

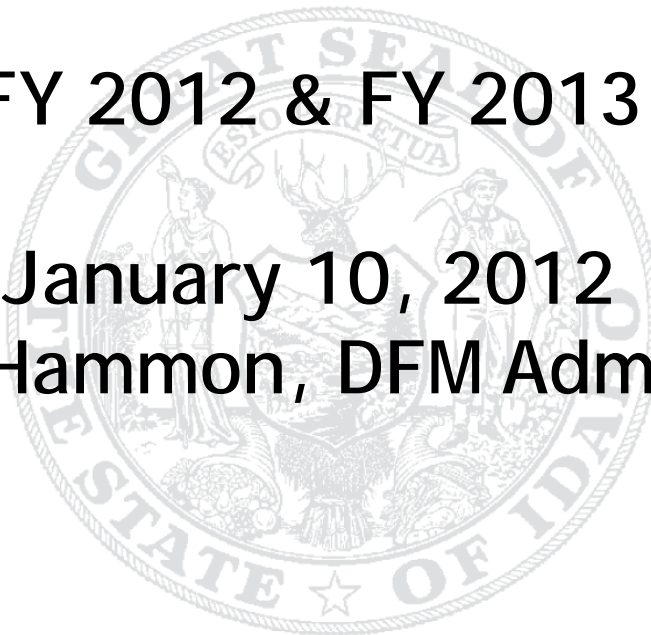


# Governor C.L. "Butch" Otter Budget Recommendation

FY 2012 & FY 2013

January 10, 2012

Wayne L. Hammon, DFM Administrator



# Outline

- Revenues & Updated Forecast
- FY 2012
  - Grocery Tax Credit
  - Supplementals & Deficiency Warrants
- FY 2013
  - Transfers to and from General Fund
  - Budget Priorities
  - Tax Relief
- Summaries & Ending Balances



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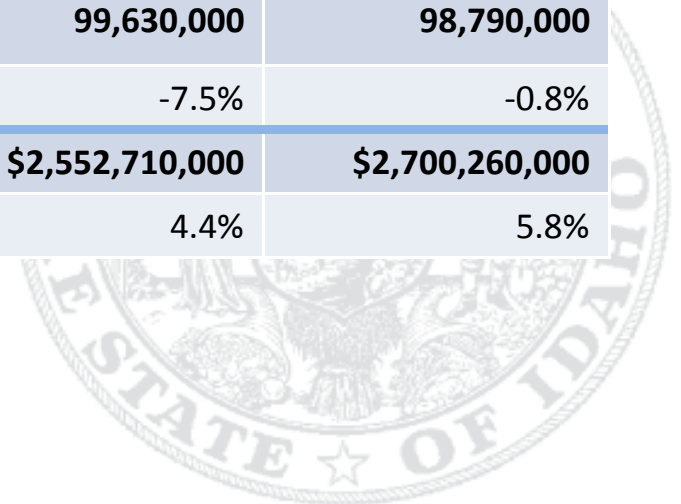


# Revenues

|                           | FY 2010                | FY 2011                | FY 2012                | FY 2013                |
|---------------------------|------------------------|------------------------|------------------------|------------------------|
| Individual Income         | \$1,061,880,000        | \$1,152,650,000        | \$1,216,760,000        | \$1,295,000,000        |
| % Change                  | -9.1%                  | 8.5%                   | 5.8%                   | 6.2%                   |
| Corporate Income          | 97,020,000             | 168,950,000            | 176,760,000            | 182,840,000            |
| % Change                  | -31.2%                 | 74.1%                  | 4.6%                   | 3.4%                   |
| Sales Tax                 | 955,910,000            | 972,380,000            | 1,013,400,000          | 1,082,720,000          |
| % Change                  | -6.5%                  | 1.7%                   | 4.2%                   | 6.8%                   |
| Product Taxes             | 41,180,000             | 42,820,000             | 43,160,000             | 40,910,000             |
| % Change                  | 38.5%                  | 4.0%                   | 0.8%                   | -5.2%                  |
| Misc. Revenue             | 108,470,000            | 107,680,000            | 99,630,000             | 98,790,000             |
| % Change                  | 3.6%                   | -0.7%                  | -7.5%                  | -0.8%                  |
| <b>Total General Fund</b> | <b>\$2,264,460,000</b> | <b>\$2,444,470,000</b> | <b>\$2,552,710,000</b> | <b>\$2,700,260,000</b> |
| % Change                  | -8.2%                  | 7.9%                   | 4.4%                   | 5.8%                   |



