



The *Idaho First Plan*: FY 2023-2024 Recommendations

Alex J. Adams
DFM Administrator

1

Outline

- Governor's Approach to Budgeting
- Revenue: Managing Uncertainty
- Expenditures: Making Sustainable Recommendations
- Topline Summary

2

A Record of Fiscal Policy Success

Idaho Variable	2019*	2022*
Tax Foundation State Business Tax Climate Ranking	21 st	15 th
Cato Institute Fiscal Policy Report Card	22 nd	4 th
Moody's Stress Test	30 th	3 rd
Fitch/Moody's Credit Rating	AA+	AAA

3

Avoiding Budget Whiplash



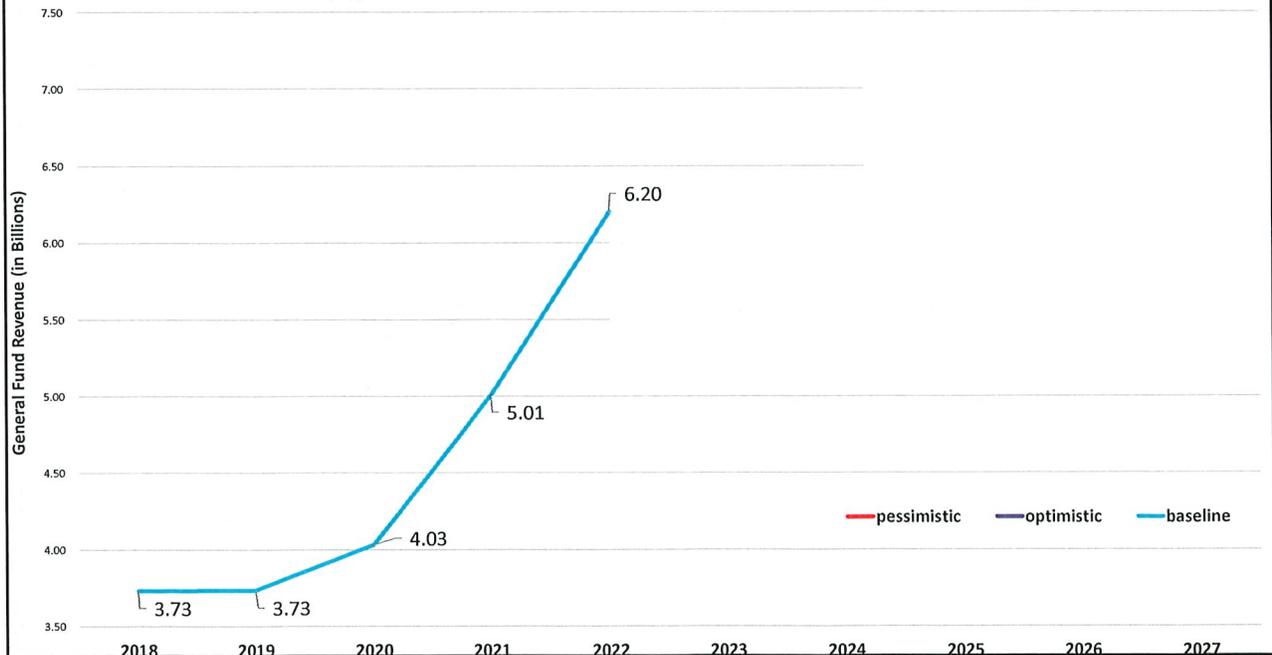
4

Outline

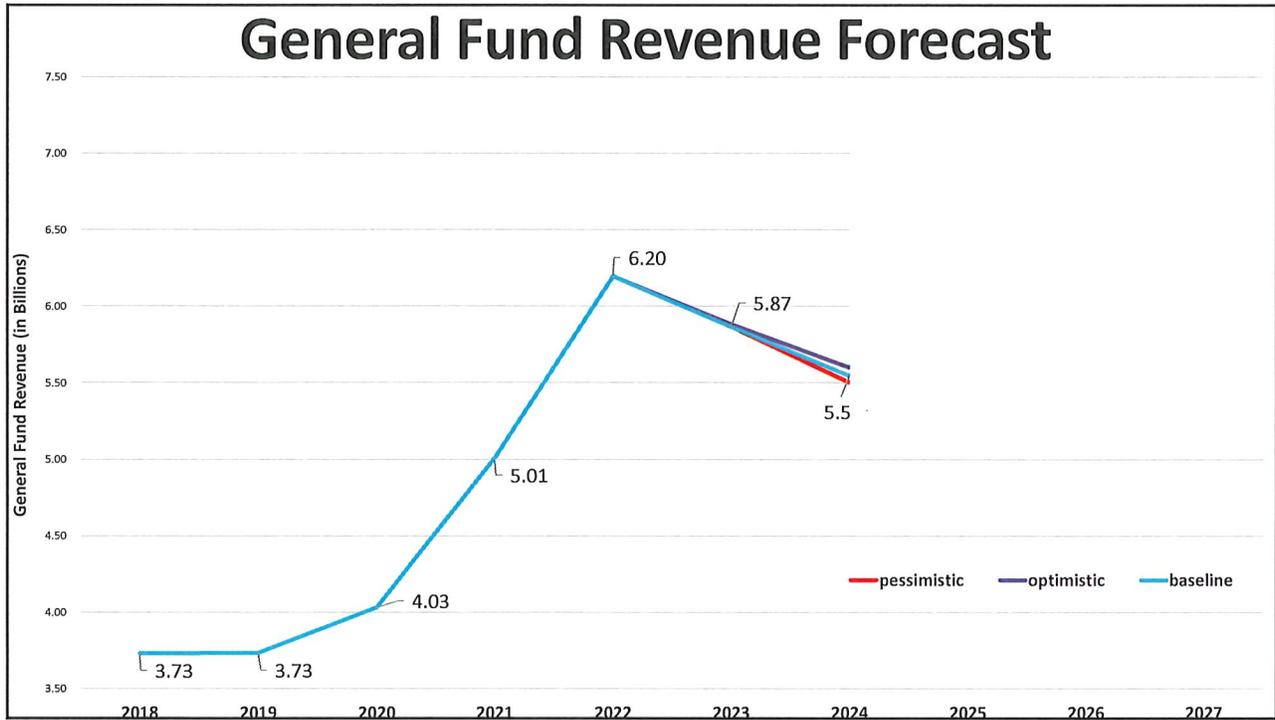
- Governor’s Approach to Budgeting
- Revenue: Managing Uncertainty**
- Expenditures: Making Sustainable Recommendations
- Topline Summary

