

2026 Legislative Session – Week 12 Report

The Idaho Legislature wrapped up its work on April 2nd, marking the 81st day of the 2026 Legislative Session. Each session has its signature characteristics, and the 2026 session saw a record number of bill introductions, but a focus on state agency budget cuts. For Medicaid providers, the cuts implemented in August as part of the FY26 Governor’s holdbacks were extended into the FY27 Medicaid budget baseline, though most providers avoided the additional cuts (1% in FY26 and 2% in FY27) imposed on the majority of state agencies and programs. The Legislature finished its budget setting with \$150 million left on the bottom line, down from the \$400 million they left town with just a year ago. It could have been worse, but it most certainly could have been better.

One of the bright spots from this session was the turnout from Medicaid providers in the Capitol. Prior to the Governor’s State of the State speech, the official start to the session, several hundred advocates, participants, family members, and providers rallied to deliver the message that Medicaid is a vital program, and that cuts have consequences, particularly for those who rely on services to keep them living independently in their home communities. The message was heard, and Medicaid was specifically excluded from additional cuts.

In addition to the projected \$150 million bottom line balance in the FY27 budget, the state has about \$1.7 billion in reserve accounts, spread across various savings accounts. One of the largest funds, the Budget Stabilization Fund, will end the year \$50 million over its statutory cap. One of the last actions taken by the Joint Finance and Appropriations Committee this year was to exempt the state from having to transfer the excess funds to the general fund. In other words, the state bypassed the law requiring \$50 million to be transferred from a reserve account to the general fund; an amount that could have restored all the Medicaid cuts made in 2026 and carried over into 2027.

Home & Community Based Services (HCBS) programs were directly impacted this session, including Residential Habilitation (DD/AD Waivers), Assertive Community Treatment (Behavioral Health), and Peer Support (Behavioral Health). When the Governor submitted his budget recommendation to the Legislature at the beginning of this session, it included a \$22 million reduction in the Medicaid base budget. Included with the recommendation was a laundry list of programs for the Legislature’s consideration to be cut, including a \$21.8 million general fund (\$65 million total funds) cut to Res Hab rates. While most recommendations were impractical or ridiculous (one recommendation was to stop paying for all prescription medications), the Res Hab cut conveniently lined up with the Governor’s budget reduction.

In 2022, in response to a federal settlement agreement, the Legislature appropriated \$70 million for Res Hab rate increases and an additional \$65 million for implementing a new service array for individuals receiving I/DD services. At the time, there was a delay in implementing the service array and a crisis in Res Hab staffing, so IDHW agreed to allocate the additional funds to Res Hab rates, calling the rates “transitional”. To date, the service array has yet to be implemented because of legal issues, and the \$65 million has continued to support Res Hab rates. In 2024, IDHW attempted to cut Res Hab rates, but were rejected by

the Legislature. This session was different, and after several failed attempts to authorize the rate cuts, the Legislature passed the Medicaid budget with the cuts included.

It was a different story for ACT and Peer Support this year, where both programs received significant cuts through the Idaho Behavioral Health Plan as a result of the Governor's holdbacks. ACT was devastated by these cuts, effectively leaving hundreds of high-risk patients without life-saving care. Throughout the session, Senator Kevin Cook made several attempts to fund these vital programs and ultimately secured one-time funding from the tobacco and opioid settlement funds. These programs were reinstated upon signature by the Governor, and will begin to be reestablished in the current fiscal year.

As predicted in our previous reports, Rural Health Transformation was among the last budgets passed this session, with S1453 allocating \$294 million for program grants, a combination of year one and year two money. Idaho is approved to receive \$929 million over five years. The appropriations bill also creates a legislative oversight committee to monitor proper use of funds which will be comprised of four House members, four Senate members, and one non-voting member appointed by the Governor. IDHW will administer the grant program, which will be overseen by the legislative oversight committee. The bill also gives IDHW 12 new employees for the program.

We also expect another roller-coaster ride with state revenue again this year. As mentioned in previous reports, the Legislature passed a tax conformity bill to align Idaho's tax structure with changes made by H.R. 1, or the One Big Beautiful Bill Act. The state budgeted \$155 million for FY26 and \$175 million for FY27. The truth is, nobody knows how much tax conformity will cost the state in tax revenue, and there are concerns that legislators have drastically underestimated the true impact which could lead to another budget deficit.

As we look ahead, legislative primary races are already heating up, with a May 19th election day just around the corner. Primary elections in Idaho account for the majority of the contested seats for the Legislature, which means that we will know who will be filling most of those legislative seats well ahead of the November general election. Elections have consequences, and several seats were won and lost in the last election by a fraction of a percent, so it is important to cast your vote.