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# Revenues – December Collections



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# Revenues – Year-to-Date



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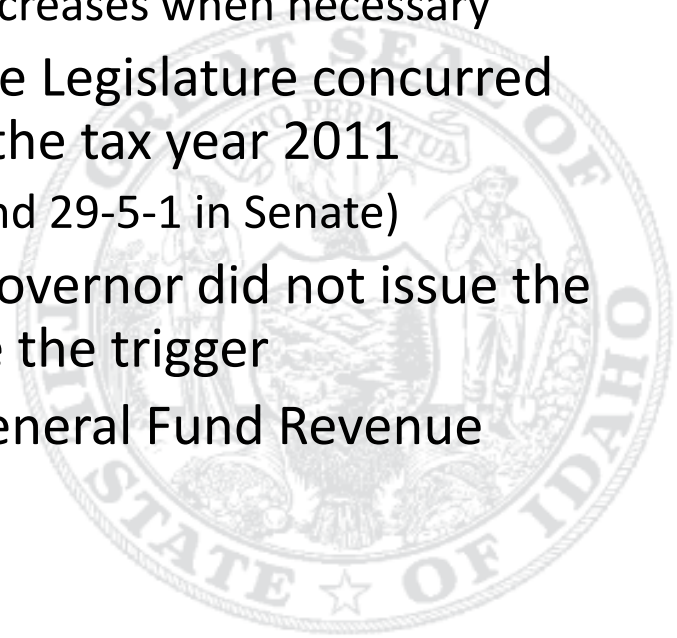


# FY 2012

- Transfers to and from the General Fund
  - Grocery Tax Credit
    - Section 63-3024A, Idaho Code, provides:
      - Tax credit against taxes due
      - Annual increases in the credit amounts
      - A “trigger” for delaying the annual increases when necessary
    - The Governor recommended and the Legislature concurred to delay the increase scheduled for the tax year 2011
      - HCR 25 (adopted 55-10-5 in House and 29-5-1 in Senate)
    - Financial picture has changed and Governor did not issue the Executive Order required to exercise the trigger
    - Results in \$15 million decrease in General Fund Revenue



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# FY 2012

- Deficiency Warrants

|                                  |              |
|----------------------------------|--------------|
| – Lands – fire suppression       | \$ 4,093,300 |
| – Military – hazardous materials | \$ 69,800    |
| – Agriculture – invasive species | \$ 58,200    |

- General Fund Supplementals

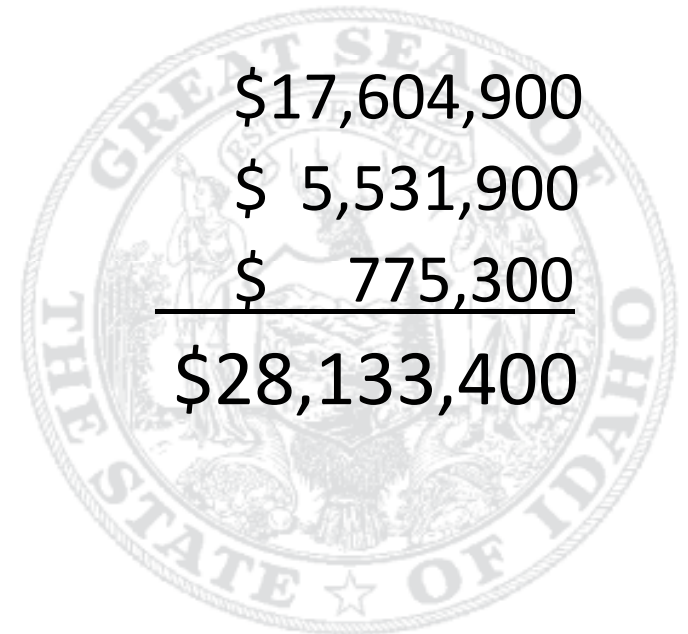
|                      |              |
|----------------------|--------------|
| – CAT Fund           | \$17,604,900 |
| – Health and Welfare | \$ 5,531,900 |
| – Other Agencies     | \$ 775,300   |

