

IV. General, Miscellaneous Revenue, and Library Services Improvement Fund

A. Finances – FY2027 Budget Requests – Information Item

Summary of the FY 2027 Budget Development Guidance

Executive branch agencies received a memo on May 29, 2025 outlining Governor Little's expectations as we prepare and submit FY 2027 budget requests. Highlights from the memo follow:

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.

FY 2027 General Fund Agency Requests

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). 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.

Line-Item Enhancements

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.

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.**

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.