

Sine Die Report



2009 Session Summary

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This report and a complete listing of all legislation are available on the Idaho Legislature's Internet site. Full text of all bills is included, along with statements of purpose, fiscal notes and legislative action. The Legislature's Web site is:

www.legislature.idaho.gov

*Cover Photo: Joint Finance-Appropriations Committee Room
Idaho Statehouse, Boise, Idaho*

2009 Leadership

Senate

Brad Little, President

Robert L. Geddes, President Pro Tempore

Bart Davis, Majority Leader

Joe Stegner, Assistant Majority Leader

Russell Fulcher, Majority Caucus Chair

Kate Kelly, Minority Leader

Elliot Werk, Assistant Minority Leader

Les Bock, Minority Caucus Chair

House of Representatives

Lawrence Denney, Speaker

Mike Moyle, Majority Leader

Scott Bedke, Assistant Majority Leader

Ken Roberts, Majority Caucus Chair

John Rusche, Minority Leader

James Ruchti, Assistant Minority Leader

William Killen, Minority Caucus Chair

2009 Committee Chairs

Senate

Tim Corder, Chair
Agricultural Affairs Committee

Denton Darrington, Chair
Judiciary and Rules Committee

John Andreason, Chair
Commerce and Human Resources Committee

Brent Hill, Chair
Local Government and Taxation Committee

John Goedde, Chair
Education Committee

Gary Schroeder, Chair
Resources and Environment Committee

Dean Cameron, Chair
Finance Committee

Curt McKenzie, Chair
State Affairs Committee

Patti Anne Lodge, Chair
Health and Welfare Committee

John McGee, Chair
Transportation Committee

House

Tom Trail, Chair
Agricultural Affairs Committee

Jim Clark, Chair
Judiciary, Rules and Administration Committee

Maxine Bell, Chair
Appropriations Committee

Lenore Barrett, Chair
Local Government Committee

Max Black, Chair
Business Committee

Bert Stevenson, Chair
Resources and Conservation Committee

Robert Schaefer, Chair
Commerce and Human Resources Committee

Dennis Lake, Chair
Revenue and Taxation Committee

Bob Nonini, Chair
Education Committee

Thomas Loertscher, Chair
State Affairs Committee

Dell Raybould, Chair
Environment, Energy and Technology Committee

JoAn Wood, Chair
Transportation and Defense Committee

Sharon Block, Chair
Health and Welfare Committee

Richard Wills, Chair
Ways and Means Committee

Introduction

The 1st Regular Session of the 60th Idaho Legislature convened in the Capitol Annex amidst what is arguably the most challenging economic recession the state has faced in the last half century. The time leading up to the session saw month after month of revenue collections falling far short of projections, which in turn drove the need for current FY 2009 budget holdbacks. Even as the 2009 legislative session was unfolding in January and February, the Governor and the Legislature were forced to reassess not only the current year budget, but also the FY 2010 budget and the outlook for FY 2011 and beyond.

The sudden availability of large amounts of federal stimulus funds through the American Recovery and Reinvestment Act of 2009 (ARRA) provided both opportunities and challenges for the Legislature in determining the appropriate use of these one-time funds. Ultimately the current fiscal year 2009 revenue projection was reduced to a level that reflected a 12.0% decrease from the previous year, and the FY 2010 revenue projection reflected a further 0.4% decrease from FY 2009. This is the first time in Idaho history we have had two successive years of negative growth projected for state General Fund revenues. State cash reserves and federal ARRA funds were used carefully to bridge budget gaps, but overall the FY 2010 General Fund budget reductions for state agencies and institutions were significant, averaging 12.8% below the original FY 2009 appropriation. The accomplishments of the Joint Finance-Appropriations Committee and the rest of the Legislature in putting the state budget together in these trying circumstances should not be overlooked.

Regardless of these financial challenges, the range of public policy issues addressed by the Legislature was far-reaching and included raising over \$50 million for transportation funding, passing bills which provided for election consolidation, daycare licensing reform, control of invasive species, sexual offender registration, school bonding issues, open meetings, regulating lobbyist activities, Tax Commission reform, reworking the program for the medically indigent, wolf management, aquifer recharge and clarification of the Swan Falls Agreement and assisted living issues. Having to essentially redo the entire state budget in early March added three weeks to the session and negotiating the transportation funding package ultimately contributed toward making this legislative session the second longest in Idaho history.

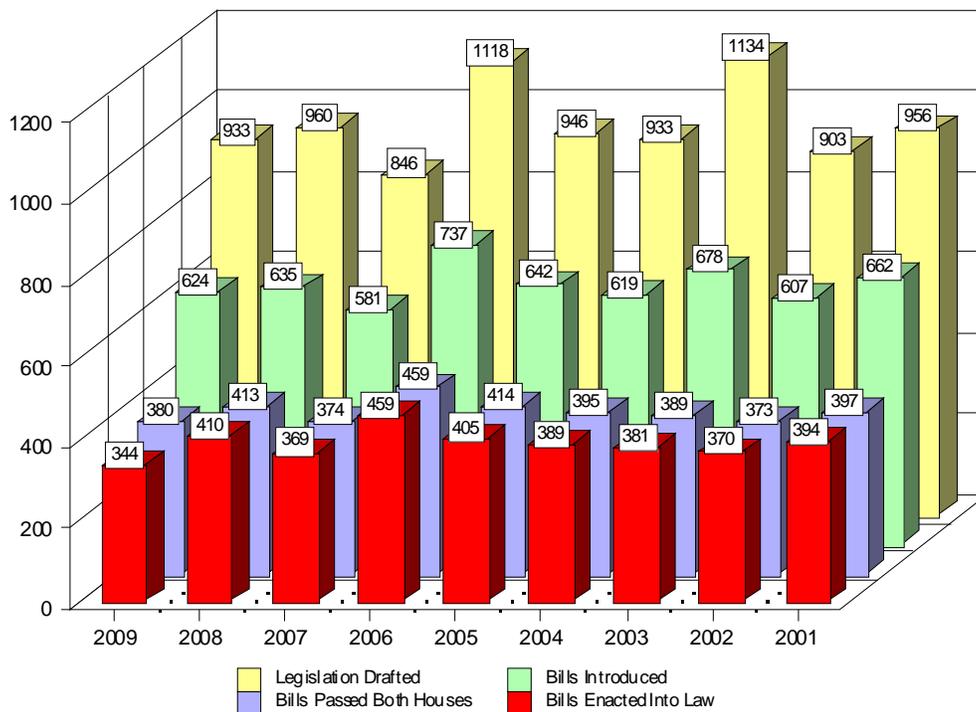
During the interim between sessions, legislators will continue their work on interim committees studying energy and natural resource issues. A newly authorized interim committee will study statutory provisions of the Idaho Code and any applicable rules relating to the Soil Conservation Commission and Soil Conservation Districts. The Legislature formed a task force to identify alternative dedicated funding sources for the Idaho State Police and the Idaho Department of Parks and Recreation. In addition, the Legislature authorized a gubernatorial task force to develop recommendations on various highway funding issues, including the extent of repair and maintenance needs and specific recommendations to fund those needs from traditional and nontraditional funding sources.

As legislators prepare for the 2010 legislative session, all of the interim action will be detailed on the Legislature's Web site at www.legislature.idaho.gov.

Volume of Legislation and Length of Session

During the 2009 legislative session, 933 proposed pieces of legislation were prepared for legislative committees and individual legislators. From that initial group of draft proposals, 624 bills were actually introduced, along with another 63 resolutions, memorials and proclamations. By the end of the session, 380 bills had been passed. Of those, the Governor vetoed 36 bills (see p. 16). After final legislative action and following the Governor's review, 344 introduced bills became law, with the majority of the new laws to become effective July 1, 2009.

From Drafting to Enactment 9-Year Comparison



Length of Session

With sine die adjournment on May 8, the length of the 2009 legislative session was 117 days — just one day short of the longest session on record.

Length of Recent Sessions

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
117	87	82	93	87	69	118	68	82	87

Rules Review

At the beginning of each legislative session, the Legislature takes up the important task of reviewing the pending, pending fee and temporary rules that have been promulgated by the administrative agencies. The Legislature can prevent pending rules from going into effect by rejecting them. Pending fee rules only go into effect if the Legislature approves them. Temporary rules die at the end of the legislative session if not approved by the Legislature.

During the 2009 legislative session, the House and the Senate were each asked to review 264 individual rulemaking dockets, totaling 2,843 pages. This is up from the 244 dockets (2,370 pages) reviewed in the 2008 session. Once again the Senate Health and Welfare Committee did the heavy lifting with 90 dockets (913 pages), up from 88 reviewed in 2008, followed by the Commerce and Human Resources Committee (57 dockets, 398 pages) and the Resources and Environment Committee (30 dockets, 375 pages). On the House side, the Health and Welfare Committee reviewed 80 dockets, totaling 922 pages, followed by the Business Committee (44 dockets, 286 pages) and the Resources and Conservation Committee (26 dockets, 241 pages).

Of the 199 pending rule dockets submitted, eight were rejected in whole or in part:

- Division of Vocational Rehabilitation rules dealing with client/participant appeals and procedures to provide for transparency of for-profit and not-for-profit providers;
- A Transportation Department docket dealing with motor carrier registration installment payment plans;
- A Department of Environmental Quality docket revising wastewater flow rates for single family dwellings;
- A Department of Parks and Recreation docket regulating activities within state parks;
- An Industrial Commission docket dealing with hospitals and ambulatory surgery centers;
- Idaho State Lottery rules dealing with the operation of charitable gaming activities; and
- Two Idaho Fish and Game Commission rules dealing with outfitter set-aside tags and the wolf management program.
- Four of the 39 pending fee rule dockets were rejected in whole or in part:
 - A Board of Naturopathic Medical Examiners rule docket dealing with licensing;
 - A Department of Health and Welfare rule dealing with criminal history checks on individuals living in a home where care is provided;
 - An Idaho State Lottery rule docket permitting a convenience fee on debit card transactions; and
 - An Idaho Certified Shorthand Reporters Board rule imposing a civil fine.

None of the 25 reviewed temporary rule dockets were accepted.

2009 Legislative Action on Major Issues

Agriculture

H 34aaS – Requires any commodity dealer that accepts physical delivery of a commodity purchased directly from producers, for which the producers have not been paid, to insure the value of all commodities in his possession at full market price for insurable physical perils until all liabilities to producers have been paid.

H 36 – Provides for a representative of the native seed industry on the Seed Advisory Board, provides that the chairman of the board will be selected in June, rather than July, and provides that all members of the board shall serve three year terms.

H 37 – Provides that the Commodity Indemnity Fund shall not be liable for claims that result from losses due to uninsurable physical perils, such as natural disasters, and also provides that, in the event the fund has not been able to pay a claim in full due to minimum balance requirements after three years from the date a claim is approved, the fund shall not be liable for any unpaid amounts.

H 100 – Establishes minimum assessments for grape producers and wineries to be used to fund research, education and continued growth of the industry and clarifies that wineries are taxed on wine production separately from their vineyard production.

H 101 – Establishes a refund provision relating to Beef Council assessments, should the council begin collecting assessments, which are to be collected only at such time that a change in ownership occurs and also provides that, in the event the federal Beef Promotion and Research Act is no longer in effect, the assessment cap will be increased by fifty cents.

H 129 – Revises provisions relating to the selection, terms of office and vacancies Pea and Lentil Commission members, and provides that the Governor shall appoint the seven-member commission based on submitted nominee petitions, with two members being dealers or processors, and five members being growers.

S 1070 - Provides that in the event the Environmental Protection Agency initiates an enforcement action for alleged noncompliance of a cattle feeding operation, any pending administrative or civil enforcement action initiated by the Director of the Department of Agriculture regarding the alleged noncompliance will be deemed void.

Business and Economic Development

H 43 – Creates an “Innovation” motor vehicle license plate and establishes the Idaho Innovation Fund to be used for attracting innovation companies to locate or expand operations in Idaho and to promote innovation and the strategic application of technology to all of Idaho’s industries.



H 169 – Repeals existing law relating to residential mortgages and provides for the Idaho Residential Mortgage Practices Act, which preserves existing regulatory oversight language and incorporates the requirements of the federal Safe and Fair Enforcement Mortgage Licensing Act of 2008, including the licensing and registration mandates for all mortgage loan originators, and the establishment of a state mortgage recovery fund.

H 192 – Creates the Idaho Health Carrier External Review Act which provides persons covered by health insurance plans a right to an independent review of a health carrier’s decision to deny an insured’s claim on the grounds that the service is not medically necessary or is investigational.

H 242 – Extends the Small Employer Investment Act to year 2010, which allows tax credits for employment of ten or more new employees with benefits and tax credits for investment in new plant and building facilities.

H 335 – Triggers the federal-state unemployment insurance extended benefit program under a less restrictive alternative formula only in periods when the federal government is covering the full cost of federal-state extended benefits.

S 1080 – Eliminates a provision in existing law that specifies the maximum aggregate amount of real estate that may be invested by domestic reciprocal insurers comprised exclusively of political subdivisions of the State of Idaho that insure against risk pertaining to property and casualty claims.

S 1126 – Repeals a section of the Unfair Sales Act that prohibits certain retail businesses from limiting the quantity of an article or product sold or offered for sale to any one customer to a quantity less than the entire supply owned or possessed by the seller.

S 1146 – Increases the licensing fee for certain food establishments phased in over a two year period and creates a licensing fee for temporary, intermittent and mobile food establishments.

S 1151 – Provides that payday loans made in Idaho by unlicensed payday lenders are void, uncollectible and unenforceable, provides a private right of action for the recovery of moneys paid by borrowers to unlicensed payday lenders operating in Idaho and provides the Idaho Department of Finance with the authority to issue cease and desist orders and to seek restitution on behalf of Idaho consumers for unlicensed payday lending activities in Idaho.