- Total

\$28,133,400



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# FY 2013

- Changes from prior year
  - Governor's recommendation includes statutory BSF Transfer (\$9,456,200)
  - Governor's recommendation includes next phase of the Grocery Tax Credit (\$15,532,300)
  - 5 percent cap on overall General Fund growth
- Three-tiered approach to new spending:
  - Tier 1 = Governor's Priorities
  - Tier 2 = Strategic Investments
  - Tier 3 = Agency Initiatives



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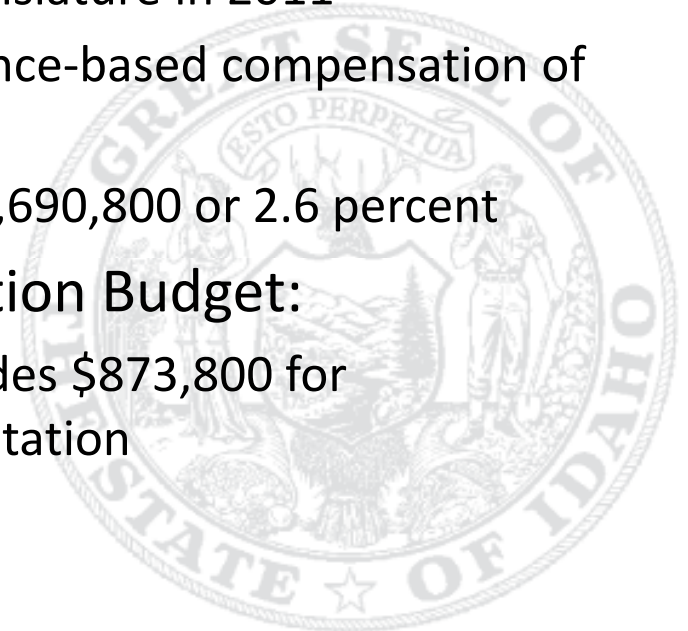


# FY 2013

- Tier 1 = Governor's Priorities
  - Priority #1 = Education
    - K-12 Budget:
      - Governor's recommendation fully funds the "Students Come First" changes approved by the Legislature in 2011
        - » Includes funding for performance-based compensation of teachers and administrators
      - Total General Fund increase of \$31,690,800 or 2.6 percent
    - Superintendent of Public Instruction Budget:
      - Governor's recommendation includes \$873,800 for longitudinal data system implementation



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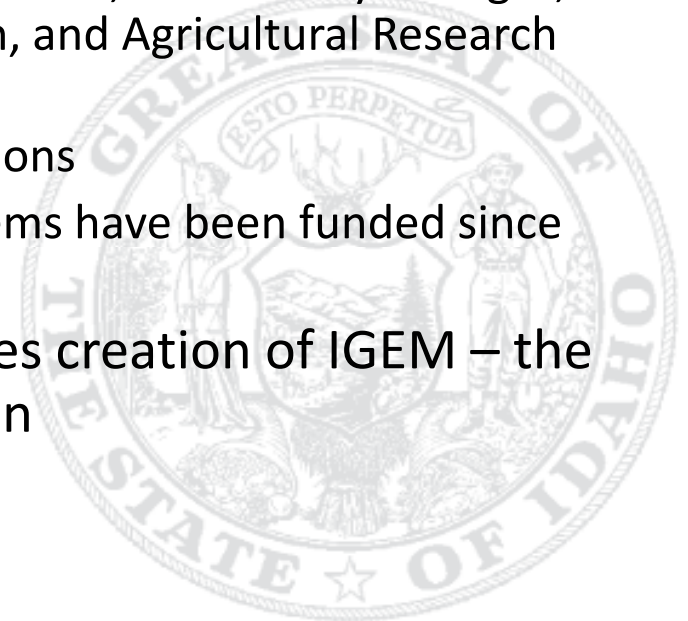


