




May 29, 2025

MEMORANDUM

To: **Agency Directors
Fiscal Officers**

From: **Lori Wolff, Administrator** 

Subject: **FY 2027 Budget Development Guidance**

I want to start by thanking all of you for your contributions and support of Governor Little's ***Keeping Promises*** plan during the 2025 legislative session. Your support of critical investments and priorities will have a lasting impact and 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 2027 budget requests.

A. General Overview

General Fund revenue collections through April 2025 are 1.2% behind original projections which is about \$55 million short of our revenue projections for FY 2025. We still have two months in this fiscal year to make up the difference, but this is a different scenario than we have seen in the past several years.

Also, the Legislature approved, and the Governor signed over \$450 million in tax relief during this past Legislative session. While we are confident this historic tax relief will help with out-year economic growth, it does result in less revenue than originally projected for FY 2027. Idaho is also seeing slower growth in sales tax revenue, so our revenue projections for future years have been adjusted downward. This will have a direct impact on budget planning for agencies next session.

With this revenue picture in mind, agencies should submit General Fund **maintenance only budgets** for FY 2027. Governor Little will prioritize critical investments in essential areas while ensuring a conservative and balanced budget for Idaho. Although we understand that there are still many initiatives and challenges that impact your agency and operations, we must submit a balanced budget, and Idaho's current revenue projections only allow for slight growth in appropriations for FY 2027. Governor Little will still work with your agencies and the Legislature to identify priorities and critical investments that solve problems and prepare Idaho for a successful future.

Also, as we continue to watch revenue projections for FY 2026 and FY 2027, it is important that State agencies are prepared to manage budgets and maintain conservative spending. We are asking all state

agencies to internally prepare 2%, 4%, and 6% budget holdback scenarios to have in place as we continue to watch economic trends at the national level. This exercise not only helps us be prepared for uncertainty but also allows agencies to look internally at priorities and operations and ensure critical operations are prioritized.

B. FY 2026 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 2026 appropriation to avoid supplemental requests. New federal grants that cannot be absorbed should be requested in FY 2027 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 must set up a meeting with your Governor's Office liaison and DFM Administrator no later than **July 25, 2025**. Agencies should be prepared to provide documentation and discuss the circumstances surrounding the need and why other options are not possible.

C. FY 2027 General Fund Agency Requests

C1. General Fund Budget Growth and Maintenance Budgets

For FY 2027, Agency Directors should submit maintenance only budget requests. *A maintenance budget submission will include a 1% CEC placeholder, health insurance adjustments and any other variable benefit adjustments, contract inflation (contractually obligated), replacement items (not to exceed the average replacement requests over the past three years), and non-discretionary changes to population forecast adjustments (for identified agencies).* DFM has provided estimated costs by agency to show the budget submission limits that align with a maintenance budget in Appendix A. Please review these estimates and let your budget analyst know if there are any corrections needed. The budget submission limits apply specifically to General Funds. Although these restrictions do not apply to dedicated or federal funds, additional line items from any fund source must be approved prior to budget submission.

Based on Spring projections for the health insurance costs, we anticipate the health insurance adjustment to increase \$2,600 per person. This is an 18% increase over last year's health insurance costs and has a significant impact on the General Fund for FY 2027.

DFM will **not** accept an agency budget submission **or** a budget revision that includes line-item enhancement requests outside of the maintenance requests without prior approval of your Governor's office liaison and DFM Administrator. These discussions should occur no later than **July 25, 2025**.

C2. Line-Item Enhancements

We are now familiar with JFAC's new budgeting process. JFAC will consider CEC, health insurance and variable benefit costs, and contract inflation as part of the maintenance budget considerations. Population forecast increases and all replacement items will be considered enhancements and voted on separately.

This invites a higher level of scrutiny of each line item and will require agencies to be prepared to justify the enhancement needs, particularly in a tight budget year. If JFAC follows the same protocol from last year, only agencies with enhancements requests will have budget hearings in JFAC.

If an agency intends to request a line-item enhancement from *dedicated or federal* source of funding, the agency must meet with their Governor's office contact and DFM analyst no later than **July 25, 2025**, to discuss its necessity for inclusion. As we are prioritizing maintenance budgets, **no General Fund line-item enhancements** (outside of replacement items and non-discretionary requests) will be accepted on submission. As in previous years, you may identify items off-budget for your Governor's office contact and DFM analyst that you would like the Governor to consider if revenue improves during budget-setting. Line items representing net-zero transfers of General Fund may be permitted, and must be included in the July 25th discussion, along with evidence that the line-item will remain budget neutral over time.

