

## What is the fiscal surplus for FY19 for Idaho's General Fund?<sup>1</sup>

Updated as of October 10, 2017

General Fund estimated ending balance for FY18, June 30, 2018 <sup>2</sup> updated Oct. 2017	<b>\$211,500,000</b>
Transfers required by statute for deficiency warrants, budget stabilization, and other budget language <sup>3</sup>	<b>\$(57,300,000)</b>
Supplementals requests as forecasted by state agencies; in this model, funded at 100% requested	<b>\$(29,300,000)</b>
General Fund estimated, updated, FY18 ending balance, which is FY19 beginning balance (\$100k different from LSO due to rounding)	<b>\$124,900,000</b>
Revised FY19 revenue estimate from Legislative Services Office, based on 20-year historical average	<b>\$3,775,000,000</b>
Available revenue for FY19, which includes the FY19 beginning balance	<b>\$3,899,900,000</b>
Transfer funds to State Controller's Office for year 0 and 1, plus other transfers <sup>4</sup>	<b>\$(28,900,000)</b>
FY19 base and maintenance spending; note: maintenance is a 4% increase over FY19 base <sup>5</sup>	<b>\$(3,571,100,000)</b>
Ending balance at end of FY19 after base and maintenance spending is covered <sup>6</sup>	<b>\$299,900,000</b>
Ending balance target for FY19 after tax cuts and discretionary spending, about 1% of the budget	<b>\$35,000,000</b>
<b>FY19 available surplus for discretionary spending and tax relief</b>	<b>\$264,900,000</b>

### Tax relief costs in comparison to available surplus - based on data from 2017 legislative session fiscal notes

1. Ending the grocery tax credit and repealing the sales tax on groceries, including maintaining revenue sharing	<b>(\$79,000,000)</b>
2. Reducing the top rate of the individual income tax by .1%; e.g. from 7.4% to 7.3%	<b>\$(25,000,000)</b>
3. Reducing the corporate income tax by .1%, e.g. from 7.4% to 7.3%	<b>\$(2,900,000)</b>

### Notes and assumptions

- All data is derived from the Legislative Services Office (LSO) and includes agency budget requests for FY19, as provided at the JFAC Fall Interim Meeting.
- The updated figure is before any statutory transfer in FY18 or supplemental spending that will occur during the 2018 legislative session. The General Fund estimated ending balance for FY18, June 30, 2018 was \$63.8M on March 29, 2017 vs. \$211.5M at the end of Sept. 2017. This \$147.7M difference is noteworthy as it has emerged in just six months. Revenue forecast accuracy needs to be reviewed. Revenue forecast accuracy is not the responsibility of LSO, but of the Division of Financial Management.
- Includes \$22.3M for budget stabilization, \$7.1M for Surplus Eliminator, and \$27.7M for Strategic Initiatives
- The State Controller's Office has requested a provisional cash transfer of \$102M in FY19, to cover a five-year project to upgrade Idaho's business information systems. There is no requirement to fund all five years upfront and this is not imperative:
  - If this project is approved a contract would be signed. IFF takes no position at this time on the cost/benefit of this project.
  - Idaho has a very high credit rating, which would add to vendor confidence.
  - Idaho has a Budget Stabilization Fund to protect general funding as required in a downturn.
  - Funding this project for the first two years should be more than sufficient to demonstrate a commitment.
  - The cost for a two-year funding window is \$27.5M vs. \$102M for all five years up front.
- The four-percent spending increase over FY19 base just for maintenance spending should be of concern. It should not take a four-percent increase to maintain the current functions of government. For many states this is the total GF increase.
- The \$300M ending balance can be compared to the \$61M ending balance in the Oct. 10, 2017 LSO projection, which was predicated on a spending increase of 11.3 percent for FY19 over FY18.