Criminal Justice

H 59 – Extends the court's authority to impose fines in cases of crimes of violence to include the imposition of fines for the direct benefit of victims of the crime of sexual battery of a minor child 16 or 17 years of age.

H 60 – Grants prosecuting attorneys and the

Attorney General a limited power to issue administrative subpoenas to providers of electronic communication services and remote computing services in the investigative phase of crimes committed against children through the use of the Internet or other electronic communication services.

H 70aaS – Clarifies the role of the central registry in the petition for removal from the sexual offender registry process and clarifies the findings to be made by the courts in such cases.

H 104 – Allows the district court in each county to establish a Domestic Violence Court which serves to hold offenders accountable, provides victim safety and ongoing judicial monitoring, and coordinates information in an effort to provide effective interaction and use of resources among courts, judicial system personnel and community agencies.

H 107 – Eliminates infliction of the death penalty by firing squad, eliminates reference to specific lethal injection substances, and provides the Director of the Idaho Department of Correction with the authority to determine the lethal injection substance or substances to be administered.

H 168 – Requires sexual offenders who do not provide a physical residence address at the time of registration as a sexual offender to regularly report in person to the county sheriff, and requires the county sheriff to visit the offender's described location once each month.

H 184 – Repeals existing law relating to bail and provides for the Idaho Bail Act, which directly addresses and clarifies procedures for cash bail, property bonds and commercial bail bonds, and provides for the setting and posting of bail, the surrender of defendants, forfeiture of bail, reinstatement of bail, motions to set aside forfeitures, remittance of forfeitures, revocation of bail and exoneration of bail.

S 1007 – Authorizes the use of collection agencies to collect restitution owed to victims of criminal acts.

S 1056aa – Provides the Director of Correction with the authority to investigate certain criminal activities that involve Department of Correction prisoners and to investigate waste, misma-

nagement of state resources and violations of laws and regulations by employees of the Department of Correction.

S1106 – Allows courts to order restitution upon a conviction for driving under the influence to reimburse law enforcement agencies for costs associated with withdrawing blood samples, performing laboratory analysis, preserving evidence and presenting blood analysis testimony during judicial proceedings.

S 1111 – Provides a disability benefit for public safety officers who are permanently disabled as a result of bodily injury or disease sustained in the line of duty.

S 1153 – Allows courts to grant restricted driving privileges to a DUI offender who is a participant in good standing in an approved drug court, has served 45 days of absolute suspension of driving privileges, has provided proof of financial responsibility and whose vehicle is equipped with an ignition interlock system.

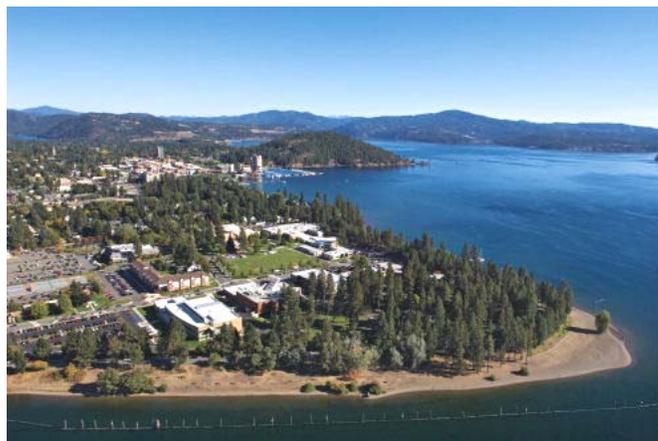
Education: Colleges and Universities

H 14aa, aaS – Clarifies that the Director of the Department of Administration can provide group insurance coverage, by contract, to public colleges, public universities, public community colleges or other political subdivisions.

H 18 – Permits an employee of Boise State University to transfer unused sick leave if the employee to the College of Western Idaho.

H 199 – Allows the State Board of Education to establish deferred compensation plans for certain employees of public institutions of higher education.

HCR 30 – Commends and honors North Idaho College for 75 years of service and continuing contribution to the people of northern Idaho, the region and the state as an academic and voca-



North Idaho College, Coeur d'Alene

tional training institution and as a center for cultural expression through theater, art and music.

HJM 7 – Resolves that federal funding be identified and made available to help establish a doctor of medicine degree program in the state of Idaho.

SJM 101 – Urges Congress to provide additional funding for medical residency programs in Idaho in order to increase the physician workforce in the state.

SJR 101 – Proposes an amendment to the Constitution of the state of Idaho to permit the Board of Regents of the University of Idaho to impose rates of tuition and fees on all students enrolled in the University of Idaho as authorized by law.

Education: Public Schools

H 51 – Permits Idaho taxpayers to deduct from taxable income an amount equal to the fair market value of technological equipment donated to private elementary or secondary schools located within Idaho.

H 57 – Defines “public school employee” to include the employees of the Idaho Digital Learning Academy and revises the makeup of the Idaho Digital Learning Academy Board of Directors.

H 79aaS – Provides charter schools with the option of awarding an enhanced enrollment opportunity to the children of full-time charter school employees.

H 102 – Establishes a seven-year statute of limitations to challenge procedural or jurisdictional steps preceding an order that creates, establishes, dissolves or modifies certain districts, including school districts.

H 157aa – Outlines specific duties of the state Superintendent of Public Instruction and the State Department of Education regarding the Idaho Education Network.

H 212 – Requires 30 days' notice and a public hearing when a petition for a non-virtual public charter school is submitted to the Public School Charter Commission or when such a school submits certain proposed charter revisions to the Commission.

H 251 – Requires that public school building plans be approved by either an eligible local government or the Division of Building Safety.

H 252 – Creates procedures to be followed in the event a financial emergency is declared by a school district's Board of Trustees.

H 253 – Provides that cooperative service agencies may request additional funding to be furnished by a voter-approved tax levy for the purpose of constructing and maintaining facilities.

H 256aaS, aaS – Reduces state reimbursements to school districts for student busing costs and requires pupil transportation audits.

H 262aaS – Freezes for a year the salary grid for public school teachers for experience-related increases.

H 269 – Permits a cooperative service agency to act as its own fiscal agent for the purposes of providing an alternative school program with the concurrence of the school districts for which it provides such services.

S 1012 – Revises the current criteria and process for school surety bonding and student tuition recovery funding, ensuring against loss of tuition previously collected, so that appropriate student reimbursement can be made in the event of a school closure or default.

S 1017aa,aa – Permits the compulsory school attendance requirement to be met by private instruction provided or directed by the parent or guardian or by enrollment in a public school or a public charter school, including an online or virtual charter school.

S 1018 – Requires the State Board for Professional-Technical Education, in cooperation with the State Board of Correction, to prepare suitable courses of study for prisoners held under the jurisdiction of the Department of Correction.

S1019 – Provides that the public school technology grant program is to be implemented by the State Department of Education.

S 1074aa,aa – Creates the Idaho Bureau of Educational Services for the Deaf and the Blind to operate residential and day campus programs for the deaf and the blind and to provide supplemental services for students who are deaf or hard of hearing and/or blind or visually impaired.

S 1078 – Requires the Superintendent of Public Instruction to make an appropriate order when school district boundaries have been corrected or altered by a school election, the consolidation of school districts, the division of a school district or the lapse of a school district.

S 1091 - Removes charter school district supplemental levies that do not exceed two years in duration from school levies that apply the current equalized assessed valuation for calculating the tax rate in revenue allocation areas.

S1121aaH – Requires 30 days' notice of a public hearing on certain public virtual charter school petitions and for 30 days' notice and a hearing with oral and written comments on non-virtual public charter school petitions.

S 1132 – Creates incentives for school districts to design and build more energy efficient school buildings by forgiving the school district requirement to provide matching maintenance funds.

S 1154 – Creates the Idaho School Bond Guaranty Administrative Fund and permits the State Treasurer to guarantee certain school district bonds if the school district's financial affairs and condition so warrant.

S 1165 – Establishes certain criteria for a school district or a public charter school to be considered rural.

Energy and Natural Resources

H 7 – Allows the Public Utilities Commission to provide priority designation for electric transmission projects in order to expedite state agency permit procedures.

H 137 – Authorizes the Park and Recreation Board to regulate the discharge of firearms in state parks for the protection of the public, but does not affect a person discharging a firearm in the lawful defense of persons or property or in the course of lawful hunting.

H 194aaS – Provides a limitation of liability for sport shooting range operators, sponsors, officials and instructors for injuries to participants engaged in sport shooting activities.

H 213 - Requires certain vessels to annually pay specified fees prior to launching into the public waters of the state. Upon payment of the fee, the payor shall be issued a “protection against invasive species sticker” to be displayed on his vessel. Fees shall be deposited in the invasive species fund to be used to support activities related to the prevention, detection, control and management of invasive species in Idaho, including species such as Zebra and Quagga mussels.

H 240aa – Gives all depredation claims the same priority, regardless if they are claims pertaining to damage to crops, livestock or forage.

H 264 – Approves the Comprehensive Aquifer Management Plan (CAMP) for the Eastern Snake Plain Aquifer as a component of the Comprehensive State Water Plan and requires the Water Resource Board to prepare a funding mechanism for the implementation of Phase I of CAMP for approval by the Legislature.

H 276 – Transfers \$1.5 million from the Water Pollution Control Fund to the Environmental Remediation Fund to be used for remediation in the Coeur d’Alene Basin in accordance with the Superfund contract with the EPA, and states that it is the Legislature’s intent that DEQ work with the Panhandle Area Council, Inc., to pursue grants with the U.S. Economic Development Administration to support Idaho’s participation in the Coeur d’Alene Lake Management Plan.

S 1008 – Authorizes the Department of Fish and Game to issue free big game permits and tags to disabled military veterans who have been certified as eligible by qualified organizations.

S 1015 – Requires the Department of Fish and Game to contact state agencies within the U.S., with comparable powers and duties as those vested in the Department, for the purpose of soliciting interest in the transfer of wolves from Idaho to such agencies. Associated costs of capture and transportation are to be borne by the out-of-state agency.

S 1020aa – Prohibits any person who has unlawfully taken wildlife that is the subject of a sale by the Department of Fish and Game from purchasing the unlawfully taken wildlife or any portion thereof. Third parties are also prohibited from purchasing such wildlife on behalf of the person who has unlawfully taken the same.

S 1022 – Increases the processing fee charged to those found guilty of illegally killing, possessing or wasting game animals, and directs that the fees be used to process game animals distributed or used by charitable organizations.

S 1071aa – Requires the Director of the Department of Agriculture to administer a range program to provide support and expertise to rangeland livestock producers and land and wildlife management agencies, and to provide technical expertise and support to the state and industries in reviewing state and federal proposals that impact rangeland resources.

S 1141aa,aa – Increases Department of Fish and Game license fees for nonresidents and adds several new fee provisions for both Idaho residents and nonresidents.

S 1167 – Requires approval by the Water Resource Board for managed recharge projects in excess of ten thousand acre-feet on an average annual basis.

S 1169 – Confirms that limitations on the Idaho Public Utilities Commission enacted as part of the 1984 Swan Falls Settlement also apply to Article II of the Framework Reaffirming the Swan Falls Settlement dated March 25, 2009.

S 1185 – Clarifies that the Swan Falls Agreement does not preclude use of water for aquifer recharge, provides that the Director of the Department of Water Resources shall regulate the amount of water that may be diverted for recharge purposes and the methods of operation of recharge projects, and prevents the creation of conditions adverse to the beneficial use of water under existing water rights.

S 1232aa – States the policy of the state of Idaho relating to bighorn sheep transplants and relocations and requires the Department of Fish and Game to develop a state management plan to maintain a viable population of bighorn sheep while considering, as part of the plan, domestic sheep grazing allotments and to cooperatively develop best management practices with permittees on grazing allotments that have, or are near to, bighorn sheep.



Rocky Mountain Big Horn Sheep

Government

H 173 – Gives eligible retired state employees \$1,860 per year toward premiums for health insurance, and clarifies that any retiree eligible for the state group insurance plan shall remain on the plan until that retiree becomes eligible for Medicare, and once eligibility for Medicare is reached, the retiree shall move off the state health insurance plan and onto Medicare.

H 250 – Reduces General Fund appropriations for state agencies and institutions by \$176 million through the Idaho Budget Reduction Act of 2009.

H 372aaS – Consolidates dates of most elections to May and November, allows public schools to hold levy and bond elections on alternative dates in March and August, and provides \$4.1 million annually to pay for elections and \$1.5 million to help counties buy new voting equipment.

HCR 6 – Rejects the 5 percent salary raise and mileage reimbursement increases for Idaho legislators adopted by the Citizens' Committee on Legislative Compensation for the 2009-2010 term of office.

S 1142 – Revises the Idaho Open Meeting Law to amend provisions relating to notice requirements, written minutes, executive sessions and violations.

S 1184 – Revises the way Idaho will configure legislative districts following a census so that, whenever possible counties are not divided, areas of a district are connected by roads and highways, and district boundaries and local voting precincts remain intact; and prevents past redistricting commissioners from serving on future commissions.

S 1227 – If necessary, allows the Board of Examiners to transfer budget stabilization funds and public education stabilization funds to balance the FY 2009 state budget; allows the Governor access to these funds under certain circumstances to balance the FY 2010 budget; appropriates \$35,470,600 from federal stimulus funds for public water systems, waste management systems, the Idaho Education Network and transportation project grants through the Idaho Transportation Department for local entities; and details the permanent 5 percent reduction in state personnel costs, with exceptions.

Health and Human Services

H 22 – Removes the state veterans homes from the jurisdiction of the Director of the Department of Health and Welfare.

H 103 – Requires court review of financial documents prepared by conservators on behalf of disabled persons.