DFM will assess whether current revenue projections support a Change in Employee Compensation (CEC) recommendation. If so, DFM will work closely with the Division of Human Resources to ensure the recommendation addresses market challenges across classifications. Agencies **should not** submit line-item requests for additional personnel funds outside of CEC.

Agencies must adhere to the following:

- General Fund line-item requests should only include the maintenance components outlined above and must be within the calculated limits found in Appendix A of this memo.
- Line items relating to new positions (FTP) must be from dedicated or federal funds and must have *prior* written attestation from the Division of Human Resources (DHR) that the request is in line with all statewide HR policies. This year, agencies will be required to report in your budget submission any vacant FTE that has gone unfilled in the last 12 months. Please refer to the Budget Development Manual for specific information on what should be included in personnel requests.
- Please review the Budget Development Manual for new instructions on IT replacement items. ITS has provided a statewide assessment of critical security replacement items to every agency. Please work with ITS to determine if those need to be included in your replacement requests. Any IT line-item requests outside of replacement items must be from dedicated or federal funds and vetted through ITS.
- Any executive agency legislation submitted through the EALS process *must* be fully accounted for in the agency's budget submission and fit within the established guidelines of this memo. No legislation may be advanced by an agency directly or indirectly outside of the EALS and budget processes. Legislation with a fiscal impact must use the appropriate five-year fiscal note template that has been provided to agencies. Given that no General Fund line-item enhancements will be accepted, EALS must **not** have a General Fund impact for FY 2027.

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

C3. Loss of Federal Grants/Federal Funding

If your agency has received **official** notification that a federal grant or federal program/funding has ended, a **reduction** of the federal spending authority along with any FTE that were funded with these dollars must be included in your budget submission. This should be done via an FY 2027 base reduction in DU 8.5.

DFM will **not** accept agency budget submissions that request state or dedicated funds to replace federal grants or federal funding for the continuation of a program that has ended or to move a funding source from federal/dedicated to the general fund.

D. Summary of Key Dates

- **July 25, 2025**
 - Last day to meet with the Governor's office contacts and DFM analysts to discuss potential federal or dedicated fund line items for FY 2027.
 - Last day to meet with the Governor's office contacts and the DFM Administrator to discuss extraordinary supplemental requests for FY 2026 or exceptions from the FY 2027 budget cap.
- **August 29, 2025**
 - 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: The information below includes General Fund amounts for Health Insurance costs, 1% CEC, and an average for your agency's last 3 years of replacement items. Not included in these amounts are non-discretionary population forecast adjustments. Please work with your DFM analysts on these limits.

Agency Code	Agency Name	FY 2026 Ongoing Amount	Health Increase	CEC	Replacement Items	Calculated FY 2027 Submission Limits
177	Information Technology Services, Office of	\$ 4,371,300	\$ 42,300	\$ 18,600	\$ -	\$ 4,432,200
179	STEM Action Center	\$ 3,337,200	\$ 20,800	\$ 9,000	\$ 5,300	\$ 3,372,300
180	Division of Financial Management	\$ 2,308,400	\$ 36,800	\$ 20,600	\$ 8,000	\$ 2,373,800
181	Executive Office of the Governor	\$ 2,599,000	\$ 50,600	\$ 14,500	\$ 17,500	\$ 2,855,600
187	Commission on Aging	\$ 6,591,900	\$ 10,000	\$ 800	\$ 1,300	\$ 6,519,000
189	Commission for the Blind and Visually Impaired	\$ 1,804,000	\$ 29,900	\$ 10,500	\$ 9,600	\$ 1,854,000
190	Military Division	\$ 9,528,500	\$ 134,600	\$ 64,900	\$ 106,500	\$ 9,834,500
195	Office of Species Conservation	\$ 1,826,000	\$ 23,400	\$ 9,800	\$ -	\$ 1,859,200
196	Commission on the Arts	\$ 970,400	\$ 11,000	\$ 4,500	\$ -	\$ 986,600
197	Idaho Wolf Depredation Control Board	\$ 392,000	\$ -	\$ -	\$ -	\$ 392,000
198	Office of Drug Policy	\$ 598,000	\$ 7,800	\$ 3,300	\$ -	\$ 409,100
200	Department of Administration	\$ 2,943,700	\$ 33,700	\$ 10,300	\$ -	\$ 2,987,700
210	Department of Agriculture	\$ 15,611,500	\$ 182,400	\$ 89,800	\$ 23,300	\$ 15,907,000
215	Soil and Water Conservation Commission	\$ 4,697,000	\$ 1,000	\$ 1,900	\$ 2,100	\$ 4,778,000
220	Department of Commerce	\$ 6,068,100	\$ 74,100	\$ 3,700	\$ 4,400	\$ 6,175,600
230	Department of Correction	\$ 352,029,700	\$ 5,198,300	\$ 1,941,400	\$ -	\$ 359,169,400
232	Commission of Pardons & Parole	\$ 4,336,800	\$ 96,200	\$ 35,700	\$ 12,600	\$ 4,481,300
240	Department of Labor	\$ 637,300	\$ 17,100	\$ 5,700	\$ -	\$ 660,100
245	Department of Environmental Quality	\$ 9,351,200	\$ 422,600	\$ 226,100	\$ -	\$ 30,009,900
270	Department of Health and Welfare	\$ 1,235,351,000	\$ 256,100	\$ 1,206,900	\$ 2,369,300	\$ 1,220,417,400
285	Department of Juvenile Corrections	\$ 51,766,200	\$ 1,040,000	\$ 367,400	\$ -	\$ 53,173,600
300	Industrial Commission	\$ 294,000	\$ -	\$ -	\$ -	\$ 294,000
320	Department of Lands	\$ 11,653,100	\$ 177,900	\$ 78,500	\$ 127,100	\$ 12,036,600
330	Idaho State Police	\$ 66,381,900	\$ 1,130,700	\$ 548,400	\$ 5,074,600	\$ 73,135,600
340	Department of Parks and Recreation	\$ 4,255,800	\$ 91,300	\$ 31,900	\$ -	\$ 4,379,000
351	Board of Tax Appeals	\$ 680,700	\$ 10,400	\$ 5,400	\$ 3,800	\$ 700,300

