

INTRODUCTION TO

COUNTY BUDGETING 2024

Idaho Association of Counties
Introduction to County Budgeting
A Guide for County Officials



Idaho Association of Counties
3100 S Vista Avenue, Suite 200
Boise, ID 83705
www.idcounties.org

Introduction

The county budget is an important policy document which establishes county priorities through the allocation of county funds. Elected officials and department heads each have an important role in developing the county budget. While the county budget setting process should involve every elected and appointed official, the county clerk and the board of county commissioners are generally the most directly involved.

Section 1: Understanding the County Budget Process

The budgeting and financial process of the county involves every elected and appointive county official. Most directly involved in the county budget process are the county auditor (as budget officer of the county) and the board of county commissioners (as the appropriating and taxing authority). However, all county officials prepare budget requests and thus play an important part in the county financial process. This chapter describes county budgeting, auditing and indebtedness and includes brief sections on county revenue sources and expenditures.

Key Roles and Responsibilities

As county auditor, the county clerk is your county's chief budget officer¹. As the county's chief budget officer, it is the duty of the county clerk to compile and prepare a preliminary budget for the consideration of the board of county commissioners. The clerk is also responsible for ensuring that the adopted budget is complied with during the fiscal year. In order to prepare the preliminary budget, the county clerk is required by Idaho law to solicit budget information from other county elected officials and county department heads. Table 1 below outlines important deadlines and deliverables in the county budget cycle.

Table 1: County budget deadlines and responsibilities.

Deadline	Budget Deliverable
1 st Monday in May	County clerk distributes budget forms to county elected officials and department heads
3 rd Monday in May	Budget forms and supporting documentation due to county clerk
1 st Monday in August	County clerk submits suggested budget to county commissioners
3 rd Week in August	County commissioners set tentative budget which county clerk publishes in newspaper of record
Tuesday following 1 st Monday in September	County commissioners hold budget hearing and approve county budget
Thursday prior to the 2 nd Monday in September	County commissioners certify budget
3 rd Monday in September	Tax levies certified by BOCC and delivered to the state tax commission
September 30 th	End of county fiscal year (payment of claims paid by 1 st Monday in November)
October 1 st	Start of county fiscal year

¹ Idaho Code §31-1602

Elected official and department budget information must be submitted on forms provided by the county clerk. Budget forms should include the following information:²

- Itemized estimated revenues for the coming budget year from sources other than property taxes,
- Itemized actual revenues from the previous two years from sources other than property taxes,
- Itemized actual revenues from sources other than property taxes for the year to date as of April 1st,
- Itemized estimated expenditures for the coming budget year under classifications set by the board of county commissioners, including a brief explanatory justification for the expense request,
- Itemized actual expenditures to date as of April 1st under classifications set by the board of county commissioners, and
- Itemized actual expenditures from the previous two years classifications set by the board of county commissioners.

As the county budget is developed, the board of county commissioners should meet regularly with the county auditor as well as the other elected officials and department heads to assist with budget planning and to review and discuss budget requests, revenues, expenditures, and trends. It is important that while attending budget planning meetings and the annual budget hearing, elected officials and department heads be prepared to present accurate budget information and justify budget requests.³

Enforcement of Budget Request Submissions

The board of county commissioners may order any elected official or department head failing to submit budget information to pay a penalty of \$10 to \$50. If imposed, the county clerk is authorized to deduct the penalty from the elected official or department head's paycheck and credit the funds to the county current expense fund.⁴ In the event that an elected official or department head is unable to file a budget request with the county clerk, the county clerk is authorized to designate the person temporarily in charge of the office or department to submit budget requests.⁵

Suggested Budget

Once the county clerk has received and compiled revenue and expenditure information from the various elected offices and county departments, the clerk is required to prepare and file a suggested budget with the board of county commissioners.⁶ The suggested budget must

² Idaho Code §31-1602(3), (4), (5)

³ Idaho Code §31-1605

⁴ Idaho Code §31-1602(6)

⁵ Idaho Code §31-1602(7)

⁶ Idaho Code §31-1603

provide the commissioners with as complete of a financial picture as practical for the coming fiscal year and show all expenditures and sources of revenue. Idaho law also requires the county clerk to share budget information, estimates, and requests from the various county elected offices and departments with the board of county commissioners to ensure county commissioners have a complete picture of what has been requested by elected officials and department heads.⁷ The suggested budget and accompanying information must be filed with the board of county commissioners no later than the first Monday in August.⁸

Tentative Budget

The tentative budget reflects the setting of fees for county services, estimation of intergovernmental revenues (revenue sharing, highway user revenues, liquor funds, PILT, SRS, and anticipated grants and other revenue sources), and estimated property tax revenues. Budgeted revenues should reflect the level of service provided by the county (subject to hold backs) and support current and future growth demands. Once published, a tentative budget cannot be increased without going through additional public notice and publication procedures. A tentative budget can be decreased without undergoing additional public notice and publication requirements. Once the board of county commissioners has approved the tentative budget, the county clerk is required by law to publish the budget in the county's newspaper of record no later than the third week in August.⁹

Approved Budget

On or before the Tuesday following the first Monday in September, the board of county commissioners must meet to adopt a final budget.¹⁰ At this time, any taxpayer may appear and be heard on any part of the proposed budget. Notice of the budget hearing is published in a newspaper of general circulation in the county. The budget hearing may be continued from day to day until it is concluded, but must be adopted by resolution by the second Monday in September.¹¹ Any county official may be called during the hearing and examined by the board of county commissioners.

At the conclusion of the public hearing, the board of county commissioners shall fix the budget of each county office or agency. They are not permitted to increase the amount in the tentative budget for any office or agency, but they may reduce the amounts in the tentative budget. The board of county commissioners is not permitted to adopt a budget that includes an amount to be raised from property taxes greater than the amount advertised.¹²

The final budget approved by the board of county commissioners is entered by resolution in the official minutes of the of the board and filed in the office of the clerk of the board. The final

⁷ Idaho Code §31-1604(1)

⁸ Idaho Code §31-1604(1)

⁹ Idaho Code §31-1604

¹⁰ Idaho Code §31-1604(2)

¹¹ Idaho Code §31-1605

¹² Idaho Code §31-1605

budget specifies the fund or funds for which expenditures are to be made, and the board of county commissioners is not permitted to adopt a budget in which the estimated expenditures from any fund exceed the estimated revenues and balances of that fund.¹³

Budget Amendments

The board of county commissioners may amend the approved budget at any point during the county fiscal year. Prior to amending the approved budget, the board must adhere to the same public notice and hearing requirements as were followed in approving the final budget. While the board may amend the county budget, it is important to note that the board cannot amend the property tax portion of the county budget. Once property tax budgets and levies are set, they cannot be increased.

General Reserve Appropriations

The board of county commissioners is authorized to make a general reserve appropriation¹⁴ and a justice fund reserve appropriation.¹⁵ General fund and justice fund reserve appropriations may not exceed five percent (5%) of the current expense budget and/or five percent (5%) of the justice fund budget. Proceeds from current expense reserve appropriations and justice fund reserve appropriations are controlled and dispersed exclusively by the board of county commissioners.

Appropriations are Year-to-Year

County budget appropriations expire at the end of the county fiscal year (September 30th).¹⁶ While appropriations lapse upon the close of the county fiscal year, claims for expenses incurred in the fiscal year may remain open until the first Monday in November at which point claims must be paid with the exception of incomplete improvements under construction. Balances for improvements under construction may be carried forward in the county budget for the ensuing fiscal year.

Transfer of County Funds

Idaho law prohibits the transfer of county money from one fund to another fund unless the transfer is expressly permitted by law. If money in a fund has become inoperative for the purpose for which the fund was created, the board may transfer inoperative funds to another fund.¹⁷ Prior to transferring moneys from one fund to another, the board of county commissioners must order the transfer of funds by resolution and file a copy of the resolution with the county auditor and county treasurer.

¹³ Idaho Code §31-1605

¹⁴ Idaho Code §31-1605

¹⁵ Idaho Code §63-805

¹⁶ Idaho Code §31-1609

¹⁷ Idaho Code §31-1508

Limitation on Spending - Expenditures Not to Exceed Revenues

The estimate of expenditures adopted by the board of county commissioners in the final budget constitutes the appropriation for the county for the ensuing fiscal year. Expenditure estimates adopted in the final budget for each elected office and department establish spending limits for the various elected offices and departments.¹⁸

Emergency Expenditures

Due to the county's roll as the primary emergency manager within a county, counties may from time to time be required to make emergency expenditures. Emergency expenditures are authorized to respond to emergencies caused by fire, flood, explosion, storm, epidemics, damage to public property, settlement of claims, or investigation and prosecution of capital crimes, among other conditions.¹⁹ To make an emergency expenditure, a resolution stating the facts constituting the emergency must be unanimously approved by the board of county commissioners. Upon unanimous approval of the resolution, the board may begin expending funds to address the emergency.

In the event of an emergency, the board is authorized to pay for the emergency from any money on hand in the county. The board should first prioritize expenditure of funds within the fund necessary to meet the emergency expenses. If the fund charged with meeting the emergency expenses is insufficient to cover the cost of responding to the emergency, the board may draw money from other county funds.

Claims Against County

Idaho law requires the board of county commissioners to examine and approve claims against the county.²⁰ Claims presented to the board must be submitted within one year from the date of the claim and be accompanied by a receipt.²¹

Fund Balance

A fund balance occurs when a fund accrues revenues in excess of annual expenditures. Counties are permitted by law to accumulate and carry over fund balances in order to operate on a cash basis.²² The board may budget accumulated fund balances as an additional appropriation in succeeding fiscal years. Funds are carried over upon resolution by the board. It is important to note that not all fund balances are for general use. General fund balances accruing from revenue sharing, liquor funds, PILT, and the current expense levy can be used for any county purpose. Dedicated funds accruing from excess dedicated fund revenues can only be budgeted for the

¹⁸ Idaho Code §31-1606

¹⁹ Idaho Code §31-1608

²⁰ Idaho Code §31-809

²¹ Idaho Code §31-1501

²² Idaho Code §31-1605A

purpose for which the funds were originally budgeted. This includes enterprise funds generated from solid waste fees.

Section 2: Financial Policies and Accountability

County commissioners play an important role in ensuring county financial information is communicated using a method that is easy to understand by the public and other external stakeholders. Beginning later in calendar year 2022, counties will be required to upload financial information to a local government transparency portal overseen by the State Controller's Office.

