

FY 2010 Budget Summary

Statewide

The Joint Finance-Appropriation Committee (JFAC) adopted a revenue number of \$2,280 million, which is \$69.1 million below the revenue number the Governor used to finalize the FY 2010 budget. In order to balance the budget to the lower revenue number the Legislature made the following actions:

- FY 2010 original General Fund appropriations were reduced by \$188,750,600, including Public Schools. An overall reduction of 7.5 percent for all agencies supported by the General Fund.
- A transfer of \$86.6 million was made to Public Schools from the Public Education Stabilization Fund to hold them harmless in FY 2010. An additional \$53.9 million was given to other institutions and agencies for FY 2010.
- Transferred \$20 million from the Economic Recovery and Reserve Fund to the General Fund.
- Transferred \$33,505,000 from the Budget Stabilization Fund to the General Fund.

After transfers and adjustments the FY 2010 General Fund ending balance is estimated to be \$590,600.

FY 2010 Reserve Account Balances

	Budget Stabilization Fund	Economic Recovery Fund	Public Education Fund
Cash Balance as July 1, 2009	128,224,640	68,100,563	17,979,354
Interest Earnings	0	1,362,011	1,310,867
Receipts/Collections	0	0	0
SB 1227 Transfer to General Fund	(54,993,300)	0	(24,993,300)
SB 1227 Transfer Personnel Cost	(7,406,300)	0	0
HB 325 Ag Property Tax Replacement	0	0	(1,508,500)
Idaho Code 67-1802 & 67-1804	0	0	0
Public School Apportionment	0	0	(4,831,844)
HB 256a Pupil Transportation	0	0	(4,200,000)
HB 262a Teacher Retirement	0	0	(2,000,000)
JFAC Balance Budget Plan for FY 2010	(33,505,000)	0	(49,255,500)
Gov's Recommended Transfer to General Fund	0	(20,000,000)	0
Estimated Balance June 30, 2010	30,820,040	49,462,574	17,598,677

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- The Governor's original General Fund budget recommendation included FY 2011 revenue of \$2,432.9 million and a beginning cash balance of \$1 million. After transfers and estimated expenditures the Governor's revised recommendation showed a positive ending balance of \$562,500.
- JFAC adopted the recommended lower revenue projection number from the Legislative Revenue Projection Committee of \$2,290 million.

Summary Tables and Graphs

- The 2011 session included new legislation that provides for transfers from dedicated accounts to the General Fund to help balance FY 2011. These transfers included: \$30,134,600 from the Budget Stabilization Fund and \$49,500,000 from the Economic Recovery Reserve Fund. The Legislature also projects that \$16,445,000 will be generated as a result of the Tax Compliance initiative within the Tax Commission's budget.

FY 2011 Reserve Accounts Balances

	Budget Stabilization Fund	Economic Recovery Fund	Public Education Fund
Estimated Balance as July 1, 2010	30,820,040	49,462,574	17,598,677
Interest Earnings	0	989,251	351,971
Receipts/Collections	0	0	0
Disbursements	0	0	0
Appropriations	(685,400)	0	0
Transfer to General Fund	(30,134,600)	(49,500,000)	0
Estimated Balance June 30, 2011	40	951,825	17,950,648

- The Governor recommended \$860 per FTP for the increased costs of the state employee health insurance plan, and a reduction of \$1,500 per FTP for two employer health insurance premium holidays to be covered from one-time savings in the group insurance reserve fund. The Legislature adopted a reduction of \$1,400 per FTP for two employer and employee health insurance premium holidays, as well as covering any increased costs from the one-time savings in the group insurance reserve fund.
- The Governor recommended the elimination of over 400 state positions, of which most are current vacancies. The Legislature approved this reduction in the number of state employees.
- The Governor did not recommend any employee salary increases in any fund category. The Legislature did approve personnel costs restoration in dedicated funds for the Department of Finance - \$191,200.
- The Governor recommended the four-year phase out of General Fund support for several agencies, the majority of which were Idaho's human services commissions. These commissions did their due diligence in finding efficiencies to save taxpayer dollars. The Human Rights Commission will be supported by the Idaho Department of Labor. The Council for the Deaf and Hard of Hearing will be supported by the Idaho Department of Health and Welfare and Vocational Rehabilitation. A cooperative agreement was created for the Idaho Commission on Aging to co-locate with the Council for the Blind and Visually Impaired. And lastly, the Idaho Commission on Hispanic Affairs and Council for the Developmentally Disabled are moving to State-owned buildings.
- The Governor recommended the elimination of the Department of Parks and Recreation by transferring the park maintenance functions to the Department of Lands and the fees portion to the Department of Fish and Game. The Department of Parks presented a new business plan that would significantly reduce their reliance on the General Fund and was able to keep its Department status.

