



## FY 2023 Budget Highlights

### Education Remains Governor Little's Top Priority

Governor Little's budget increases the public schools General Fund by approximately \$300 million, the single largest increase in state history, with an 11% General Fund increase over the previous year. Specifically, the Governor's budget:

- Accelerates implementation of the **career ladder** in FY 2023 (\$104 million), representing a 10% increase in pay for Idaho teachers. The Governor also recommends \$1,000 bonuses for all teachers in the current year to reflect the increased workload due to the pandemic (\$17.8 million). In addition, the Governor recommends a 5% increase in compensation for all **classified staff**.
- Increases the state's ongoing contribution for teacher **health insurance** premiums by approximately \$4,000 per teacher and classified staff (\$105 million), ensuring school districts have the resources necessary to expand family coverage and lower out-of-pocket costs for teachers.
- Invests \$47 million ongoing in **literacy** programs so that school districts have the flexibility to deliver local solutions (e.g., all day kindergarten, reading coaches, etc.). This will increase state literacy funding five-fold since Governor Little took office.
- Provides \$50 million for **Empowering Parents Grants** to help families take charge of education expenses for their children. This builds off Governor Little's previously successful program which served more than 18,000 Idaho families and 46,000 students.

The Governor's budget also invests in career and workforce training:

- Makes targeted investments in **higher education**, with a 7.1% budget increase for universities and a 4.8% increase for community colleges.
- Invests \$10 million in **career technical education (CTE)**, with an emphasis on allowing school districts to more rapidly stand up CTE programs that meet local industry needs.
- Provides \$50 million from the American Rescue Plan Act (ARPA) to the **Workforce Development Council** to invest in job training and apprenticeships for in-demand professions.

### **Providing Historic Tax Relief**

Governor Little's budget puts an additional \$1.5 billion back into the wallets of Idahoans over 5 years – shattering the record for tax relief established in the previous legislative session! This year's budget:

- Provides \$350 million in **income tax rebates** to provide immediate relief to all Idaho taxpayers. This provides approximately a 12% rebate of income taxes.
- Further **lowers income tax rates**, providing a flatter and fairer structure for Idaho taxpayers. The top income tax rate is reduced from 6.5% to 6.0% for both individuals and businesses, resulting in tax relief of \$251 million for Idaho taxpayers in the first year.
- **Freezes unemployment base tax rates** at 2021 levels, saving Idaho businesses \$64 million over the next two years.

Since Governor Little took office, Idahoans have already benefitted from approximately \$1 billion in tax relief on income taxes, property taxes, and unemployment insurance taxes:

- When Governor Little took office, Idaho had seven income tax brackets and a top rate of 6.925%. Last year, the legislature passed, and the Governor signed, a proposal to consolidate brackets from seven to five, while reducing the top rate to 6.5%. This led to \$447 million of tax relief in the first two years while also providing \$220 million in income tax rebates.
- Governor Little was also able to leverage federal funds to provide \$200 million of tax relief to Idaho businesses by rebuilding the balance of the state's Unemployment Trust Fund, making Idaho's fund one of the most solvent in the country.
- Governor Little worked with local governments to hold the line on property tax increases during the pandemic. The Governor's Public Safety Initiative saved property taxpayers \$118 million statewide, leading to a net 5.1% property tax reduction between 2019 and 2020, the first time the state has achieved a reduction since 2006. Governor Little also signed legislation to increase the exemption of personal property tax from \$100k to \$250k, providing \$16 million in relief to Idaho small business in the first two years.

### **Ensuring Safe and Secure Elections and Promoting Government Transparency**

Governor Little's budget reflects his commitment to safe and secure elections in Idaho and government transparency:

- Establishes a \$12 million **Cyber Response and Defense Fund**. This will ensure the state is prepared to respond to any cybersecurity events that may occur with elections throughout the state.
- Provides \$500k for proactive **integrity audits** to enhance transparency and confidence in the results of all Idaho elections.
- Sets aside \$2 million to **improve statewide information technology** to ensure all agency board meetings can be accessed online to maximize public participation and government transparency.

## Investing in Public Safety

The Governor's budget reflects that safe communities form a thriving Idaho:

