

FY 2011 Budget Summary

Statewide

- When the Governor submitted his FY 2011 budget recommendation to the Legislature it included a beginning balance of \$37,500 and a revenue estimate of \$2,359.1 million. After transfers and estimated expenditures the Governor's recommendation was a 2.25% increase from the FY 2010 Projected Expenditures and had a positive ending balance of \$ 50.0 million.
- The Joint Finance-Appropriation Committee (JFAC) adopted the Governor's revenue estimate of \$2,359.1 million and after legislative action and transfers to and from other funds that were approved during the 2011 session the ending balance is projected to be \$39.4 million (\$10.6 million lower than the Governor's recommended ending balance).
- The 2011 session included legislation that provides a decrease of \$10.4 million in General Funds for partial compliance with the Internal Revenue System tax conformity law (H102). Other legislation that reduce the General Fund include H194 for the sales and use tax rebates on media production (\$64,000) and H213 for sales tax on billed gratuities (\$100,000).
- Other transfers for FY 2011 included: \$30.1 million from the Budget Stabilization Fund; \$48.8 million from the Economic Recovery Reserve Fund; \$1,505,500 from other dedicated funds; and \$1 million of General Fund was transferred to the Military Division for the Disaster Recovery Fund.

FY 2012 Budget Summary

Statewide

- The Governor and JFAC adopted the FY 2012 General Revenue estimate of \$2,521.5 million to set budgets.
- Responding to the Governor's call, the Legislature adopted the 3-percent revenue growth rate included in the Executive Budget recommendation and set state agency budgets accordingly. By taking this conservative approach, Idaho has laid the foundation for a brighter future free of unfunded mandates, overextended promises and ongoing obligations. By living within the people's means, State government continues to be a partner in recovery.
- The Governor's "Hire One Act" (H297aaS) provides employers with a refundable tax credit of 2, 4 or 6 percent of a new employee's gross annual wages – depending on their unemployment insurance rating with the Department of Labor – for adding new employees at wage ranges of at least \$12 or \$15 per hour, depending on the local jobless rate.
- The 2011 session included new legislation that provides for transfers from dedicated accounts to the General Fund to help balance FY 2012. These transfers included: \$21.9 million from the Non-Endowed Millennium Fund, \$8 million from the Liquor Control Fund, \$7 million from the Permanent Building Fund, and \$1 million from other dedicated funds.
- The Governor recommended delaying phase 4 of the Grocery Tax Credit expansion saving the state \$15 million in General Funds. The Legislature adopted House Concurrent Resolution 25 which calls upon the Governor to issue an Executive Order directing the State Tax Commission to allow the grocery tax credit to remain unchanged for tax year 2011.

- The Governor recommended and the Legislature concurred to continue two months of health insurance premium holiday for both the employer and employee. Both the two month premium holiday and any increase in the cost of benefits will be offset by the available health insurance reserves for FY 2012.
- Do to the economic situation the Governor and the Legislature concurred to not provide for any change in employee compensation (CEC) for state employees for FY 2012.
- The Governor's budget recommendation included an omnibus reduction in General Funded agencies and departments with an overall average reduction of 1.4%. The Legislature provided for an overall 2.2 % omnibus General Fund reduction.
- The Governor and Legislature balanced the State budget without raising taxes or instituting new fees.

Education

Public Schools

- Working together with Superintendent of Public Instruction Tom Luna, the Governor spearheaded the approval of wide-sweeping reform. Three bills were passed and signed into law this session (S 1108, S 1110 and S 1184) making up the Students Come First reform package were approved and signed into law. It refocuses limited resources on the most efficient and effective strategies to educate Idaho students at a higher level. The Students Come First plan restores decision-making and flexibility to locally elected school boards (S 1108), creates a pay-for-performance system for Idaho's excellent teachers (S 1110), and delivers technology to classrooms, students and teachers (S 1184)
- The Governor worked with Superintendent Tom Luna and the education committees to secure funding for the third year of math and science curriculum and college entrance exams for all students. These actions are reflected in the passage of S1184 and the JFAC appropriation for Public Schools.
- S 1110 included a pay-for-performance plan. The legislation uses the Idaho Race to the Top application pay-for-performance proposal, which was agreed upon by all stakeholders, as a basis for rewarding educators who accept hard-to-fill positions, who take on leadership roles, and according to student achievement and academic growth. The pay-for-performance plan is funded by the reinvestment of existing dollars under S 1184, and will provide school-wide rewards for Idaho's best educators.
- The Governor recommended and the Legislature supported \$963,500 to provide college entrance exams for all Idaho high school juniors without cost to them or their families.