Education

- The Governor recommended \$1,591,100 in General Fund to operate the Center for Advanced Energy Studies (CAES) in Idaho Falls. The Legislature directed the State Board of Education to fund the CAES from the one-time, federal stimulus monies included in the budget. The Governor's recommendation had provided for ongoing, General Fund monies for this activity. By including CAES in this manner, the total impact of the stimulus dollars is reduced from the \$9.9 million recommended by the Governor to \$2.8 million – which will be divided between the institutions of higher education.
- The Governor recommended but the Legislature did not support the \$1 million for FY 2011 needs-based Idaho Opportunity Scholarship awards.

Community Colleges

- This budget was set at a level substantially lower than what had been included in the Governor's recommendation. These cuts include not funding growth at the College of Western Idaho (in either FY 2010 -\$1,047,200 or FY 2011 - \$267,500) and federal stimulus funds (\$1.24 million). This action results in a total reduction of 12.6 percent from the prior year.

Public Schools

- The public schools budget for FY 2011 is a 1.14-percent reduction in General Fund and a total fund reduction of 7.5 percent from FY 2010. Total state appropriation in FY 2011 is \$1,582,328,500, slightly higher than the Governor's recommended level of \$1,581,192,600. Statutory changes and distribution changes in Legislative action generate more than \$27 million over the Governor's Recommendation. Chief among these changes is a policy shift in the use of the Public Schools Earnings Reserve Fund by tapping \$22 million beyond regular annual distributions. The Legislative action further includes the transfer of fund balances in both the Driver's Education Fund and the Cigarette, Tobacco, and Lottery Income Tax Fund, in the amount of \$5.5 million, a reduction of \$1 million in the gifted and talented teacher training program, a reduction of \$219,000 in the Master Teacher award program, and a series of General Fund reductions through salary reductions for Administrators, Teachers, and Classified staff for FY 2011.
- The Legislature funded level also includes funding for 140 additional support units.

Public Television

- The Legislature did not endorse the Governor's recommendation to phase out General Fund support of Public Television over four years. Accordingly, the budget for this agency was set in line with overall cuts given to all agencies and results in a total fund reduction of 8.3 percent.
- The budget for this agency does not include any of the requested line items and does offset the General Fund appropriation by \$97,200 – the amount of a recently awarded federal grant.

Division of Vocational Rehabilitation

- The agency's budget was set in accordance with the Governor's recommendation including the transfer of the Council for the Deaf and Hard of Hearing to Vocational Rehabilitation. While the Council is retaining its General Fund appropriation at this time, Vocational Rehabilitation is working with their federal partners to determine if federal match dollars can be used.

Health and Human Services

- The Governor's recommended includes \$4 million in both FY 2010 and FY 2011 for the Catastrophic Health Care Fund. The Legislature provided a supplemental for FY 2010 for \$15,384,000.
- The Governor recommended a FY 2010 supplemental appropriation of \$250,000 in federal spending authority for an aging and disability resource center (ADRC) grant from Medicaid. He also recommended a supplemental appropriation of \$263,200 for the Senior Community Service Employment Program. The Legislature did not appropriate spending authority for either of these two supplemental recommendations.

Office of Drug Policy

- The Governor recommended and the Legislature supported funding the operations of the Office of Drug Policy from the Millennium Fund. The total amount appropriated to the office was \$395,400.
- The Legislature also supported the funding of community based substance abuse treatment from the Millennium Fund in the amount of \$1,859,200. Funding will be specifically used to continue to address the state need for substance use disorder treatment for the felony re-entry population.

Immunization

- The Legislature passed House Bill 432 which establishes assessments from insurance companies to provide for the state-supported childhood immunization program. The bill authorizes the Department of Health and Welfare to spend \$1.8 million in dedicated funds.

Public Health Services

- This budget was set in accordance with the Governor's recommendation with the exception of the elimination of the adult Cystic Fibrosis Program.