- **Backs the Blue** by increasing the number of police troopers by 13 new FTP (\$2.8 million) in the Capitol Protective Services Unit and establishes an air support operation (\$6.8 million) at the Idaho State Police to assist sheriffs statewide with their search and rescue operations. The Governor's budget also includes \$11.2 million for a new Idaho State Police district facility in Idaho Falls and \$10 million for a new dormitory for the Idaho Peace Officer Standards and Training (POST) program. The Governor also recommends \$29 million for a new forensics laboratory to ensure fair and impartial scientific analysis is provided to the criminal justice system.
- Invests in the Idaho State Police investigations program (\$250k), including two additional investigators, to **combat the smuggling of fentanyl** and other high-profile narcotics into the state because of the ongoing border crisis under President Biden.
- Continues to invest in strategies to **reduce crime** by decreasing the revolving door back into prison. The Governor's budget includes a \$12 million community reentry center for the Pocatello area, and adds 20 probation, parole, and reentry specialists (\$1.6 million) to help better set up individuals for success after leaving state institutions. These efforts are part of a blended approach to criminal justice reform, together with \$50 million in investments in behavioral health infrastructure, an anticipated \$120 million for prevention and treatment of substance use disorders, and \$112 million for a new 848-bed minimum custody women's facility that will allow the state to eliminate its current out-of-state placements.
- Upgrades **public safety communication infrastructure** with \$4.3 million in tower upgrades, \$4.3 million for microwave network upgrades, and \$1.4 million for software upgrades. This will provide a stable backbone for interoperable communications for Idaho's emergency network into the future.
- Supports the **National Guard** by doubling the investment (\$300k) in the State Education Assistance Program, which provides scholarships for approximately 200 soldiers and airmen in the Idaho National Guard. Our men and women of the Guard stepped up to serve Idahoans throughout the pandemic, reinforcing the critical role they play in our communities.

### **Making Record Investments in Transportation and Broadband Infrastructure**

Last year, Governor Little championed historic investments in transportation without raising taxes or fees. The Governor signed legislation to secure revenue for bonds of up to \$1.6 billion that will allow the development of new infrastructure to save all Idahoans time and hassles.

This year, the Governor's budget tackles the state's deferred maintenance backlog to preserve and restore our existing transportation infrastructure:

- Fully funds known **transportation deferred maintenance** needs for roads and bridges by adding \$200 million as an ongoing investment package, split between the state (\$120 million) and local governments (\$80 million). Paired with previous legislation signed by Governor Little, the state will have fully funded transportation maintenance needs to the level estimated by the *Moving Idaho Forward* study while reducing pressure on local property taxpayers!
- Adds \$200 million as a one-time investment package to improve **local bridges**. Idaho has 966 local bridges that are more than 50 years old, and many that are closed or have restrictions that impede commerce. This investment package will allow local governments to improve approximately one-third of these deficient bridges to improve safety for all Idahoans.
- Makes targeted investments to ensure the **sovereignty of our state's supply chain**, including airports (\$6.4 million), railroads (\$8 million), port (\$10 million) and pedestrian safety (\$10 million) to ensure Idaho's economic opportunities remain vibrant.

In addition, Idaho will receive an estimated \$72 million for highways and \$45 million for bridges in the upcoming year under the federal Infrastructure Investment and Jobs Act (IIJA). These short-term federal funds will help with one-time projects at the state and local level but will not defray the known long-term maintenance costs of the state.

Governor Little's long-term plan will ensure the sustainability of the state's transportation infrastructure over time so that Idaho's economic engine is not dependent on future Congressional action.

The Governor also leverages federal funds to increase broadband access:

- Invests \$225 million of ARPA and Infrastructure Investment and Jobs Act (IIJA) to **upgrade broadband infrastructure** across the state over the next five years, at the direction of the Idaho Broadband Advisory Committee, to ensure every rural Idaho community can facilitate remote work, distance education, and telehealth. The Governor's budget also recommends \$1.3 million to the University of Idaho to train adults on computer literacy to unlock broader opportunities for remote work.

### **Strengthening Our Commitment to Agriculture and Natural Resources**

The Governor's budget makes historic investments in projects for agriculture and natural resources to aid in the economic vitality of rural Idaho. Combined, the Governor's budget provides more than \$850 million to improve the quantity and quality of water throughout the state.

- Provides record investments in state **water infrastructure** to ensure a dependable supply (\$75 million General Fund and \$250 million ARPA). The Department of Water Resources will manage these funds to bring critical projects to completion, including raising the Anderson Ranch dam and finishing the pipeline to the Mountain Home Airforce base. These funds will also support water recharge infrastructure on the Upper Snake River and replace aging infrastructure for irrigation districts and canals.
- Leverages \$450 million from ARPA and IJA for **safe water systems for our communities**. The Department of Environmental Quality will oversee support for local drinking and wastewater systems, with an emphasis on rural communities in need of major infrastructure upgrades.
- Provides \$70 million from ARPA and \$20 million General Fund to **improve water quality** throughout Idaho. The Department of Environmental Quality will prioritize nutrient reduction projects identified by the Coeur d'Alene Lake Advisory Committee in overseeing these funds. Grants will also help farmers and ranchers implement best management practices that improve Idaho's priority watersheds.
- Increases the Department of Lands General Fund budget by 21%, providing the department with the personnel and equipment necessary to **combat wildfires**. The Governor's budget adds 8 engine bosses, three fire management officers, and a North Idaho booster crew to increase boots on the ground in high fire load areas. The budget also fully reimburses fire costs from this past season and bolsters the fire suppression fund by an additional \$150 million to ensure the Department is prepared for any future challenge.
- Invests \$45 million from ARPA in **outdoor recreation**. The Department of Parks and Recreation will leverage these funds to expand capacity and enhance accommodations to keep up with record attendance at our world class parks.
- Prioritizes \$15 million to **strengthen Idaho's energy sovereignty**. Funds will be used to protect utility corridors from natural disasters such as wildfire and to improve grid resilience for critical infrastructure like hospitals and schools.
- Provides \$2.1 million to align University of Idaho and Idaho State University **nuclear engineering** programs with workforce needs and create sustainable partnerships with the Idaho National Laboratory.