Government Accounting

The Government Accounting Standards Board (GASB) has the responsibility of establishing accounting and financial reporting standards at the state and local level. Authoritative guidance on the application of generally accepted accounting principles (GAAP) can be found in the GASB Standards and Codification of Governmental Accounting and Financial Reporting Standards. In addition, the Government Finance Officers Association's Governmental Accounting, Auditing, and Financial Reporting (using the most current GASB pronouncements) provides an excellent resource for understanding and implementing the GASB Standards.

GASB outlines three primary objectives for financial reporting:

1. Financial reporting should assist in fulfilling government's duty to be publicly accountable and should enable users to access that accountability.
2. Financial reporting should assist users in evaluating the operating results of the governmental entity for the year.
3. Financial reporting should assist users in assessing the level of services that can be provided by the governmental entity and its ability to meet its obligations as they become due.

Governmental accounting systems should fairly and fully disclose the county financial position and demonstrate legal compliance with generally accepted accounting principles (GAAP) and GASB. The need to determine and demonstrate legal compliance should be a major consideration in the design and implementation of the government's accounting system.

Financial Reports

Quarterly Reports: The county auditor is required to submit to the board of county commissioners' quarterly reports showing county revenues and expenditures and the unexpended, unencumbered balance of each appropriation.²³ As part of the report, the board of county commissioners should be made aware of any budget deficits or excessive revenues and expenditures.

²³ Idaho Code §31-1611

Settlement of Accounts: The county treasurer is required by law to settle accounts with the county auditor by the first Monday of each month and make an annual settlement of accounts on the first Tuesday after the first Monday in October.²⁴

Publication of Financial Summary: The board of county commissioners must publish monthly a statement of county proceedings, including a brief financial summary indicating total amount spent from each fund and publish annually the consolidated balance sheet of the annual financial report.²⁵ The board of county commissioners may elect to publish a more detailed expenditure report but is not required to do so.

Annual Audit

Idaho law establishes the minimum audit requirements for all local government entities.²⁶ Audits are to be performed by outside auditors in accordance with generally accepted governmental auditing standards as defined by the United States general accountability office. The board of county commissioners must have a written contract for employment of the outside auditor. One copy of the audit report must be filed with the legislative services office within nine months after the end of the audit period. The county audit must be completed by June 1st and submitted to the State Controller no later than December 1st of each year. In addition to the annual county audit, the board of county commissioners is also required to annually audit the jail commissary fund.²⁷

Financial Policies

The board of county commissioners should adopt financial policies by resolution. Once adopted, county financial policies should be adhered to by county elected officials, department heads, and employees. Financial policies should include county policy on internal controls, procurement, use of credit cards, employee travel, use of petty cash and cash handling, additional financial reporting, and use of fund balances as well as other financial policies the board deems appropriate for the county.

Internal Controls

The board of county commissioners is ultimately responsible for the overall financial performance of a county, including compliance with state and federal laws and financial reporting. Other county elected officials, department heads, and other county employees also have responsibility within their respective offices and departments. In order to safeguard public funds, it is critical for each county to develop, implement, and regularly update financial policies related to internal control structures. Internal control structures are policies and procedures established to provide reasonable assurances that specific county objectives will be achieved and to ensure the integrity

²⁴ Idaho Code §31-2112

²⁵ Idaho Code §31-819

²⁶ Idaho Code §67-450B

²⁷ Idaho Code §20-618

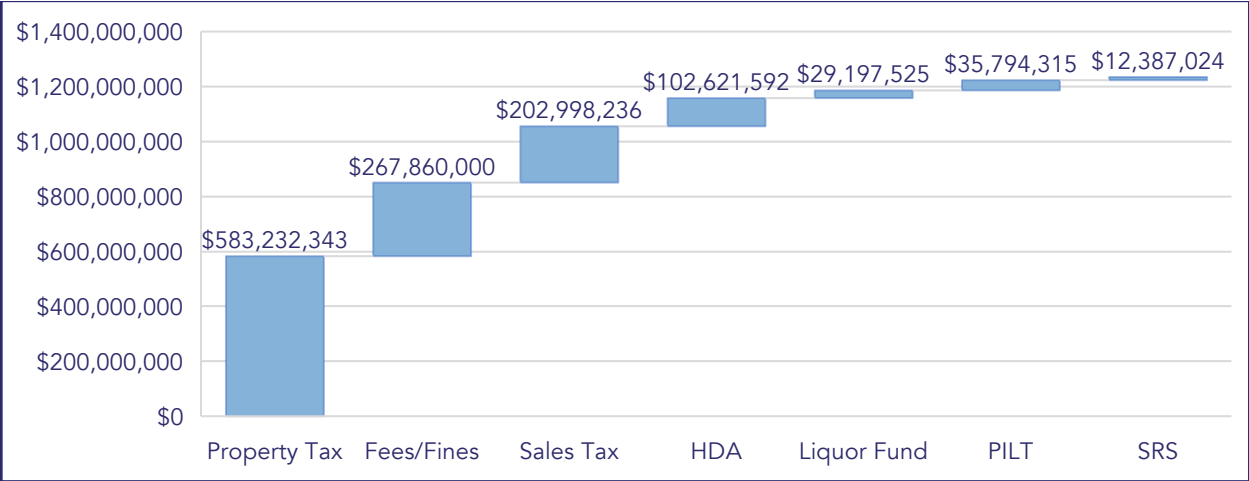
of county financial and accounting information. Internal controls should be designed to ensure effective and efficient performance of county operations; comply with applicable laws, rules, and regulations for safeguarding public funds; and ensure reliability of financial reporting.

Section 5.3: County Revenue Sources

Counties raise revenues from a variety of sources. Common county revenue sources include property taxes, state revenue sharing, federal land payments, fees for service, fines, grants, and interest income. County revenues are categorized as either dedicated revenues or general revenues. A dedicated revenue is a revenue source that can only legally be used for the purpose for which the revenue is dedicated. Many property tax levies are restricted for a specific use as are other revenues like state highway user revenue, 911 fees, and district court revenue. A general county revenue is a revenue that can be used for any county purpose. Examples of county general revenues are the current expense levy, sales tax revenue sharing, and federal Payments in Lieu of Taxes (PILT). A more complete list of county funds can be found in Appendix 1.

According to an IAC analysis of annual county L2 Budget and Levy Report data, statewide, property taxes account for 53.9% of budgeted county revenue while sales tax revenue sharing accounts for 12.2% of budgeted county revenues and cash reserves accounting for 10.3% of budgeted county revenues. The remaining 23.6% of budgeted county revenues come from other funding sources, including PILT, state and federal highway funds, liquor funds, and user fees. Chart 1 below contains a visualization of county revenues from property taxes and other intergovernmental revenue sources.

Chart 1: County revenue sources, excluding ARPA/LATCF (2022).



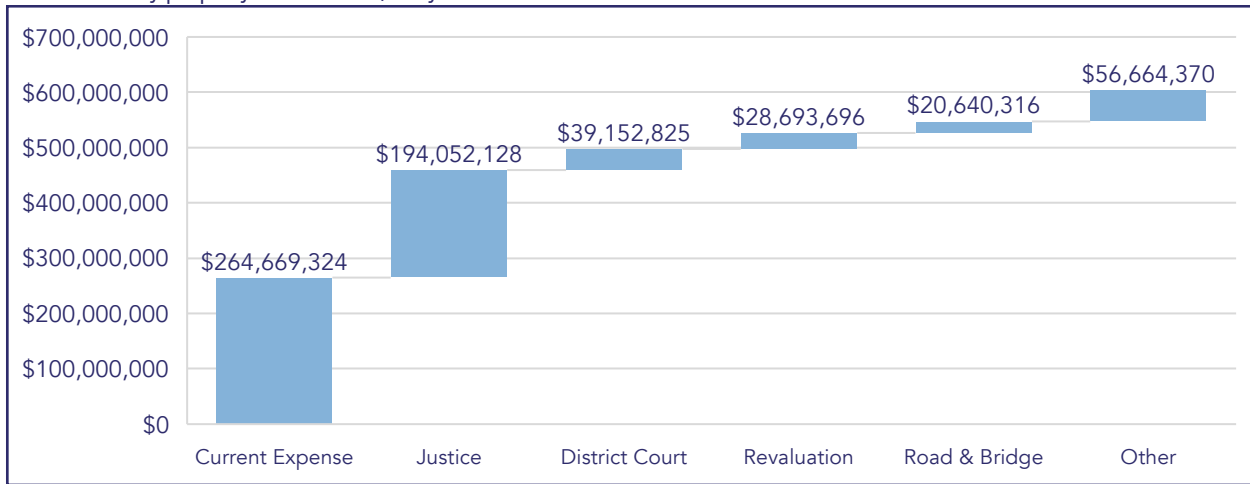
Source: Idaho State Tax Commission, Idaho Transportation Department, Transparent Idaho

Property Taxes

Since its territorial days, the Idaho legislature has authorized the levy and collection of property taxes to fund government services. Early in Idaho’s history, the state collected a state property

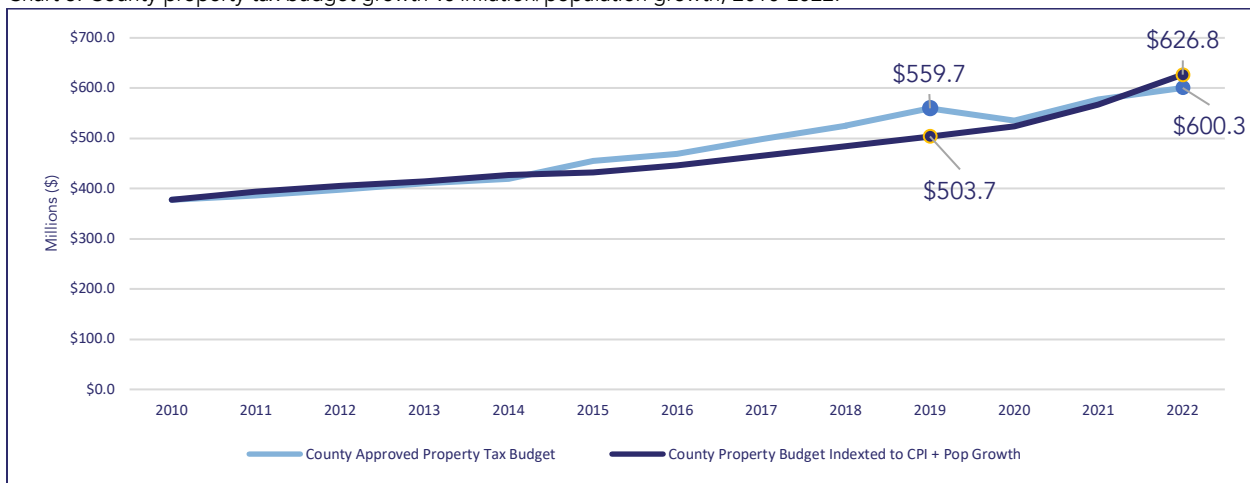
tax to fund state services. Over time, the state property tax was phased out in favor of income and sales taxes. Today, only local governments in Idaho are authorized to levy a property tax. Unlike other units of local government, counties are authorized to levy over two dozen different property tax levies. Each county in Idaho levies a general fund levy known as the county current expense levy. Other common county property tax levies include the district court levy, justice levy, preventative health levy, road and bridge levy,²⁸ revaluation levy, and tort levy. A complete list of county property tax levies, including levy purposes and statutory levy caps, can be found in Appendix 2.

