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Idaho: Tax Reform Trumped Healthcare for the FY19 Budget

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Abstract

Like Idaho's population and economy in general, state budget appropriations have increased moderately each year. The 2018 legislative session focused upon tax changes and continued infrastructure investment. Ongoing challenges in the state include disparity between the regions in terms of economic and population growth and the disconnect between citizen preferences and legislative action in Medicaid gap funding.

Introduction

Continuing population growth in Idaho exacerbates tensions between rural and urban areas. The FY19 budget illustrates the demands of growth and the state's ongoing commitment to updating technology, infrastructure, and investment in education. Generally, appropriations exceeded the governor's recommendations for education, public safety, natural resources and general government. As in the past, the budget balanced, basic services continued and small progressive gains were made.

Tax reform led to substantial cuts to individual and corporate taxes as well as sales and unemployment taxes. The 2018 Legislative Session left politically sensitive fiscal concerns unaddressed due to the pending primary and general elections for governor and various legislative seats. While the Legislature did not address the Medicaid gap, a citizen-driven effort did so. "Proposition 2 Medicaid Expansion" was approved during the general election. The legislature must still appropriate funds in the 2019 session. The ultimate effect on the budget is indeterminate. However, the 10 year estimate being used by the Idaho Department of Health Welfare (IDHW) estimates costs up to \$105.1 million after offsets.

Idaho's Demographic and Economic Profile

As compared to national demographics, Idahoans tend to be white, earn less per capita, and are less likely to finish a bachelor degree, though they graduate from high school at roughly the same rate. Men (50.1%) edge out women (49.9%) in the Idaho population, but nationally, the reverse is true. One of the defining characteristics of the last several budget cycles is the state's investment in education (K-postsecondary) and infrastructure to bolster economic growth.

Table 1: Selected Idaho Demographics

		US	Idaho
Per Capita Income (\$) selected years	2007	\$39,821	\$32,580
	2010	40,277	31,726
	2015	49,571	39107
Education, 25yr+	High School	27.8%	27.5%
	Bachelors	18.5	17.7
Education, male, 25yr+	High School	28.4	27.4
	Bachelors	18.4	17.6
Education, female, 25yr+	High School	27.2	27.6
	Bachelors	18.7	17.8
Gender	Male	49.2%	50.1%
	Female	50.8	49.9
Ethnicity or Race	White	62.3%	91.7%
	Black	12.3	0.6
	Amer. Indian	1.7	1.3
	Hispanic	17.1	11.8

Sources: Per capita income is calculated for each county and county data aggregated by region (U.S. Bureau of Economic Analysis 2017) Data for gender, education and age is from the U.S. Census Bureau (2017).

Idaho is comprised of six regions, defined in practical terms according to geography, population migration, industry, and social identity. Although one of the least populous states in the U.S, Idaho continues to grow at a high rate. This has ramifications for funding demands and likely revenue growth (and spending demands). According to McGinnis-Brown (2017) “six of our most populated counties, Ada, Canyon, Kootenai, Bonneville, Bannock and Twin Falls [received] more than three-quarters of the new residents.”

This population growth exacerbates the rural/urban divide as geography and a changing economy concentrate growth in a

few locales while rural residents either move or commute to jobs. Unsurprisingly, tensions between rural and more urbanized areas are demonstrated in budget choices. This was evident during the 2018 legislative session and the general election.

Various federal definitions are used to distinguish urban from rural areas including the Office of Management and Budget’s ‘metro counties,’ The Economic Research Service’s ‘rural-urban commuting areas’ (RUCA), and the United State Department of Agriculture’s ‘business and industry ineligible locations.’ The Idaho Department of Labor uses population density and

classifies 37 of the 44 counties as rural (Idaho Department of Labor, 2017). However, these counties differ in terms of primary economic opportunities (agriculture, mining, logging versus tourism), and educational opportunities (declining school enrollment due to out-migration vs home to a land grant university). The urban counties are tiered. Ada and Canyon counties are populated at several times the density of Bannock, Bonneville, Kootenai, Nez Perce and Twin Falls (IDL, 2017). From a budgeting standpoint, the disparity in density reflects differences in revenue generation, service needs, and policy expectations. Pending legislative retirements draw from both urban and rural counties.

Analysts project an influx of out-of-state retirees in the next decade with location skewed to north and southwest Idaho, especially the urban counties of Kootenai, Ada and Canyon. The per capita income throughout Idaho is less than the national average of \$49,571, and, in many places significantly so, especially in rural counties (U.S. Census, 2017). Although the state employment rate continues to make gains (seasonally adjusted unemployment rests at a historic low of 2.7% in October 2018, 22 rural counties had an unemployment rate higher than the state as a whole (Idaho Department of Labor, 2018; Division of Management, October 2018).

State Funding and the Budget Process

In comparison to other states in the U.S., Idaho's budget is very small. For example, in comparison to the most populous state in the western U.S., California, Idaho's 2018 appropriated general fund budget (\$3,451 million) represents a mere 3% of the \$125 billion California budget (California 2017-18 State Budget). Despite, or perhaps because of, Idaho's budget size and balanced budget requirement, agency requests, executive recommendations, and legislative appropriations are scrutinized carefully.