## **Investing in Behavioral Health, Healthcare Capacity, and Our Veterans**

The Governor's budget addresses long-standing public health challenges facing Idahoans:

- Invests \$50 million in initiatives advanced by the **Behavioral Health Council**, including support for new community behavioral health clinics, psychiatric residential treatment facilities, and youth crisis centers. The Governor's budget also converts the state's suicide prevention line to the national mental health crisis line (\$4.4 million) and continues support (\$600k) to the state's recovery centers.
- Enhances the quality of care in **State Veteran Homes** by providing \$75 million in capital infrastructure to convert all existing facilities to single occupancy rooms. The Governor's budget also includes more than \$6.5 million to staff and operate the new home in Post Falls, providing expanded capacity and services for Idaho's veterans.
- **Increases healthcare capacity** by investing in health professional education:
  - Adds \$729k in 14 new medical residents to address the shortage of physicians in the state and continue implementation of the 10-year Graduate Medical Education plan. All told, Governor Little has supported 73 new medical residency positions since he took office.
  - Expands the capacity of health profession programs at Boise State University (\$1.5 million) and the nursing program at Idaho State University (\$773k), building on Governor Little's efforts to expand nursing programs last year at the state's community colleges and Lewis Clark State College.
  - Invests \$10 million in the health professions building at the College of Western Idaho which will increase the healthcare program's new student capacity by 64% for nursing, occupational therapy, and medical assistants, among other health professions.
- Returns a net of \$94.5 million of taxpayer dollars to the General Fund from the Medicaid program. The Governor's budget also invests in **Medicaid cost containment** strategies such as enhanced staffing in the Medicaid fraud unit overseen by the Attorney General. These efforts will ensure the growth trajectory of Medicaid does not crowd out other critical state priorities.
- **Lowers the cost of healthcare** for Idahoans by reinvesting \$25 million of Medicaid savings into the state's High Risk Reinsurance Pool, which will lower premiums on the individual market by an estimated 7%.
- Provides \$5 million to **senior centers** to ensure essential services can be delivered across the state, and \$720k for respite services for vulnerable seniors.
- Enhances the **child welfare** system by augmenting staffing with 21 social workers and 3 psychosocial rehabilitation specialists, while providing a 7% equity increase for safety assessors and case managers, to address current staffing challenges in the child welfare system. The Governor's budget also invests in foster families, increasing monthly rates for all families, with a 60% rate increase proposed for families with foster children 12 years old and under.

### **Better Positioning the State Financially for the Future.**

Through conservative budgeting and economic growth, for the first time ever Idaho has achieved a AAA credit rating, saving taxpayer dollars on future projects. The Governor's budget continues this fiscal conservatism through prudent moves:

- **Pays off all state building debt** (\$175.8 million) in the Department of Administration's bond payment program, averting \$63 million in interest payments while lowering base budget costs at key agencies. The budget also pays off the callable portion of GARVEE transportation bonds (\$18.5 million), averting interest of \$3.5 million and freeing up additional ongoing transportation funding.
- Makes a major down payment on state building **deferred maintenance** (\$250 million one-time) while doubling the ongoing support for this purpose. A recent study revealed the state had a deferred maintenance backlog in excess of \$900 million. The Governor's budget positions the state to clear out the known deferred maintenance backlog in 10 years.
- **Bolsters rainy-day funds** by \$260 million to ensure the state is prepared for future economic downturns. The Governor's budget will achieve the statutory maximum balances for both the Budget Stabilization Fund and Public Education Stabilization Fund. All told, the rainy-day funds will total \$1.1 billion – approximately 22% of forecasted state revenue.
- Leaves a **larger-than-usual surplus** (>\$200 million) in both budgeted years to provide a greater cushion against uncertainty given the unsustainable federal spending levels and high inflation under President Biden.
- Maintains a **balanced budget** over time. Unlike the federal government which runs large annual deficits, Governor Little has had his economists stress test both revenue and spending over five years to ensure the budget can remain structurally balanced over time under different economic scenarios.