H 123 – Contains Medicaid costs and reduces reimbursements to providers and benefits to Medicaid recipients in order to align with Medicaid's budget constraints.

H 145aa – Subjects the application of sterilization permitted by law to “persons,” with exceptions.

H 146aa – Requires residents of residential care or assisted living facilities who are not clients of the Department of Health and Welfare to negotiate service agreements with the facility specifying the rates to be charged.

H 179 – Provides for the testamentary appointment of a guardian for a developmentally disabled person.

H 185 – Creates the Board of Midwifery within the Department of Self-Governing Agencies and provides the board with the power to license and regulate those persons engaged in the practice of midwifery.

H 260 – Requires nursing facilities to pay an assessment into the Nursing Facility Assessment Fund to be used to secure federal matching funds for Medicaid payments for nursing facility services.

S 1050 - Exempts a statutorily defined medical savings account from attachment and execution in satisfaction of a judgment in a civil action.

S 1062 – Provides for the disposition of human remains in the event that authority for disposition has not been covered in a prearranged funeral plan or in the absence of such a plan.

S 1108aa – Redefines who may be licensed as emergency medical service providers and revises minimum standards for ambulance services, air medical services and non-transport services licensed by the Bureau of Emergency Medical Services of the Department of Health and Welfare.

S 1109aa – Creates the Legend Drug Donation Program to be administered by the Board of Pharmacy that allows certain persons to donate drugs for distribution to the medically indigent.

S 1110aaH – Augments the types of documents people may use to verify lawful presence in the United States in order to receive public benefits.

S 1112aa, aaH – Revises Idaho’s basic Day-care License Act to provide additional regulation by the Department of Health and Welfare of

daycare facilities that provide daycare services for compensation to seven or more children who are not related to the provider.

S 1115 – Revises what constitutes the practice of optometry in Idaho, provides penalties and remedies for the practice of optometry without a license and revises the qualifications to serve on the Board of Optometry.

S 1129 – Provides for a procedure to resolve a conflict between a health care directive and an anatomical gift declaration with regard to an anatomical gift.

S 1158 – Revises the Catastrophic Health Care Cost Program (CAT) to provide for Department of Health and Welfare participation in Medicaid eligibility determination, design and management of a utilization management program and third-party recovery, and expands CAT Board membership.

SCR 112 – Requests the Department of Health and Welfare to review eligibility criteria for, and the services available through, the Adult Cystic Fibrosis Program and to report to the Legislative Health Care Task Force by September 2009, specified options for restructuring the program.

Taxation

H 3 – Revises standards for making the water’s-edge election on behalf of members of the water’s-edge combined group for corporate income tax purposes.

H 64aaS, aaS – Amends Idaho Code to conform to the Internal Revenue Code and allow taxpayers who don’t itemize to take an additional standard deduction for real property taxes.

H 121 – Adds a check-off donation option to the Idaho income tax form for contributions to the Idaho Food Bank.

S 1091 - Removes charter school district supplemental levies that do not exceed two years in duration from school levies that apply the current equalized assessed valuation for calculating the tax rate in revenue allocation areas.

S 1128 – For all state tax settlements exceeding \$50,000, requires an additional hearing with at least two tax commissioners, a representative of the commission’s audit staff, a deputy attorney general and a tax policy analyst.

S 1138 – Provides the criteria to be used by the county assessor in establishing the market value for assessment purposes of Section 42 low-income housing properties.

Transportation

H 119 – Revises sales and use tax law relating to tax rebates for developers of new large-scale projects for the cost of major road improvements they make.

H 187aaS – Requires a clearly worded statement notifying consumers when a vehicle service contract is being offered by someone other than the automobile manufacturer or dealer.

H 311 – Title XII of the American Recovery and Reinvestment Act of 2009 provides transportation funding directly to the states. Of Idaho’s \$200,334,000 total allocation, \$190,677,100 is directed through the Idaho Transportation Department’s budget to fund various projects.

H 226 – Provides for a special permanent or business logo license plate for trailers and semitrailers, provides for remittance fees and revises registration provisions and provides for certification of self-insurance.

H 334 – Increases motor vehicle fees for titles, registrations, driver’s licenses and identification cards.

H 338aaS – Eliminates the ethanol exemption from fuel tax, directs the distribution of the funds to the Idaho Transportation Department for road maintenance and raises approximately \$16.4 million for ITD.

H 376 - Removes the Idaho State Police and Department of Parks and Recreation from the State Highway Funding formula beginning in FY 2011.

H 241 - Permits electric vehicles to travel on roads posted with reasonably low speed limits (35 MPH) and to cross roadways with a slightly higher speed limit (45 MPH).

HCR 32 - Creates a legislative task force to examine alternative dedicated funding options for the Idaho State Police and the Idaho Department of Parks and Recreation as a result of removing those agencies from the highway funding formula beginning in FY 2011.

HCR 34 - Creates a gubernatorial task force to develop recommendations on various highway funding issues, including the extent of repair and maintenance needs and specific recommendations to fund those needs from traditional and nontraditional funding sources.



The Flying Wye, Boise

S 1086aaH – Establishes an Idaho Freemason license plate to raise funds and give recognition to the Shriners, who donate millions of dollars to children through their medical services and hospitals.

S 1088aaH – Establishes an Idaho Earth Sciences and Lapidary license plate, with proceeds to go to the Idaho Gem Club for the purpose of educating kindergarten through grade 6 students, to promote understanding about earth sciences and lapidary.

S 1186 – Approves bonding authority for the issuance of Grant Anticipation Revenue Vehicle (GARVEE) bonds in a principal amount to finance up to \$82 million of highway transportation projects.

S 1098aa – Establishes a user-fee account to be used by county sheriffs for off-highway vehicle (OHV) law enforcement activities and by the Idaho Department of Lands (IDL) for OHV opportunities and to repair OHV-caused damage on IDL land.

Authorized Interim Committees and Task Forces

- HCR 13** – Natural Resource Issues Interim Committee (two-year committee)
- HCR 16** – Energy, Environment and Technology Interim Committee (two-year committee)
- HCR 25** – Soil Conservation Commission Interim Committee
- HCR 32** – Alternative Funding for State Police and Dept. of Parks and Recreation Task Force
- HCR 34** – Highway Maintenance and Funding Issues Task Force (gubernatorial)

Vetoed Legislation

- H 161aa** – Concerning security breaches that release personal information
- H 245** – Establishing a Parents as Teachers program under the Children's Trust Fund
- S 1175aa** – Regulating bighorn sheep relocations and proximity to domestic sheep

Appropriation Bills (Appropriations were subsequently passed in different bills.)

- H 272** – Water Resources, Appropriation
- H 273** – Insurance Department, Appropriation
- H 274** – Industrial Commission, Appropriation
- H 280** – State Lottery, Appropriation
- H 282** – Division of Building Safety, Appropriation
- H 283** – Division of Human Resources, Appropriation
- H 284** – Arts Commission, Appropriation
- H 292** – Military Division, Appropriation
- H 293** – Commerce Department, Appropriation
- H 295** – Soil Conservation Commission, Appropriation
- H 297** – Independent Living Council, Appropriation
- H 298** – Commission on Hispanic Affairs, Appropriation
- H 300** – Public Health Trust Fund, Appropriation
- S 1176** – Office of Species Conservation, Appropriation
- S 1177** – Department of Fish and Game, Appropriation
- S 1178** – Department of Parks & Recreation, Appropriation
- S 1179** – Office of Energy Resources, Appropriation
- S 1181** – Office of the State Board of Education, Appropriation
- S 1187** – Human Rights Commission, Appropriation
- S 1188** – Public Utilities Commission, Appropriation
- S 1189** – Public Employee Retirement System of Idaho (PERSI), Appropriation
- S 1190** – Idaho State Police, Appropriation
- S 1191** – State Appellate Public Defender, Appropriation
- S 1192** – Department of Correction, Appropriation
- S 1194** – Public Broadcasting, Appropriation
- S 1195** – Medical and Regulatory Boards, Appropriation
- S 1197** – Vocational Rehabilitation, Appropriation
- S 1198** – Blind Commission, Appropriation
- S 1201** – Liquor Dispensary, Appropriation
- S 1202** – Historical Society, Appropriation
- S 1203** – Library Commission, Appropriation
- S 1205** – Capitol Commission, Appropriation
- S 1206** – State Board of Education - Agricultural Research/ Cooperative Extension Services

Budget Summary

Fiscal Year 2009

Revenue projections for FY 2009 have been lowered four times since the 2008 legislative session, from the initial high forecast of \$3,011.9 million in January 2008, to \$2,560.4 million in March 2009. Of this \$451.5 million difference, \$68.1 million was due to tax changes and \$383.40 to a deteriorating economy. The latest FY 2009 General Fund revenue projection is 12.2% less than the FY 2008 actual revenues of \$2,909.7 million. As of April 30, all tax categories generating General Fund revenues continued to underperform by \$49 million when compared to the latest forecast of \$2,560.4 million.

The rapidly changing economic situation led to uncertain revenue projections, meaning that budget-balancing solutions outlined in the executive budget rapidly became insufficient to meet budget targets for the current fiscal year. In October, the Governor issued Executive Order 2008-3, which called for a 1% General Fund holdback that exempted public schools. In December, Executive Order 2008-5 was issued increasing the holdback to 4% and continuing to exempt public schools. The Governor's executive budget in January recommended to the Legislature that the holdbacks be made permanent with budget rescissions. The Governor included a recommendation to reduce the appropriation for all agencies for health insurance from \$8,700 to \$8,200 per employee and to offset that amount with reserves from the Group Insurance Fund. The Governor recommended a total of \$119.8 million in appropriation reductions for the current fiscal year, and the Legislature eventually reduced appropriations by \$182.4 million.

In addition to the Governor's recommendations, the Legislature cut agency budgets by another 2%, for a total of 6%, and rescinded the equivalent of another 1.5% in one-time appropriations from various agencies. The Legislature held public schools harmless from budget cuts by using \$85.1 million from the Public Education Stabilization Fund to maintain original appropriation levels. In an attempt to deal with falling revenues, the Joint Finance-Appropriations Committee (JFAC) committed to budget targets for both FY 2009 and FY 2010 lower than the revenue forecasts.

Another strategy used to maximize current revenues was to delay paying fire suppression costs in the current fiscal year. Future fire suppression deficiency warrants will be paid on a cycle that has a one-year lag (same cycle used to pay for pest control and hazardous material handling), delaying bill payments until the following legislative session. When the Legislature convenes in January 2010, deficiency warrants for fires will total at least \$10.5 million.

The final strategy to manage the FY 2009 budget was to transfer \$32.1 million from dedicated funds to bolster the General Fund.

FY 2009 Transfers from Other Funds to the General Fund

H 250	Aquifer Management Fund – Water Resources	\$12,000,000
H 250	Capitol Endowment Income Fund – Capitol Commission	5,000,000
H 250	Permanent Building Fund – Administration	11,950,200
H 250	Consumer Protection Fund – Attorney General	2,200,000
H 255	Mineral Royalty Suspense Fund – Office of Energy Resources	920,100
	Total	<u>\$32,070,300</u>

All of these actions were incorporated into H 250, the Idaho Budget Reduction Act of 2009, including an additional \$52.3 million in savings to the General Fund from changes in the federal matching percentage (FMAP) rate for Medicaid. Changes in the FMAP were intended to provide fiscal relief to states by the federal government as part of the American Recovery and Reinvestment Act of 2009 (ARRA). See pages 35-37 for more details concerning the ARRA. FY 2009 General Fund appropriations were reduced by \$238.3 million or 8%.

An estimated balance of \$57.8 million in the General Fund was carried over for FY 2010. Most of this balance was generated by savings resulting from the FMAP changes and JFAC's decision to reduce spending by an additional \$6.6 million to meet JFAC revenue and expenditure targets.

Fiscal Year 2010

Over the course of the legislative session, expectations for FY 2010 General Fund revenue plummeted as quickly as those for FY 2009. The Division of Financial Management (DFM) originally forecast less than 1% growth. This forecast was reduced to more closely match the estimate of the Legislature's Economic Outlook and Revenue Assessment Committee of -3.5%. For the first time in budgeting history, the General Fund revenue was projected to be less than it was the previous year for two years running. The final revised revenue forecast from DFM in March was \$2,550.2 million, which is \$359.5 million less than was forecast in FY 2008. Due to the increasing uncertainty of the economic climate, JFAC set a spending target that was \$42.3 million less than the official revenue forecast of \$2,550.2 million, leaving a projected ending balance of \$49.5 million at the end of FY 2010.

Permanent Base Reductions

As part of the executive budget, the Governor recommended additional permanent base reductions for all agencies, ranging from an additional 2% to 6%, in addition to the overall 8% reductions made in FY 2009. The Legislature incorporated these reductions into the agency FY 2010 appropriations. The Legislature appropriated \$235,763,500 less from the General Fund than the Governor recommended. The total of FY 2010 original appropriations was 15.3% less than FY 2009 original appropriations, and 8.1% less than final FY 2009 appropriations, even after all of the rescissions were approved.

Legislative Reductions in Personnel Costs

In order to meet the lowered spending target, JFAC reduced personnel costs for all agencies, including those with dedicated and federal funds, by 5% for FY 2010. JFAC held multiple hearings to develop a methodology to achieve the required salary savings, maintain the workforce, and still meet contractual obligations in higher education and the workforce requirements in prisons and state hospitals. The Legislature discussed the options of salary reductions, furloughs, delaying and/or not filling vacant positions and layoffs. Initially, each appropriation bill included language that reduced personnel costs by 5%, as well as a provision mandating a one-time 3% salary reduction for every state employee in order to preserve jobs. All appropriations also included intent language stating legislative priorities to deal with the funding reductions.