Table 2. Idaho General Fund Major Components and Total Revenue (\$ in millions)

Fiscal Year	Total		Individual Income		Corporate Income		Sales	
	\$	%	\$	%	\$	%	\$	%
2007 Actual	2,813	15.7	1,400	15.1	190	(2.0)	1,078	22.3
2008 Actual	2,908	3.4	1,430	2.1	189	(0.5)	1,141	5.9
2009 Actual	2,466	(15.2)	1,168	(18.3)	141	(25.5)	1,022	(10.4)
2010 Actual	2,265	(8.2)	1,062	(9.1)	097	(31.2)	956	(6.5)
2011 Actual	2,444	7.9	1,153	8.5	169	74.1	972	1.7
2012 Actual	2,588	5.9	1,206	4.7	187	10.7	1,027	5.7
2013 Actual	2,751	6.3	1,284	6.5	198	6.2	1,110	8.0
2014 Actual	2,815	2.4	1,329	3.5	188	(5.2)	1,146	3.2
2015 Actual	3,057	8.6	1,471	10.7	215	14.4	1,219	6.4
2016 Actual	3,184	4.2	1,513	2.9	187	(13.2)	1,303	6.9
2017 Actual	3,448	8.3	1,651	9.1	214	14.5	1,382	6.1
2018 forecast	3,631	5.3	1,760	6.6	216	0.8	1,472	6.4
2019 forecast	3,823	5.3	1,853	5.3	235	8.9	1,546	5.1

Source: Division of Financial Management (2017a, 27; 2017e, 2; 2018, p. 27).

Note: The percentages are the differences from the previous fiscal year (decreases in parentheses). The total general fund also includes miscellaneous taxes and user fees and is usually lumped into 'other taxes' for reporting.

Idaho General Fund revenue is derived predominantly from three taxation streams and has been stable over time. Individual income tax (47.7%) contributes the largest proportion to public revenue, followed closely by sales tax (41.0%), corporate income (6.2%) and miscellaneous taxes and fees (5.1%) (ILBB, 2018, p. 10). In addition to the general fund derived annually from a combination of taxes, Idaho relies upon federal funds and a variety of fee-based revenue streams leading to an all fund appropriated aggregate of \$7.9 million. Receipts that exceed budget projections are moved to the budget stability fund for the state, established in

1984 with a balance of slightly over \$4.2 million. The various reserves have been used to address shortfalls during recessions, most recently in 2002 and 2009-2011 (ILBB, 2018, p. 30). Idaho now holds \$318.7 million in reserves, approximately 9% of the FY18 budget appropriation (ILBB, 2018, pp. 22, 30).

As Table 2 shows, the general fund continues a steady increase and was conservatively forecasted to continue at 5.3% through 2019. However, despite positive forecasts to the contrary, the Division of Financial Management (State of Idaho, October 2018) reported that general fund revenue collections, comprised of mainly of individual, corporate and sales tax receipts, were down 1.3% to date. The year began well with February 2018 sales receipts exceeding the same month in 2017 by 15.5% and overall general fund receipts at 12% above the same time in 2017.

The fiscal year runs from July 1 to June 30 so the FY19 original appropriation is developed in the 2018 session, which is projected to conclude five days after the last bill is forwarded to the governor's office. In the past, the legislature would send the last bill forward and close the session. However, the 2017 post-*sine die* transmittal, and subsequent veto, of a bill to eliminate the sales tax on food prompted the House and Senate to stay 'open for business' after the last bill in case they need to respond to a veto.

The budget process begins, of course, with agency requests followed by executive recommendations and then the initial legislative appropriation. Generally, there are not extremes in terms of either increases or decreases in agency requests or executive recommendations. More fluctuation occurs during the legislative session, especially in response to political pressures for tax reform and compliance with federal policy.

Table 3. Agency Request for FY17-FY19 by Functional Area

(\$ in millions)	General Fund			All Funds		
	FY19 REQ \$	% Change		FY19 REQ \$	% Change	
		FY17 to FY18	FY18 to FY19		FY17 to FY18	FY18 to FY19
Statewide	\$3,758.4	6.1%	7.2%	\$8,416.1	4.7%	6.3%
General Government	126.0	5.6	5.4	379.7	9.3	6.2
Education	2,333.2	6.1	5.9	3,034.2	5.6	4.5
Health & Human Services	824.9	7.5	8.4	3,176.0	4.8	8.5
Law & Justice	379.8	1.3	12.2	489.4	<0.1>	10.4
Natural Resources	52.2	18.5	9.9	309.4	0.5	4.7
Economic Development	42.3	10.6	12.4	1,027.3	4.0	3.8

Source: Legislative Services Office. (2018a, 22-23). *FY19 Idaho Legislative Budget Book*. Boise, ID: Idaho State Legislature.

For FY19, agency requests reflected a number of one-time expenses to address infrastructure investment in technology and funding to address service demands. As Table 3 illustrates, agency requests for FY19 as a percentage increase varied from a high of 12.4% from FY18 requests for Economic Development to a 5.4% increase from the FY18 request for General Government.

The governor’s recommendations for FY19 reflected a conservative expectation of a 4.6% increase in individual income tax, a 6.5% increase in corporate tax revenues and a 4.4% increase in sales tax collections (ILBB, 2018, p. 9). Additionally, the executive branch projected a 9.4% increase in product taxes – often called sin taxes – for cigarettes, tobacco, beer, wine, and liquor (p.9). This projection did not include the recently approved HB578, requirement for online sellers to collect Idaho’s 6% sales tax, resulting in an estimated \$22 million, signed by Governor

Table 4. Governor’s Recommendation for FY17-FY19 by Functional Area

(\$ in millions)	General Fund			All Funds		
	FY19 REC \$	% Change		FY19 REC \$	% Change	
		FY17 to FY18	FY18 to FY19		FY17 to FY18	FY18 to FY19
Statewide	\$3,678.9	5.1%	6.2%	\$8,389.6	4.0%	6.1%
General Government	122.6	4.5	4.1	420.9	16.3	10.7
Education	2,294.4	5.4	5.4	2,999.4	4.7	4.0
Health & Human Services	807.7	5.8	8.0	3,165.1	3.5	8.6
Law & Justice	365.2	0.7	7.6	474.8	<0.6>	6.7
Natural Resources	50.1	11.1	6.3	308.7	<1.3>	4.7
Economic Development	39.0	10.1	8.8	1,020.2	3.1	2.8

Source: Legislative Services Office. (2018a, 22-23). *FY19 Idaho Legislative Budget Book*. Boise, ID: Idaho State Legislature.

