MEMORANDUM

TO: Agency Directors
FROM: Alex J. Adams
SUBJECT: Update on Budget for FY 2020 through FY 2022

FY 2020 Budget

Last week, DFM issued the May 2020 Idaho General Fund Revenue Report showing the year-to-date revenue at 10.7% behind schedule, leaving a budget gap of $356 million.

This is primarily attributed to extending the income tax filing deadline from April 15 to June 15. Since filings are based on 2019 income, it is unlikely to be affected by the ongoing pandemic.

Sales tax receipts started to taper off, with a 3.1% decline observed. This is expected to continue to run behind forecast for the months ahead. We also anticipate seeing a decline in income tax withholdings this fiscal year.

Based on the totality of what we are seeing, we believe the 1% General Fund holdback issued on March 27th will still allow us to balance the budget in FY 2020. We do not anticipate an additional holdback this current fiscal year. Please finalize your 1% plan and enter it in the statewide accounting system no later than May 15, 2020.

One variable outside of our control is that while income tax filings occur on June 15th, some individuals may delay their payments into the subsequent fiscal year. This cash flow impact can be mitigated by agencies taking every effort to maximize reversions to the General Fund at the end of this fiscal year. Please continue to follow the guidance in the Governor’s March 27th memo, including:

- Instituting a hiring freeze
- Minimizing overtime and paid administrative leave
- Freezing employee compensation
- Exploring the use of furloughs
- Limiting or entering no year-end encumbrances
- Restricting year-end purchasing, supply surplusage, and capital outlay purchases, and avoiding pre-purchases and pre-payments.

These actions will minimize the depth of the deficit we are facing in the out-years.

FY 2021 Budget

DFM has accounted for the anticipated impact of the pandemic and revised its General Fund revenue forecast for fiscal years 2020 through 2022. We now anticipate a revenue impact between 8.6% and 14.4% below the budget established by the Legislature.
We are hopeful federal funds will be made available to partially offset the loss of state revenue and we intend to judiciously use the state rainy day funds, knowing that they may be needed for what is expected to be a two to three-year budget impact.

After accounting for the use of federal funds and state rainy day funds, it is necessary to reduce the General Fund appropriation for all departments, offices, and institutions of the state by five percent (5%) of the original Fiscal Year 2021 General Fund appropriation.

Please plan to finalize your agency plan and enter it into the statewide accounting system no later than July 15, 2020.

**FY 2022 Budget**

Agencies will soon begin preparation of the FY 2022 budget submission. It is important to prepare the submission against the backdrop of the economic reality that we are facing.

We are unlikely to be in a position to consider new General Fund line items or supplemental requests. Please calibrate expectations accordingly with your boards and staff and limit requests on the front end.

To the extent any legislation is needed to remove or delay unnecessary expenses, please prioritize such legislative ideas as you finalize your Executive Agency Legislative System (EALS) submissions. As a reminder, your EALS ideas are first due to DFM and the Governor's Office on June 12th:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Deadline</th>
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<tbody>
<tr>
<td>Last Day to Preview Idea with Governor Office Contact and DFM Analyst</td>
<td>June 12, 2020</td>
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<tr>
<td>Last Day to Submit Legislative Ideas</td>
<td>July 10, 2020</td>
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<tr>
<td>Last Day to Submit Proposed Legislation (If Idea is Approved)</td>
<td>August 14, 2020</td>
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<tr>
<td>Last Day to Submit Legislative Sponsor (If Proposed Legislation is Approved)</td>
<td>December 11, 2020</td>
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We will be in touch with additional budget instructions as we get closer to the August submission deadline.