The federal stimulus provided an avenue for the Legislature to reduce the 5% personnel cost reduction to 3%, with one-time funds from Title 14 of the ARRA, for public safety and other government services. S 1222 was introduced that increased appropriations for personnel costs by 2% and substituted ARRA funds for the loss of general funds. S 1222 also declared any act that included a 3% reduction in salaries of classified and non-classified employees, regardless of funding source,

null, void and of no force and effect. S 1222 passed the Senate, but failed in the House of Representatives.

The Governor and the Legislature reached a compromise on the details of personnel cost reductions. A new bill, S 1227, was introduced that included many of the same provisions as S 1222, but did not use federal stimulus funds to restore the 2% personnel reduction for General Fund agencies. S 1227 includes an appropriation of \$7.03 million from the Budget Stabilization Fund, to be used for personnel costs in any executive branch agency the Governor feels needs additional funds to maintain the health, public safety and essential government services to the citizens of Idaho. S 1227 gives the Governor full responsibility to manage executive branch personnel cost reductions. All dedicated and federal fund agencies also received a 2% restoration of personnel costs on a one-time basis in S1227. The legislative and judicial branches received the equivalent of 2% of personnel costs from the Budget Stabilization Fund to maintain essential services to the citizens of Idaho. Without legislative action, and due to the nature of a classified merit system, the Governor has limited opportunity to use pay reductions as a tool to balance agencies budgets, but can use furloughs, vacancies and layoffs to meet reduced funding levels.

Appropriation Flexibility

Certain agencies typically receive lump-sum appropriations, which are not subject to state budget laws that restrict the transfer of money between personnel costs, operating expenditures, capital outlay, or trustee and benefit payments. These include public schools, colleges and universities, community colleges, range and fire protection program in the Department of Lands, the judicial branch, the Lieutenant Governor and the Legislative Council. In order to provide additional flexibility to deal with funding reductions, additional agencies were approved for lump-sum appropriations. These include the Office of the State Board of Education, the Division of Professional-Technical Education (postsecondary programs only), the Department of Juvenile Corrections, the Office of Drug Policy, the Executive Office of the Governor and the Division of Financial Management. In addition, the Department of Health and Welfare was granted additional authority to transfer appropriations to personnel costs from operating expenditures to help manage budget cuts.

Year-End Appropriation/Omnibus

S 1227 is the year-end appropriation bill that allows for the transfer of funds from the Public Education Stabilization Fund and the Budget Stabilization Fund, to assist the Governor with any additional General Fund revenue shortfalls in FY 2009 that cannot be handled with holdbacks or reversions. The Governor has access to up to one-half of the balance in each of these funds, or approximately \$124 million.

For FY 2010, if the projected General Fund beginning balance of approximately \$51 million does not materialize, this bill restores the beginning General Fund cash balance up to \$50 million equally from the Public Education Stabilization Fund and the Budget Stabilization Fund. In addition, \$30 million was appropriated and transferred from the Budget Stabilization Fund to the General Fund to support FY 2010 General Fund original appropriations.

STATE OF IDAHO - 2009 LEGISLATIVE SESSION
GENERAL FUND BUDGET UPDATE
Prepared by Legislative Services Office, Budget & Policy Analysis

FISCAL YEAR 2009

<u>REVENUES</u>	<u>Governor's Recommendation</u>	<u>Legislative Action</u>
Beginning Cash Balance	\$ 239,537,000	\$ 239,537,000
Health and Welfare Reappropriation from FY 2008	9,219,500	9,219,500
Adjusted Beginning Balance	\$ 248,756,500	\$ 248,756,500
FY 2009 Revenue Estimate -9.5% & -12.0% from FY 2008	2,633,801,200	2,560,400,000
Legislation with General Fund Impact H64aa, Tax Conformity	0	(2,000,000)
TOTAL REVENUES	2,633,801,200	2,558,400,000
TOTAL REVENUES & BEGINNING BALANCES	2,882,557,700	2,807,156,500
<u>TRANSFERS</u>		
H644 Transfer to Water Board for Aquifer Management Studies	(20,000,000)	(20,000,000)
S1476 Transfer to Opportunity Scholarship Fund	(10,000,000)	(10,000,000)
S1498 Transfer to Permanent Building Fund	(5,645,200)	(5,645,200)
S1511 Transfer for Water Storage Studies (HJM8)	(1,800,000)	(1,800,000)
S1519 Transfer to Community Health Center Grant Fund	(1,000,000)	(1,000,000)
H250 Transfer in from Aquifer Management Fund	12,000,000	12,000,000
H250 Transfer in from Capitol Endowment Income Fund	5,000,000	5,000,000
H250 Transfer in from Permanent Building Fund	5,645,200	11,950,200
H250 Transfer in from Consumer Protection Fund	0	2,200,000
H255 Transfer in from Mineral Royalty Suspense Fund	0	920,100
S1016 Transfer to Def. Warrants (Dept. of Agriculture, Pests)	(511,500)	(511,400)
S1016 Transfer to Def. Warrants (Military Division, Haz. Mat.)	(58,300)	(58,300)
NET TRANSFERS IN (OUT)	(16,369,800)	(6,944,600)
<u>APPROPRIATIONS</u>		
FY 2009 Original Appropriations	2,959,283,400	2,959,283,400
Reappropriations	24,619,400	24,619,400
Supplementals and Rescissions	(3,106,400)	(1,316,100)
H250 Health Insurance Omnibus Rescission	(5,453,500)	(5,453,500)
H250 Omnibus Rescission/Supplemental	(53,685,100)	(91,820,300)
H250 Public School Rescission	(60,704,200)	(85,097,600)
H250 Federal Medical Assistance Percentage (FMAP) Adjust	0	(52,332,100)
Various H&W Fed Med Assistance Percent (FMAP) Adjust	0	(2,248,600)
TOTAL LEGISLATIVE APPROPRIATIONS	2,860,953,600	2,745,634,600
Budgeted Reversions	(3,121,000)	(3,201,000)
<u>ESTIMATED ENDING BALANCE</u>		
TOTAL ESTIMATED ENDING BALANCE	\$ 8,355,300	\$ 57,778,300
JFAC Budgeted Reduction in Expenditures	\$ 6,598,800	

STATE OF IDAHO - 2009 LEGISLATIVE SESSION
GENERAL FUND BUDGET UPDATE
Prepared by Legislative Services Office, Budget & Policy Analysis

FISCAL YEAR 2010

<u>REVENUES</u>	<u>Governor's Recommendation</u>	<u>Legislative Action</u>
Beginning Balance	\$ 8,355,300	\$ 57,778,300
FY 2010 Revenue Estimate .97% & -.4% from FY 2009	2,659,261,600	2,550,170,000
H 327 Correct Amount for Bond Levy Equalization from Cig Tax	0	2,600,000
H 64a Tax Conformity Standard Deduction	0	(2,000,000)
H 3 Corporate Tax Waters Edge Election	0	100,000
H 51 Income Tax Deduction for Tech Equipment Donation	0	(5,000)
H 105 Increase Filing Fees for Small Claims Cases	0	136,000
H 232a Income Tax Residents Trust, Credit	0	(500,000)
H 281 Income Taxation, IRS Conformity	0	(11,980,000)
TOTAL REVENUES	2,659,261,600	2,538,521,000
TOTAL REVENUES & BEGINNING BALANCE	2,667,616,900	2,596,299,300

TRANSFERS

S 1227 Transfer in from Budget Stabilization Fund	25,300,000	30,000,000
Transfer in from Economic Recovery Reserve Fund	25,300,000	0
Transfer in from Millennium Fund	25,100,000	0
H 283 Transfer from DHR Cash on Hand	1,680,000	1,680,000
H 302 Transfer from Agriculture REDiFIT Fund	1,000,000	1,000,000
S 1224 Transfer from Labor - Rural Broadband Program	446,900	446,900
Transfer from Dedicated Agencies for Attorney General	429,200	0
S 1208 Transfer American Reinvestment to General Fund for PTE	0	1,172,100
S 1207 Transfer from Permanent Building Fund for Livestock Ctr	0	10,000,000
H 378 Transfer to Public Education Stabilization for Public Schools	0	(85,097,600)
Year-end Transfer from Consumer Protection to General Fund	0	618,500
NET TRANSFERS	79,256,100	(40,180,100)

APPROPRIATIONS

FY 2010 Original Appropriations	2,742,343,600	2,506,580,100
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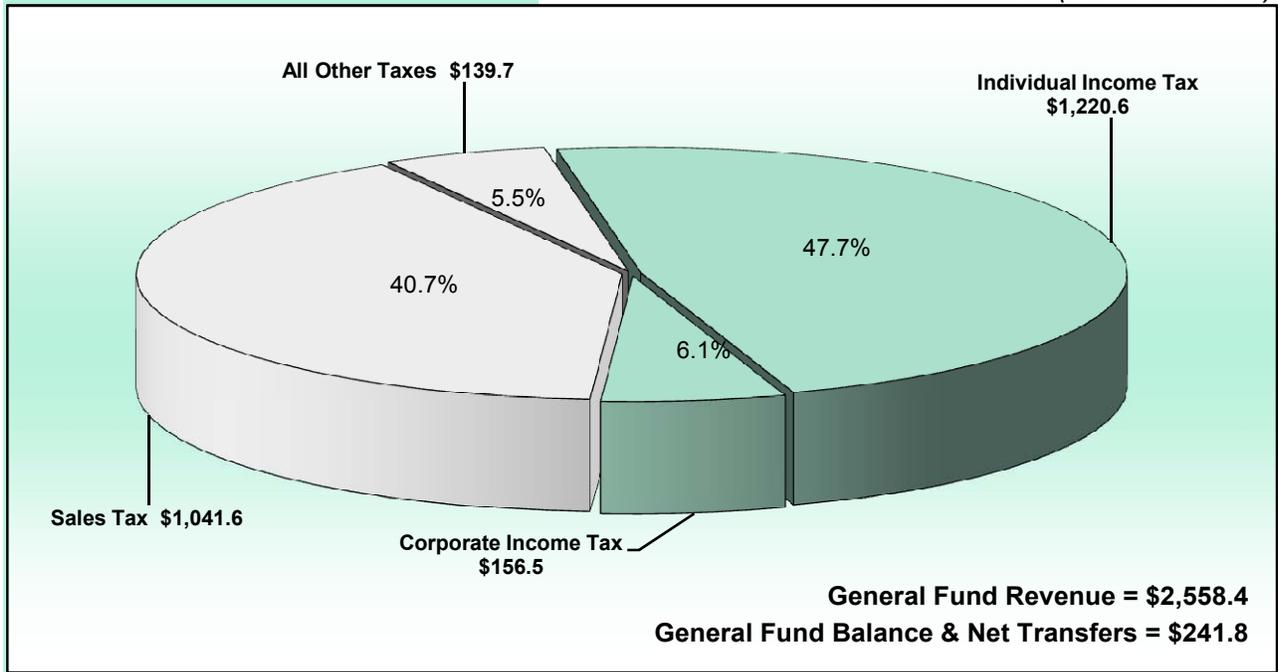
ESTIMATED ENDING BALANCE

TOTAL ESTIMATED ENDING BALANCE	\$ 4,529,400	\$ 49,539,100
JFAC Budgeted Reduction in Expenditures	\$ 42,270,000	

FY 2009 General Fund Revenue & Appropriations

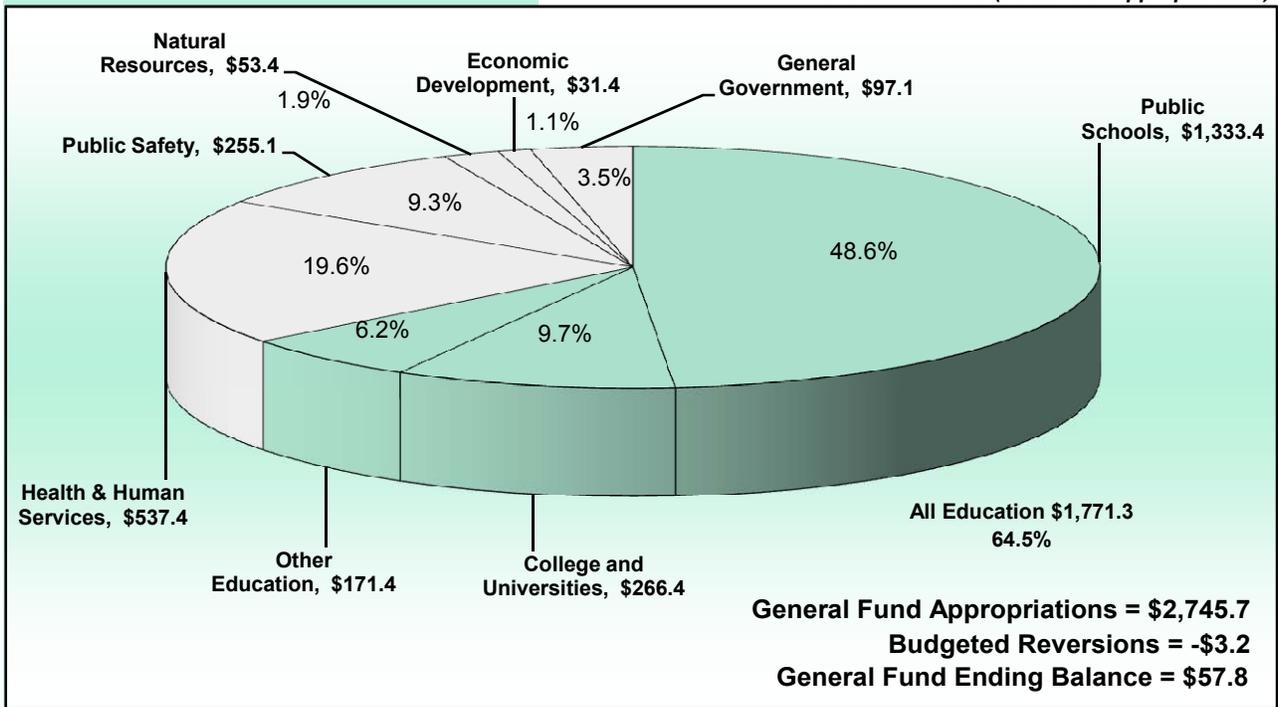
"Where the money comes from . . ."

