



State of Idaho

A Report to Our Citizens

Fiscal Year
2012

What's Inside

Idaho's Progress..... 2
 Idaho's Finances..... 3
 What's Next?..... 4

Governor Otter's Vision

"My goal as your governor is to empower Idaho to be all that America was meant to be and to empower Idahoans to be the architects of their own destiny. I hope you will join me in that endeavor."

- Governor C.L "Butch" Otter



Plans for the Future

Project 60 - the Governor's plan to position Idaho for economic recovery and future prosperity by concentrating on three key parts of Idaho's economy.

1. Foster systemic growth by maintaining and enhancing Idaho's current workforce, recruiting highly-skilled workers, and transferring innovative ideas from the laboratory to the marketplace.
2. Recruit new companies to Idaho by using a network of Idaho executives to engage their peers nationwide, encouraging them to move or expand their companies to Idaho.
3. Encourage foreign investment into Idaho by establishing professional relationships with firms who assist in matching foreign investors with Idaho investment opportunities.

Government Objectives

Promote responsible government, enhance economic opportunity, and empower Idahoans by providing reasonable public and regulatory policies, essential infrastructure, educational opportunities, and government services upon which job-creating businesses rely.

- Governor C.L "Butch" Otter

Demographic Information

Year	Population	Per Capita Income	Unemployment Rate	State Employees	School Year	Public School Enrollment	Public Higher Education Enrollment
2011	1,594,000	\$32,665	8.7%	23,065	2010/2011	278,535	49,153
2012	1,619,000	\$33,009	8.0%	23,186	2011/2012	281,854	53,515
Change	1.6%	1.1%	-0.7%	0.1%	Change	1.2%	8.9%

Idaho's Progress

In Fiscal Year 2012

Expanding Idaho's Economy

Governor Otter's focus is on growing the State's economy. Project 60 is a comprehensive initiative to grow Idaho's gross state product (GSP) to \$60 billion. According to the Department of Labor, the value of all goods produced in Idaho rose 3.4 percent from 2010 to \$57.9 billion in 2011. A third of the growth rate came in manufacturing and health care.

Idaho Gross State Product

	2008	2009	2010	2011
Yearly Total	\$55,212	\$53,683	\$56,038	\$57,927

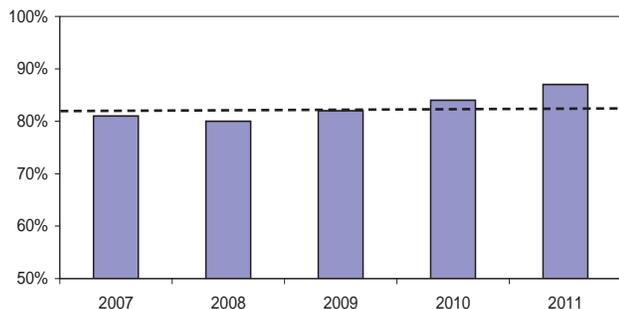
Target: Idaho Gross State Product of \$60.0 billion.

Transportation

To address the State's growing transportation needs the Idaho Legislature established the GARVEE program in 2005. The State has used the GARVEE program to invest \$672.0 million into state highways over the past seven years.

The graph below illustrates the pavement condition of the State's highways which has an impact on the operating costs of passenger and commercial vehicles.

Percent of Pavement in Good or Fair Condition



Idaho Transportation Department Target: keep at least 82 percent of all state highways in good or fair condition.



One of the focuses of Project 60 is enhancing Idaho's workforce. One way to determine whether the workforce is being enhanced is by measuring the educational level of the workforce.

Degrees Awarded

	2010	2011	2012*
Associate	2,924	3,359	3,490
Bachelor's	7,912	9,066	9,466
Master's	1,576	1,581	1,680
Doctorate	156	159	306

* Estimate

Target: no state-wide target has been identified.

