

# Peeking Behind the Curtain - A Look Inside the Idaho State Budget

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July 2010



## Three Chinese Curses

- May you live in interesting times
- May you come to the attention of those in authority
- May you find what you are looking for

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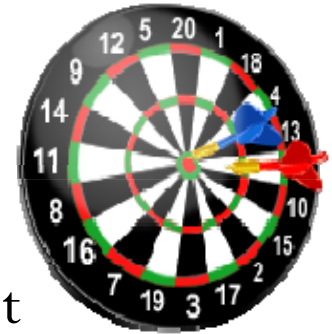


# Today's Interesting Times

- Most severe national recession since Great Depression
- High Unemployment
- Instability in global markets
- Burst of the housing bubble
- Massive Federal debt - spending



# Forecast History



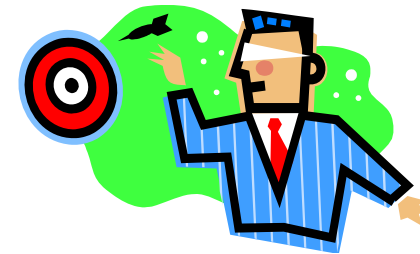
- FY 2009 Forecast
  - December 2007:
    - \$3,009,900,000
  - February 2008:
    - \$2,941,800,000     -2.2%
  - August 2008:
    - \$2,766,300,000     -6.0%
  - December 2008:
    - \$2,633,801,200     -4.8%
  - February 2009:
    - \$2,560,400,000     -2.8%
  - Actual:
    - \$2,465,570,000     -3.7%
  - Total     -18.1%**

- FY 2010 Forecast
  - December 2008:
    - \$2,659,261,600
  - February 2009:
    - \$2,550,170,000     -4.1%
  - August 2009:
    - \$2,377,190,000     -6.8%
  - January 2010:
    - \$2,349,220,000     -1.2%
  - Actual:
    - \$2,264,500,000     -3.6%
  - Total     -14.8%**



# Budget Crunch Choices

- Option 1 – Ignore the problem
  - Rely on unrealistic high estimates
  - Continue spending at unsustainable levels
- Option 2 – Increase Inflow
  - Raise taxes
  - Raid endowments
- Option 3 – Reduce Outflow