Chart 2: County property tax revenues, tax year 2022.



Source: Idaho State Tax Commission

Chart 3: County property tax budget growth vs inflation/population growth, 2010-2022.



Source: Idaho State Tax Commission, US Census Bureau, Bureau of Labor Statistics

A county can increase its annual property tax budget using three categories of budget growth: 3% base budget increase, new construction, and budgeting previously forgone property taxes.

²⁸ For counties that levy property taxes for county road and bridge maintenance and operations, 50% of properties taxes levied within an incorporated city must be shared with the incorporated city

A base county property tax budget cannot increase by more than 9% including forgone. A county may budget an additional 3% one-time budget increase from forgone property taxes to fund a capital project; however, forgone budgeted for capital projects is not included in the base property tax budget for purposes of computing future property tax budget increases.

3% Base Budget Increase: A county may increase its base property tax budget by 3% a year.²⁹ The allowed increase is computed by multiplying the highest total county property tax budget from the preceding three years by .03 and adding the amount to the prior year base property tax budget which establishes the new maximum 3% property tax budget growth. When calculating the 3% annual property tax budget increase, a county also includes property tax replacement revenues.

Table 2: Alturas County prior three year property tax budgets.

2019	2020	2021
\$10,000,000	\$9,800,000	\$10,300,000

In the case of the hypothetical Alturas County, the highest prior year budget amount is \$10,300,000, meaning Alturas County’s maximum 3% property tax budget increase for tax year 2022 is \$10,609,000.

$$(\$10,300,000 \times .03) + \$10,300,000 = \$10,609,000$$

New Construction: A county may also increase its base property tax budget capacity through growth occurring in the county. The growth in base property tax budget capacity is known as new construction. In order to calculate new construction, a preliminary levy rate is calculated by dividing the expected base property tax budget including 3% growth by the sum of the current year locally assessed market value and prior year operating property market value by.³⁰ The example below illustrates how the preliminary levy rate is calculated:

$$\text{Preliminary Levy Rate} = \frac{\text{Anticipated Property Tax Budget}}{\text{Current Year Locally Assessed Market Value} + \text{Prior Year Operating Property Market Value}}$$

$$.004 = \frac{\$10,609,000}{\$2,519,637,500 + \$132,612,500}$$

The preliminary levy rate is then multiplied by 90% of the new construction roll value excluding urban renewal. The example below illustrates how the new construction budget capacity is calculated:

$$\text{New Construction} = (\text{New Construction Roll Value} \times .90) \times \text{Preliminary Levy Rate}$$

$$\$486,000 = (\$135,000,000 \times .90) \times 0.004$$

²⁹ Idaho Code §63-802(1)(a)(i)

³⁰ Idaho Code §63-802(1)(a)(i)

8% Cap on Annual Base Property Tax Budget Increases: A county's total property tax budget cannot increase by more than 8% (excluding new construction from the expiration of a revenue allocation area or forgone property taxes).³¹ The example below illustrates how a county can determine its base property tax budget increase from 3% growth and new construction:

$$\frac{(\text{Base 3\% Increase} + \text{New Constuction Increase}) - \text{Prior Year Property Tax Budget}}{\text{Prior Year Property Tax Budget}} = \text{Annual Property Tax Budget Increase}$$

$$\frac{(\$10,609,000 + \$486,000) - \$10,300,000}{\$10,300,000} = 7.7\%$$

In this example, Alturas County's base property tax budget will increase 7.7% which is less than the 8% allowed by Idaho law.

Urban Renewal New Construction: Increased budget capacity resulting from the expiration or de-annexation of a revenue allocation area is not subject to the 8% cap on annual property tax budget increases, meaning new construction from urban renewal can increase a county's base budget by more than 8%.³²

In order to calculate urban renewal new construction, a preliminary levy rate is calculated by dividing the expected base property tax budget including 3% growth by the sum of the current year locally assessed market value and prior year operating property market value. The example below illustrates how the preliminary levy rate is calculated:

$$\text{Preliminary Levy Rate} = \frac{\text{Anticipated Property Tax Budget}}{\text{Current Year Locally Assessed Market Value} + \text{Prior Year Operating Property Market Value}}$$

$$.004 = \frac{\$10,609,000}{\$2,519,637,500 + \$132,612,500}$$

The preliminary levy rate is then multiplied by 80% of the expiring urban renewal tax increment value. The example below illustrates how urban renewal new construction budget capacity is calculated:

$$\text{Urban Renewal New Construction} = (\text{Urban Renewal Tax Increment Value} \times .80) \times \text{Preliminary Levy Rate}$$

$$\$313,600 = (\$98,000,000 \times .80) \times 0.004$$

Base Budget Forgone Increase: In addition to increase its annual property tax budget by up to 8%, a county may also budget up to a 1% base budget increase from previously forgone property taxes.³³ The increased budget capacity resulting from previously forgone property taxes is calculated by multiplying the prior year property tax budget by 1%. A county must have previously reserved forgone property taxes in order to budget forgone property taxes. The

³¹ Idaho Code §63-802(1)(a)(ii)

³² Idaho Code §63-802(1)(a)(ii)

³³ Idaho Code §63-802(1)(e)(ii)

example below illustrates how to calculate a 1% base property tax increase from previously forgone property taxes:

$$\$10,300,000 \times 0.01 = \$103,000$$

Budgeting Onetime Forgone for Capital Projects: The board of county commissioners may budget up to 3% of its property tax budget from previously forgone property taxes for onetime capital projects. Forgone budgeted for onetime capital projects is not included in the base property tax budget for purposes of calculating future property tax budget capacity and once budgeted is lost from forgone property tax balances. Idaho law defines a capital project as a project for the construction, expansion, renovation, or replacement of public facilities or public works improvements or the purchase of equipment which has a useful life of at least 10 years.³⁴ The example below illustrates how to calculate a 3% property tax increase from previously forgone property taxes:

$$\$10,300,000 \times 0.03 = \$309,000$$

Resolution to Budget or Reserve Forgone Property Taxes: Prior to budgeting previously forgone property taxes or reserving current forgone property taxes for future use, a board of county commissioners must provide notice and hold a public hearing on the county's proposed action. Failure to enact a resolution to reserve forgone property taxes for future use will result in the county forfeiting forgone amounts for future use.³⁵

NOTE: For counties that levy property taxes for county road and bridge maintenance and operations, 50% of properties taxes levied within an incorporated city must be shared with the incorporated city

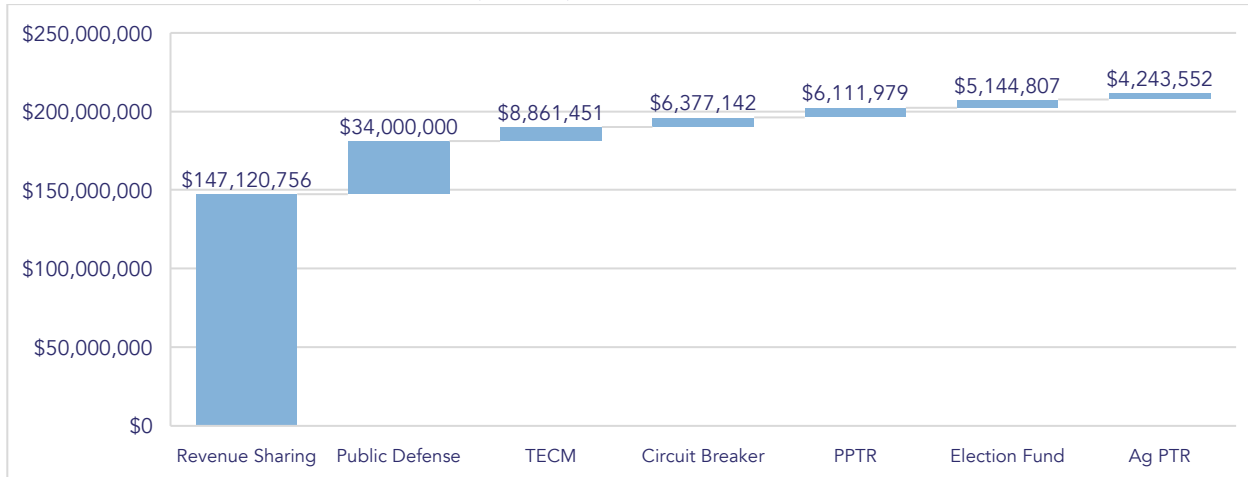
State Sales Tax Revenue Sharing

Dating back to 1965 the Idaho Legislature has established policies to share sales tax revenues with counties and other local units of government. The Idaho legislature established the state sales tax in 1965 and exempted business inventory from taxation. A portion of the newly created sales tax was shared with local governments to offset the loss of property tax revenue. Revenue sharing was again expanded in the 1980s to offset the impact of Idaho's one percent (1%) initiative limiting property tax budget growth and the loss of federal revenue sharing programs. In subsequent years, the Legislature has provided for additional sales tax distributions to local governments intended to offset the loss of tax revenue due to the exemption of agricultural equipment and machinery from taxation as well as the exemption of the first \$250,000 of business personal property from taxation. Counties also receive sales tax revenues to assist in funding consolidated elections and indigent public defense.