Table 5. Initial Legislative Appropriation FY17-FY19 by Functional Area

(\$ in millions)	General Fund			All Funds		
	FY19 App \$	% Change		FY19 App \$	% Change	
		FY17 to FY18	FY18 to FY19		FY17 to FY18	FY18 to FY19
Statewide	\$3,652.7	5.4%	5.9	\$8,324.5	4.0%	5.3 %
General Government	120.5	5.3	2.4	430.4	25.8	8.1
Education	2,295.3	5.8	5.7	3,007.4	4.7	4.7
Health & Human Services	784.9	4.1	7.0	3,074.1	2.6	6.4
Law & Justice	362.3	4.5	6.3	485.6	1.7	7.8
Natural Resources	50.2	7.2	3.8	311.7	<0.7>	3.4
Economic Development	39.5	14.8	1.4	1,015.2	1.6	2.1%

Source: Legislative Services Office (2018b, 36-37). *2018 Idaho Legislative Fiscal Report*. Boise, ID: Idaho State Legislature.

Otter, nor did it account for the 2018 tax cuts passed by the legislature. Despite the health of the projected receipts, none of the governor's recommendations exceeded a percentage increase of 9% from FY18 to FY19. None of the agency requests were recommended in full.

Given forecasts for a healthy economy and increasing tax revenues (despite the tax reforms approved by the legislature), the Idaho legislature continued to increase appropriations modestly with strategic investment in education and infrastructure. Generally, the legislature exceeded the governor's recommendation for education, public safety, natural resources and general government, but appropriated less than recommended for economic development and health and human services.

Education

Public school support requests increased modestly by 5.9% between FY18 and FY19 and the State Board of Education's comparative larger percentage increase reflected the anticipated continuation of the state-led reading initiative. Vocational Rehabilitation requested a smaller amount in general funds by 2.5%, but anticipated a modest increase by 3.1% after adding in funding from other sources.

In Governor Otter's State of the State address, he wrapped his final term with continued calls for investment in education and asked for innovation in restructuring higher education administration (Brown & Sewell, 2018a, p. 1A, 4A). In addition to recommending a 3% increase in employee compensation, Otter continued with the recommendations of his Task Force for Improving Education. For example, Otter recommended \$500K for a consultant to look at centralizing the business and back office functions at the State Board of Education for the state universities. The line-item requests by education agencies were generally not recommended.

Table 6. Agency Request for Education FY17-FY19

(\$ in millions)	General Fund			All Funds		
	FY19 REQ \$	% Change		FY19 REQ \$	% Change	
		FY17 to FY18	FY18 to FY19		FY17 to FY18	FY18 to FY19
EDUCATION	\$2,333.2	6.1%	5.9%	\$3,034.2	5.6%	4.5%
Public School Support	1,799.1	6.5	6.4	2,154.5	5.9	5.4
Ag. Research & Extension Service	34.1	6.3	6.3	34.1	6.3	6.3
Universities and College	306.7	1.1	0.8	584.0	2.6	0.7
Community Colleges	50.1	8.8	16.4	50.9	8.7	16.7
State Board of Education	5.7	59.0	26.0	9.1	26.7	14.8
Health Education Programs	21.9	3.8	53.3	22.2.	3.7	54.2
Career Technical Education	67.2	7.0	0.6	76.8	5.5	0.7
Idaho Public Television	3.5	<0.4>	5.8	9.4	5.4	<2.7>
Special Programs	21.3	33.6	3.3	25.4	44.2	2.7
Superintendent - Public Instruction	15.0	14.8	0.8	39.7	13.1	<4.6>
Vocational Rehabilitation	8.6	5.9	<2.5>	28.1	5.2	3.1

Source: Legislative Services Office. (2018a, 22-23). *FY19 Idaho Legislative Budget Book*. Boise, ID: Idaho State Legislature.

Governor Otter also recommended a 10.3% reduction in Idaho Public Television funding from FY18 to FY19. The percentage reduction from FY18 to FY19 reflects the loss of one-time funding for a reading initiative, but it is likely that the legislature will restore this. Otter continues to call for increases in Health Education programming. These increases include funding to augment the number of medical residencies in partnership with medical schools at the University of Washington and the University of Utah and additional investment in community colleges.

Table 7. Governor’s Recommendation for Education FY17-FY19

(\$ in millions)	General Fund			All Funds		
	FY19 REC \$	% Change		FY19 REC \$	% Change	
		FY17 to FY18	FY18 to FY19		FY17 to FY18	FY18 to FY19
EDUCATION	\$2,294.4	5.4%	5.4%	\$2,999.9	4.7%	4.0%
Public School Support	1,186.9	5.9	6.0	2,142.3	5.4	5.1
Ag. Research & Extension Service	31.3	2.4	0.1	31.3	2.4	0.1
Universities and College	293.6	1.4	2.8	547.6	1.2	2.0
Community Colleges	45.4	5.5	15.7	46.2	5.4	16.0
State Board of Education	6.8	233.2	<29.3>	10.2	59.2	<43.2>
Health Education Programs	17.8	15.4	14.2	18.1	15.0	14.0
Career Technical Education	65.7	3.4	2.4	75.3	2.4	2.3
Idaho Public Television	3.0	10.0	<10.3>	9.4	3.6	<1.9>
Special Programs	20.5	<8.2>	9.7	24.6	3.3	8.0
Superintendent - Public Instruction	14.7	15.4	<2.0>	39.5	13.1	<5.4>
Vocational Rehabilitation	8.6	0.7	2.5	28.3	0.9	0.8

Source: Legislative Services Office. (2018a, 22-23). *FY19 Idaho Legislative Budget Book*.
Boise, ID: Idaho State Legislature.