Medical Assistance Services (Medicaid)

- The Medicaid budget was set with detailed intent language regarding instructions for pricing and benefit reductions in order to meet the budget deficit. This intent language grants IDHW the ability to manage their budget through rule changes not ordinarily permitted for codified programs.
- The Legislature did not fund the \$14 million General Fund supplemental for FY 2010 recommended by the Governor. This lack of funding coupled with the FY 2010 holdbacks leave the Medicaid budget with a substantial ongoing shortfall in FY 2011.
- The Legislature did not provide an additional \$12.7 million recommended by the Governor for discretionary adjustments.
- The Legislature funded none of the line-items recommended by the Governor. Line-items include \$1.4 million General Fund for the ongoing operational costs of the MMIS system, \$962,000 General Fund for the one-time certification costs of the MMIS system, and funding to restore a Deputy Attorney General position tasked with third-party recovery costs.

Public Safety

Correction, Department of

- The Governor recommended fully funding operation of Correctional Alternative Placement Program (CAPP). The Legislature funded CAPP at 50 percent of per diem (\$3,043,100) and anticipates delaying the opening of CAPP until July and filling the facility at a rate of 25 inmates per week.
- The Governor recommended and the Legislature agreed to separate the Commission of Pardons and Parole from the Department of Correction budget.

Idaho State Police

- The Legislature appropriated \$150,000 in General Fund dollars to the Forensic Program at the Idaho State Police.
- The Governor recommended and the Legislature supported the use of the CHOICE fund balance to offset expenses at Idaho State Police. The Governor recommended a fund shift of \$1.5 million from the Law Enforcement Fund to the Project CHOICE fund balance to offset operational expenses due to inadequate Highway Distribution Account funding. The Legislature shifted \$1.1 million to Project CHOICE from the Law Enforcement Fund, plus an additional \$2.2 million from the General Fund to the CHOICE fund balance. This additional shift included moving 28 troopers from the General Fund and placing them onto Project CHOICE. This leaves a projected ending balance of approximately \$216,100 in the CHOICE fund. The total shift to CHOICE was \$1.8 million more than what the Governor recommended.
- The Governor recommended and the Legislature supported \$2.9 million in dedicated and federal spending authority for the replacement of patrol vehicles and other equipment.
- The Governor recommended \$1.2 million for fourth-year points and salary increases related to Project CHOICE. The Legislature did not appropriate this additional spending authority.
- The Governor recommended \$274,200 in one-time spending authority in federal funds to enhance the information sharing capabilities of the Idaho State Police - Idaho Criminal Intelligence Center. The Legislature supported this recommendation.
- The Governor recommended \$367,200 in federal and dedicated fund spending authority for the purchase and installation of 211 vehicular repeaters in marked patrol vehicles. The Legislature supported this recommendation.
- The Governor recommended \$49,100 in additional spending authority in the Peace Officers Standards and Training (POST) dedicated fund to purchase and maintain distance learning materials and equipment for distance learning opportunities to 143 criminal justice agencies. POST's distance learning will tie into the new Idaho Education Network and allow POST to broadcast live, interactive criminal justice training to five other locations at any one-time. The Legislature supported this recommendation.

Natural Resources

- The Governor recommended \$900,000 for an aquatic weed program at the Department of Agriculture. The Legislature transferred \$350,000 from the Rural Economic Development and Integrated Freight Transportation (REDIFIT) loan program to the aquatic weed program.
- The Governor recommended \$1 million in ARRA funds to be used as match for private funding for Comprehensive Aquifer Management Program (CAMP). The Legislature passed Senate Bill 1407 which establishes a separate fund for voluntary moneys collected from water districts and other sources for the purpose of funding the CAMP. Rather than utilizing ARRA funds, the Idaho Water Resources Board will direct re-payments from Pristine Springs loan for CAMP.
- The Legislature endorsed the Governor's recommendation deferring General Fund payment of the State's \$464,800 in water right claim filing fees for the Northern Idaho Adjudication.
- The Governor recommended and the Legislature approved \$1.2 million in funding for building improvements and \$2.1 million to implement an improved forest asset management plan for the Department of Lands. The buildings and forest property are endowment assets and the investments in each will increase future returns for public schools and other endowment beneficiaries.
- The Legislature endorsed the \$1.3 million in General Fund savings included in the Governor's recommendation for the Idaho Soil Conservation Commission.
- The Governor's recommendation reduces General Fund appropriation for the Department of Parks and Recreation by 79 percent. As part of the budgeting process, the Department has prepared a business plan that eliminates General Fund dependency for ongoing park operations within three years.

