



State of Idaho  
Division of Financial Management  
Executive Office of the Governor

BRAD LITTLE  
Governor

LORI WOLFF  
Administrator

May 29, 2026

**To:** Agency Directors  
Fiscal Officers

**From:** Lori Wolff, Administrator

**Subject:** FY 2028 Budget Development Guidance

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I want to start by thanking all of you for your partnership and support of Governor Little's *Enduring Idaho* plan during the 2026 Legislative Session. This year's budget process required thoughtful prioritization and careful stewardship of state resources as Idaho continues to balance strong economic growth with moderating revenue trends.

We appreciate the proactive work agencies undertook in response to *The Idaho Act* in identifying efficiencies, managing expenditures, and protecting core services that support Idaho's long-term growth and opportunity. Governor Little values the collaboration, discipline, and commitment demonstrated by agencies throughout the budget setting process.

This memo outlines Governor Little's expectations for executive branch agencies as they prepare and submit their FY 2028 budget requests.

**A. General Overview**

Overall, Idaho's economy continues to demonstrate underlying strength. Employment remains strong, economic activity continues across key sectors, and General Fund revenue collections through April 2026 are almost meeting the revenue projection adopted by the Legislature when they set statewide budgets.

Based on the approved budget for FY 2027, this coming year's budget has an estimated \$148 million on the bottom line, meaning we will need to hit revenue projections to ensure our expenditures align with estimated revenue for the coming year. At this point, additional holdbacks are not anticipated; however, agencies should continue operating with a focus on efficiency and prioritization following the expenditure adjustments adopted during the 2026 Legislative Session.

We also must account for the implementation of conformity with the federal tax cuts. With current revenue expectations for FY 2028, Idaho will still be in maintenance only budget cycles as we prioritize any revenue growth for non-discretionary spending and growth, increased costs in health insurance, and Change in Employee Compensation (CEC), fire suppression, and critical health, public safety, and education costs.

For FY 2028, agencies are asked to submit **maintenance-only budgets**. Governor Little will prioritize critical investments in top-priority areas while ensuring a conservative and balanced budget for Idaho. Maintaining disciplined maintenance budgets will help preserve Idaho's ability to respond to future economic changes, continued population growth, and emerging statewide priorities.

## **B. FY 2027 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 2027 appropriation to avoid supplemental requests. New federal grants that cannot be absorbed should be requested in FY 2028 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 your Governor's Office Policy Advisor and DFM Administrator no later than **July 24, 2026**. 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 2028, Agency Directors are asked to submit maintenance only budget requests. *A maintenance budget submission will include a 1% CEC placeholder, health insurance adjustments and any other variable benefit adjustments (including the 27<sup>th</sup> payroll), replacement items (not to exceed the caps provided in the appendix), and non-discretionary changes to population forecast adjustments (for identified agencies).* DFM has provided estimated costs by agency to show the budget submission caps 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. *If agencies have needs that impact dedicated or federal funds, enhancement requests from these funding sources must be approved prior to budget submission.*

Please refer to the Budget Development Manual for the projected health insurance increases that will be used in your agency budget submission. The Budget Development Manual will be available **June 15<sup>th</sup>**.

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 Policy Advisor and DFM Administrator. These discussions should occur no later than **July 24, 2026**.

## C2. 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. Enhancement requests will receive a higher level of scrutiny of each line item and will require agencies to be prepared to justify any enhancement needs, regardless of the funding source. If JFAC follows their current process, only agencies with enhancement 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 Policy Advisor and DFM Analyst no later than **July 24, 2026**, 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 Policy Advisor and DFM analyst that you would like the Governor to consider if revenue changes during budget-setting. Line items representing net-zero transfers of General Fund may be permitted, and must be included in the July 24<sup>th</sup> discussion, along with evidence that the line-item will remain budget neutral over time.

We understand how important CEC will be to all agencies in the current environment. DFM will work closely with the Division of Human Resources on a CEC recommendation that addresses market challenges and meets revenue parameters. We recognize all agencies have challenges in this area, and we will work closely to address statewide needs within the budget. We ask that agencies **do not** submit line-item requests for personnel pay enhancements or changes 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 additional personnel or changes in organizational structure or reclassifications cannot have an impact on the General Fund. All submissions that impact personnel must have *prior* written attestation from the Division of Human Resources (DHR) that the request is in line with all statewide HR policies. Agencies will be required to report in your budget submission any FTE vacant for more than 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.

- 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 complete the applicable questions in EALS to account for the fiscal impact over 5 years. Given that no General Fund line-item enhancements will be accepted, EALS must **not** have a General Fund impact for FY 2028.

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.

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 funding from federal/dedicated funds to the General Fund.

### **D. Summary of Key Dates**

- **July 24, 2026**
  - Last day to meet with your Governor's Office Policy Advisor and DFM Analysts to discuss potential federal or dedicated fund line items for FY 2028.
  - Last day to meet with your Governor's Office Policy Advisor and the DFM Administrator to discuss extraordinary supplemental requests for FY 2027 or exceptions from the FY 2028 budget guidance.
- **September 1, 2026**
  - 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.