The legislature continued to support gubernatorial efforts for education. In fact, expanded funding for career technical education and additional investment in the community college infrastructure were featured outcomes.

Health and Human Services

Requested funding for the State Independent Living Council nearly doubled between FY16 and FY18 and seemed to have leveled off with a requested increase of approximately 3.5% in between FY18 and FY19. However, as this agency is funded at slightly over \$200,000, even

small dollar amounts have a large effect. In general, overall for Health and Human Services, agencies requested modest increases between FY18 and FY19 for an overall addition of 8.54%.

Table 8. Initial Legislative Appropriation for Education FY17-FY19

(\$ in millions)	General Fund			All Funds		
	FY19 App \$	% Change		FY19 App \$	% Change	
		FY17 to FY18	FY18 to FY19		FY17 to FY18	FY18 to FY19
EDUCATION	\$2,295.3	5.8 %	5.7%	\$3,007.4	4.7%	4.7%
Public School Support	1,785.2	6.3	5.9	2,140.6	6.0	4.9
Ag. Research & Extension Service	31.3	2.4	0.1	31.3	2.4	0.1
Universities and College	295.8	2.7	3.0	576.8	1.5	2.1
Community Colleges	46.1	6.7	17.1	46.9	6.6	17.3
State Board of Education	6.4	60.6	14.1	16.0	<28.7>	76.6
Health Education Programs	18.7	15.4	20.0	19.0	15.0	19.7
Career Technical Education	66.4	5.3	1.6	76.0	4.0	1.6
Idaho Public Television	2.6	10.1	<22.3>	9.5	3.6	<1.9>
Special Programs	19.2	0.9	23.6	23.4	8.4	18.7
Superintendent - Public Instruction	14.9	0	5.1	39.7	<5.1>	2.2
Vocational Rehabilitation	8.6	3.0	0.7	28.3	1.4	0.5

Source: Legislative Services Office. (2018a, 22-23). *FY19 Idaho Legislative Budget Book*. Boise, ID: Idaho State Legislature.

The largest proportional increase came from the Division of Medicaid in hopes of address the health insurance gap for the working poor.

Governor Otter recommended an 8% overall increase from FY18 funding for Health and Human Services, reflected in small increases for all agencies except the Catastrophic Health Care Program (those funds have been redistributed directly to local governments). The largest proportional increase was recommended for the Division of Medicaid.

Table 9. Agency Request for Health and Human Services FY17-FY19

(\$ in millions)	General Fund			All Funds		
	FY19 REQ \$	% Change		FY19 REQ \$	% Change	
		FY17 to FY18	FY18 to FY19		FY17 to FY18	FY18 to FY19
HEALTH & HUMAN SERVICES	\$824.9	7.5%	8.4%	\$3,176.0	4.8%	8.5%
Catastrophic Health Care Program	10.0	<18.2>	<44.4>	10.0	<18.2>	<44.4>
Dept. of Health and Welfare	190.6	21.6	<2.6>	606.7	8.4	2.7
Division of Medicaid	614.9	4.6	14.3	2,548.6	4.2	10.4
Public Health Districts	9.3	<8.4>	<0.2>	10.0	<8.4>	7.8
State Independent Living Council	0.2	56.3	3.5	0.7	12.4	<6.3>

Source: Legislative Services Office. (2018a, 22-23). *FY19 Idaho Legislative Budget Book*. Boise, ID: Idaho State Legislature.

Otter worked closely with Lt. Governor Brad Little (who will succeed as governor beginning in 2019) on health insurance. Otter’s initial call for health insurance plans that did not meet ACA standards made headlines and was challenged by federal administrators for Health and Human Services (Boone & Dutton, 2018, p. 1A). During the session, despite a concerted effort by the governor’s office, high profile health entities and a coalition of Democrats and Republican senators and representatives, the legislature ultimately did not address health insurance -- including a response to the Medicaid gap. This issue is of longstanding concern to Idahoans according to the Idaho Public Policy Survey, where 77% of respondents called for “an Idaho solution to health care problems” (Vaughn & Lyons, 2017, p. 10). In general, as Table 11 illustrates, the legislative appropriation for HHS was several million dollars less than the governor’s recommendation (22.8 million less in general fund with 90.9 million less in all funds).

Table 10. Governor’s Recommendation for Health and Human Services FY17-FY19

(\$ in millions)	General Fund			All Funds		
	FY19 REC \$	% Change		FY19 REC \$	% Change	
		FY17 to FY18	FY18 to FY19		FY17 to FY18	FY18 to FY19
HEALTH & HUMAN SERVICES	\$807.7	5.8%	8.0%	\$3,165.1	3.5%	8.6%
Catastrophic Health Care Program	10.0	<18.2>	<44.4>	10.0	<18.2>	<44.4>
Dept. of Health and Welfare	187.1	13.3	2.6	6.3.7	1.8	4.3
Division of Medicaid	601	4.5	11.7	2,540.6	4.1	10.1
Public Health Districts	9.4	0.6	0.5	10.1	0.6	8.5
State Independent Living Council	0.2	73.0	4.2	0.7	14.2	<5.8>

Source: Legislative Services Office. (2018a, 22-23). *FY19 Idaho Legislative Budget Book*. Boise, ID: Idaho State Legislature.