352	State Tax Commission	\$ 45,606,600	\$ 980,600	\$ 348,800	\$ 368,900	\$ 47,304,900
360	Department of Water Resources	\$ 54,941,800	\$ 332,600	\$ 137,600	\$ 317,000	\$ 55,729,000
438	Office of the State Public Defender	\$ 44,703,200	\$ 90,900	\$ 122,700	\$ -	\$ 44,916,800
441	Commission on Hispanic Affairs	\$ 288,200	\$ 5,200	\$ 2,000	\$ -	\$ 295,400
443	Office of the State Appellate Public Defender	\$ 4,343,500	\$ 70,200	\$ 36,600	\$ 3,400	\$ 4,453,700
444	Division of Veterans Services	\$ 1,807,100	\$ 35,900	\$ 14,800	\$ -	\$ 1,857,800
460	Office of Administrative Hearings	\$ 1,627,000	\$ 23,400	\$ 12,600	\$ -	\$ 1,663,000
470	Office of Health and Social Services Ombudsman	\$ 65,100	\$ 800	\$ 3,400	\$ -	\$ 476,300
501	Office of the State Board of Education	\$ 46,998,800	\$ 20,700	\$ 3,800	\$ 13,300	\$ 47,211,600
503	Division of Career Technical Education	\$ 91,916,100	\$ 1,452,500	\$ 575,400	\$ -	\$ 93,944,000
505	Community Colleges	\$ 68,419,700	\$ -	\$ 608,900	\$ -	\$ 69,028,600
510	College and Universities	\$ 383,583,700	\$ 9,927,400	\$ 3,516,600	\$ -	\$ 397,027,700
514	Ag. Research	\$ 39,955,500	\$ 888,000	\$ 352,300	\$ -	\$ 41,196,400
515	Health Education Programs	\$ 29,419,500	\$ 12,600	\$ 59,500	\$ -	\$ 29,601,600
516	Special Programs	\$ 31,766,200	\$ 127,400	\$ 51,900	\$ 1,600	\$ 31,889,100
520	Idaho Public Television	\$ 3,084,200	\$ 36,400	\$ 16,800	\$ 44,400	\$ 3,181,800
521	Idaho Commission for Libraries	\$ 4,971,600	\$ 61,800	\$ 24,300	\$ 9,600	\$ 5,067,300
522	Idaho State Historical Society	\$ 4,883,300	\$ 54,000	\$ 3,500	\$ 500	\$ 5,003,300
523	Vocational Rehabilitation	\$ 5,452,600	\$ 24,500	\$ 3,300	\$ 3,300	\$ 5,575,700
525	Charter School Commission	\$ 199,900	\$ 3,900	\$ 1,500	\$ -	\$ 205,300
905	State Independent Living Council	\$ 294,600	\$ 4,500	\$ 1,700	\$ 1,400	\$ 302,200

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