5

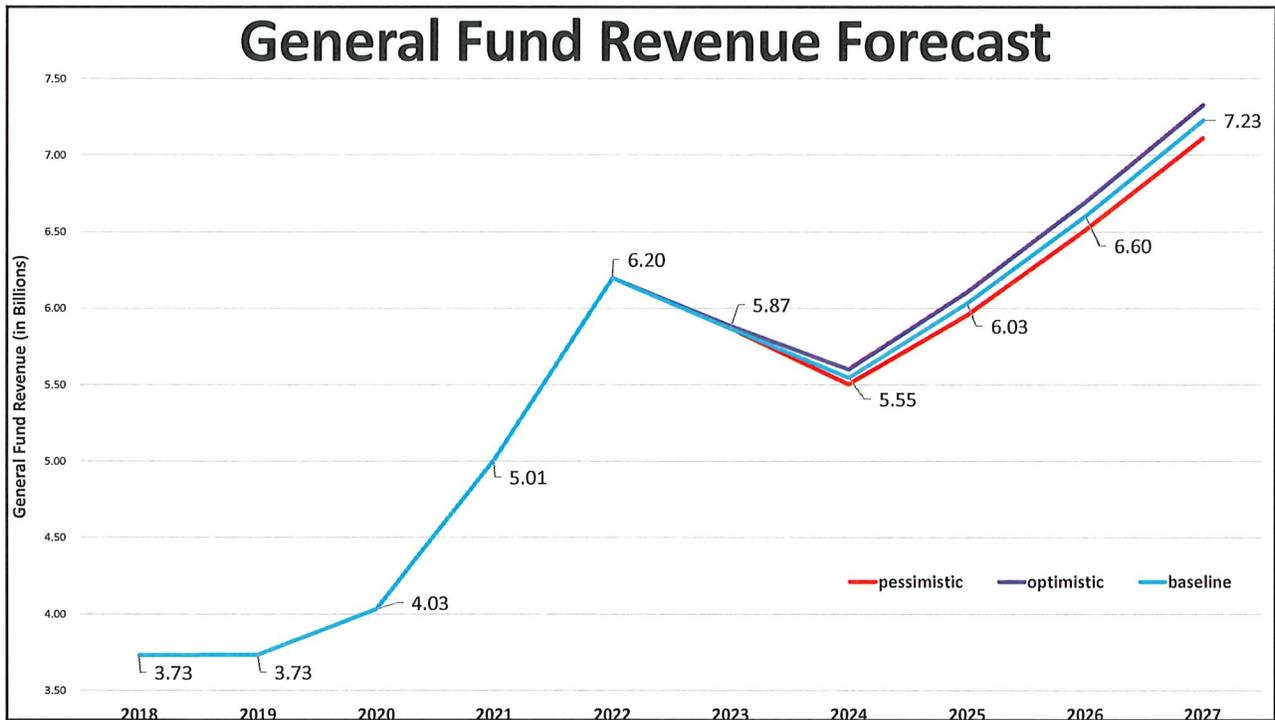
General Fund Revenue Forecast



6



7

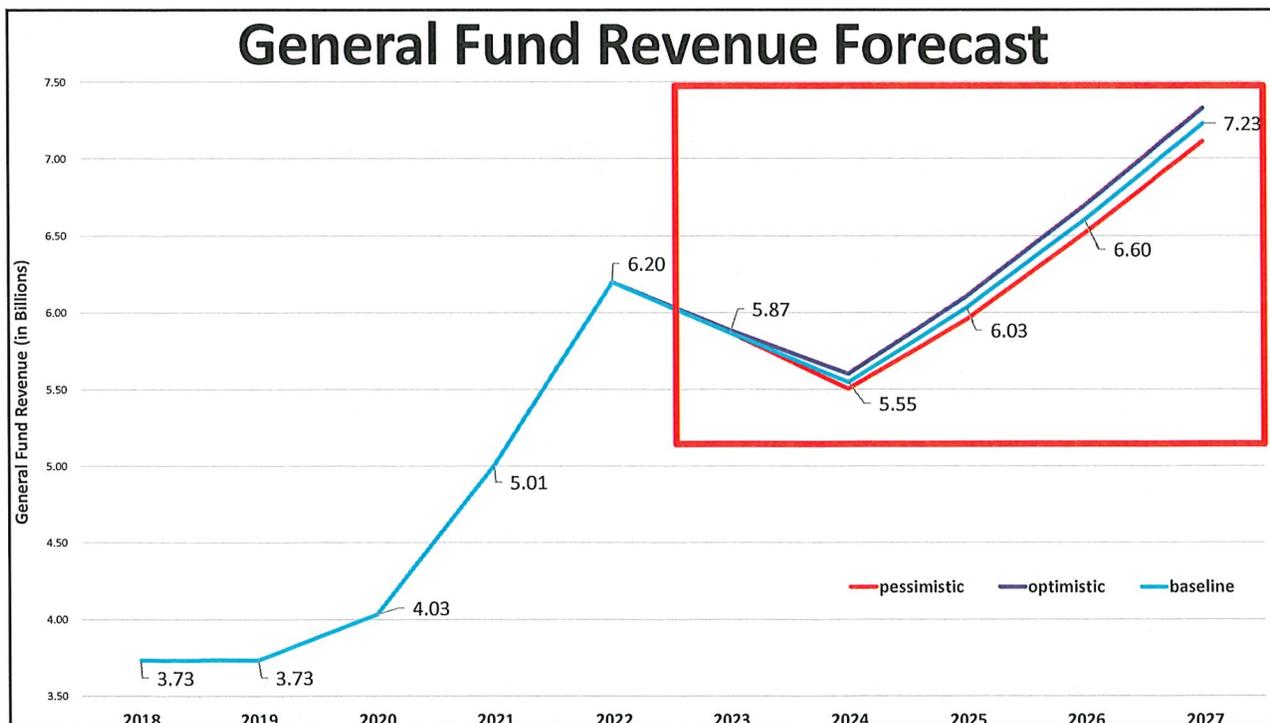


8

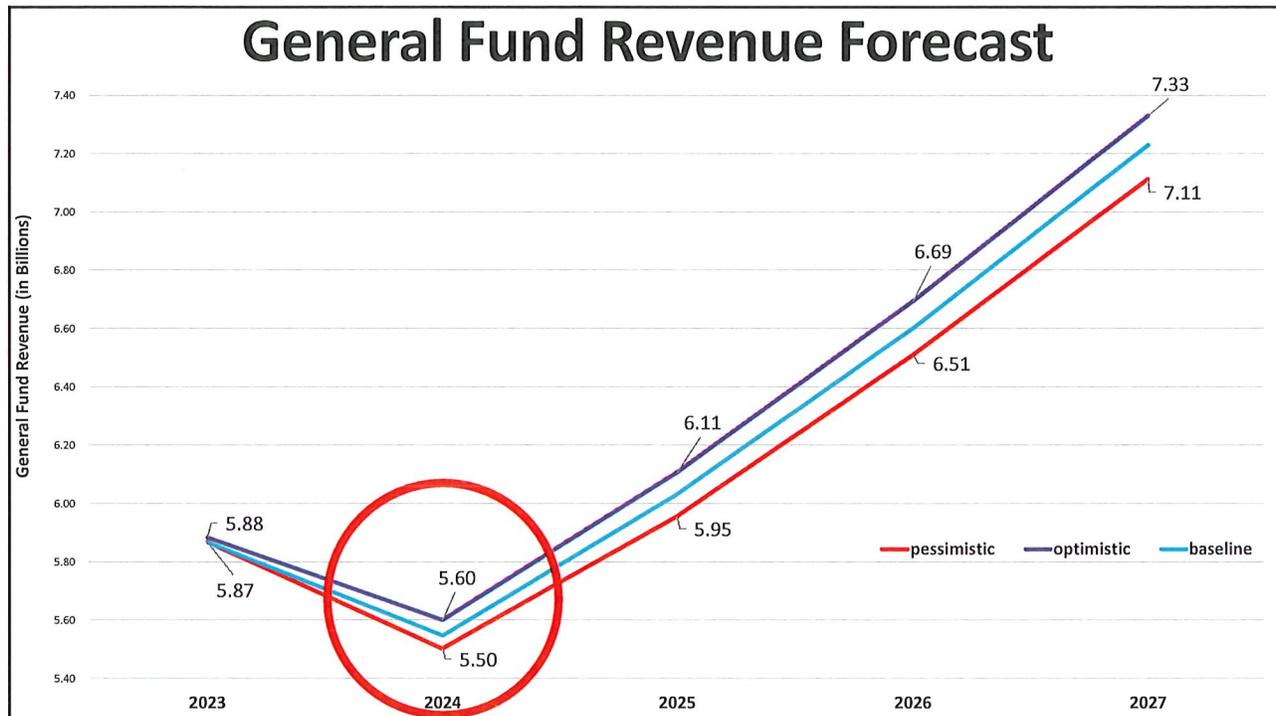
Why is General Fund Revenue Projected to Drop?

- Sequential income tax cuts and sales tax transfers with staggered effective dates:
 - January 3, 2023: Flat tax implemented with top rate of 5.8%
 - July 1, 2023: Sales tax transfer of \$330M for public schools and \$80 million for in-demand careers
- The baseline revenue forecast incorporates a mild recession starting in Q1 2023 with recovery beginning in Q3 2023.
- Tapering off record levels of federal transfer payments (e.g., stimulus checks, enhanced unemployment benefits, Paycheck Protection Program loans)

9



10



11

Hedging: What if We're Wrong?