Dollars In Millions (Percent of Revenue)



"Where the money goes . . ."

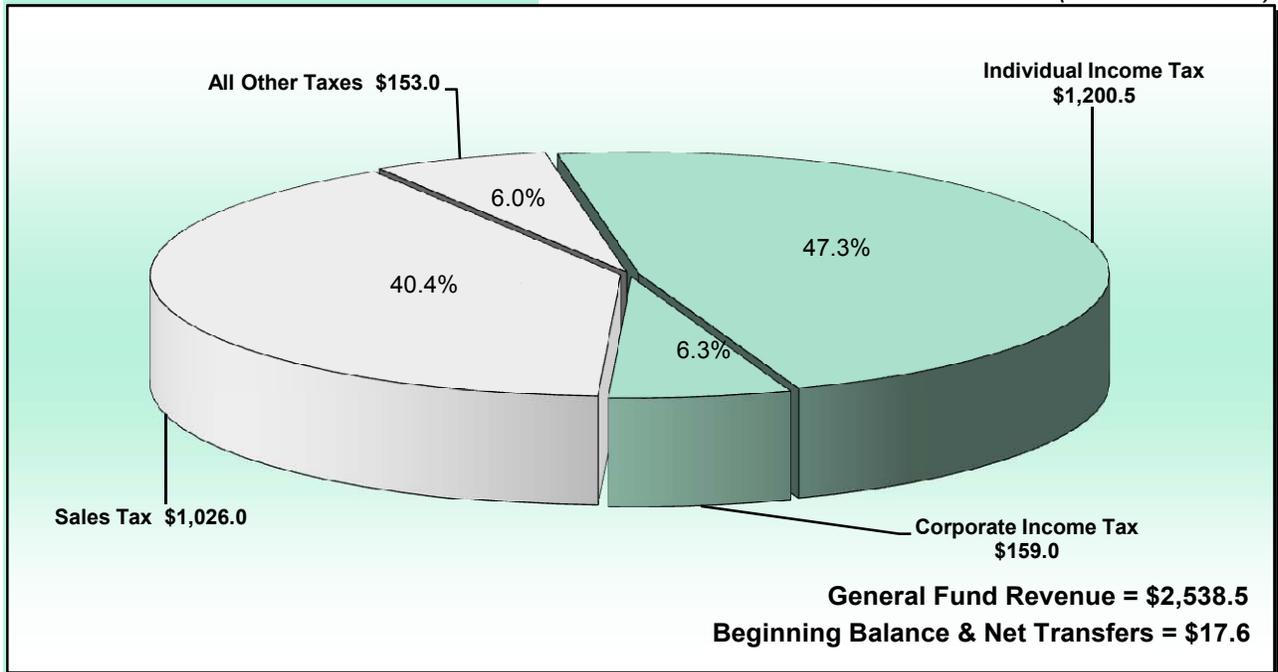
Dollars In Millions (Percent of Appropriations)



FY 2010 General Fund Revenue & Appropriations

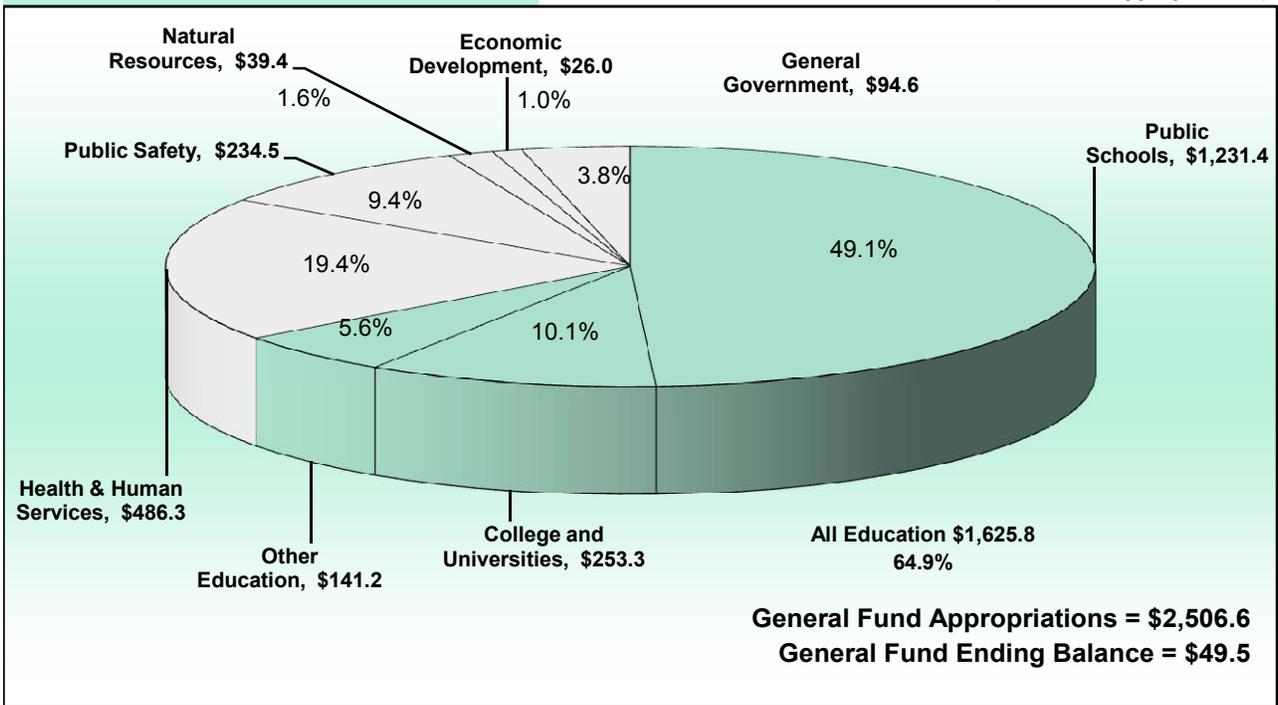
"Where the money comes from . . ."

Dollars In Millions (Percent of Revenue)



"Where the money goes . . ."

Dollars In Millions (Percent of Appropriations)



**General Fund Comparison
JFAC Action to Prior Year's Budget**

Department/Agency	FY 2009 Orig Approp	FY 2009 Total Approp	Dollar Difference	Change from 2009 Orig	FY 2010 JFAC Action	Dollar Diff Original	Change from 2009 Original
Education							
Public School Support	1,418,542,700	1,333,445,100	(85,097,600)	(6.0%)	1,231,386,600	(187,156,100)	(13.2%)
Ag Research & Extension Service	28,249,200	31,314,000	3,064,800	10.8%	24,989,900	(3,259,300)	(11.5%)
College and Universities	285,151,500	266,437,100	(18,714,400)	(6.6%)	253,278,100	(31,873,400)	(11.2%)
Community Colleges	29,666,400	27,730,600	(1,935,800)	(6.5%)	26,407,000	(3,259,400)	(11.0%)
Deaf and Blind, School for the	8,503,700	7,944,900	(558,800)	(6.6%)	0	(8,503,700)	(100.0%)
Education, Office of the State Board of	5,127,000	4,809,900	(317,100)	(6.2%)	2,246,400	(2,880,600)	(56.2%)
Health Education Programs	9,459,900	9,567,300	107,400	1.1%	9,939,300	479,400	5.1%
Historical Society	3,347,200	3,152,500	(194,700)	(5.8%)	0	(3,347,200)	(100.0%)
Libraries, Commission for	4,269,300	3,960,400	(308,900)	(7.2%)	0	(4,269,300)	(100.0%)
Professional Technical Education	54,899,400	52,528,500	(2,370,900)	(4.3%)	51,599,900	(3,299,500)	(6.0%)
Public Broadcasting System	3,530,300	3,247,600	(282,700)	(8.0%)	1,659,800	(1,870,500)	(53.0%)
Special Programs	12,222,600	12,235,500	12,900	0.1%	9,407,900	(2,814,700)	(23.0%)
Superintendent of Public Instruction	7,309,100	6,935,500	(373,600)	(5.1%)	7,176,300	(132,800)	(1.8%)
Vocational Rehabilitation	8,520,900	7,985,600	(535,300)	(6.3%)	7,725,000	(795,900)	(9.3%)
Health & Human Services							
Medically Indigent Health Care	20,767,700	23,267,700	2,500,000	12.0%	19,771,700	(996,000)	(4.8%)
Health & Welfare, Department of	184,785,100	173,061,100	(11,724,000)	(6.3%)	147,941,800	(36,843,300)	(19.9%)
Medical Assistance Services	402,492,800	330,923,100	(71,569,700)	(17.8%)	309,178,200	(93,314,600)	(23.2%)
Independent Living Council, State	129,100	120,900	(8,200)	(6.4%)	113,800	(15,300)	(11.9%)
Public Health Districts	10,799,300	10,073,400	(725,900)	(6.7%)	9,305,100	(1,494,200)	(13.8%)
Public Safety							
Correction, Department of	175,915,200	165,234,000	(10,681,200)	(6.1%)	150,678,400	(25,236,800)	(14.3%)
Judicial Branch	31,862,500	29,828,800	(2,033,700)	(6.4%)	30,183,200	(1,679,300)	(5.3%)
Juvenile Corrections, Department of	40,029,300	37,438,000	(2,591,300)	(6.5%)	36,097,600	(3,931,700)	(9.8%)
Police, Idaho State	24,529,500	22,597,000	(1,932,500)	(7.9%)	17,493,900	(7,035,600)	(28.7%)
Natural Resources							
Environmental Quality, Department of	19,625,000	18,178,700	(1,446,300)	(7.4%)	15,660,400	(3,964,600)	(20.2%)
Lands, Department of	5,590,800	5,253,900	(336,900)	(6.0%)	4,614,700	(976,100)	(17.5%)
Parks & Recreation, Department of	16,072,000	16,243,000	171,000	1.1%	6,762,000	(9,310,000)	(57.9%)
Water Resources, Department of	14,587,500	13,678,000	(909,500)	(6.2%)	12,373,200	(2,214,300)	(15.2%)
Economic Development							
Agriculture, Department of	17,046,500	17,966,000	919,500	5.4%	11,258,700	(5,787,800)	(34.0%)
Commerce, Department of	9,199,200	8,712,100	(487,100)	(5.3%)	4,598,800	(4,600,400)	(50.0%)
Labor, Department of	774,400	724,200	(50,200)	(6.5%)	511,100	(263,300)	(34.0%)
Self-Governing Agencies							
General Boards	136,500	128,300	(8,200)	(6.0%)	106,800	(29,700)	(21.8%)
Appellate Public Defender, State	2,318,500	2,178,000	(140,500)	(6.1%)	2,145,700	(172,800)	(7.5%)
Historical Society	0	0	0		2,456,400	2,456,400	
Libraries, State Commission for	0	0	0		3,426,000	3,426,000	
Veterans Services, Division of	1,803,800	1,681,300	(122,500)	(6.8%)	1,530,800	(273,000)	(15.1%)
General Government							
Administration, Department of	8,775,500	8,161,500	(614,000)	(7.0%)	7,519,600	(1,255,900)	(14.3%)
Attorney General	19,215,600	18,932,400	(283,200)	(1.5%)	17,329,000	(1,886,600)	(9.8%)
Controller, State	7,196,900	7,312,200	115,300	1.6%	6,462,100	(734,800)	(10.2%)
Office of the Governor							
Aging, Commission on	5,496,200	5,163,500	(332,700)	(6.1%)	5,020,200	(476,000)	(8.7%)
Arts, Commission on the	951,100	894,800	(56,300)	(5.9%)	787,600	(163,500)	(17.2%)
Blind, Commission for the	1,660,000	1,543,300	(116,700)	(7.0%)	1,405,400	(254,600)	(15.3%)
Drug Policy, Office of	503,900	472,000	(31,900)	(6.3%)	5,171,100	4,667,200	926.2%
Energy Resources, Office of	42,500	0	(42,500)	(100.0%)	0	(42,500)	(100.0%)
Financial Management, Division of	1,841,500	1,700,600	(140,900)	(7.7%)	1,508,100	(333,400)	(18.1%)
Governor, Executive Office of the	2,195,800	2,051,700	(144,100)	(6.6%)	1,947,000	(248,800)	(11.3%)
Human Rights Commission	702,800	656,200	(46,600)	(6.6%)	596,400	(106,400)	(15.1%)
Military Division	6,257,700	5,766,600	(491,100)	(7.8%)	5,336,600	(921,100)	(14.7%)
Species Conservation, Office of	615,800	576,400	(39,400)	(6.4%)	532,900	(82,900)	(13.5%)
Women's Commission	31,300	31,300	0	0.0%	0	(31,300)	(100.0%)
Legislative Transfer (House & Senate)	6,755,000	6,349,600	(405,400)	(6.0%)	6,349,600	(405,400)	(6.0%)
LSO, Technology, OPE	6,101,900	6,406,900	305,000	5.0%	5,220,400	(881,500)	(14.4%)
Lieutenant Governor	162,600	151,400	(11,200)	(6.9%)	150,000	(12,600)	(7.7%)
Revenue & Taxation, Department of	29,011,500	27,010,600	(2,000,900)	(6.9%)	25,669,900	(3,341,600)	(11.5%)
Secretary of State	2,791,600	2,270,500	(521,100)	(18.7%)	2,048,200	(743,400)	(26.6%)
Treasurer, State	1,710,300	1,601,100	(109,200)	(6.4%)	1,501,500	(208,800)	(12.2%)
STATEWIDE TOTAL	2,959,283,400	2,745,634,600	(213,648,800)	(7.2%)	2,506,580,100	(452,703,300)	(15.3%)

Budget Highlights

Education

Public Schools

Setting the FY 2010 public schools budget was one of the biggest challenges during the 2009 legislative session. Like all state agencies, some reductions had to be made. However, when compared to other agencies, public schools fared relatively well. The FY 2010 total public schools appropriation of \$1.71 billion increased by 0.4% from the previous year.