Agriculture Research and Extension

- As recommended by the Governor, the Legislature approved stable funding of \$22.6 million for the Agricultural Research and Extension Service. The funding was required to protect core capabilities and encourage investment in innovation that keeps Idaho agriculture on the cutting edge of global competitiveness. During the recent national recession and subsequent slow recovery, the agri-business sector has proven to be a major stabilization force in this state's economy.

College and Universities

- The Governor recommended and the Legislature approved \$1.6 million in state support for continued participation of Boise State University, Idaho State University and the University of Idaho at the Center for Advanced Energy Studies (CAES) in Idaho Falls. During the Center's initial two years of operation, it has competitively won \$23.8 million in external financial sponsorship.

Education, State Board of

- Includes \$673,000 in federal spending authority for the College Access Challenge Grant Program which is intended to increase the number of students from low income families who are prepared to succeed in higher education pursuits after high school.
- The Governor recommended and the Legislature approved \$117,400 in General Funds for a commission director who will be responsible for ensuring that charter schools are operating within state guidelines as well as held accountable for operation and performance.

Special Programs – Scholarships and Grants

- The Governor included and the Legislature approved \$250,000 in federal spending authority for Gaining Early Awareness and Readiness for Undergraduate Program (GEARUP) scholarships, an increased needed for initiation of Idaho's Mastery Advancement Pilot Program (MAPP) which accelerates high school students into postsecondary education courses..
- The Governor recommended \$1,000,000 from the General Fund for the Idaho Opportunity Scholarship. The Legislature did not agree with funding this program with General Fund dollars but redirected \$1,000,000 from the Idaho Opportunity Scholarship Fund's principal for renewal of financial need-based student awards in FY 2012.

Superintendent of Public Instruction

- The Governor recommended and the Legislature approved \$969,200 for the second year of operational and support costs for the Statewide Longitudinal Data System which is intended to track student progress from kindergarten through potentially doctorate level university graduate school to initial workforce entrance.
- The Public Schools budget included the Governor recommended level of \$250,000 in dedicated spending authority for use in building or purchasing an existing End-of-Course (EOC) series of tests to determine student readiness to graduate from high school.

Health and Human Services

Health and Welfare, Department of

- The Legislature cut \$34 million from the FY 2012 Medicaid budget. A committee of legislators and executive branch representatives reviewed suggested reductions from the Division of Medicaid. There were two major options – the blunt approach which would cut a few full programs, or the tailored approach which would allow more strategic reductions from several programs. The committee decided to use the tailored approach to make precise reductions that would leave programs intact and cause less anxiety for providers and recipients of services. Through a series of exchanges of information and counter expectations between the committee and Medicaid administrators, the group was able to identify approximately \$39 million in reductions. After hearing public testimony, it was concluded that some of the reductions would

need to be reconsidered in an effort to cause the least harm to the state's most vulnerable populations. The end result was a Medicaid budget reduction of approximately \$34 million.

Despite these reductions, the Division of Medicaid still received a net increase of nearly \$140 million General Fund, as recommended by the Governor, primarily to off-set reduced federal funds due to the FMAP rate change. Without these increased General Funds, the Medicaid reductions would have been far deeper and would have substantially impacted some of Idaho's most vulnerable individuals.

Catastrophic Health Care

- The Governor recommended and the Legislature approved an increase of \$8.5 million for the Catastrophic Health Care Fund. Additionally, the Governor supported HB 310, another element to recent years' restructuring of the Catastrophic Health Care program, to improve business practices, contain costs, and streamline the application and claims payment process. The statute changes are projected to reduce growth by \$1.6 million General Fund annually.

Public Safety

Correction, Department of

- The Governor recommended and the Legislature approved \$2,066,200 to fully fund the cost of operating the Correctional Alternative Placement Program (CAPP).
- The Governor recommended and the Legislature approved replacing \$2,000,000 of ARRA funds with General Funds for the purpose of addressing critical staffing needs.