Table 11. Initial Legislative Appropriation for Health and Human Services FY17-FY19

(\$ in millions)	General Fund			All Funds		
	FY19 App \$	% Change		FY19 App \$	% Change	
		FY17 to FY18	FY18 to FY19		FY17 to FY18	FY18 to FY19
HEALTH & HUMAN SERVICES	\$784.9	4.1%	7.0%	\$3,074.1	2.6%	6.4%
Catastrophic Health Care Program	1.0	0.0	<44.4>	1.0	0.0	<44.4>
Dept. of Health and Welfare	180.0	10.6	3.3	603.8	4.1	4.9
Division of Medicaid	585.2	2.4	10.0	2,449.5	2.3	7.2
Public Health Districts	9.4	0.6	0.9	10.2	0.5	0.8
State Independent Living Council	0.2	73.0	4.2	0.7	14.2	<5.8>

Source: Legislative Services Office (2018b, 36-37). *2018 Idaho Legislative Fiscal Report*. Boise, ID: Idaho State Legislature.

Citizens frustrated with legislative inaction on healthcare gathered sufficient signatures to put Proposition 2 (Medicaid Expansion) on the November 2018 general election ballot. The proposition passed with 60.6% of voters saying YES! (Idaho Secretary of State, 2018). Prop 2 Medicaid expansion is targeted at adults in households earning less than 138% of the federal poverty limit. Unfortunately, the ultimate effect on the budget is unclear. The Idaho Department of Health Welfare (IDHW) commissioned a forecast from Milliman Inc. and the projection was \$45 million costs in year one with offsets of \$40 million. Milliman indicates the 10 year estimate could be as high as \$105.1 million (IDHW, 2018 July, p. 1).

Law and Justice

In aggregate, agencies requested a 12.2% funding increase from FY18 to FY19 and most of this came from the Idaho State Police and the Judicial Branch.

Table 12. Agency Request for Law and Justice FY17-FY19

(\$ in millions)	General Fund			All Funds		
	FY19 REQ \$	% Change		FY19 REQ \$	% Change	
		FY17 to FY18	FY18 to FY19		FY17 to FY18	FY18 to FY19
LAW & JUSTICE	\$379.8	1.3%	12.2%	\$489.4	<0.1%>	10.4%
Dept. of Corrections	251.4	<2.6>	15.7	275.9	<2.5>	14.3
Judicial Branch	50.2	19.7	2.2	73.3	7.9	1.7
Dept. of Juvenile Corrections	41.7	0.1	<0.2>	52.1	<0.2>	<0.2>
Idaho State Police	36.4	6.7	20.7	88.2	1.1	13.1

Source: Legislative Services Office. (2018a, 22-23). *FY19 Idaho Legislative Budget Book*. Boise, ID: Idaho State Legislature.

However, Otter (Table 13) recommended only a 7.6% increase reducing the Department of Corrections from a requested \$251.4 million to \$239.7 million and dropping \$3.6 million from

the Idaho State Police request.

Table 13. Governor’s Recommendation for Law and Justice FY17-FY19

(\$ in millions)	General Fund			All Funds		
	FY19 REC \$	% Change		FY19 REC \$	% Change	
		FY17 to FY18	FY18 to FY19		FY17 to FY18	FY18 to FY19
LAW & JUSTICE	\$365.2	0.7%	7.6%	\$474.8	<0.6%>	6.7%
Dept. of Corrections	239.7	<3.1>	9.8	264.4	<3.1>	9.0
Judicial Branch	50.9	18.9	2.3	74.1	7.4	1.8
Dept. of Juvenile Corrections	41.8	<0.3>	0.1	52.1	<0.5>	0.2
Idaho State Police	32.8	5.4	11.1	84.1	0.2	8.5

Source: Legislative Services Office. (2018a, 22-23). *FY19 Idaho Legislative Budget Book*.
Boise, ID: Idaho State Legislature.

Legislative appropriations for Law and Justice were close again to that requested and recommended. The reduction for the Judicial Branch deals with an adjustment made in FY18 to support infrastructure, but does not reflect any decline in support from the Idaho legislature.

Table 14. Initial Legislative Appropriation for Law and Justice FY17-FY19

(\$ in millions)	General Fund			All Funds		
	FY19 App \$	% Change		FY19 App \$	% Change	
		FY17 to FY18	FY18 to FY19		FY17 to FY18	FY18 to FY19
LAW & JUSTICE	\$362.3	4.5 %	6.3 %	\$485.6	1.7%	7.8%
Dept. of Corrections	240.7	2.4	9.2	275.7	0.8	11.5
Judicial Branch	47.1	16.5	<4.7>	73.7	7.2	1.9
Dept. of Juvenile Corrections	41.8	1.8	0.1	52.1	0.6	<1.3>
Idaho State Police	32.8	6.6	12.4	84.1	0.4	7.4

Source: Legislative Services Office (2018b, 36-37). *2018 Idaho Legislative Fiscal Report*.
Boise, ID: Idaho State Legislature.

Natural Resources

The bulk of funding for natural resource agencies in Idaho comes from federal and fee-generated funding. The aggregate natural resource request for FY19 is \$52.1 from the general fund with an additional \$257.3 million anticipated from other funding sources. The Department of Fish and Game receives no general fund support.

Table 15. Agency Request for Natural Resources FY17-FY19

(\$ in millions)	General Fund			All Funds		
	FY19 REQ \$	% Change		FY19 REQ \$	% Change	
		FY17 to FY18	FY18 to FY19		FY17 to FY18	FY18 to FY19
NATURAL RESOURCES	\$52.1	18.5%	9.9%	\$309.4	0.5%	4.7%
Dept. of Environmental Quality	20.1	8.3	5.0	65.9	0.7	<1.8>
Dept. of Fish and Game	*	*	*	109.9	<2.7>	7.4
Land, Board of Commissioners	6.1	8.2	7.7	59.7	<8.5>	9.3
Dept. of Parks and Recreation	6.3	1.7	87.4	47.6	8.1	5.6
Dept. of Water Resources	19.7	39.4	2.0	26.4	26.4	<0.6>

Source: Legislative Services Office. (2018a, 22-23). *FY19 Idaho Legislative Budget Book*. Boise, ID: Idaho State Legislature.