- Leaves an ending balance as a cushion for total revenue:
 - FY 23: \$210,523,100 (3.1% cushion)
 - FY 24: \$220,237,700 (3.9% cushion)
- Bolsters rainy day funds with incremental transfers:
 - BSF to statutory max (15% of General Fund revenue): \$32,363,200
 - PESF to statutory max (8.3% of K12 budget): \$29,327,600
- Lowers out-years program costs
 - Pays off debt: \$37,465,000 (GARVEE), \$21,000,000 (Bunker Hill Superfund)
 - Supplements fire checking account: \$68,715,900
- Preference for one-time capital expenditures vs. ongoing spending increases

12

Revenue Adjustments

- Budget includes **(\$120,000,000)** in ongoing tax relief
- Monitor revenue forecast

13

Outline

- Governor's Approach to Budgeting
- Revenue: Managing Uncertainty
- **Expenditures: Making Sustainable Recommendations**
- Topline Summary

14

Governor's Budget Recommendation

	<u>FY 2023</u>	<u>FY 2024</u>
Estimated Beginning Balance	1,333,557,500	210,523,100
Revenue Projection	5,867,925,400	5,547,111,500
Revenue Adjustments	(494,098,200)	(120,000,000)
Total Transfers	(1,776,280,400)	(561,330,200)
Expenditures	(4,720,581,200)	(4,856,066,700)
Estimated Ending Balance	210,523,100	220,237,700

15

Largest Driver: Maintenance Adjustments

- Nondiscretionary Adjustments: \$124,615,500 net, inclusive of the following savings:
 - S 1350 (2022): **(\$68,800,000)**
 - Millennium Fund: **(\$3,420,900)**
- Change in Employee Compensation (CEC): \$53,014,500
 - 4% on merit
 - 6% additional salary adjustment for law enforcement positions (10% total)
- Employee Benefit Costs: \$12,567,000
 - Health Insurance: from \$12,500/person to \$13,750/person
 - Backstopped by ARPA: \$25,000,000 to offset COVID expenses
 - Public Schools: \$27,904,000

16

K-12 Education

General Fund (Ongoing)

- Career Ladder Salaries/Benefits: \$43,730,100
- Health Insurance Line Item: \$27,904,000

Public School Income Fund (2022 HB 1): \$330,000,000 Ongoing

- Teacher Pay (\$6,359 per cell): \$145,590,000
- Classified Staff Pay: \$97,400,000
- Discretionary Funding: \$52,449,900
- Empowering Parents Grants: \$30,000,000
- Dyslexia Support: \$2,900,000
- Idaho Digital Learning Academy: \$1,660,100

17

K-12 Education

One-Time General Fund

- School Security: \$20,000,000
- School Technology: \$30,000,000

One-Time Tax Rebate Fund

- Teacher of the Year Enhanced Bonus: \$1,200

18

In-Demand Careers

In-Demand Careers Fund (2022 HB 1): \$80,000,000 ongoing

- Expand *Idaho Launch* program to all high school graduates starting with class of 2024
- Provide \$8,500 for graduates to pursue training for an in-demand career
 - May be used at in-state college, community college, CTE program, or workforce training program (e.g., commercial driver school, electrical apprenticeship, etc.)
 - Preference for programs with job guarantees in field of study

19

Transportation



20

Transportation

One-Time: \$345,000,000

- Local Bridge Repair (2nd tranche): \$200,000,000
- Local Competitive Grants for Economically Significant Projects: \$100,000,000
- Airport Improvements: \$35,000,000
- Local Pedestrian and Safety Projects: \$10,000,000

21

Transportation

Ongoing: \$302,800,000

- Transportation Preservation and Restoration: \$206,000,000 (continuation of last year)
 - State (60%): \$123,600,000
 - Local (40%): \$82,400,000
- Transportation Safety and Capacity: \$96,800,000
 - State (60%): \$58,080,000
 - Local (40%): \$38,720,000

22

Natural Resources

One-Time: \$392,000,000

- Water Supply (IDWR): \$150,000,000
- Drinking Water and Wastewater Upgrades (DEQ): \$115,000,000
 - \$92 million General Fund; \$23 million ARPA
- Outdoor Recreation (IDPR): \$100,000,000
- Energy Infrastructure (OEMR): \$15,000,000
- Improve Soil, Air, and Water Quality (DEQ): \$12,000,000