# FY 2013

- Tier 1 = Governor's Priorities
  - Priority #1 = Education
    - Higher Education Budget:
      - Governor's recommendation fully funds FY 2013 Enrollment Workload Adjustment (EWA) and Occupancy Costs
        - » Included for Colleges and Universities, Community Colleges, Professional-Technical Education, and Agricultural Research and Extension
        - » Highest priority item for institutions
        - » First time these maintenance items have been funded since FY 2009
    - Governor's recommendation includes creation of IGEM – the Idaho Global Entrepreneurial Mission



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# IGEM

- IGEM's mission is to create new enterprises and high-paying knowledge-based economy jobs by increasing strategic areas of research and development through targeted partnerships among industry, higher education and government that leverage new and existing resources.
- Strategies:
  - Invest in strategic research
  - Attract outstanding innovators in areas of strength and opportunity
  - Increase research funding
  - Invest in entrepreneurial ecosystem



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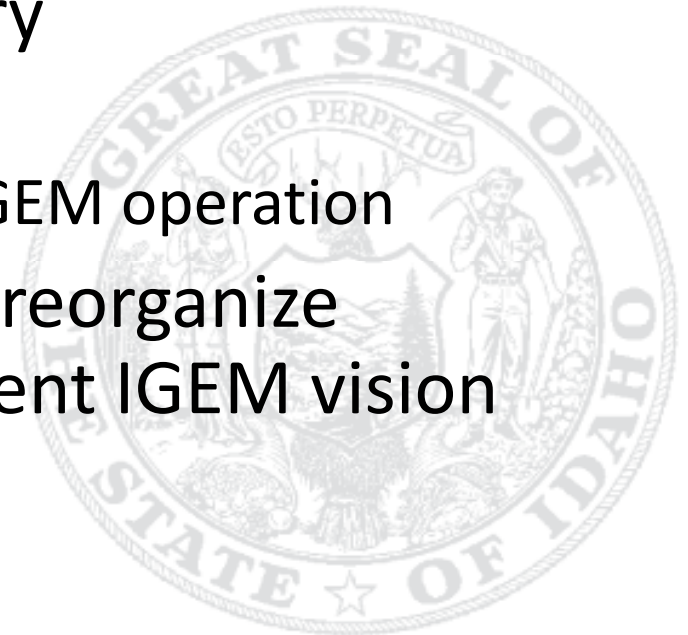


# IGEM

- Center for Advance Energy Studies (CAES)
  - \$2 million
- New Research initiatives at Universities
  - \$2 million
- Partnership with private industry
  - \$1 million
  - Includes funding for grants and IGEM operation
- Legislation being introduced to reorganize Innovation Council and implement IGEM vision



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# FY 2013

- Tier 1 = Governor's Priorities
  - Priority #2 – Create Jobs and Advance Economic Development
    - IGEM
      - \$5 million
    - Department of Commerce grants
      - \$750,000
    - Tax Relief
      - \$45 million



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# FY 2013

- Tier 1 = Governor's Priorities
  - Priority #3 – State Rainy Day Funds
    - Statutory BSF transfer \$ 9,456,200
    - Additional transfers \$50,543,800
      - Distributed between funds based upon share of the overall General Fund budget
      - BSF \$16,523,800
      - PESF \$29,040,000
      - HESF \$ 4,980,000
    - Total transfer to rainy day funds \$60,000,000



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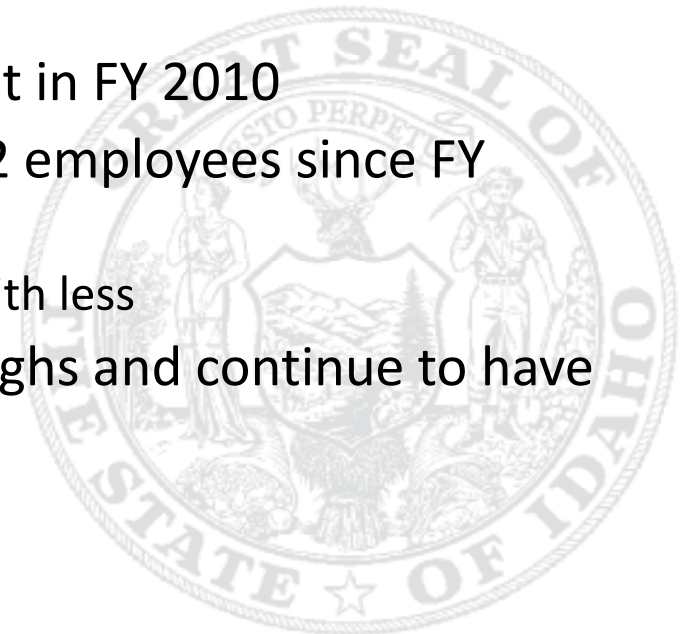