Although the Department of Parks and Recreation did not receive the entirety of its \$6.2 million request, the governor did recommend a 25.6% increase from FY18. Otter's recommendations also exceeded the request for general fund support from the Department of Environmental Quality (5% requested and 5.2% recommended) and the Department of Water Resources (2% requested and 4.2% recommended).

Most legislative action in the area of Natural Resources dealt with fine-tuning existing statutes rather than decisions with a direct substantial effect upon appropriations. The legislature

did support an increase in the Department of Parks and Recreation budget, a 25.7% increase from FY18, to develop an additional camping area in southern Idaho.

Table 16. Governor’s Recommendation for Natural Resources FY17-FY19

(\$ in millions)	General Fund			All Funds		
	FY19 REC \$	% Change		FY19 REC \$	% Change	
		FY17 to FY18	FY18 to FY19		FY17 to FY18	FY18 to FY19
NATURAL RESOURCES	\$50.1	11.1%	6.3%	\$308.7	<1.3%>	4.7%
Dept. of Environmental Quality	20.4	7.1	5.2	66.4	0.1	<1.5>
Dept. of Fish and Game	*	*	*	110.5	<3.4>	7.5
Land, Board of Commissioners	6.0	4.4	5.2	60.1	<8.5>	9.1
Dept. of Parks and Recreation	4.2	0.6	25.6	45.5	3.5	4.7
Dept. of Water Resources	19.5	20.3	4.2	26.3	14.1	1.0

Source: Legislative Services Office. (2018a, 22-23). *FY19 Idaho Legislative Budget Book*. Boise, ID: Idaho State Legislature.

Table 17. Initial Legislative Appropriation for Natural Resources FY17-FY19

(\$ in millions)	General Fund			All Funds		
	FY19 App \$	% Change		FY19 App \$	% Change	
		FY17 to FY18	FY18 to FY19		FY17 to FY18	FY18 to FY19
NATURAL RESOURCES	\$50.2	7.2%	3.8%	\$311.7	<0.7>%	3.4 %
Dept. of Environmental Quality	20.5	9.6	4.3	67.0	0.8	<1.4>
Dept. of Fish and Game	*	*	*	112.7	1.9	4.3
Land, Board of Commissioners	6.0	13.6	<0.8>	60.1	<7.8>	8.3
Dept. of Parks and Recreation	4.2	0.6	25.7	45.5	3.7	4.6
Dept. of Water Resources	19.5	4.2	1.0	26.5	<5.9>	<0.6>

Source: Legislative Services Office (2018b, 36-37). *2018 Idaho Legislative Fiscal Report*. Boise, ID: Idaho State Legislature.

Economic Development

As in the case of natural resource policy funding, the bulk of support does not come from the general fund. No general funds are distributed to the Department of Finance, the Industrial Commission, the Department of Insurance, the Public Utilities Commission, or the Department of Transportation. However, as Table 20 demonstrates, the legislature deviated slightly from that practice.

Table 18. Agency Request for Economic Development FY17-FY19

(\$ in millions)	General Fund			All Funds		
	FY19 REQ \$	% Change		FY19 REQ \$	% Change	
		FY17 to FY18	FY18 to FY19		FY17 to FY18	FY18 to FY19
ECONOMIC DEVELOPMENT	\$42.3	10.6%	12.4%	\$1,027.3	4.0%	3.8%
Dept. of Agriculture	15.5	6.0	30.6	48.8	7.6	6.4
Dept. of Commerce	5.8	<8.8>	<14.7>	42.2	7.6	3.6
Dept. of Finance	*	*	*	8.5	4.1	2.2
Industrial Commission	*	*	*	17.0	2.3	1.0
Dept. of Insurance	*	*	*	10.1	2.3	4.9
Dept. of Labor	0.3	1.8	<0.4>	97.4	<0.1>	<7.1>
Public Utilities Commission	*	*	*	6.6	4.3	<0.2>
Self-Governing Agencies	20.6	23.8	10.8	94.2	5.3	1.1
Dept. of Transportation	*	*	*	702.5	4.0	5.8

Source: Legislative Services Office. (2018a, 22-23). *FY19 Idaho Legislative Budget Book*. Boise, ID: Idaho State Legislature.

The Department of Agriculture requested 30.6% more than in FY18, while the Department of Commerce requested 14.7% less. On the other hand, the governor recommended 1.2% more for the Department of Commerce than in FY18 and a 26.2% increase from FY18 recommendations for Agriculture. Otter recommended a healthy bump (19.6%) from FY17 to

FY18 for self-governing agencies, followed by a more modest increase of 0.4% for FY19. Some of the likely reduction in funding for the Department of Labor is due to expected cuts in unemployment insurance rates, but this is likely offset in the recommendation by the governor's interest in supporting workforce preparedness.