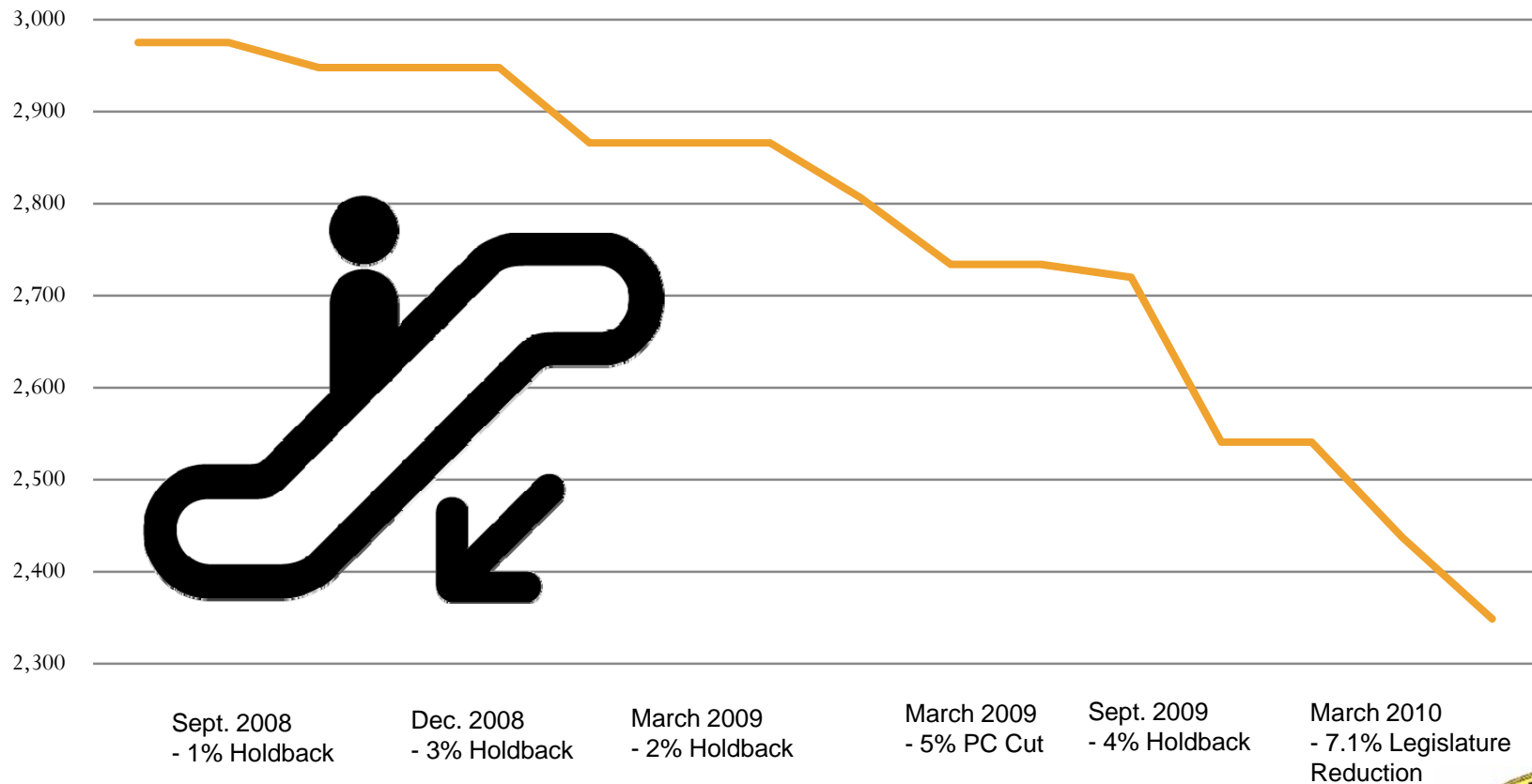
# Budget Reduction Options

Stairs or Slide (both lead to the same place)



# Idaho Chooses Stairs

## Budget Reductions FY 2009 and FY 2010



**Total Reduction FY 2009 - FY 2011 = 19.45%**



# General Fund Budget Reductions By the Numbers (FY 2009 - FY2011)

- 50-100% Reduction
  - Commerce
  - Parks and Recreation
  - Public Broadcasting
  - Women's Commission
- 25-50% Reduction
  - Agriculture
  - Environmental Quality
  - Health and Welfare
  - Lands
  - State Police
  - Water Resources
  - Exec Offices of Governor
- 15-25% Reduction
  - Ag Research & Extension
  - Correction
  - Higher Education
  - Independent Living Council
  - Public Health Districts
  - Vocational Education
- Less than 15% Reduction
  - Professional-Technical Education
  - Public Schools
  - Tax Commission



# State Support for Public Schools

- FY 2010 Actual
  - GF = \$1,148,615,300
  - Total = \$1,710,854,300
- FY 2011 Appropriation
  - GF = \$1,214,280,400
  - Total = \$1,582,328,500
- Differences
  - GF = \$ 65,665,100  
+5.7%
  - Total = -\$128,525,800  
- 7.5%
- FY 2009-2011
  - All Executive Branch Agencies = -19.45%
  - Public Schools = -8.9%
- Public Schools represent 50.9% of total GF budget
- Since 2009, Governor Otter has directed more than \$394 million in rainy day and federal stimulus money to insulate public education from cuts



# Closing the “Tax Gap”

- Estimated uncollected taxes total \$255 million
  - Only \$67 million of which is “collectable”
  - Rest has a negative cost-to-benefit ratio for collection
- Governor’s approach phases in funding for additional auditors and collections staff as they prove return on investment
  - Requires quarterly reports showing results compared to established benchmarks
  - Governor can withhold next phase of money if benchmarks are not met
  - Increased Accountability
- FY 2010 (first year)
  - \$1.5 million in additional funding
  - \$20.5 million in increased tax receipts
- FY 2011
  - \$3.3 million in additional funding
  - \$27.5 million in increased tax receipts
- FY 2014 (final year)
  - \$8.9 million in additional funding
  - \$67 million in increased tax receipts



# FY 2011 Budget Not Out of the Woods Yet

- **Remaining Gaps – 86.7 million**
  - Medicaid (\$67 m)
  - CAT Fund (\$12 m)
  - Correction (\$4.5 m)
  - Lands - 2009 Fires (\$3.2 m)
- **Federal Medicaid – FMAP**
  - FY 2011 (six months) - \$71.4 m
  - FY 2012 & Ongoing (full-year) - \$140 m
- Revenue forecast to be updated in August and again in December 2010
  - FY 2009 -18.1%
  - FY 2010 -14.9%
- State Economist Mike Ferguson (June 2010):
  - **“It is fair to say that the 2011 forecast that I made last December may be too optimistic.”**
- Even using the current revenue forecast, the FY 2011 budget runs the risk of additional holdbacks and reductions

**Take away message**  
**Best approach is the conservative approach**



# Thank You

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