355,200
270	Health and Welfare, Department of (Non-Medicaid)	\$ 217,315,000	\$ 223,834,500
285	Juvenile Corrections, Department of	\$ 49,175,800	\$ 50,651,100
300	Industrial Commission	\$ 294,000	\$ 302,800
320	Lands, Department of	\$ 10,551,300	\$ 10,867,800
330	State Police ²	\$ 57,199,500	\$ 58,915,500
340	Parks and Recreation, Department of	\$ 4,035,400	\$ 4,156,500
351	Tax Appeals, Board of	\$ 651,600	\$ 671,100
352	State Tax Commission	\$ 43,658,500	\$ 44,968,300
360	Water Resources, Department of	\$ 23,915,700	\$ 24,633,200

438	Office of the State Public Defender	\$ 13,435,300	\$ 13,838,400
441	Hispanic Affairs, Commission on	\$ 275,000	\$ 283,300
443	State Appellate Public Defender	\$ 4,081,700	\$ 4,204,200
444	Veterans Services, Division of	\$ 1,714,800	\$ 1,766,200
460	Office of Administrative Hearings	\$ 1,563,400	\$ 1,610,300
501	Board of Education	\$ 46,152,100	\$ 47,536,700
503	Career - Technical Education	\$ 78,963,900	\$ 81,332,800
505	Community Colleges	\$ 63,785,200	\$ 65,698,800
510	Colleges & Universities	\$ 365,098,400	\$ 376,051,400
514	Ag. Research	\$ 37,966,900	\$ 39,105,900
515	Health Ed. Programs	\$ 27,830,000	\$ 28,664,900
516	Special Programs	\$ 30,083,600	\$ 30,986,100
520	Public Television	\$ 2,974,200	\$ 3,063,400
521	Libraries, Commission for	\$ 4,764,100	\$ 4,907,000
522	State Historical Society	\$ 4,628,900	\$ 4,767,800
523	Vocational Rehabilitation, Division of	\$ 5,249,100	\$ 5,406,600
525	Public Charter School Commission	\$ 193,000	\$ 198,800
905	State Independent Living Council	\$ 263,600	\$ 271,500
470	Health and Social Services Ombudsman	\$ 470,000	\$ 484,100

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

2 – HDA shift pursuant to prior legislation is exempt