# FY 2013

- Tier 1 = Governor's Priorities
  - Priority #4 – State Employees
    - There has been no CEC for state employees since FY 2009
    - Much of this General Fund increase was returned in response to the mid-year holdback ordered by the Governor and expanded by the Legislature
    - All agencies experienced a 5% PC cut in FY 2010
    - State workforce has shrunk by 1,912 employees since FY 2008
      - Those that remain are doing more with less
    - Many agencies have endured furloughs and continue to have large number of vacancies

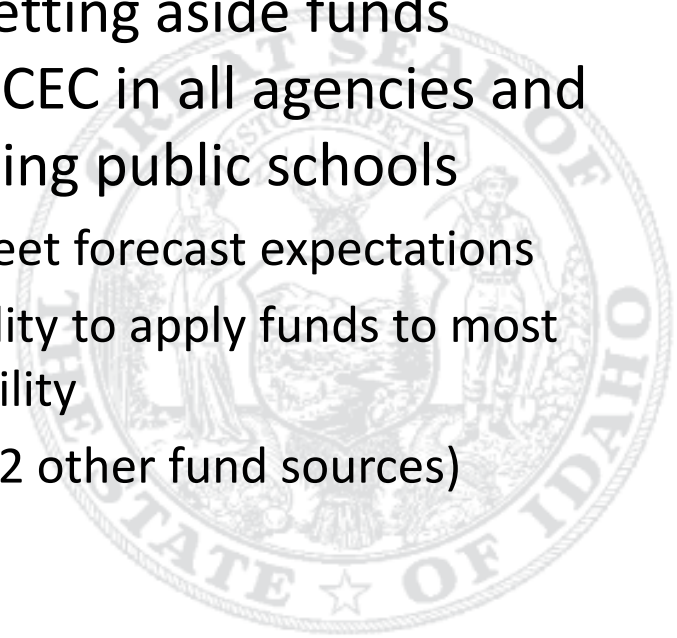


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# FY 2013

- Tier 1 = Governor's Priorities
  - Priority #4 – State Employees
    - Recommendation includes the statutory changes for elected officials (ongoing)
    - Recommendation also includes setting aside funds equal to a merit based 3 percent CEC in all agencies and across all funds (one-time) including public schools
      - To be delivered should revenues meet forecast expectations
      - Agency directors to be given flexibility to apply funds to most critical areas within their responsibility
      - \$41.1 million in General Fund (\$17.2 other fund sources)



# FY 2013

- Tier 1 = Governor's Priorities
  - Priority #4 – State Employees
    - Governor's recommendation also fully funds changes in employee benefits
      - Increase health insurance costs
      - New employee wellness program
      - No change in PERSI rate
      - Total of \$12.5 million in General Fund (\$16.6 million from other fund sources) for state employee benefits



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# FY 2013

- Tiers 2 & 3 = Strategic Investments and Agency Initiatives
  - Includes modest amounts for:
    - Replacement capitol (non General Fund)
    - Inflation (non General Fund)
    - Limited line items
- Overall General Fund increase in spending limited to 5 percent