Table 19. Governor's Recommendation for Economic Development FY17-FY19

(\$ in millions)	General Fund			All Funds		
	FY19 REC \$	% Change		FY19 REC \$	% Change	
		FY17 to FY18	FY18 to FY19		FY17 to FY18	FY18 to FY19
ECONOMIC DEVELOPMENT	\$39.0	10.1%	8.8%	\$1,020.2	3.1%	2.8%
Dept. of Agriculture	14.5	2.9	26.2	48.1	5.0	7.2
Dept. of Commerce	5.8	0.3	1.2	42.3	9.8	6.4
Dept. of Finance	*	*	*	8.6	3.2	2.6
Industrial Commission	*	*	*	17.2	1.4	1.4
Dept. of Insurance	*	*	*	10.2	1.1	5.7
Dept. of Labor	0.3	<12.4>	0.3	88.3	<6.7>	<9.7>
Public Utilities Commission	*	*	*	6.7	3.9	1.7
Self-Governing Agencies	18.3	19.6	0.4	92.5	15.6	<9.8>
Dept. of Transportation	*	*	*	706.3	2.5	6.1

Source: Legislative Services Office. (2018a, 22-23). *FY19 Idaho Legislative Budget Book*. Boise, ID: Idaho State Legislature.

The legislature followed the recommendations closely. Although much of the economic development funding does not derive from the general fund, the legislature did add a much needed line-item of \$300,000 for the Industrial Commission to pick up the costs of forensic examinations for victims of sexual assault rather than billing private insurance. With the exception of the line-item, the very modest increases in general fund appropriation for most departments in the economic development area ranged from a low of -<0.9>% to a high of 1.9%.

Table 20. Initial Legislative Appropriation for Economic Development FY17-FY19

(\$ in millions)	General Fund			All Funds		
	FY19 App \$	% Change		FY19 App \$	% Change	
		FY17 to FY18	FY18 to FY19		FY17 to FY18	FY18 to FY19
ECONOMIC DEVELOPMENT	\$39.5	14.8%	1.4%	\$1,015.2	1.6%	2.1 %
Dept. of Agriculture	14.5	30.9	<0.9>	48.1	10.3	0.2
Dept. of Commerce	5.8	1.2	0.4	42.3	7.2	9.0
Dept. of Finance	*	*	*	8.6	2.3	3.5
Industrial Commission	0.3	*	100.0	17.5	0.9	3.7
Dept. of Insurance	*	*	*	10.2	1.4	5.4
Dept. of Labor	0.3	<12.4>	0.3	88.3	<6.7>	<9.7>
Public Utilities Commission	*	*	*	6.7	3.9	1.7
Self-Governing Agencies	18.6	9.2	1.9	92.6	5.7	<9.6>
Dept. of Transportation	*	*	*	700.8	1.4	5.4

Source: Legislative Services Office (2018b, 36-37). *2018 Idaho Legislative Fiscal Report*. Boise, ID: Idaho State Legislature.

General Government

The agencies comprised in the category of General Government requested slightly more than \$126 million in funding (anticipating an additional \$253.7 million when all funds are included). These agencies include the Attorney General, Controller, Secretary of State and Treasurer as well as general administration and the Department of Revenue and Taxation. Though the Permanent Building Fund does not request from the General Fund revenues, the aggregate of other agencies sought a 5.4% increase from the FY18 request with the State Controller and Secretary of State seeking large increases (30.7% and 42.9% respectively) from the FY18 request. In both cases, they were seeking one-time and phased investments in technology infrastructure. The dramatic decline for the Treasurer in all funds between FY18 and FY19 reflected a one-time tech upgrade.

Table 21. Agency Request for General Government FY17-FY19

(\$ in millions)	General Fund			All Funds		
	FY19 REQ \$	% Change		FY19 REQ \$	% Change from	
		FY17 to FY18	FY18 to FY19		FY17 to FY18	FY18 to FY19
GENERAL GOVERNMENT	\$126.0	5.6%	5.4%	\$379.7	9.3%	6.2%
Dept. of Administration	8.9	<1.8>	15.7	42.2	4.9	16.0
Permanent Building Fund	**	**	**	33.7	<10.5>	26.9
Attorney General	23.9	10.0	<4.6>	25.4	9.3	<4.4>
State Controller	10.9	<1.1>	30.7	18.7	<0.4>	16.1
Governor	25.9	11.7	7.6	190.4	19.4	9.6
Legislative Branch	12.8	2.1	0.4	15.4	1.9	0.3
Lieutenant Governor	0.2	2.7	0.5	0.2	2.7	0.5
Dept. of revenue and Taxation	36.5	2.0	0.8	44.0	2.2	0.7
Secretary of State	5.6	24.3	42.9	5.6	24.3	42.9
Treasurer	1.4	1.2	0.5	4.2	<4.1>	<72.1>

Table 22. Governor's Recommendation for General Government FY17-FY19

(\$ in millions)	General Fund			All Funds		
	FY19 REC \$	% Change		FY19 REC \$	% Change from	
		FY17 to FY18	FY18 to FY19		FY17 to FY18	FY18 to FY19
GENERAL GOVERNMENT	\$122.6	4.5%	4.1%	\$420.9	16.3%	10.7%
Dept. of Administration	6.4	<2.1>	<15.6>	37.8	4.7	3.5
Permanent Building Fund	**	**	**	67.8	74.9	30.8
Attorney General	23.5	2.0	1.7	25.2	1.8	2.0
State Controller	10.9	<1.7>	30.7	18.8	<1.0>	16.2
Governor	25.1	11.6	5.9	201.8	18.3	16.3
Legislative Branch	13.0	1.6	0.8	15.6	1.4	0.8
Lieutenant Governor	0.2	1.7	1.3	0.2	1.7	1.3
Dept. of revenue and Taxation	36.8	4.4	0.9	44.4	4.2	0.8
Secretary of State	5.2	23.1	31.7	5.2	23.1	31.7
Treasurer	1.4	0.6	0.7	4.2	<2.7>	<69.2>

Sources: Legislative Services Office. (2018a, 22-23). *FY19 Idaho Legislative Budget Book*. Boise, ID: Idaho State Legislature.