Police, Idaho State

- The Governor recommended and the Legislature appropriated the continuation of Highway Distribution Account (HDA) funding to the Idaho State Police (ISP), through FY 2012. This will provide the ISP with continued agency-wide funding for FY 2012 of an estimated \$15.9 million and will help offset \$20.7 million in funding needed to keep the Patrol Program whole. The remaining amount is offset by use of available fund balances and a fund shift to the General Fund of \$1.4 million. On an ongoing basis, House Bill 144 reversed the impacts of House Bill 376 of 2009 which was scheduled to take effect on July 1, 2011. House Bill 144 restored the distribution percentages of the Highway Distribution Account back to the original distribution formula. This will mean that the annual distributions from the HDA in the amount of approximately \$15.3 million will continue.
- The Governor recommended but the Legislature did not concur with \$1.6 million in funding from the General Fund for the replacement of 37 patrol vehicles. Idaho State Police (ISP) will use salary savings to replace those vehicles with the highest mileage in FY 2011 and FY 2012. ISP will identify what is the most critical to replace.

Natural Resources

Parks and Recreation, Department of

- The Governor concurs with the transportation task force recommendation to defer implementation of the dedicated fund shift for Parks and Recreation that was approved during the 2009 legislative session (HB 376). House Bill 144 reversed the impacts of House Bill 376 of

2009 which was schedule to take effect on July 1, 2011. House Bill 144 restored the distribution percentages of the Highway Distribution Account back to the original distribution formula.

- The Governor recommended and the Legislature concurred in developing volunteer sites for Eagle Island, Round lake, Malad Gorge, and Priest Lake Indian Creek. By expanding these opportunities will further reduce the need for paid season positions and enhance the overall park experience.

Economic Development

Agriculture, Department of

- The Governor recommended and the Legislature approved spending authority for facility amendments and other costs associated with integrating the Feed & Fertilizer Chemical Lab with the Idaho Food Quality Assurance Lab in Twin Falls in order to share lab space, equipment, and staff.
- The Governor recommended on-going funding for the aquatic weed program. The Legislature provided \$900,000 in one-time spending authority in the Rural Economic Development and Integrated Freight Transportation (REDIFIT) loan program for the program.

Commerce, Department of

- The Governor recommended and the Legislature approved spending authority for cash in the Business and Jobs Development Fund and Miscellaneous Revenue Fund to allow the Department of Commerce to incentivize business re-location and expansion in Idaho.
- The Governor recommended \$150,000 in spending authority in the Business and Jobs Development Fund to provide grants to Idaho Innovation small businesses for assistance in applying for federal grants. The Legislature approved \$50,000 in spending authority for the grant program.

Finance, Department of

- The Governor recommended and the Legislature concurred for seven new FTPs for the accredited mortgage examination within the Department of Finance. The federal government has enacted laws requiring enhanced state supervision of the mortgage industry. Accreditation standards have been established to measure each state's mortgage industry supervisory capability. Failure to meet these standards may result in the federal government's supplanting state oversight.

Insurance, Department of

- Governor Otter signed an Executive Order creating the Idaho Health Care Council, charged with implementing Idaho health care initiatives that would improve our state health care system. The State is forming an Idaho Health Insurance Exchange, which will offer a choice of health insurance plans to individuals and small groups and provide coverage options that are affordable and easy for consumer to compare. The Exchange will enable people to make informed choices, and will protect competition based on price and quality. The Legislature provided \$500,000 in spending authority to start the planning process for the Idaho Health Insurance Exchange.

Labor, Department of

- The Governor's recommendation included the second of the four-year General Fund phase-out for the Human Rights Commission. The Commission has been successfully combined with the Department of Labor and alternate funding sources have been identified. The Legislature approved this reduction.

Libraries, Idaho Commission for

- The Governor recommended and the Legislature approved FY 2012 spending authority to complete the Idaho Commission on Libraries' \$1.9 million ARRA Broadband Technology Opportunities Program (BTOP) competitive grant awarded in late FY 2010 by the U.S. Department of Commerce. This federal stimulus award is intended to provide high speed internet service as well as new computer equipment at 55 of Idaho's least connected public libraries.
- The Governor recommended and the Legislature approved the restoration of \$291,900 from a one-time Libraries Commission budget savings opportunity exploited during FY 2011 when its Linking Libraries Idaho-Database (LiLI-D) contact, providing periodical and reference book availability to connected local branches across the state, changed from a calendar to fiscal year period of performance.

Veteran's Services

- The Governor recommended and the Legislature concurred to provide one-time federal funding from the National Cemetery Administration VA State Cemeteries Grant for an expansion of 5,500 or more sites for cremated remains and 4,000 ground vaults for casketed interments.

Transportation, Idaho Department of

- The Legislature approved the Governor's recommendation for \$162 million in GARVEE bonding authority to complete construction on two critical highway improvement projects on U.S. 95 in northern Idaho and Idaho 16 in southwestern Idaho. Together, the work will create or sustain an estimated 2,900 jobs.