Economic Development

- As part of the Department of Commerce's zero-base budgeting, the Governor recommended and the Legislature approved the transfer of funding and 1.0 FTP for the Governor's northern Idaho representative from the Department of Commerce to the Governor's Office.
- The Governor recommended \$300,000 to advance Business and Jobs Development Fund for "Project 60." The Legislature did not fund this project.
- The Legislature approved combining the Human Rights Commission with the Department of Labor.
- The Legislature approved an additional \$12 million in GARVEE bonding authority. The intent language changes the priority listing for use of GARVEE funds from construction then right-of-way, to right-of-way then construction.

General Government

- As part of the zero-base budgeting initiative, the Governor recommended consolidating statewide information technology services at the Department of Administration. The Governor recommended the transfer of FTPs from seven different agencies into the Department of Administration. The Legislature did not support the IT consolidation efforts of the Governor.
- The Governor recommended \$31,000 for a FY 2010 General Fund supplemental to the Tax Appeals Board to offset an estimated 400 additional tax appeals. The Legislature did not support this supplemental.
- The Governor recommended \$13 million in dedicated fund spending authority for the upgrade of the Public Employee Retirement System's core membership, employer, and benefit payment technology. The Legislature did not support this recommendation to upgrade this antiquated system.

State Tax Commission

- The Legislature appropriated a one-time supplemental of \$800,000 from the General Fund to the Tax Commission to offset the impact of the permanent reductions for FY 2010.
- The Governor recommended and the Legislature supported the transfer of \$1,500,000 from the Budget Stabilization Fund (BSF) to the Tax Commission. This funding was used to hire temporary employees to begin addressing the "Tax Gap", which describes the amount of tax liability imposed by existing law that is not paid voluntarily and in a timely manner.
- The Governor originally recommended ongoing General Fund monies totaling \$1.5 million to the Tax Commission to support auditors hired to help close the tax gap. The Governor later modified this recommendation to reflect a more robust plan. Legislative action for FY 2011 was consistent with the Governor's plan and recommendation. The appropriation reflected a two-phased approach. In the first phase, \$1,082,100 was appropriated to restore the Audit and Collection and Revenue Operations budgets to maintain collections at the FY 2009 level of \$164.2 million. Without this restoration the tax gap would increase by \$17.2 million. Phase one also included an appropriation of \$560,000 to fill an additional ten vacant positions that will provide an 8 to 1 return on investment or \$4.5 million above the FY 2009 collection level. This further closes the tax gap and increases total collections to an estimated \$168.7 million.
- In the second phase, \$1,642,600 was appropriated to the Tax Commission to fund 43 temporary positions that will be added, as authorized by the Governor, in a graduated fashion as quarterly performance thresholds are met. These temporary positions will expand compliance and collection efforts to further close the tax gap. The return on investment is expected at 7 to 1 or \$11.5 million.
- Legislative intent language was added to the Tax Commission budget that requires quarterly reporting to the Governor and JFAC on both Phase I and Phase II performance. For Phase II, if a quarterly threshold is not met, the Governor is authorized to revert the subsequent quarter's dollars to the General Fund. Intent language was also added to exempt temporary employees in Phase II from the statutory requirement that would limit them to working no more than 1,385 hours in a 12 month period.

Summary Tables and Graphs

- The Legislature removed \$50,000 in General Fund dollars from the Proval tax software maintenance contract. The \$50,000 was shifted to a Compliance Specialist position with the expectation that it generates a 10-to-1 return, or \$500,000. Intent language makes it clear that funding will not be restored until the Tax Commission has reported progress in resolving the issue of perceived unfair competition between vendors providing property tax administration and mass appraisal services to the counties on behalf of the State Tax Commission.
- The Legislature passed House Bill 680 which moved the responsibility for the state's unclaimed property functions from the Tax Commission to the Office of the State Treasurer.

Millennium Fund

- The Governor recommended \$3,311,500 from the Millennium Income Fund to be spent on various projects and the remaining balance of \$2,530,900 to be returned to the corpus of the Millennium Fund. The Legislature approved \$5,621,600 be spent on various projects and the remaining balance of \$220,800 be returned to the corpus of the Millennium Fund. (See page 56 for a complete breakout.)