³⁴ Idaho Code §63-802(1)(e)(iii)

³⁵ Idaho Code §63-802(1)(f)

Chart 4: State sales tax distributions to counties (SFY2022)



Source: Idaho State Tax Commission

Property Tax Relief: More commonly known as the “circuit breaker” program, the Property Tax Relief program is a popular tax relief program through which the state pays a portion of eligible Idahoans’ property taxes. Both senior citizens on fixed income and veterans with a service-connected disability of 100% are eligible for property tax relief under the circuit breaker program. To qualify, individuals must file an application with the county assessor.³⁶ Eligibility for the circuit breaker program is determined based on income and the assessed value of the applicants home.³⁷ The state tax commission reimburses local taxing districts for property taxes reduced under the circuit breaker program.³⁸

Election Consolidation: In 2008, the Idaho Legislature consolidated all elections under the administration of the county. This resulted in increased costs to counties. Beginning in 2011, the Idaho Legislature established the election consolidation fund.³⁹ Election consolidation funds are distributed annually to counties through the sales tax distribution formula. During state fiscal year 2023, \$5.5 million in election consolidation funds were distributed to counties, with \$2.2 million distributed equally among the 44 counties and \$3.3 million distributed proportionally by population. The amount of election consolidation funds distributed to counties is indexed annually to inflation.

Revenue Sharing: Eleven and five-tenths percent (11.5%) of state sales tax revenue is shared with counties and other units of local government.⁴⁰ Of the 11.5%, 47.1% is distributed to counties, 45.2% is distributed to cities, and 7.7% is distributed to special purpose taxing districts. The 47.1% county share is distributed to counties using two methodologies. Fifty-nine-and-eight-tenths percent (59.8%) of revenue sharing to counties is known as “revenue sharing” and is allocated as follows:

³⁶ Idaho Code §63-703

³⁷ Idaho Code §63-705

³⁸ Idaho Code §63-709

³⁹ Idaho Code §63-3638(8)

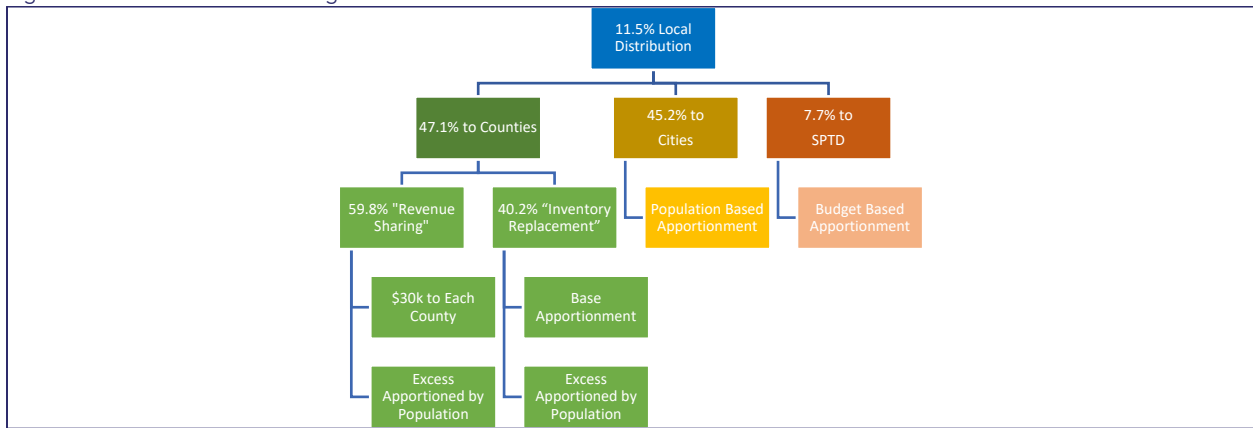
⁴⁰ Idaho Code §63-3638(10)

- \$1,320,000 is distributed equally among the 44 counties (with each county receiving \$30,000)
- Remaining funds are distributed proportionally to the 44 counties based on population

The remaining 40.2% of revenue sharing to counties is known as the “base and excess” and is allocated to counties as follows:

- Each county is entitled to 105% of its base payment as of 1999
- Excess funds are distributed proportionally to the 44 counties based on population

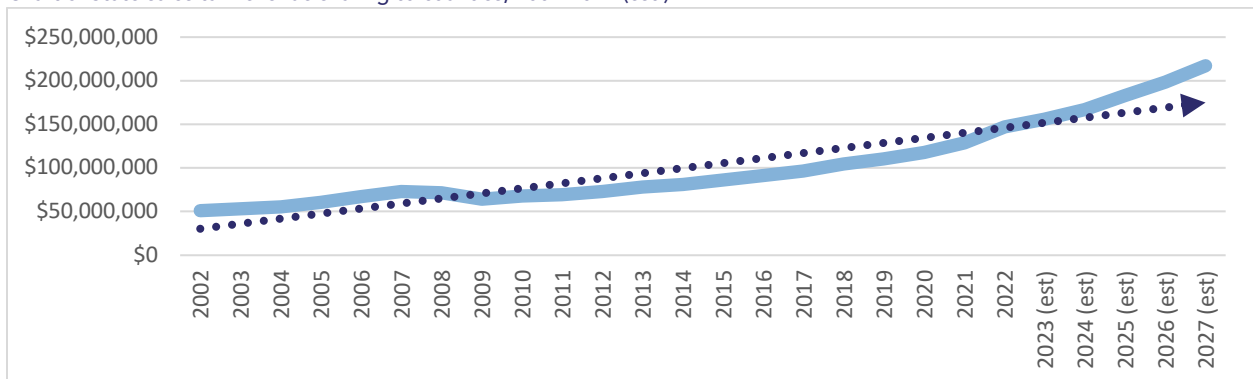
Figure 1: Sales tax revenue sharing distribution formula.



Source: Idaho Code §63-3638

During state fiscal year 2023, counties received \$154.3 million in sales tax revenue sharing payments from the state, making revenue sharing the second most important revenue source for counties (behind property taxes).

Chart 5: State sales tax revenue sharing to counties, 2002-2027 (est.)



Source: Idaho State Tax Commission

Agriculture Equipment Tax Replacement: In 2001 the Idaho Legislature exempted equipment and machinery used exclusively for agricultural purposes from property taxation. The exemption resulted in a loss of \$8.5 million in property taxes. To prevent the loss from shifting to other

classes of property, the legislature annually replaces the amount of taxes exempted in 2001 through an annual sales tax distribution to local governments. The amount of replacement funding is capped at 2001 levels, meaning the replacement amount has not kept up with inflation.

Personal Property Tax Replacement: In 2013 the Idaho Legislature exempted the first \$100,000 in business personal property value from taxation. The exemption was subsequently increased to \$250,000 in 2022. The 2013 exemption resulted in a loss of \$18.9 million in property taxes. To prevent the loss from shifting to other classes of property, the legislature annually replaces the amount of taxes exempted in 2013 through an annual sales tax distribution to local governments. The amount of replacement funding is capped at 2013 levels, meaning the replacement amount has not kept up with inflation. The expanded exemption resulted in the loss of an additional \$8 million in property taxes. The legislature will annually replace the amount of newly exempted personal property through an increase in the annual sales tax distribution to local governments. Annual personal property tax replacement is estimated to increase to \$26.7 million in 2023. Counties will not receive replacement funding for exempted transient personal property effective CFY2023.

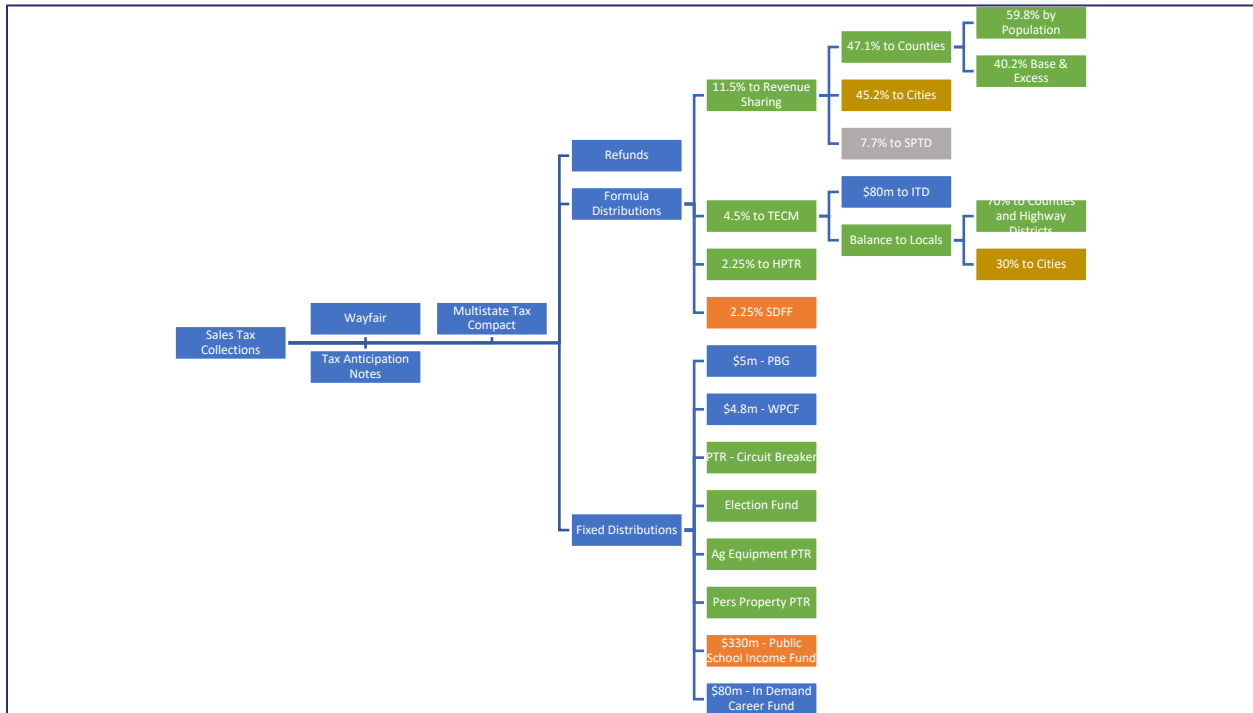
Transportation Expansion and Congestion Mitigation (TECM): Counties, highway districts, and cities receive a sales tax distribution dedicated to transportation funding through the Transportation, Expansion, and Congestion Mitigation (TECM) fund. Under TECM, 4.5% of sales tax collections are dedicated to transportation funding. The first \$80 million collected is dedicated to bonding for projects on the state highway system. Funds in excess of \$80 million are distributed to local highway jurisdictions through the highway distribution formula.⁴¹ For counties, only those counties with road and bridge jurisdiction receive the TECM sales tax distribution.