The key to understanding the reductions to the public schools appropriation is to recognize that \$145.7 million of American Recovery and Reinvestment Act (ARRA) funds filled most of the necessary General Fund reductions. This is shown in the table below, with the effective reduction in general funds and ARRA funds of -3.4%.

	FY 2009 Original Appropriation	FY 2010 Original Appropriation
General Fund	\$1,418,542,700	\$1,231,386,600
Dedicated Fund (Lottery proceeds, Public School Endowment funds, etc)	\$62,405,700	\$64,146,200
Title 14 ARRA Stimulus Funds	\$0	\$145,733,000
Federal Funds (includes \$54.4 million of Title 8 ARRA Formula Stimulus Funds)	\$215,000,000	\$269,588,500
TOTAL APPROPRIATION	\$1,695,948,400	\$1,710,854,300
General Fund Percent Change	3.7%	-13.7%
Combined General Fund and Title 14 Stimulus Funds Percent Change	-	-3.4%
Total Funds Percent Change ¹	3.1%	0.4%

Note 1: The *percent change calculations do not include the revenue-neutral move of the new Bureau of Educational Services for the Deaf and the Blind to the public schools budget. Including the bureau's budget in these calculations would decrease the General Fund percent change to -13.2% and raise the total funds percent change to 0.9%.*

The FY 2010 appropriations for the five divisions of the public schools budget are in H 323 through H 327. Although federal stimulus funding played an important role in filling budget gaps, base salaries were decreased by -5.0% for administrators, -2.63% for teachers, and -2.63% for classified staff. In addition, the minimum teacher salary was also decreased by -2.63%, from \$31,750 to \$30,915. In order to keep pace with student enrollment, the appropriation bills included funding for 105 new support units for FY 2010. The following information provides some of the key provisions of the FY 2010 public schools budget.

The **Division of Administrators** received an appropriation of \$81.5 million. The decrease in general funds was partially offset by the addition of \$5.23 million of Title 14 federal stimulus funding. The **Division of Teachers** received an appropriation of \$756.2 million. The decrease in general funds was partially offset by the addition of \$29.96 million of Title 14 federal stimulus funding. Additionally, \$4.69 million of general funds was appropriated so that each teacher will receive \$300 to purchase school supplies. Funding for the early retirement incentive program was reduced by 50% in anticipation of a two-year phase out of this program. However, due to Senate amendments to H 262, this program will not be phased out and teachers who choose to participate in the program will receive the full one-time incentive, as provided for in Section 33-1004G, Idaho Code.

The **Division of Operations** received an appropriation of \$578.7 million. Within this division, pupil transportation is funded at \$74,001,600, a 2.4% increase from the previous year, but not the entire \$78.2 million that was requested. However, due to H 256a, field trips and other approved transportation expenses incurred during FY 2009 will be reimbursed in FY 2010. The textbook allowance was funded at \$5.97 million, which is a 40% reduction from the previous year. The technology program was fully funded at \$9.15 million. Discretionary funding was set at \$25,469 per support unit, which is a slight reduction of -0.18% from the previous year.

The **Division of Children's Programs** received an appropriation of \$268.7 million. This large increase is due to \$54.4 million of Title 8 federal stimulus dollars and other federal dollars realigned to this division. The stimulus dollars will provide significant increases in funding through the Individuals with Disabilities Education Act (IDEA), Title I and Title II of the Elementary and Secondary Education Act (ESEA), and the USDA School Lunch program. Within this division, the Idaho Digital Learning Academy was funded at \$5 million, a 60% increase over the previous year. Other programs funded at the requested levels include the Idaho Safe and Drug-Free Schools program at \$7 million, the Idaho Reading Initiative at \$2.8 million, the Limited English Proficiency program at \$6.04 million, ISAT remediation at \$5 million, and the Math Initiative at \$3.97 million.

The **Division of Facilities** received an appropriation of \$17.9 million, which will be directed to the Bond Levy Equalization program. The lottery dollars that are typically found in this division and used by school districts for maintenance were transferred to the Division of Operations for one year, to be used as discretionary funds. The state's obligation for maintenance matching funds is relieved for one year.

Education Trailer Bills

S 1074 and S 1233 address the Idaho School for the Deaf and the Blind (ISDB). S1074 repeals ISDB's statutes, creates the Bureau of Educational Services for the Deaf and the Blind and directs the bureau's budget to be submitted through the Educational Support Program/Division of Children's Programs. S1223 provides that any act of appropriation with reference to the "Idaho School for the Deaf and the Blind" shall mean the "Bureau of Educational Services for the Deaf and the Blind," and places the new bureau's FY 2010 appropriation of \$7,794,800 into the Educational Support Program/Division of Children's Programs.

H 378 reverses Idaho's plan to use \$85.1 million of Title 14 federal stimulus dollars to fill public school budget gaps in FY 2009. Instead, due to the limited time for school districts to spend stimulus dollars in the current school year, the U.S. Department of Education has accepted the approach to use Public Education Stabilization Funds (PESF) in their place, and then to use the same amount of stimulus funds in FY 2010. The last step in this process is to reduce the FY 2010 public school's General Fund by \$85.1 million and transfer that amount back into PESF.

H 371 provides \$20,000 of one-time funding to the Superintendent of Public Instruction to coordinate a review of the pupil transportation program. Outcomes will focus on opportunities and incentives to operate cost-effective and safe public school busing operations and any recommended changes to Idaho Code. Results and recommendations from the review will be presented to the

germane committees and to the Joint Finance-Appropriations Committee during the 2010 legislative session.

College and Universities

The FY 2010 appropriation for the four institutions in the state's college and university system reflect an 11.9% General Fund reduction, which does not include the \$10 million transfer from the Permanent Building Fund discussed below. This appropriation includes \$15,313,800 from the ARRA. This budget also includes:

- **Center for Advanced Energy Studies (CAES):** \$1,591,100 in one-time ARRA funds for faculty and staff at CAES; and
- **Center for Livestock and Environmental Studies (CLES):** \$10,000,000 in general funds for the Idaho Center for Livestock and Environmental Studies at the University of Idaho.

Community Colleges

The FY 2010 appropriation for the state's three community colleges reflects a 7.4% General Fund reduction and an additional 5% reduction in personnel costs. This appropriation includes \$1,640,200 from the ARRA.

Office of the State Board of Education

While health education was held harmless from the FY 2009 budget reductions due to contractual obligations with participating institutions, the FY 2010 appropriation reflects a General Fund base reduction of 1.1%, plus the standard 5% reduction in personnel costs. The Family Medicine Residency programs received line item appropriations for program expansion in the amounts of \$173,200 and \$145,200 for Boise and Pocatello, respectively.

Office of the State Board of Education

The FY 2010 appropriation for the Office of the State Board of Education (OSBE) includes a transfer of two major programs, Student Assessment and GEAR UP, and related funding to the State Department of Education. In addition, OSBE was authorized positions for accountability, proprietary school oversight and an administrative assistant. The OSBE budget took a 7.1% General Fund base reduction, plus an additional 5% reduction in General Fund personnel costs.

Professional-Technical Education

The FY 2010 appropriation for the Division of Professional-Technical Education reflects a 4.2% General Fund reduction, plus an additional reduction in personnel costs. This appropriation includes \$1,172,100 from the ARRA.

Special Programs

While the FY 2010 appropriation for special programs includes the standard base reductions and personnel costs reductions, it also includes \$1 million from the Opportunity Scholarship Program Fund for Opportunity Scholarship awards for the 2009-2010 academic year.

Superintendent of Public Instruction

The Superintendent of Public Instruction received an FY 2010 appropriation of \$34.3 million, which is an overall total funds increase of 32.6% from the previous year. This growth is due to the receipt of a federal grant for the continued development of the longitudinal data system and the transfer of student assessment responsibilities and the GEAR UP program from the Office of the State Board

of Education. While the total funds increased, this budget received a -1.8% reduction in general funds. The appropriation bill includes three line items:

- \$2.9 million of federal funding for the second year of development of the longitudinal data system;
- \$7.2 million for student assessment responsibilities being transferred from the Office of the State Board of Education, including the Idaho Standards Achievement Test (ISAT), grades 3-8 and 10; the Idaho English Language Assessment (IELA), for limited English proficient students; and the National Assessment of Educational Progress (NAEP) for grades 4, 8 and 12; and
- \$20,000 of one-time funding to coordinate a review of the pupil transportation program. Outcomes will focus on opportunities and incentives to operate cost-effective and safe public school busing operations and any recommended changes to Idaho Code, with results to be presented to the germane committees and to JFAC during the 2010 legislative session.

Health and Human Services

Department of Health and Welfare

During the 2009 legislative session, the House and Senate Health and Welfare germane committees passed policy changes that reduced Idaho's Medicaid liabilities by approximately \$68 million. After the policy changes were passed, JFAC reduced the entire budget of the Department of Health and Welfare by an additional \$130,157,900 in General Fund moneys. This resulted in a 22.2% reduction in the General Fund appropriation for FY 2010.

The two major Health and Welfare budget priorities that General Fund savings from FMAP were shifted to pay for are \$20 million for the Medicaid Management Information System (MMIS) and \$3.7 million for the Idaho Benefits Information System (IBIS). Other major budget items included in the Department of Health and Welfare's FY 2010 appropriation are:

- **FMAP Fund Shift:** For FY 2009, \$54.7 million was shifted from general funds to federal funds, due to the federal medical assistance percentage (FMAP) rate change. Of the \$54.7 in General Fund savings, \$52.3 million in the Medicaid program was reverted to the General Fund. For FY 2010, an additional \$24.7 million fund shift from general funds to federal funds result from the FMAP rate change, of which \$21.4 million in General Fund savings in the Medicaid program was used to stabilize the reductions for other state entities.
- **Food Stamps Limited Service Staff:** Ten limited service staff and \$499,200 in total funds were provided to cover the costs of removing the asset test from the food stamps eligibility for one year.
- **Vaccine Funding:** \$2.8 million from the General Fund was removed from the budget and the vaccine program was modified to only cover the vaccine costs for uninsured children.
- **Cystic Fibrosis:** \$205,000 in one time general funds was included for SCR 112.
- **Federal Stimulus Appropriation:** The FY 2010 appropriation includes \$41.3 million in spending authority for federal stimulus moneys in addition to FMAP fund shifts. The \$41.3 million does not include future year federal stimulus moneys that will be available in FY 2011.

The General Fund appropriation for Health and Welfare was \$457.1 million. The Division of Medicaid was appropriated \$309.1 million, or 67% of the total budget. In addition to general funds, Health and Welfare's appropriation includes dedicated and federal funds for a total of \$1,994 million. This is a \$100.2 million, 5.3% increase over last year, due to federal stimulus funds.

Public Safety

Department of Correction

The appropriation to the Department of Correction for FY 2010 includes \$150.7 million from the General Fund and \$18.9 million in other dedicated and federal funding, for a total of \$169.6 million. This budget represents a 14.3% reduction in the General Fund, or \$25.2 million, with an overall reduction of 13.8%, or \$27.2 million.

Savings in this budget were achieved by a reduction in inmate population growth and the addition of new beds to the current system, including 306 beds at various state facilities, 628 beds at the private prison and another 400 beds at the Correctional Alternative Placement facility, which will be ready toward the latter part of next fiscal year. Over the next two years, bed capacity is being expanded by a total of 1,334. This will allow the department to transfer all inmates who are currently housed in out-of-state facilities back to Idaho. There are 318 inmates currently housed out-of-state, at a cost of \$59.74 per inmate day, an amount scheduled to increase to \$61.53 per inmate day in FY 2010. With added bed capacity, Idaho can house these same inmates for around \$40 per inmate day. In addition, county jails house 424 inmates at a cost of \$42.50 per inmate day, and some of these in-mates will be transferred to state facilities.

Idaho State Police

While the total appropriation to the Idaho State Police for fiscal year 2010 represents a slight increase of 0.4% from the previous fiscal year, the General Fund appropriation decreased by 28.7%, or \$7,035,600. The major issue surrounding this budget concerns a revenue shortfall in the Law Enforcement Fund of almost \$1 million in FY 2009 and over \$2.8 million in FY 2010. This fund is capitalized with 5% of the Highway Distribution Account, which has recently been in decline. To make up the shortfall in FY 2009, ISP implemented a variety of cost saving measures. The appropriation to the department for FY 2010 shifts \$2.8 million in personnel costs from the Law Enforcement Fund to the Law Enforcement Project Choice Fund for continued program support.

Department of Juvenile Corrections

For FY 2010, the Department of Juvenile Corrections was appropriated \$36,097,600 from the General Fund, \$7,912,000 from dedicated funds and \$3,385,000 from federal funds, for a total of \$47,394,600 and 406.25 full-time positions. The General Fund appropriation for the department decreased from \$40 million in FY 2009 to \$36.1 million in FY 2010. This level of funding represents a decrease of \$3.9 million, a 9.8% reduction from the department's FY 2009 General Fund original appropriation.