General Government

Administration, Department of

- With the Governor's support, the Legislature approved significant increases in spending authority for the Idaho Education Network (H 323). Combined with three separate grants, including \$3 million from the Albertson Foundation, the spending authority will result in an additional investment of almost \$4.9 million for Idaho education – bringing high-quality, interactive Internet connections to every high school in the state. Under budget and ahead of schedule, the Idaho Education Network is an example of the Governor's leadership and unwavering support of technology in education.

Liquor Division

- The Governor recommended and the Legislature approved additional spending authority and 8.0 FTPs for the Liquor Division to enhance customer service by keeping select stores open an additional two hours per day and on Labor Day and New Years Day.

Military Division

- The Governor recommended the creation of the National Guard Youth Challenge Program which is a multi-phase youth intervention program intended to improve the education, life skills and employment potential of high school dropouts in the state of Idaho. The program will be implemented in Pierce, Idaho and will create approximately 50 new full-time career path positions. The Legislature passed SB 1208, which authorizes the creation of this program. One-time costs for FY 2011 and 2012 amount to \$1.3 million and ongoing costs for FY 2013 and beyond amount to \$3.9 million. Part of this initiative includes transforming a valuable but unused piece of property (Pierce elementary) into a productive asset once again. Private contributions in the amount of \$300,000 will need to be raised in order to meet the federal matching requirements for \$1 million in federal FY 2011. The Military Division has existing federal spending authority for the \$1 million.

Public Employees Retirement System

- 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. Replacement of the current system, Galena, is necessary because it is at the end of its lifecycle. The Legislature chose to split the \$13 million and provide an ongoing appropriation for two years, after which the legislature will reduce PERSI's base budget by the \$6.5 million. Funding over the two year period will amount to the \$13 million needed to complete the project. This approach meets the Governor's intent and will still allow PERSI to complete the project in a reasonable amount of time.

Drug Policy, Office of

- The Governor recommended, and the legislature approved, transferring the budget for the Office of Drug Policy off of the Millennium Fund to the General Fund. Due to the struggling economy, beginning in FY 2010 the Office of Drug Policy was stripped of all ongoing General Fund and was instead appropriated with one-time Millennium Fund. The Governor recognizes the importance of reducing substance abuse in Idaho and is committed to the Office of Drug Policy's mission to prevent the occurrence of substance abuse and provide comprehensive substance abuse treatment policy.

Tax Commission

- The Governor recommended and the Legislature appropriated \$152,900 from the General Fund and \$122,700 from dedicated funds to the Tax Commission for the lease of a new phone and call center infrastructure. The new phone system is critical to the added capacity needed to accommodate the expansion of service necessary for the successful implementation of the Governor's Initiative to close the Tax Gap.
- The Governor recommended the transfer of nine positions and \$589,900 from Audit and Collections to General Services for improved taxpayer services and sixteen positions from the Property Tax Program to the IT section within General Services in order to manage all technology assets of the agency, provide uniform training and opportunities to all employees, and manage costs. The Legislature appropriated the transfer of nine positions, but chose to retain the sixteen positions within the Property Tax Program.
- The Tax Gap is one of the ways we avoided tax increases by ensuring that those who owe taxes actually pay them. The Governor's compliance initiative was both sustained from FY 2011 efforts and enhanced for FY 2012. HB 306 appropriated \$4.35 million to make 48.0 FTPs from FY 2011's compliance initiative permanent in FY 2012, add 22 temporary positions to

further enhance the effort for FY 2012, and restore funding in order to eliminate the need for furlough days in FY 2012. An estimated \$28.5 million in revenue is expected to be collected due to the Governor's compliance initiative in FY 2012. Of the \$28.5 million, an estimated \$19.7 million will go to the General Fund.

Millennium Fund

- Of the \$7,577,700 available for program distribution from the Millennium Fund, the Governor recommended and the Legislature approved \$1,859,200 for community-based substance abuse treatment for the felony re-entry population, \$650,000 for tobacco counter-marketing and nicotine replacement therapy, \$500,000 for the Idaho Meth Project, \$250,000 for tobacco cessation programs through the Public Health Districts, \$420,000 for youth courts, diversion courts, and status offender and community based programs through the Supreme Court, and \$94,000 for the monitoring of the sale of tobacco to minors. The Governor recommended that the remaining amount of \$3,804,500 be used for substance abuse treatment through the Department of Health and Welfare but the Legislature put this money directly in the Department of Correction for substance abuse treatment.