Homeowner Property Tax Relief: Beginning in tax year 2023, non-school taxing districts, including counties, will receive an annual distribution through the Homeowner Property Tax Relief fund (HPTR). The program will work just like the circuit breaker program. Counties, cities, and non-school taxing districts will receive an annual sales tax distribution distributed in two payments (December and June). Funds will be used by the eligible taxing district to reduce annual nonexempt property tax levies. Beginning in tax year 2024, 2.25% of sales tax collections will be allocated annually to non-school taxing districts to fund the annual HPTR program.⁴²

⁴¹ Idaho Code §63-3638(16)

⁴² Idaho Code §63-724 and §63-3638(16)

Figure 2: Distribution of state sales tax revenues in priority order (SFY2024)



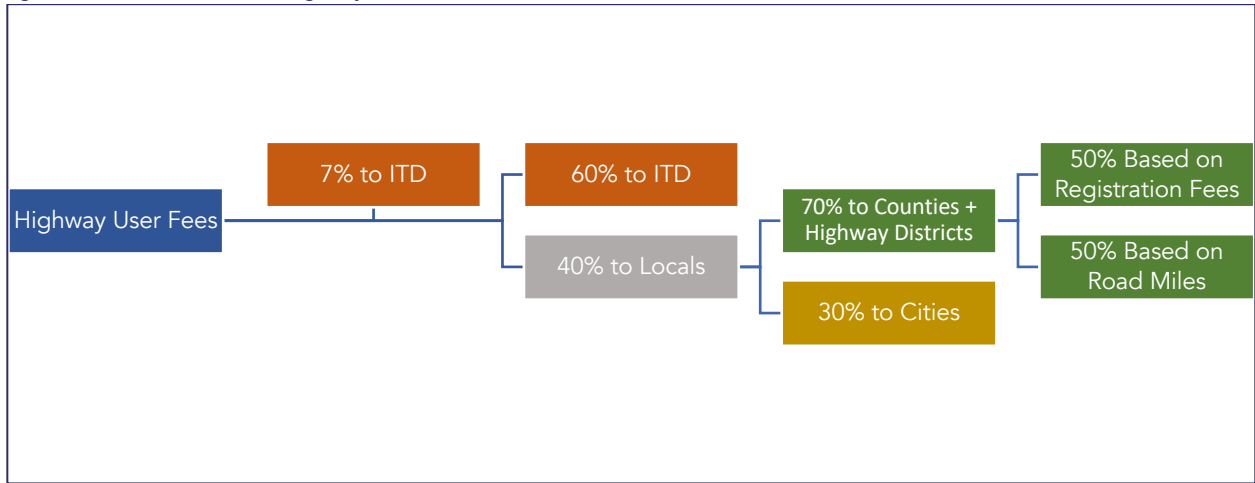
Source: Idaho Code §63-3638

Highway User Revenue

In 1984 the Idaho Legislature established the Highway Distribution Account (HDA) to collect and distribute vehicle registration fees, state fuel taxes, and other transportation revenues (including state general fund appropriations and TECM) to state and local highway jurisdictions. Revenues are apportioned out to the Idaho Transportation Department (ITD), counties, highway districts, and cities through a statutory distribution formula. Funds are essentially split with 60% distributed to ITD and 40% distributed to counties, highway districts, and cities. Of the local distribution, 70% is distributed to counties and highway districts and 30% is distributed to cities. The city share is allocated based on population. Funds are allocated to counties and highway districts based on improved lane miles (50%) and vehicle registrations (50%).⁴³ Counties received \$89.4 million in highway user revenue in SFY2023. Highway user revenue is a dedicated revenue source and can only be used for road and bridge purposes.

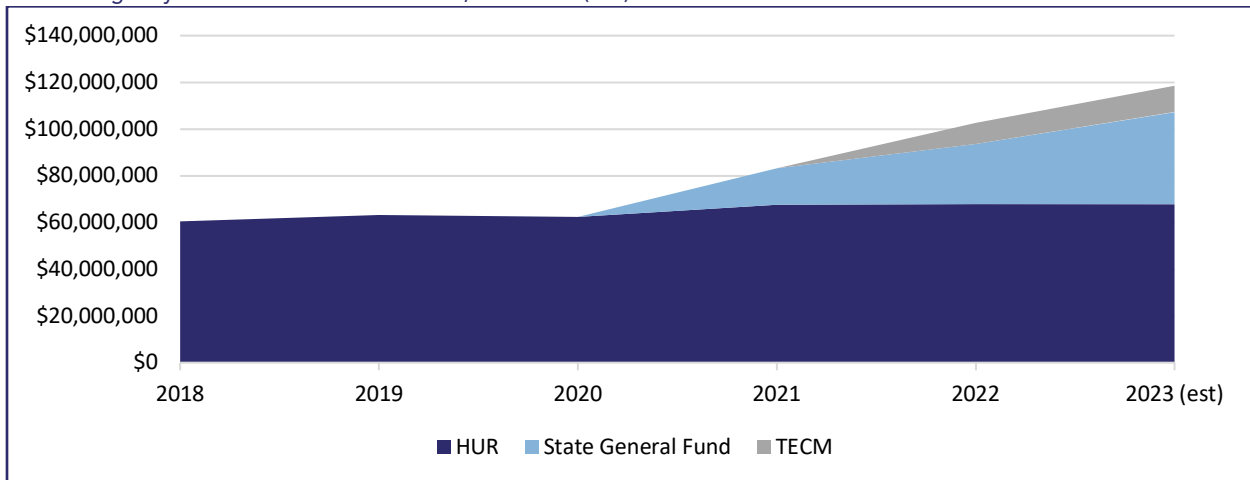
⁴³ Idaho Code §40-701

Figure 3: Distribution of state highway user revenue.



Source: Idaho Code §40-701

Chart 6: Highway distribution funds to counties, 2018-2023 (est.)



Source: Idaho Transportation Department

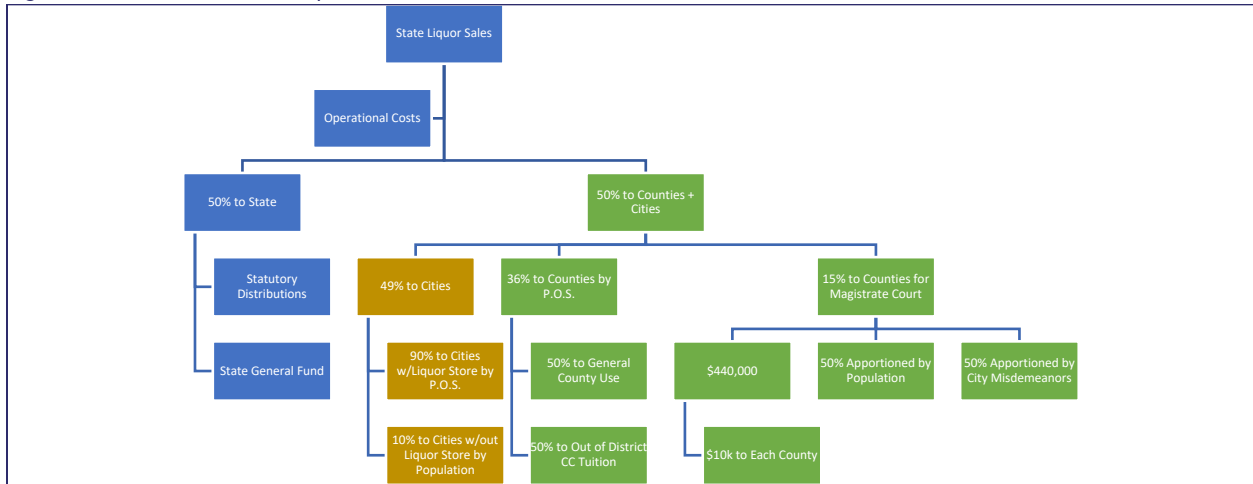
State Liquor Account

All liquor sales in Idaho are controlled by the state. Revenues derived from the sale of alcoholic beverages and related merchandise, including taxes, permits, fees, and profits from sales are deposited into the state liquor account.⁴⁴ Moneys in the fund are distributed to a number of eligible entities, including counties. After meeting certain statutory funding requirements, 50% of remaining funds are allocated to the state general fund and 50% of liquor funds are distributed to cities and counties. Of the local distribution, 49% is distributed to cities and 51% is distributed to counties (36% for general use and 15% for magistrate court services). Liquor funds are allocated to counties based on sales occurring at liquor stores from within the county. In state

⁴⁴ Idaho Code §23-404

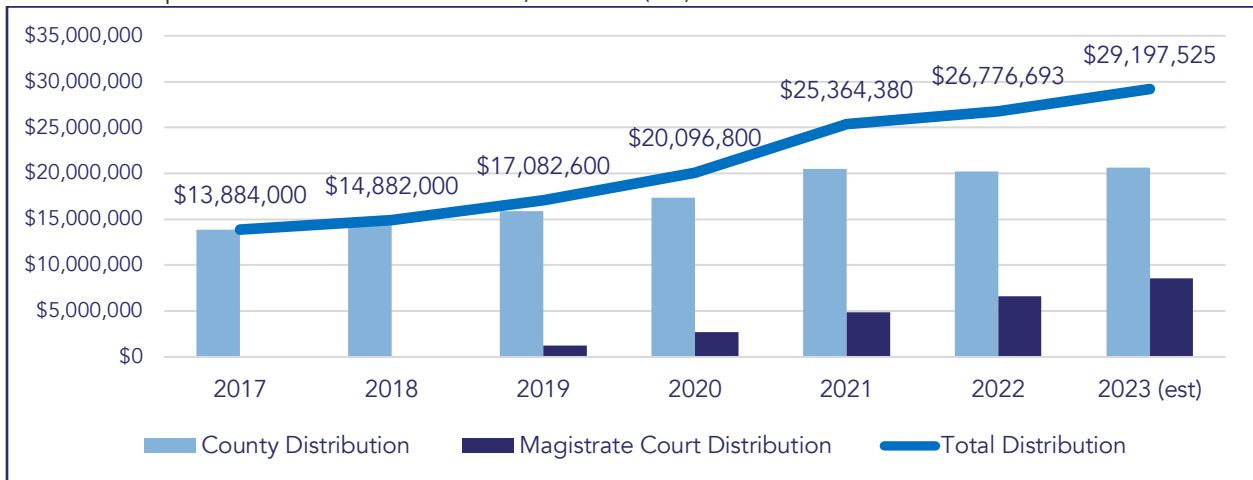
fiscal year 2022, the Idaho Liquor Division distributed \$26.8 million to counties from the state liquor account.

Figure 4: Distribution of state liquor fund revenues.



Source: Idaho Code §23-404

Chart 7: State liquor account distributions to counties, 2017-2023 (est.)