Natural Resources

Department of Water Resources

The goal of JFAC was to set a budget for the Department of Water Resources that retained as many positions as possible within the given limited resources. The budget retained five positions that were not funded, shifted moneys from trustee and benefit payments and operating expenditures to personnel costs, and brought monitoring and aquifer characterization tasks in-house. One major issue the Legislature addressed was the approval of the Comprehensive Eastern Snake River Aquifer Management Plan. The plan suggests the state pay approximately \$3 million a year, or 40% of the costs, over the next 10 years, for the first phase of the plan. The first phase would cost \$70 to \$100 million, with the goal of reducing the water budget by 200,000 to 300,000 acre feet. Moneys will be used by the Idaho Water Resource Board to pay for essential government services, including facilitation, technical and design studies, water acquisition, water conveyance and other

related activities. Water management projects identified in the ESPA CAMP, including ground to surface water conversions, managed recharge, demand reduction, conservation and water supply enhancement projects, will also be undertaken with the funds.

Trailer Bills

- S 1219 appropriates \$264,000 to the Idaho Department of Parks and Recreation in trustee and benefit payment and provides spending authority to pass-through moneys collected from a \$2 increase in off-highway vehicle fees raised by S 1098. Half of the moneys will be paid to the Idaho Department of Lands and the other half will be paid to local law enforcement agencies.
- S 1225 appropriates \$65,000 for administrative costs to Idaho Department of Parks and Recreation and \$1,515,000 as pass-through to the Department of Agriculture to administer the provisions of H 213 for a boat sticker program to support activities related to the prevention, detection, control and management of Zebra and Quagga mussels.
- H 333 includes a trailer appropriation to the Department of Fish and Game that increases non-resident licenses and tags by an estimated \$2.5 to \$2.6 million. The increases with the largest estimated fiscal impacts include a 17% increase in non-resident deer tags (from \$245.75 to \$300.00), a 10% increase in non-resident hunting licenses (from \$139.75 to \$153.00), a 12% increase in non-resident elk tags (from \$370.75 to \$415.00), and a 20% increase in non-resident fishing licenses (from \$80.25 to \$96.50). The largest portions of the new money will be used to sustain existing programs, develop family fishing waters and increase hatchery trout production

Economic Development

Department of Agriculture

The appropriation to the Department of Agriculture for FY 2010 includes \$7,312,400 from the General Fund and \$27,271,400 in other dedicated and federal funding sources, for a total of \$34,583,800. This budget represents a 41.8% reduction in general funds, or \$5,248,500, with an overall reduction of 10.5%, or \$4,078,100.

Savings in this budget were achieved by a reduction in a two-year appropriation for Eurasian Watermilfoil eradication and other one-time General Fund appropriations. The department also reduced its water quality program and range program as a result of ongoing efforts at zero-based budgeting. The department received an appropriation from the Invasive Species Fund to educate the public and combat the potential influx of Quagga and Zebra mussels. The Invasive Species Fund receives funding from an additional fee placed on boat registrations. The department will set up washing stations to remove the mussels and conduct a series of public service campaigns to raise awareness of danger these mussels present to Idaho waterways.

Department of Commerce

The appropriation to the Department of Commerce for FY 2010 includes \$4,598,800 from the General Fund and \$25,698,400 from dedicated and federal funding sources, for a total of \$30,297,200. This represents a 50% reduction in the General Fund, or \$4,600,400, with an overall reduction of 14.4%, or \$5,083,900.

Savings in the budget were achieved by cutting \$2.7 million from the Rural and Gem Grant programs. The remaining reductions came from ongoing savings in personnel costs and operating expenditures. The Rural and Gem Grants were established in FY 2002 in response to reports that rural Idaho lagged behind in economic development and overall salaries. The Idaho Department of Labor released statistics in May 2009 that show that in the most recent reporting period wages in rural Idaho grew faster than wages in the state's urban areas. The Rural and Gem Grants program

mirrors federal Community Development Block Grants, which have primarily been awarded to urban areas in Idaho.

Idaho Transportation Department

The Idaho Transportation Department received a \$538.6 million appropriation for FY 2010, \$82 million of Grant Anticipation Revenue Vehicle (GARVEE) bonding authority for FY 2010, and \$208.2 in supplemental appropriations for FY 2009. This increase over the previous year is primarily due to federal stimulus dollars, revenue enhancement actions and less GARVEE debt service required for FY 2010.

Included in appropriation bill H 311 is \$9.1 million to develop pavement, maintenance and project scheduling management systems and \$19.5 million for additional contract construction projects or right-of-way purchases. H 311 also includes a supplemental appropriation of \$190.7 million of Title 12 federal stimulus moneys. Of this amount, \$8.7 million will be passed through the Public Transportation Division and \$181,934,600 will be used by the department and also passed through to local cities, counties and highway districts.

Additional revenue for ITD includes up to \$27.7 million, as detailed in H 377, which is a trailer bill to four separate pieces of legislation. Included in this amount is up to \$16.4 million, which will result from the removal of the ethanol exemption, and \$5.6 million from increased Division of Motor Vehicle (DMV) fees to be used for modernization of DMV computer systems.

Finally the Legislature provided the fourth consecutive year of bonding authority for the issuance of GARVEE bonds to finance an additional \$82 million of highway transportation projects. The ITD Board proposal of this additional bonding authority includes projects in the Treasure Valley's I-84 corridor and for State Highway 16.

Funding Approved During 2009 Legislative Session

Bill Number	Fiscal Year	Dollar Amount (in millions)	Source
H 311	FY 2010	\$508.6	Dedicated and Federal Funding
S 1227	FY 2010	\$2.3	Additional 2% Funding for Dedicated and Federal Personnel Costs
H 377 Trailer	FY 2010	\$27.7	Trailer Appropriation of Dedicated Funds
S 1186	FY 2010	\$82.0	Additional GARVEE Bonding Authority
H 311	FY 2009 Supplemental ¹	\$190.7	Title 12 Federal Stimulus
S 1227	FY 2009 Supplemental ¹	\$17.5 ²	Title 14 Federal Stimulus
	Total	\$828.8	

Notes:

1. Appropriated as an FY 2009 supplemental to allow announcement of program funds, but most of the expenditures will occur in FY 2010.
2. This funding will be passed through by ITD to the Local Highway Technical Assistance Council for construction and maintenance projects at the local level (highway districts, counties and cities).

Trailer bill H 377 appropriates additional spending authority for the Idaho Transportation Department in an amount up to \$27.7 million. Included in this amount is up to \$16.4 million from the removal of the ethanol exemption, \$5.5 million from increased Division of Motor Vehicle (DMV) fees to be used for modernization of the DMV computer systems, up to \$5.0 million from the sale of permanent plates for special trailers and semi-trailers, and up to \$855,000 from the limitation on the number of temporary trip permits that may be issued.

General Government

Permanent Building Fund Projects

S 1180 provides a total of \$27,438,600 from the Permanent Building Fund, \$20,509,600 for maintenance and repair projects and \$6,929,000 for the following four capital projects:

- \$2,000,000 for life/safety repairs on the Kibbie Dome at the University of Idaho. The university has also pledged \$10 million of its own institutional funds toward this project.
- \$4,345,000 for the remodel of Seiter Hall into a general classroom building at North Idaho College.
- \$312,000 for the purchase of the Department of Lands' administrative site in St. Maries. The department's lease with the City of St. Maries expires at the end of the fiscal year. In order for the department to retain its investment on this property, it must be purchased from the city; and
- \$272,000 to remodel the basement of the J.R. Williams building for studio space for Idaho Public Television (IPTV). This does not contemplate the expenditure of permanent building funds, but rather provides spending authority for cigarette tax revenues for this remodel project. This relates to the Capitol restoration because IPTV is being displaced from the Capitol as part of the restoration. Section 63-2520(b)(5), Idaho Code, provides: "For fiscal years on and after July 1, 2006, all [remaining cigarette and tobacco tax] moneys shall be distributed to the permanent building fund with the moneys to be used for the repair, remodel and restoration of the state capitol building and state facilities pertaining to the capitol restoration until such time as the capitol restoration is adequately funded as certified by the director of the department of administration."

Office of Drug Policy and Statewide Substance Abuse Services

For FY 2010, \$440,300 from the Millennium Fund was appropriated for the operating costs of the Office of Drug Policy, and \$6,141,300 was appropriated for statewide substance abuse services. In FY 2009, the Legislature appropriated \$9,814,900 of one-time funding from the General Fund for community based substance abuse treatment. The one-time nature required the treatment funding to be addressed again in FY 2010. For FY 2010, the Governor recommended and the Legislature appropriated \$5,171,100 in ongoing general funds and \$1,894,800 in one-time millennium funds for replacement of the 2009 one-time substance abuse treatment appropriation. The 2010 appropriation represents a \$2,749,000 reduction from the FY 2009 amount; however, the ongoing appropriation of \$5,171,100 will assist in stabilizing the budget for the treatment program in future years.

Millennium Fund

The Joint Finance-Appropriations Committee and the Legislature supported the following distribution of \$4,965,600 on a one-time basis:

- \$440,300 for the operating costs of the Office of Drug Policy;
- \$268,400 to the Public Health Districts to provide prevention and smoking cessation services to all Idaho citizens, with primary emphasis on youth and pregnant women;

- \$300,000 to the Physical Health Services Program in the Department of Health and Welfare for targeted tobacco counter-marketing programs;
- \$700,000 the Physical Health Services Program in the Department of Health and Welfare for nicotine replacement therapy;
- \$420,000 to the Idaho Supreme Court for youth courts and the status offender services program;
- \$94,000 to Idaho State Police to offset the cost of youth tobacco investigations;
- \$183,300 to the American Lung Association for a tobacco control intervention program targeting primary and secondary school students;
- \$164,800 to Idaho Drug Free Youth for the i2i program, a statewide parent and teen tobacco, drug and alcohol-use prevention and education program;
- \$500,000 to Idaho Meth Project for a prevention media campaign; and
- \$1,894,800 to the Department of Health and Welfare for community based substance abuse treatment.

Statewide Issues

Change in Employee Compensation

Personnel Costs

As revenues continued to decline during the session, and projections for FY 2009 and FY 2010 were lowered, the Legislature and Governor agreed to a 5% ongoing reduction in total personnel costs for all of state government. For dedicated funds and federal funds, 2% of personnel costs are restored on a one-time basis for FY 2010. General Fund agencies in the Executive Branch may apply to the Governor for a one-time infusion of funding from the Budget Stabilization Fund equal to 2% of personnel costs in the General Fund. The Governor was appropriated \$7.032 million to restore personnel cuts, if necessary, to maintain the health, public safety and essential services to the citizens.

Funding for Employer Health Insurance

FY 2009: The Legislature reduced the amount appropriated for health insurance in FY 2009 from \$8,700 to \$8,200 and used \$500 from reserves in the Group Insurance Fund toward the premium. This created savings to the General Fund of \$5,453,500, \$2,369,600 from dedicated funds, and \$1,284,000 from federal funds for a total of \$9,107,100. Group Insurance will implement this policy by giving agencies a one-month credit of \$500 per eligible employee and paying the premium from reserves.

FY 2010: The Governor's recommendation concurred with the budget request from Group Insurance for an increase of \$900 per eligible employee. Rather than adding new funding, the Governor recommended using \$500 from reserves for employer premiums, as was done in FY 2009. As a result, the amount for health insurance did not increase from \$8,200 to \$9,100 as requested, but rather to \$8,600 per employee.

The Legislature funded an increase of \$240 per eligible employee, moving the base amount from \$8,200 to \$8,440. This difference from the Governor's recommendation is due to a policy change to capture those dollars appropriated to agencies for employees who are eligible to receive health insurance benefits but decline coverage. Beginning in July, these moneys will be transferred into the Group Insurance Fund by the State Controller during payroll processing. Furthermore, funding in FY 2010 for life and disability insurance was reduced by 0.02% to reflect actual costs.

Retiree Health Insurance

Another major change concerning state employee benefits is reflected in H 173. Among other changes to the health insurance policy for state employees, it provides a fixed subsidy of \$155 per month to retirees for health insurance premiums. This subsidy will be funded by the state until the retiree is eligible for Medicare, at which time the retiree will be required to leave the state plan. Spouses of retirees may stay on the state plan until they are eligible for Medicare. In addition, new employees hired after June 30, 2009, will no longer be eligible for a health insurance benefit upon retirement. If a person leaves state employment after June 30, 2009, and subsequently returns, they must have accrued at least 10 years (20,800 hours) of credited state service before leaving to be eligible for retiree health benefits, and then work an additional three years. H 173 directs the Department of Administration to form an advisory committee on health insurance issues and to promulgate rules defining eligibility for health insurance for active and retired employees and their dependents. The bill had an emergency clause and was effective upon the signature of the Governor.

Future Commitments on the General Fund

In 2008 the Legislature passed H 588, which increased the grocery tax credit from \$20 to \$30 for most individuals, from \$35 to \$55 for seniors and the disabled, and from \$20 to \$50 for those with taxable income of less than \$1,000. The income tax credit continues to increase each tax year by \$10 until reaching \$100, eventually offsetting, on average, the state sales tax on qualified foods. The fiscal impact grows to \$123.5 million over an eight-year period. However, an escape clause allows for the preemption by the Governor of each succeeding phase, should General Fund budget holdbacks of 1% or more be in effect on October 1 of any year. The cost of H 588 for year three (FY 2011) is \$15.5 million.

H 599, passed in 2008, exempted the first \$100,000 of certain business personal property from local property tax and replaced the exempted amount with sales tax. The estimated fiscal impact was \$17.5 million to the General Fund; however, the legislation included a trigger that required the growth in the General Fund to exceed 5% of the previous year before the replacement takes effect. H 83 of 2009 amended the trigger to require 5% growth in the General Fund over FY 2008. General Fund revenues will need to exceed \$3,055.2 million before H 599 takes effect.