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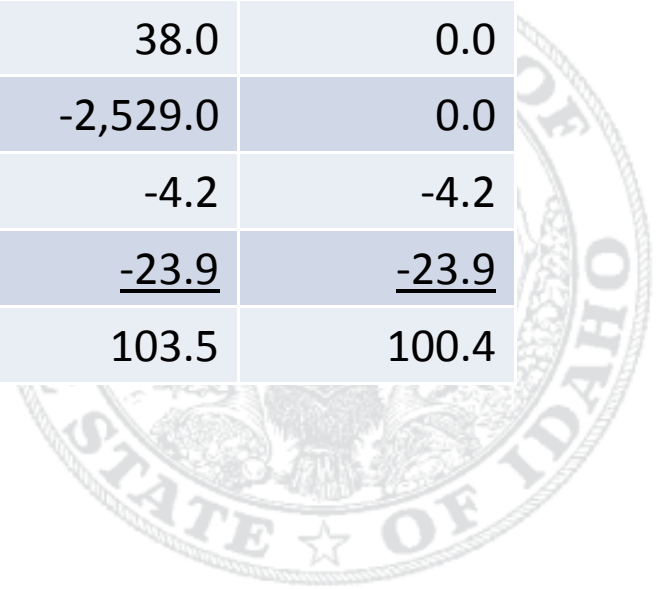


# FY 2012 Summary

|                           | At Sine Die<br>(April 7) | Governor's<br>Recommendation | Difference   |
|---------------------------|--------------------------|------------------------------|--------------|
| Beginning Balance         | 39.4                     | 68.7                         | 29.3         |
| Reappropriations          | 0.0                      | 1.3                          | 1.3          |
| Revenue Forecast          | 2,521.5                  | 2,552.6                      | 31.1         |
| 3% Budget Cap             | -91.5                    | 0.0                          | 91.5         |
| 2011 Legislation          | 24.7                     | 0.0                          | -24.7        |
| Transfers to General Fund | 38.0                     | 38.0                         | 0.0          |
| Appropriations            | -2,529.0                 | -2,529.0                     | 0.0          |
| Deficiency Warrants       | 0.0                      | -4.2                         | -4.2         |
| Supplementals             | <u>0.0</u>               | <u>-23.9</u>                 | <u>-23.9</u> |
| Ending Balance            | 3.1                      | 103.5                        | 100.4        |



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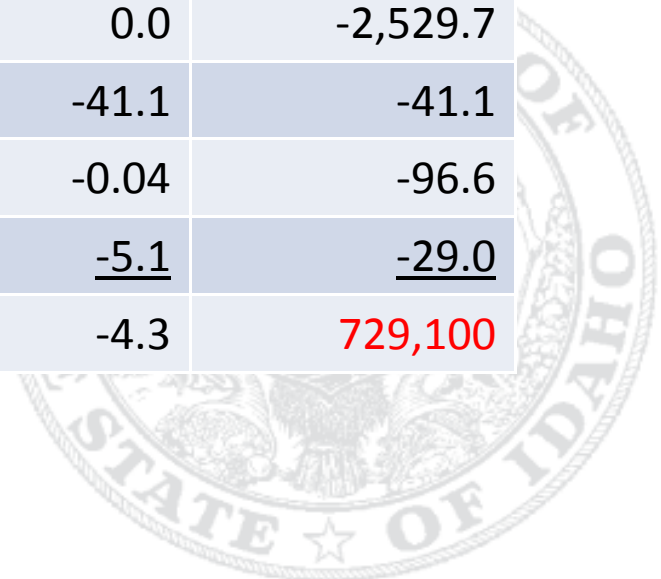


# FY 2013 Summary

|                              | Ongoing      | One-Time    | Total          |
|------------------------------|--------------|-------------|----------------|
| Beginning Balance            | 0.0          | 103.5       | 103.5          |
| Revenue Forecast             | 2,700.3      | 0.0         | 2,700.3        |
| Tax Relief                   | -45.0        | 0.0         | -45.0          |
| Rainy Day Fund Transfers     | 0            | -60.0       | -60.0          |
| Transfer to Const. Def. Fund | 0            | -1.5        | -1.5           |
| Projected Base               | -2,529.7     | 0.0         | -2,529.7       |
| Surplus Eliminator (3% CEC)  | 0.0          | -41.1       | -41.1          |
| Maintenance Items            | -96.6        | -0.04       | -96.6          |
| Line Items                   | <u>-23.9</u> | <u>-5.1</u> | <u>-29.0</u>   |
| Ending Balance               | 5.0          | -4.3        | <b>729,100</b> |



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# Thank You

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- Get regular updates from the Governor at:

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