Source: Idaho State Liquor Division

Juvenile Corrections Fund

Revenues from cigarette and tobacco taxes, the state lottery, and general fund appropriation to the Department of Juvenile Corrections are shared with counties for purposes of maintaining and operating juvenile detention facilities. Counties receive approximately \$4 million a year in juvenile correction funds.⁴⁵

Fish & Game Fee in Lieu of Taxes (FILT)

In 1996, Idaho voters amended the state constitution to require the Idaho Department of Fish and Game (IDFG) to annually remit a fee in lieu of taxes (FILT) to counties to offset the impact of

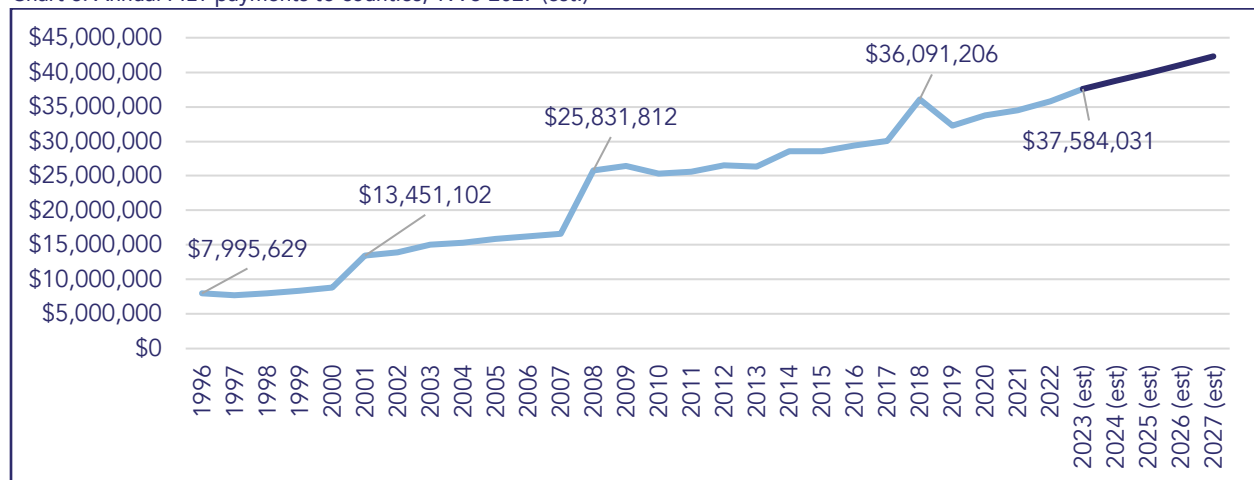
⁴⁵ Idaho Code §20-504(15) and §20-542

lands owned in fee simple by IDFG on county property taxes.⁴⁶ Annual FILT payments made to counties cannot exceed the property tax that would have been imposed on the land were the land to be subject to property taxation. Only IDFG lands of ten or more contiguous acres are subject to FILT. FILT does not apply to buildings or improvements (excluding fences and roads).⁴⁷

Federal Land Payments

Payments in Lieu of Taxes (PILT): PILT are federal payments to counties intended to offset the loss of property taxes due to the tax exempt status of federally managed lands within county boundaries. PILT was originally enacted in 1976. PILT was subsequently codified in 1982. PILT payments are considered entitlement payments and must be appropriated annually by Congress. PILT has been fully funded since 2008. PILT can be budgeted for any general county purpose. PILT payments are calculated using a complex formula which includes the number of eligible federal acres within a county, the population of the county, and certain prior year federal payments received from other federal land payment programs. PILT payments are capped based on an annual sliding population ceiling. In CFY2023 counties in Idaho received over \$38.7 million in PILT payments.

Chart 8: Annual PILT payments to counties, 1996-2027 (est.)



Source: US Department of Interior

Statutory two formulas are used to calculate a county's PILT payment. In addition to PILT calculation formulas, a county's PILT payment is limited by population caps. The Alternative A formula includes a higher per acre payment, with payments subject to a reduction based on prior year federal land payments like SRS. The Alternative B formula includes a lower per acre payment but is not subject to prior year payment reductions.

Alternative A Formula:

$$PILT = (Total\ Eligible\ Federal\ Acres \times \$2.94) - Prior\ Year\ Federal\ Payments$$

⁴⁶ Idaho Constitution, art. V11, sec. 4

⁴⁷ Idaho Code §63-602A(3)

Alternative B Formula:

$$PILT = Total\ Eligible\ Federal\ Acres \times \$0.42$$

It is important to note, that a county's PILT payment may not exceed the county's population based payments ceiling. Unfortunately, many rural counties with low populations are subject to population caps, resulting in a per acre PILT payment less than \$0.42.

Secure Rural Schools: As early as 1908, the US Forest Service (USFS) shared 25% of revenues generated from forest service managed lands with counties and schools. Beginning in the 1980s and 1990s, the amount of forest funds distributed to counties declined significantly due to changing USFS land management practices primarily driven by lawsuits that prevented the USFS from authorizing timber sales. Congress enacted the Secure Rural Schools and Community Self Determination Act in 2000 to provide bridge payments to counties and school districts to offset the loss of forest funds. SRS was again reauthorized in 2007, 2008, 2012, 2013, 2015, 2018, 2020, and 2021. Because SRS is not an entitlement program like PILT, it is subject to renewal by Congress and subsequent appropriation. In 2017 Congress did not reauthorize SRS, resulting in a one year loss of funding. The current SRS funding authorization expired in 2023.

Chart 9: Annual SRS payments to counties and schools, 2001-2023



Source: US Forest Service

SRS funds are distributed under three titles or uses. Title I funds are dedicated to county roads and schools (divided 70% to counties and highway districts and 30% to school districts). Title II funds are dedicated to special projects on USFS managed lands. Title III funds are dedicated for county projects including wildfire planning and mitigation, search and rescue, and other emergency services. A county may elect to receive up to 85% of its total distribution under Title I and 15% split between Title II and Title III. The total SRS allocation to Idaho for FY2022 was \$23.4 million. Eligible counties received their final "full" SRS payment in April 2024. Congress must extend SRS in order for counties to continue receiving annual payments. If Congress fails

to reauthorize SRS, counties will revert back to historical 25% Forest Fund payments, resulting in a significant loss of revenue to counties and schools.

County Fees

Idaho law authorizes the board of county commissioners to impose and collect fees for services provided by the county that would otherwise be funded by property taxes.⁴⁸ A public hearing must be scheduled prior to enactment of a new fee or if a fee is increased more than five percent (5%).⁴⁹ A public hearing for the enactment of a new fee or the increase of a fee by more than five percent (5%) must be preceded by public notification which may be accomplished by one of the following three ways:

1. Publishing for 2 weeks preceding the week of the public hearing in a newspaper as defined by section 60-106; or
2. Holding 3 public meetings in 3 different locations within the district's boundary; or
3. Mailing notice to all of the district's residents and holding a public meeting not less than 7 days after mailing the notice.

A public notice to establish or increase a fee must state the day, time, place, and purpose of the hearing. County fees for service must both reflect the actual cost of providing county services and be reasonably related to the service being rendered. A county may not impose a fee for service that exceeds the actual cost of providing the service.⁵⁰

Some county collected fees, like district court fees, recording fees, and divers license fees are set by statute. Other fees like computerized mapping fees, administrative fees to register or renew a vehicle, and solid waste fees are set by the board of county commissioners. If a fee is set by statute, a county may only charge the fee as set by statute. A county may only adjust county fees which the county commissioners are authorized to establish.

Emergency Communication Fees: Idaho law allows for the collection of emergency communication fees. A fee of \$1.00 per month is collected for each active cell phone line in Idaho. The fee is used exclusively for the initiation, maintenance, enhancement, and governance of emergency communications systems.⁵¹ The board of county commissioners may elect to adopt an additional fee of \$0.25 per month on each active cell phone line in the county to be remitted to the Idaho Emergency Communications Fund for emergency communication grants.⁵² Only counties imposing the additional fee are eligible for grants associated with the fee.

⁴⁸ Idaho Code §31-870

⁴⁹ Idaho Code §63-1311A

⁵⁰ Idaho Code §31-870(1)

⁵¹ Idaho Code §31-4804

⁵² Idaho Code §31-4819

Solid Waste Fees: In addition to levying a property tax to fund the acquisition, operation, and maintenance of solid waste disposal sites and systems, the board of county commissioners is authorized to establish and collect a solid waste fee.⁵³ Unlike other county fees, solid waste fees are to be certified and collected in the same manner as property taxes, thus, the solid waste fee may be placed on the annual property tax notice.

Development Impact Fees: The Idaho Development Impact Fee Act⁵⁴ authorizes cities and counties to impose development impact fee as a condition of development. Development impact fees are intended for the developer to pay their share of the cost of infrastructure improvements needed to serve the development. Impact fees are most commonly used for road and bridge development but can also be used for county parks, EMS systems, and other public safety infrastructure needs.

Impact fees are often referred to as an exaction. Other forms of exactions include requiring a developer to build a new school, fire station, or park as a condition of the development. An impact fee cannot be charged if the developer is also required to build a public improvement as a condition of the development moving forward. For example, a county cannot impose an impact fee on a development and require the developer to construct a park to service the development.

Compliance with the Idaho Development Impact Fee Act is cumbersome. An ordinance is required to adopt an impact fee and must follow stringent procedures, including notice and hearing requirements, detailed studies, capital improvement plans, and establishing advisory committees. US Supreme Court decisions have also imposed limits on the ability of cities and counties to impose development impact fees by requiring communities to demonstrate that impact fees are related to the impact of the proposed development and what impact they will have on existing public facilities.⁵⁵

Building Permit and Planning & Zoning Fees: In addition to the general fee authority granted to county commissioners in Idaho Code §31-870, Idaho's Local Land Use Planning Act grants counties authority to enact building permit and planning and zoning fees.⁵⁶ Unlike general county fees, county planning and zoning fees are enacted by ordinance.

DMV Fees: Idaho Code §31-870 grants the board of county commissioners to set an administrative fee for the purposes of processing vehicle registrations and, effective July 1, 2023, vehicle titling. Administrative fees must be reasonably tied to the service provided and may not exceed the actual costs of providing the service. Other DMV fees, like driver licensing fees, are set by statute.⁵⁷

⁵³ Idaho Code §31-870

⁵⁴ Idaho Code §§67-8201-8216

⁵⁵ *Dolan v. City of Tigard*, 512 U.S. 374 (1994) and *Nolan v. California Coastal Comm*, 483 U.S. 825 (1987)

⁵⁶ Idaho Code §67-6519

⁵⁷ Idaho Code §49-306

Statutory Fees: Some fees, like recording fees and district court fees are set by state law. In cases in which fees are set by state law, a county may not establish a separate county fee for the service. County statutory fee scheduled can be found in Chapter 32, Title 31 of Idaho Code.