23

Miscellaneous Priorities

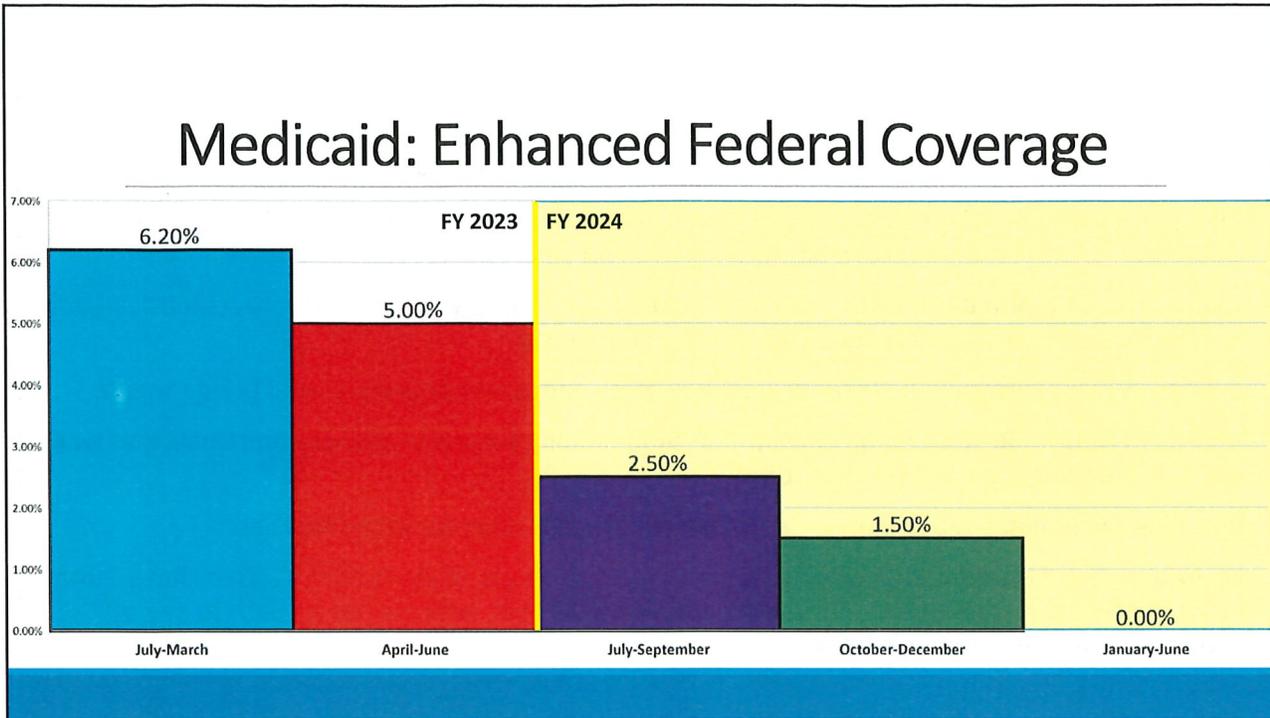
One-Time

- Deferred Maintenance (Admin): \$300,000,000
- Broadband (Commerce): \$225,000,000 (federal)
 - ARPA Capital Projects Fund: \$125,000,000
 - IJJA Broadband Program: \$100,000,000

Ongoing

- Human Resources Consolidation

24



25

- ### Outline
- Governor’s Approach to Budgeting
 - Revenue: Managing Uncertainty
 - Expenditures: Making Sustainable Recommendations
 - **Topline Summary**

26

Topline Summary

- **Education Remains Top Priority.** Boosts starting teacher pay to Top 10, closes the classified staff salary gap, and provides a record discretionary funding increase for local solutions.
- **Idaho Jobs for Idaho Businesses.** Sets aside \$80 million from the in-demand careers fund ongoing to provide graduates with resources for workforce training.
- **Invests in Transportation.** Fully funds ongoing safety needs and prioritizes local bridge repair.
- **Invests in Natural Resources.** Significant one-time funding for water quantity and quality, as well as record funding for outdoor recreation.
- **Provides Tax Relief.** \$120 million in additional ongoing tax relief for Idaho families.
- **Maintains Fiscal Prudence.** Leaves a projected ending balance of more than \$200 million in both FY 23 and FY 24, maxes out the rainy-day funds, pays off debt, and puts us on path to pay off the known deferred maintenance backlog.

27

Questions

Alex J. Adams

DFM Administrator

Alex.Adams@dfm.idaho.gov

28