Election Consolidation was implemented through H 372a. The fiscal impact is \$1.5 million to the Budget Stabilization Fund for fiscal year 2010 and, for fiscal year 2011, the fiscal impact is \$4,100,000 from the sales tax distribution formula to the respective counties. Of the total, \$2.2 million is distributed equally to the counties and \$1.9 million is distributed to each county based on population. The distribution from the sales tax is also indexed to the consumer price index to allow for growth.

American Recovery and Reinvestment Act of 2009 (Public Law No. 111-5)

The American Economic Recovery and Reinvestment Act (ARRA), referred to as the federal stimulus package, included significant budget relief for states. Following is a selection of the major components of the act. A summary table showing how the Legislature appropriated the funds in Idaho follows on page 37.

Title 5 – State Fiscal Relief

The federal stimulus bill included budget relief to states by making an adjustment to the federal matching assistance percentage (FMAP) rate for Medicaid. The FMAP rate is the cost sharing rate between the federal government and states for Medicaid expenditures. Prior to passage of the ARRA, the FMAP rate for Idaho was 69.87%. Essentially, for every \$1 spent on Medicaid in Idaho, the federal government paid 69.87 cents.

For FY 2009, the rate was changed from a 69.87% federal share with a 30.13% state match, to a 76.44% federal share and 23.56% state match. The increase in the federal share resulted in a total state savings of \$78 million. Of the \$78 million in savings, \$3.84 million will be passed on to public schools and public hospitals, and \$21.8 million was used to cover a General Fund shortfall in the Department of Health and Welfare's Medicaid program. The remaining \$52.3 million was reverted to the General Fund and created a projected ending balance for FY 2009.

For FY 2010, the FMAP rate was budgeted to increase to 79.17% for the federal share and 20.83% for the state match. Idaho is expected to receive the highest unemployment bonus possible, and the FY 2010 appropriation for Medicaid reflects the savings from the bonus multiplier. This resulted in an estimated savings of \$117.5 million, of which \$52.3 million was removed ongoing in FY 2009, \$5.5 million was passed on to public schools and public hospitals, and \$38.5 million was used to fund growth in Medicaid for FY 2010. The remaining \$21.3 million was used to bolster the General Fund and avoid additional cuts in Medicaid services for FY 2010.

The FMAP rate change provided for in ARRA is expected to remain the same until December 2010. If state revenues don't improve by that time, further review and changes or reductions to the Medicaid plan may be required.

Title 14 – State Fiscal Stabilization Fund

Idaho's allocation was \$246.6 million. The law provided that 81.8% or \$201.7 million of the allocation be used "for the support of elementary, secondary, and postsecondary education...." The remaining 18.2% or \$44.9 million of the allocation shall be used "for public safety and other government services...."

The \$201.7 million for education is to be used to restore state funding for fiscal years 2009, 2010 and 2011, to the greater of FY 2008 or FY 2009 levels. Since the allocation was insufficient to restore funding to either of those levels, the law directed the funds be allocated between public schools and higher education in proportion to their shortfall in state support. Public schools ultimately received \$85.1 million for FY 2009 and \$60.6 million for FY 2010. Higher education, including colleges and universities, community colleges and professional-technical education, received \$35.4 million, with a balance remaining for FY 2011 of \$37.8 million.

Public Safety and Other Government Services

Of Idaho's total allocation of fiscal stabilization funding, 18.2% is to be used for public safety and other governmental services. Idaho's allocation for these purposes is \$44.9 million. The Legislature appropriated \$35.5 million of this amount for fiscal years 2009 and 2010 and left a balance of \$9.4 million for FY 2011.

Title 8

Education for the Disadvantaged

This section of the ARRA includes formula grants that are appropriated and flow through the state Department of Education to school districts. These funds will be directed to special needs and economically disadvantaged students, and include \$54.4 million for FY 2010 and \$50.0 million for FY 2011.

Health and Human Services Federal Stimulus Funding

The Department of Health and Welfare is expecting to receive approximately \$167.1 million in funding through the ARRA funding, in addition to the change in FMAP. These grants will be paid over fiscal years 2009, 2010, 2011 and 2012.

Public Safety Federal Stimulus Funding

There are five major grant categories that the federal government has made available to Idaho in the public safety area totaling \$100 million. These grants include the Crime Victims Assistance Grant, administered by the Department of Health and Welfare; the Crime Victims Compensation Grant, administered by the Industrial Commission; the Internet Crimes Against Children Task Force Grant, administered by the Attorney General; and the STOP Violence Against Women Grant and the Byrne/JAG Grant, administered by the Idaho State Police. In addition to these five major grant categories, the Military Division also received funding under the Energy Economic Stimulus Grant.

Title 12 – Highway Infrastructure and Transit Capital Investment

The Idaho Transportation Department received a total of \$203,333,600 in ARRA funding.

- Contract Construction and Maintenance (ITD and Locals): \$174,241,600
- Highway Operations Division for Maintenance (ITD only): \$7,693,000
- Public Transit Passed-Through ITD (locals only using rural formula): \$8,742,500
- Public Transit obligated directly from the Federal Transit Administration to the local entities using the urban formula; does not pass through the Idaho Transportation Department: \$9,656,500

American Recovery and Reinvestment Act of 2009 - Appropriations

ARRA	Fund	FY 2009	FY 2010	TOTAL	
Bill #	Title Department/Division	Number	Appropriation	Appropriation	TOTAL
Public School Support					
H 323	14 Administrators	0346-00	0	5,234,400	5,234,400
H 324	14 Teachers	0346-00	0	29,956,500	29,956,500
H 325	14 Operations	0346-00	0	110,542,100	110,542,100
H 326	8 Children's Programs	0348-00	0	54,383,000	54,383,000
Total Public School Support			0	200,116,000	200,116,000
S 1207	14 College and Universities	0346-00	0	15,313,800	15,313,800
H 309	14 Community Colleges	0346-00	0	1,640,200	1,640,200
S 1208	14 Professional Technical Education	0001-00	0	1,172,100	1,172,100
S 1239	8 Vocational Rehabilitation	0346-00	0	3,037,300	3,037,300
Department of Health & Welfare					
S 1221	1 WIC Funding	0220-02	3,000,000	2,150,000	5,150,000
H 313	1 Food Stamps & Admin.	0220-02	6,550,000	29,550,000	36,100,000
H 313	1 TEFAP	0220-02	200,000	200,000	400,000
H 313	2 TANF	0220-02	336,000	3,498,000	3,834,000
H 314	2 VOCA Grant	0220-02	299,000	299,000	598,000
H 313	2 Child Support Incentive	0220-02	1,271,900	4,203,800	5,475,700
H 313	4 Weatherization Grants	0220-02		31,470,000	31,470,000
H 322	5 DSH Medicaid Payments	0220-02		390,000	390,000
S 1221	8 Immunization Funding	0220-02	900,000	0	900,000
H 313	8 Community Services Block Grant	0220-02	2,473,000	2,473,000	4,946,000
H 313	8 Child Care & Development Block Grant	0220-02		11,946,000	11,946,000
H 318	8 Infant & Toddler Special Ed Funding	0220-02		1,179,800	1,179,800
Total Department of Health & Welfare (Note 1)			15,029,900	87,359,600	102,389,500
Multiple	5 Federal FMAP Funding	0220-02	78,059,200	117,573,400	195,632,600
H 351	8 Independent Living Council, State	0346-00	0	94,900	94,900
S 1228	2 Police, Idaho State	0346-00	0	4,281,700	4,281,700
H 276	7 Environmental Quality, Department of	0346-00	1,032,900	12,577,800	13,610,700
H 276	7 Continuously Appropriated Sewer Loans	0529-00	19,200,000	0	19,200,000
H 276	7 Cont. Approp. Drinking Water Loans	0532-00	19,500,000	0	19,500,000
S 1227	14 Environmental Quality, Department of	0346-00	0	15,000,000	15,000,000
CONT	2 Labor, Department of, Employment Services	0348-00	2,393,500	10,482,700	12,876,200
CONT	2 Labor, Department of, Employment Services	0514-00	32,260,800	0	32,260,800
H 277	7 Lands, Department of	0346-00	3,450,200	8,706,000	12,156,200
H 277	7 Indirect Cost Recovery	0125-00	0	460,000	460,000
Idaho Transportation Department					
S 1227	14 Transportation Department, Idaho	0346-00	17,471,100	0	17,471,100
H 311	12 Transportation Department, Idaho	0260-46	190,677,100	0	190,677,100
Total Idaho Transportation Department			208,148,200	0	208,148,200
S 1227	14 Administration, Department of	0346-00	0	2,999,500	2,999,500
S 1193	2 Attorney General	0346-00	0	400,000	400,000
S 1209	5 Aging, Commission on	0346-00	30,000	611,300	641,300
H 347	7 Arts, Commission on the	0346-00	0	293,000	293,000
S 1240	8 Blind and Visually Impaired, Commission	0346-00	0	594,800	594,800
S 1231	4 Energy Resources, Office of	0346-00	0	15,480,600	15,480,600
S 1231	4 Indirect Cost Recovery	0125-00	0	305,400	305,400
S 1212	3 Military Division	0346-00	1,360,000	900,000	2,260,000
Summary by Fund					
	General Fund	0001-00	0	1,172,100	1,172,100
	Indirect Cost Recovery Fund	0125-00	0	765,400	765,400
	Cooperative Welfare Fund	0220-02	93,089,100	204,933,000	298,022,100
	American Reinvestment Fund	0346-00	23,344,200	227,663,900	251,008,100
	State Highway Title XII ARRA	0260-46	190,677,100	0	190,677,100
	Federal Grant ARRA Fund	0348-00	2,393,500	64,865,700	67,259,200
	Continuously Appropriated Funds	05xx-00	70,960,800	0	70,960,800
TOTAL			380,464,700	499,400,100	879,864,800

Note 1: Department of Health & Welfare amounts represent the total funds available for FY 2009 & 2010, not the amount appropriated. Additional funding available for FY 2011 & 2012 is included under the DHW budget narrative.

Reserve Fund Balances

State of Idaho Major Reserve Funds

Millions of Dollars	Budget Stabilization Fund	Public Ed Stabilization Fund	Economic Recovery Reserve Fund	Other Emergency Funds*	TOTAL	Traditional Millennium Fund
June 30, 2008	\$ 140.6	\$ 112.0	\$ 66.1	\$ 3.3	\$ 322.1	\$ 70.4
FY 2009						
H378 Public Schools Approp.		(\$ 85.1)			(\$ 85.1)	
Net Receipts/Disbursements		\$ 3.5	\$ 0.3	(\$ 2.6)	\$ 1.2	\$ 2.5
School Apportionment		(\$ 1.0)			(\$ 1.0)	
Ag Property Tax Replacement		(\$ 2.3)			(\$ 2.3)	
Interest/Earnings		\$ 2.3	\$ 1.5		\$ 3.8	\$ 2.1
Estimate June 30, 2009	\$ 140.6	\$ 29.4	\$ 67.9	\$ 0.7	\$ 238.7	\$ 75.0
FY 2010						
H256a Pupil Transportation		(\$ 4.2)			(\$ 4.2)	
H262a Teacher Retirement		(\$ 2.0)			(\$ 2.0)	
H372a Elections Consolidation	(\$ 1.5)				(\$ 1.5)	
H378 Public Schools/Div Operations		\$ 85.1			\$ 85.1	
S1227, sec 6, Transfer to Gen Fur	(\$ 30.0)				(\$ 30.0)	
S1227, sec 16, Governor's Office	(\$ 7.0)				(\$ 7.0)	
S1227, sec 18-19, Legislature	(\$ 0.2)				(\$ 0.2)	
S1227, sec 20, Judicial Branch	(\$ 0.2)				(\$ 0.2)	
Ag Property Tax Replacement		(\$ 1.5)			(\$ 1.5)	
Net Receipts/Disbursements					\$ 0.0	\$ 3.2
Interest/Earnings		\$ 2.2	\$ 1.5		\$ 3.7	\$ 3.7
Estimate June 30, 2010	\$ 101.7	\$ 109.1	\$ 69.4	\$ 0.7	\$ 280.9	\$ 81.9

* Other Emergency Funds include: 1) Governor's Emergency, 2) Disaster Emergency, and 3) Emergency Fund Relief.

Title 14 Federal American Recovery and Reinvestment Act of 2009

Millions of Dollars	Public Schools	College and Universities	Community Colleges	Professional Technical Education	General Government	TOTAL
Available Funds	\$ 179.2	\$ 19.4	\$ 2.1	\$ 0.9	\$ 44.9	\$ 246.6
FY 2009						
S1227, sec 12, ITD for Local Highways					(\$ 17.5)	(\$ 17.5)
Estimate June 30, 2009	\$ 179.2	\$ 19.4	\$ 2.1	\$ 0.9	\$ 27.4	\$ 229.1
FY 2010						
H309 Community Colleges			(\$ 1.6)			(\$ 1.6)
H378 Public Schools	(\$ 145.7)					(\$ 145.7)
S1203 Transfer to GF for Prof Tec	(\$ 0.4)			(\$ 0.8)		(\$ 1.2)
S1207, College and Universities		(\$ 15.3)				(\$ 15.3)
S1227, sec 7, DEQ Drinking Water					(\$ 5.0)	(\$ 5.0)
S1227, sec 8, DEQ Waste Water					(\$ 10.0)	(\$ 10.0)
S1227, sec 9, Admin Dept/Idaho Education Network					(\$ 3.0)	(\$ 3.0)
Estimate June 30, 2010	\$ 33.1	\$ 4.1	\$ 0.4	\$ 0.2	\$ 9.4	\$ 47.2