Fines and Penalties

The board of county commissioners is also authorized to establish penalties and fines for violation of county code.⁵⁸ A county may impose a fine associated with an infraction or a misdemeanor not to exceed \$1,000. A county may also impose a penalty of up to six months in jail for violation of county misdemeanors.

Grants and Other Revenues

Transportation Grants (LHTAC): The Local Highway Technical Assistance Council administers federal and state transportation grants for counties, highway districts, and cities. Federal and state funds are awarded to eligible local highway jurisdictions like counties based on a competitive grant application process. Federal aid funds administered through LHTAC are divided into general highway projects, bridge projects, rail and freight projects, and safety projects. Federal aid grants are for one-time projects. Please contact LHTAC at (208) 344-0565 with questions about available grant programs.

Leading Idaho Local Bridges (LILB): LHTAC also administers special grant programs funded by the state known as the Leading Idaho Local Bridge program. Currently, the (LILB) program which will over \$400 million in state grant funding to counties, highway districts, and cities to facilitate the repair and replacement of bridges on local highway systems. Eligible bridges will be evaluated based on a number of factors including the age of the bridge, condition of the bridge, safety postings, and weight restrictions. Please contact LHTAC at (208) 344-0565 with questions about the LILB program.

Strategic Initiatives Local (SIL): In 2017 the Idaho Legislature established the Strategic Initiatives Local (SIL) program.⁵⁹ As originally established, the program dedicated a portion of surplus state general fund revenues to local transportation projects. At the time, the program was commonly referred to as the “surplus eliminator” program. Funds received through the program were administered by the Local Highway Technical Assistance Council (LHTAC) through a competitive grant process. The Legislature has since discontinued the surplus eliminator aspect of the program. In 2023 the Legislature appropriated \$100 million in state general funds to the program. Sadly, in 2024, the Legislature failed to appropriate funds to the SIL program. The Legislature also added a new requirement to the program for urban service areas (areas with a population greater than 50,000). Projects in these urban areas will now be required to provide a 20% match to receive SIL funds. IAC is optimistic that future legislatures will appropriate funds to the SIL program.

⁵⁸ Idaho Code §31-714

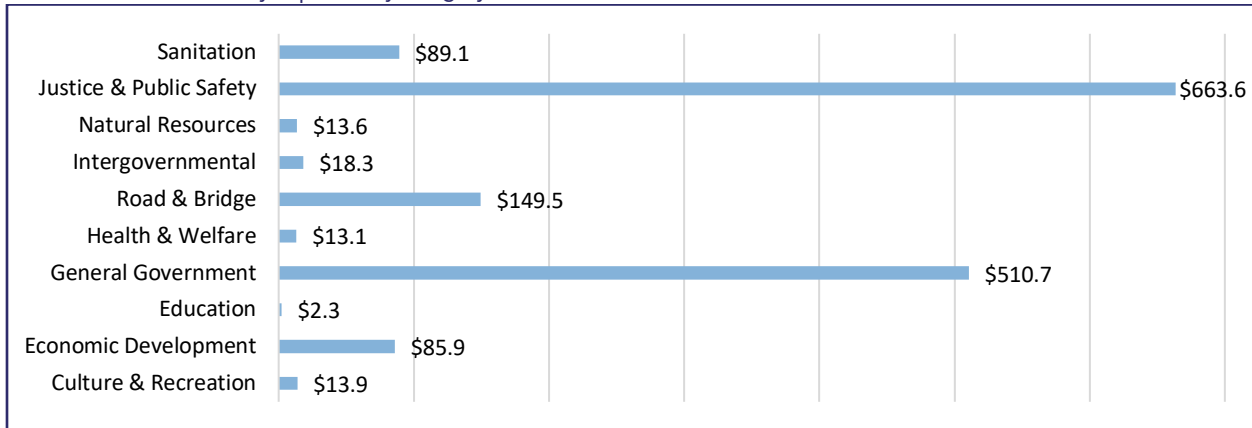
⁵⁹ Idaho Code §40-719

Other Grants: Grants are available to counties from a variety of federal, state, and nonprofit organizations. Grants are typically for dedicated projects, meaning spending authority expires once the grant funded project is completed. Grants often have special reporting, accounting, and audit requirements. Counties funding projects from grants should be prepared to develop the necessary staff resources to support grant administration.

Section 5.4: County Expenditures

As discussed in Section 5.1, county expenditures are limited by annual appropriations authorized in the final budget approved by the board of county commissioners. Idaho law establishes the expense categories used by counties. The minimum expense categories include: “salaries” or “salaries and benefits,” “detail of other expenses” or “detail of other expenses and benefits.”⁶⁰ Most counties have three to four expense categories, categorized as A, B, C, and D budgets.

Chart 10: Statewide county expenses by category, 2022



Source: Idaho State Controller

The “A” Budget

The “A” budget includes salaries for county elected officials and employees. The board of county commissioners has sole authority to determine salaries for county elected officials and county employees.⁶¹ The board is also required to empower other county elected officials to employ deputies and assistants as are required to operate the various offices and departments under their control.⁶² County employees are to be paid at least monthly.⁶³ The board also sets the salaries for the other county elected officials. Unlike with other county employees, the wage for county elected officials is set for the year.⁶⁴ This means that the board cannot increase or decrease the salary of fellow elected officials outside of setting the annual budget.

⁶⁰ Idaho Code §31-1604(1)

⁶¹ Idaho Code §31-816

⁶² Idaho Code §31-3107

⁶³ Idaho Code §31-3101

⁶⁴ Idaho Code §31-3106

When considering salary and wage increases for county elected officials and staff, county commissioners should consider the following:

1. Do requested salaries for county elected officials and employees adhere to adopted county personnel policies and procedures, including step and grade wage scales? Remember that the board of county commissioners must ensure pay equity among employees with the same general level of responsibility and the same level of experience, including across different offices and departments.
2. Is it appropriate to provide a general cost of living adjustment (COLA) for all county employees? If your county grants an annual COLA, it should be equal across all offices and departments. Consideration for cost of living and inflationary increases may be used for determining COLA adjustments.
3. Is it appropriate to provide merit based compensation adjustments for county employees? If your county plans on giving merit based pay increases, your county should have sufficient salary and employee performance information to compute the merit based wage increase.
4. Should salary surveys be used to compare wages to other counties and governmental entities? In a challenging labor market, wages of county employees may not align with wages paid by other governmental entities in your area. If wage increases are needed for a department or office to remain competitive, salary surveys can be an effective tool.
5. Should vacant positions continue to be budgeted for? If a department has performed for an extended period of time with a vacant position or positions, it may be a sign that the position is no longer needed. If this is the case, you may want to consider not funding the vacant position, but please keep in mind that in tight labor markets, positions may remain unfilled not because the position isn't needed but because eligible candidates simply are not available.
6. Are requested new positions necessary? Funding a new position requires an ongoing expenditure not only for the position salary, but also benefits and necessary supplies. It is important for the board of county commissioners to understand the justification for adding new positions prior to authorizing new hires. As part of the evaluation process, the board should also require fellow elected officials and department heads to provide an estimate of what the annual benefit, equipment, furniture, supply, and travel expenditures are for the position to ensure the county has sufficient funding to fully support the new position(s).

Some counties may choose to include benefit expenses in the "A" budget; however, most counties include benefit expenses in either the "B" or "D" budgets.

The "B" Budget

The "B" budget is reserved for operating related expenses, including supplies and services. Common operating expenses include, but are not limited to, office supplies, janitorial supplies,

postage, utilities, newspaper publication and advertising, professional services, travel, equipment maintenance and repairs, and continuing education. Idaho law allows for benefit and capital expenses to be included in the “B” budget (though most counties break these budget categories out into separate categories).

The “C” Budget

Unless otherwise budgeted for in the “B” budget, the “C” budget is reserved for capital expenditures. Items in this category include equipment purchases and leases, land purchases, building purchases, improvements to existing county facilities, construction of new county facilities, vehicle purchases, and related expenses.

If the county does the construction itself, the cost elements should be classified under the regular object accounts, i.e., personnel costs should be classified under salaries and wages, materials should be charged to supplies, repairs, maintenance, etc. A request for land should be closely scrutinized to be sure the amount budgeted is realistic in view of the market value of the land sought. Requests for funds to construct a building or other structure should be supported by realistic architectural or engineering estimates. Requests for vehicles and equipment should be reviewed to determine whether they are needed. Vehicle requests should be accompanied by a list of all accessories and components needed for the vehicle to be used for its intended purpose. It is also important to remember that all annual contracts and long-term leases are included in the budget, along with any fee increases.

The “D” Budget

Unless otherwise budgeted for in the “B” budget, the “D” budget is reserved for county benefits and related expenses. D budget expenses include social security and Medicare taxes (FICA), employee retirement, workers compensation, unemployment insurance, and health, dental, vision, and life insurance.

Social Security & Medicare (FICA): All employees have a percent of their gross wage, up to a maximum limit, withheld from their payroll checks for social security and Medicare tax each year. The county matches the amount paid by the employee.

Employee Retirement: Counties pay a percent of the salary of each eligible employee to the state retirement system.⁶⁵ This percentage is subject to change. The Public Employee Retirement System of Idaho (PERSI) notifies counties well in advance of any rate changes. Employees also pay a percent of gross payroll to PERSI.⁶⁶ This amount is withheld from their checks and deposited into PERSI for their retirement. The percentages paid by the county and by the employee are set by law and may be changed. The percentages for law enforcement/fire officers are higher than the percentages for other county employees because these employees can retire

⁶⁵ Idaho Code §59-1332

⁶⁶ Idaho Code §59-1333

at a younger age.⁶⁷ Counties sometimes offer other retirement programs, namely 401(k) and 457(b) deferred compensation programs. If your county offers a 401(k) or 457(b) match, it should be accounted for as part of your budget setting process. If your county does not offer matching programs, then it is a simple payroll deduction for participating county employees.

Worker's Compensation: The rates charged by the State Insurance Fund for worker's compensation are determined according to the type of work performed by each employee, the associated risk of that work, and the accident record of the county. The rates may be changed each year and are effective January 1.

Health, Accident, and Life Insurance: Counties may provide health, dental, vision, accident, life, disability and/or other insurances. The insurances offered and vendors utilized are determined by the board of county commissioners.

