

The following brief information is provided to present the perspective on the recommendations contained in the *Executive Budget*. Further information is available in the *Executive Budget Detail* pages for each agency, which can be found at <http://dfm.idaho.gov/>, or you may contact the appropriate DFM analyst as identified in the staff assignment list preceding the Table of Contents.

Budget Approach

The budget approach utilized in the FY 2008 *Executive Budget* reflects the emphasis the Governor is putting on improved accountability and span of control in state government's management structure. There are also aspects of innovation such as outsourcing to the private sector certain components of state services as well as strengthened orientation to customer service that will result in a more efficient delivery of public services. Components of equity are also being addressed.

Idaho citizens will begin to experience an increased awareness in their personal responsibility in resolving certain life experience problems rather than having them addressed through state government programs. Personal life style choices will become more evident in their importance while certain programs that provide a helping hand, such as stronger coverage on grocery credit provisions for selected low income citizens, are extended to society in a partnership fashion. State government will focus more closely on incentives and its relationship to the core mission of providing services so that taxpayer funds are as responsive to critical needs as possible. Highlights of these efforts are outlined below.

Themes

- Addressing the disparity of state employee compensation relative to market-based salary levels beginning in FY 2008 with a 5% CEC recommendation.
- Refocusing state government and streamlining functions through reorganizations and through allowing services to be provided by the private sector to increase economic growth and improve efficiency.
- Providing grocery sales tax relief to certain Idaho citizens through a means-tested form of an enhanced grocery tax credit.
- Allocating the unanticipated one-time surplus generated from FY 2007 into one-time projects concentrating on repair and maintenance of state-owned facilities, providing funding for new buildings, and providing for the early payoff of the remaining principal of several bonds.
- Preserving the economic engine and investing in the future through continued commitment to education, workforce development, and economic investment.
- Providing proper safety-net care for the elderly and disadvantaged.
- Preserving Idaho's quality of life through proper maintenance and modernization of public buildings and open spaces.
- Ensuring that Idaho's business environment remains strong for attracting and retaining business operations.
- Ensuring that budget growth meets the citizens' expectations of programs and services within fiscal means.
- Continuing the implementation of strategies that will ease future growth in the cost of health care programs including Medicaid.
- Improving access to education by funding an endowed scholarship program to assist Idaho students with postsecondary education costs.

Introduction

FY 2007 Budget Highlights

- The FY 2007 General Fund revenue estimate is \$2,706.3 million. This is an increase of \$401.3 million from the projection used at the end of the 2006 session. This increase is primarily due to the 1% increase in sales tax (approximately \$151.2 million) and better than expected economic performance in Idaho.
- In addition to the increased revenue stream, FY 2007 has a large one-time beginning fund balance of \$302.2 million. FY 2006 revenues outpaced projections used by the Legislature during the 2006 session by approximately \$204 million.
- The Governor is recommending \$5.9 million in deficiency warrant fund transfers, \$9.0 million in General Fund supplementals, and a \$113.6 million transfer to the Permanent Building Fund for additional projects and increased funding for alteration and repairs of existing state facilities throughout Idaho. (See the Capital Budget for more details).
- FY 2007 is currently projected to end the fiscal year with an unspent balance of approximately \$123.1 million that is carried forward into the FY 2008 budget for additional disposition.

FY 2008 Budget Highlights

- The FY 2008 General Fund revenue estimate is \$2,807.7 million. This reflects an increase of approximately 3.7% over FY 2007.
- The Governor is recommending an increase in the grocery credit to \$90 per person in households with taxable income below \$1,000 (corresponding to gross income of \$25,000 for a family of four, or 120% of the poverty level). It also extends eligibility for the grocery credit to all Idaho residents in a household below the income tax filing requirement, unless they are receiving food stamps. The credit is reduced for households with taxable income above \$1,000, with a complete phase-out of the grocery credit occurring at a taxable income of \$26,000 (corresponding to a gross income of \$50,300 for a family of four, or 240% of the poverty level).
- The Governor is recommending \$2,840.2 million in General Fund expenditures for FY 2008. This includes \$2,738.7 million in ongoing expenditures and slightly over \$101 million in one-time items. The ongoing portion of the FY 2008 budget represents an increase of approximately 5.8% from the FY 2007 original appropriation of \$2,337 plus the addition of \$250.6 million that was added for public schools during the Legislative special session in August 2006.
- The FY 2008 General Fund budget is structurally balanced. Ongoing revenues exceed ongoing expenditures by over \$50.7 million.
- The Governor recommends that the \$123.1 million in one-time General Fund carryover funds be utilized for one-time purposes during FY 2008, such as replacement Capital Outlay items and an integrated public safety/communications project.
- Specifically, the Governor recommends that \$8.2 million of this one-time money be transferred to the Permanent Building Fund for early retirement of four existing bond issues that will be executed through the State Treasurer's Office. By paying off these bond issues early, the state will save years of interest payments and free up funding for other priority projects throughout the state.
- The FY 2008 budget provides funds for a 5% merit based employee compensation package.
- The Governor recommends a \$39.8 million compensation package for Public Schools.