Otter recommended the full \$10.7 million request from the Controller, but preferred a decrease from the request by the Secretary of State from \$5.6 million to \$5.2 million. As such, these recommendations continued his focus on infrastructure investment during his final legislative session as governor.

Table 23. Initial Legislative Appropriation for General Government FY17-FY19

(\$ in millions)	General Fund			All Funds		
	FY19 App \$	% Change		FY19 App \$	% Change	
		FY17 to FY18	FY18 to FY19		FY17 to FY18	FY18 to FY19
GENERAL GOVERNMENT	\$120.5	5.3 %	2.4%	\$430.4	25.8%	8.1%
Dept. of Administration	6.6	0.2	<14.3>	37.9	21.9	<10.9>
Permanent Building Fund	**	**	**	77.8	167.2	8.9
Attorney General	23.6	1.9	2.2	25.3	1.8	2.4
State Controller	11.0	10.9	31.2	18.8	5.5	16.5
Governor	24.2	16.0	0.9	201.1	18.0	16.1
Legislative Branch	13.0	4.8	<3.0>	15.7	4.0	<1.5>
Lieutenant Governor	0.2	1.7	2.7	0.2	1.7	2.7
Dept. of Revenue and Taxation	36.8	1.9	1.0	44.4	1.8	0.8
Secretary of State	3.8	1.4	17.1	5.0	1.4	54.3
Treasurer	1.4	0.6	1.2	4.2	4.1	<38.5>

Source: Legislative Services Office (2018b, 36-37). *2018 Idaho Legislative Fiscal Report*. Boise, ID: Idaho State Legislature.

As in the cases of Law and Justice and Natural Resources there was little change in appropriation and no substantive legislation that would affect revenue. The legislature did appropriate a substantial amount for technology infrastructure for the State Controller to address a 30 year-old accounting and payroll system.

Practicalities, Political Will and the Idaho Budget

Incivility continued to bubble up in the spring 2018 legislative session despite a healthy economy. A legislator bellowed insults at college students who traveled to the capitol to talk about birth control. Another legislator called for a closed door committee meeting over health care policy. Headlines on the national level dealing with sexual abuse, assault, and harassment echoed in the state of Idaho with mandatory sexual harassment training being required of all Idaho legislators at the beginning of session. This occurred at the request of 14 of the 32 female legislators. A legislator who resigned in November 2017 in response to sexual abuse criminal investigation charges committed suicide in early January just as the 2018 legislative session began.

Several GOP lawmakers, calling themselves the Freedom Caucus, developed alternative legislation dealing with a proposed income tax cut (which would include business, income and the grocery sales tax) and integrating into statute aspects of Governor Otter's initial proposal to allow insurance plans that do not comply with the Affordable Care Act (Russell, 2018a, p. 4A). To date, these have gained little support during sessions. In response to criticism from the 2017 session by members of the Freedom Caucus that their proposed legislation was held in committee, in the 2018 session, leadership tended to allow proposals to move forward to first hearing on the floor without many barriers. However, such bills as a proposal to ban the application of foreign law in Idaho, and a call to nullify selected federal laws gained no traction. No action was taken on legislation to address the Medicaid gap population for healthcare, despite the efforts of Representatives Perry and Rubel (Sewell, 2018a, p. 5A). These representatives, along with Governor Otter, were vindicated in the general election as Proposition 2 directs Medicaid Expansion, though legislators must still appropriate funds in the 2019 session.

Most observers anticipated that the tax cuts intended by the legislature for FY18 and vetoed by the governor in a dramatic post-*sine die* action would have had priority attention for FY19. Tax reform did occur. The legislature recommended more than \$125 million in cuts to individual and corporate taxes as well as sales and unemployment taxes (Sewell, 2018a, p.1A). However, reform did not include eliminating the tax on food. In fact, this topic was mentioned only in passing during the session and no serious discussion or action occurred.

The governor's recommendations for FY19 reflected changes in the Idaho Tax code to ensure consistency with the new federal tax guidelines for a net decrease of \$94.7 million in general fund revenue (ILBB, 2018, p. 7). Although the forecast anticipated a healthy level of economic growth to compensate, revenues have been lower than expected (IDFM, 2018b). Absent gubernatorial and legislative efforts to revise Idaho tax provisions, the state would have presided over an increase created by the federal elimination of exemptions for dependents (Sewell, 2018a, p. 1A).

As in the past, the budget balanced, basic services continued and small progressive gains were made in infrastructure and education. The spring 2018 legislative session left much unaddressed due to the pending primary and general elections for governor and various legislative seats. Thus, the legislature seemed to avoid action on campaign finance and ethics reform, though the committee charged with campaign finance review will continue into the 2019 session (Sewell, 2018a, p. 1a). Additionally, despite gaining attention in other years, election-sensitive legislation such as faith healing and civil rights protections for gender identity had no real voice in 2018 (Sewell, 2018, p. 5A). The Joint Finance and Appropriation Committee (JFAC) is increasingly cautious about approving large technology funding investments without more review as evidenced by eliminating tech upgrades for the Secretary of State (Russell, 2018b).

The pending retirements of experienced legislative leaders in the budget and appropriation process, Representative Bell and Senator Keough (co-chairs of the Joint Finance and Appropriation Committee), removes a great deal of institutional knowledge.

Brad Little (R) is the incoming governor and Republicans captured the remaining state-level offices. Most observers anticipate that the governor's office will continue to focus upon investment in education and state infrastructure. In the legislature, several longtime members retained their seats. Additionally, Democrats added five seats in the House (for a total of 16 compared to the Republicans 54). This does hold significance as the ultra-conservative Freedom Caucus members do, at times, find common ground with Democrats to challenge the mainstream GOP agenda.

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