Unemployment Insurance: Counties either pay a rate calculated on gross payroll, or choose the "reimbursable" option, which means they reimburse the State Insurance Fund for the county's share of any unemployment insurance payments made to former employees. County elected officials are not eligible for state unemployment assistance.⁶⁸

Capital Improvement Planning

Long range planning is key to successful budgeting. Counties own, operate, and maintain large amounts of public property, facilities, and infrastructure including courthouses, jails, roads and bridges, solid waste disposal sites, airports, sewer systems, stormwater facilities, fair grounds, exposition halls, recreation complexes, and other county administrative facilities. Counties also maintain complex emergency communication equipment and IT infrastructure. Maintaining and eventually replacing public facilities and equipment is expensive and not possible without considerable budget planning and foresight.

A key component of planning for your county's future is developing a county capital improvement plan. A county capital improvement plan should include the following:

1. A description of existing county facilities and infrastructure.
2. A description of funding sources available for county facilities and infrastructure.
3. An analysis of the current capacity of county facilities and infrastructure.
4. An analysis of future capacity needs of county facilities and infrastructure.
5. A description of needed county facilities and infrastructure improvements, including the cost to develop needed county facilities and infrastructure.
6. An estimate of service demands for county services requiring facility and infrastructure improvements.
7. An estimated timeline for developing/expanding county facilities and infrastructure.

⁶⁷ Idaho Code §59-1334

⁶⁸ Idaho Code §72-1316A(5)(a)

In addition to developing a formal capital improvement plan, the board of county commissioners has an opportunity to evaluate needs of the county highway system each year. Through the development of the annual county budget, the board of county commissioners allocate funds to maintaining vast county highway systems which requires both refurbishing and chip sealing existing highways and bridges, expanding highways and bridges, and erecting new highways and bridges. This requires county commissioners to develop a plan to both maintain existing highways and bridges and expand and develop new highways and bridges. To balance maintenance needs of existing highways and the build out of new highways, commissioners must develop a county transportation roadmap. In fact, Idaho law requires county commissioners and highway district commissioners to maintain an annual report on the condition of highways within their respective jurisdictions.⁶⁹ Such a plan should be a key component of budget planning.

Similarly, the board of county commissioners is responsible for maintaining and operating solid waste disposal sites.⁷⁰ Like with the county highway system, planning is necessary to maintain solid waste disposal sites. Such planning includes plans for the replacement or expansion of existing facilities, franchising services out to a third party, or entering into joint power agreements with neighboring counties to provide for regional solid waste disposal sites.

County Indebtedness

The Idaho Constitution and the Legislature have limited the ability of counties to purchase, construct, or lease county facilities, including courthouses and jails. These constitutional and statutory limitations make it difficult for counties to update or expand aging facilities or construct new ones. When it comes to debt financing, counties have few options, including bonding (both general and revenue bonding) and certificates of participation.

General Obligation Bonds: General obligation bonds (sometimes referred to as GO Bonds) allow counties to acquire, build, or improve public facilities through debt financing. The Idaho Constitution requires counties, as well as other local governments, to secure voter approval of two thirds of voters voting in a general election prior to financing public facilities through the issuance of bonds.⁷¹

Revenue Bonds: The Idaho Constitution was amended in 2010 to allow local governments to finance project through revenue bonds by securing a simple majority approval of voters during a general election. Revenue bonding is a tool for enterprise projects funded through a dedicated fee or revenue source. Common projects funded through the issuance of revenue bonds include water and sewer projects, public parking garages, and fee supported airports.

⁶⁹ Idaho Code §40-610

⁷⁰ Idaho Code §31-4403

⁷¹ Idaho Constitution, art. V111, sec. 3

Lease Purchase of County Facilities: Idaho law currently allows for counties to enter into a long term lease of up to 30 years to construct a courthouse or jail.⁷² Lease-purchase arrangements involve counties entering into a certificate of participation (COP) through which a facility is constructed through private financing and leased back to the county for thirty years. The county then takes full ownership of the facility after the thirty year lease expires. Beginning January 1, 2023, a county will be required to receive simple majority voter approval prior to entering into a lease for county facilities that extends beyond five years.

Judicial Confirmation: Judicial confirmation is a process through which a county or other local government may petition the district court for approval to construct a public facility without voter approval. In order to receive judicial confirmation, a county must demonstrate that the indebtedness is an ordinary and necessary expense.⁷³ Over time, the Idaho Supreme Court has defined an ordinary expense to be an expense that is regular, usual, normal, common, often recurring and not characterized by unusual circumstances.⁷⁴ Necessary expenses have been defined as expenses that are indispensable and necessary to be made within a fiscal year.⁷⁵

⁷² Idaho Code §31-1001

⁷³ Idaho Constitution, art. V111, sec. 3

⁷⁴ *Dexter Horton Trust & Savings Bank v Clearwater County, Hickey v City of Nampa, City of Pocatello v Peterson*

⁷⁵ *Dunbar v Board of County Commissioners of Canyon County, City of Pocatello v Peterson, Board of County Commissioners of Twin Falls County v Idaho Health Facilities Authority*

APPENDIX 1: County Revenue Sources

	Revenue Source	Code Section(s)	Eligible Uses
Federal Revenues	PILT	31 USC Chapter 69	General
	SRS	PL 117-58	Roads, Bridges, Emergency Services
	Federal Aid (Highways)	PL 116-260	Highways
	Federal Aid (Bridges)	PL 116-260	Bridges
	Federal Aid (Transportation, Other)	PL 116-260	Highway safety, rail crossings, etc.
	Federal Grants	Varies	Varies
State Revenues	Liquor Fund	§23-404	General, Magistrate Courts, CC Tuition
	Sales Tax - Revenue Sharing	63-3638(10)(b)	General
	Sales Tax - Election Consolidation	§63-3638(8)	Elections
	Sales Tax - Property Tax Replacement	§63-3638(11) and §63-3638(13)	General
	Sales Tax - Circuit Breaker	§63-3638(5)	General
	Sales Tax - Public Defense	§63-3638(14)	Public Defense
	Sales Tax - Transportation Expansion and Congestion Mitigation	§63-3638(15)	Roads, Bridges
	Highway User Revenues	§40-701	Roads, Bridges
	Fish & Game Fee in Lieu of Taxes	§63-602A	General
	Driver License Fees	§49-306	DMV
	Title Fees	§49-306	DMV
Boat, Snowmobile, and ATV Registration Fees	§67-7008, §67-7103, §67-7122	DMV, Snowmobile Grooming, Waterways	
County Revenues	Property Taxes	See Appendix 2	See Appendix 2
	DMV Administrative Fees	§31-870	DMV
	Computerized Mapping Fees	§31-870	County GIS Systems
	Alcohol License Fees	§23-1315	General
	Solid Waste Fees	§31-870	Solid Waste
	911 Fees	§31-4819	Emergency Communications
	Fines	§31-714	General
	Planning & Zoning Fees	§67-6519	P&Z Services
	Development Impact Fees	§§67-8201-8216	Roads, Bridges, Parks, Public Safety Infrastructure
	Building Permits, Fees	§67-6519	Building Officials, Inspectors, Administration
	Recording Fees	§31-3205	Recorder's Office
	Auditor's Fees	§31-3207	Auditor's Office
	Sheriff's Fees	§31-3203	Sheriff's Office
	Victim Notification Fees	§31-3203	Victim Notification
	Court Fees (Including Adult and Juvenile Probation)	§§31-3201-3201J, 20-516A	Varies
	Indigent Reimbursement	31-3503	General
Interest	N/A	General	
Other County Fees	§31-870	Varies	

APPENDIX 2: County Non-Exempt Property Tax Levies

Levy	Levy Limit	Authorized Use	Code Section
Ambulance Levy	0.020%	Ambulance/EMS	§31-3901
Airport levy	0.050%	Airport M&O	§31-807
Current Expenses	0.26% (no Justice levy) 0.20% (w/Justice Levy)	General County Expense	§63-805
District Court	0.400%	Court M&O	§31-867
Fair Levies	0.10% (M&O) 0.02% (Exhibits)	County Fairs	§31-822 §31-823
Fish Hatchery	0.050%	County Fish Hatchery	§36-1702
Historical Society	0.012%	County Historical Societies and Museums	§31-864
Hospital	0.060%	County Run Hospitals	§31-3503
Road & Bridge	0.20% (M&O) 0.084% (Special Projects)	County Road & Bridge Operations	§40-801
Junior College	0.060%	Out of District Tuition	§33-2110A
Justice	0.200%	Criminal Justice M&O	§63-805
Noxious Weeds	0.060%	Noxious Weed Control	§22-2406
Parks and Recreation	0.100%	Parks and Recreation M&O	§63-805
Pest/Abatement	0.100%	Pest/Mosquito Abatement	§39-2805
Preventative Health	0.040%	Public Health District M&O	§31-862
Revaluation	0.040%	Property Appraisal Systems	§63-314
Solid Waste	0.040%	Solid Waste M&O	§31-4404
Tort	No Limit	Litigation, Insurance, Payment of Claims	§6-927 §6-928
Veterans Memorial	0.01% (M&O) 0.05% (Construction)	Maintenance of Veteran Memorials	§65-103 §65-104

APPENDIX 3: Additional Resources

Idaho Association of Counties Uniform Accounting and Budget Manual:

<https://idcounties.org/wp-content/uploads/2020/01/2018-IAC-Budgeting-Manual.pdf>

County Budget Law: <https://legislature.idaho.gov/statutesrules/idstat/Title31/T31CH16/>

Idaho Property Tax Law: <https://legislature.idaho.gov/statutesrules/idstat/Title63/>

Division of Financial Management General Fund Revenue Book (2024):

https://dfm.idaho.gov/wp-content/uploads/publications/eab/gfrb/gfrb_jan2023.pdf

Idaho State Liquor Division Annual Report: <https://liquor.idaho.gov/annual-reports.html>

Idaho State Tax Commission Annual Report: <https://tax.idaho.gov/governance/reports-and-statistics/?report=EPB00033>

Idaho State Tax Commission Comparative Statement:

<https://tax.idaho.gov/governance/reports-and-statistics/?report=EPB00073>

Idaho State Tax Commission Property Tax Forms and Guides:

<https://tax.idaho.gov/taxes/property/property-tax-forms-guides-by-category/>

Idaho State Tax Commission Reports and Statistics: <https://tax.idaho.gov/governance/reports-and-statistics/>

Idaho Transportation Department (info on local roads and payments):

<https://itd.idaho.gov/funding/?target=local-roads>

US Department of the Interior (PILT): <https://www.doi.gov/pilt>

US Forest Service (Secure Rural Schools): <https://www.fs.usda.gov/working-with-us/secure-rural-schools>