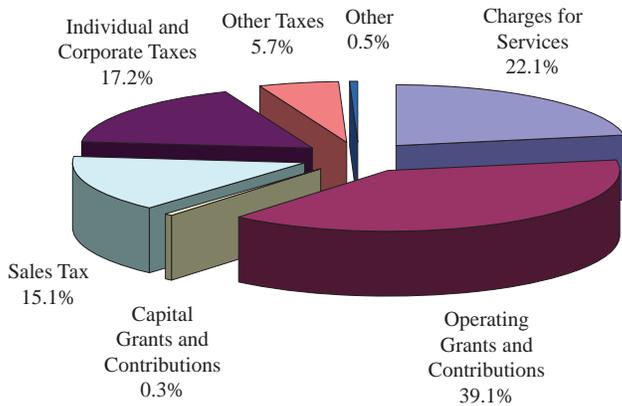
Note: The steep increase in doctorate degrees awarded from 2011 to 2012 is due to a change in the method for reporting degrees awarded.

Idaho's Finances

Revenues and Expenses

Primary Government Revenues

Fiscal Year 2012 Revenues by Source

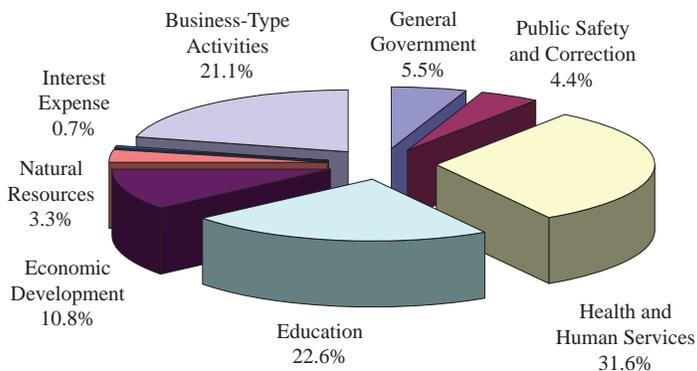


Revenues By Source (dollars in thousands)	2011 Revenues*	2012 Revenues
Charges for Services	\$1,705,935	\$1,781,590
Operating Grants and Contribution	3,767,516	3,150,520
Capital Grants and Contributions	33,919	27,512
Sales Tax	1,165,095	1,213,623
Individual and Corporate Taxes	1,296,558	1,390,226
Other Taxes	458,807	457,006
Other	43,092	38,468
Total Revenues	\$8,470,922	\$8,058,945

*This column has been restated for changes reported to the prior year's revenues and expenditures.

Primary Government Expenses

Fiscal Year 2012 Expenses by Function



Expenses by Function (dollars in thousands)	2011 Expenses*	2012 Expenses
General Government	\$453,141	\$413,832
Public Safety and Correction	296,034	335,493
Health and Human Services	2,577,700	2,396,437
Education	1,777,026	1,712,567
Economic Development	688,431	820,530
Natural Resources	241,203	264,080
Interest Expense	50,773	50,372
Business-Type Activities	1,656,187	1,600,555
Total Expenses	\$7,740,495	\$7,593,866

*This column has been restated for changes reported to the prior year's revenues and expenditures.

An independent audit of the State's financial statements (the Comprehensive Annual Financial Report) resulted in an unqualified audit opinion.



To view the Comprehensive Annual Financial Report, please visit the State Controller's Website at www.sco.idaho.gov

What's Next?

Future Challenges and Economic Outlook

Idaho's Outlook

Economy

According to the Division of Financial Management, economic growth is expected to gradually accelerate through 2016. Increases for Idaho nonfarm employment, personal income, and housing starts are welcome changes to the declines seen in the recent past.

Jobs

Idaho employment is forecast to grow about 2.3 percent per year through 2015. Idaho's largest employment sector, nongoods producing, will grow at a rate of 2.4 percent, while state, local, and federal government employment will advance at a modest rate of 0.2 percent annually.

Housing Starts

Although the construction industry was one of the fastest growing industries in Idaho during the last economic expansion, the construction industry held back economic growth during the economic downturn.

The Division of Financial Management reports that Idaho's housing sector is showing signs of recovery. Early data suggests that in 2012 housing starts are on pace to post their first increase since 2005. While 7,300 starts predicted in 2012 is far below the peak of over 23,000 units in 2005, the increase is a welcome turnaround from the six consecutive annual declines that preceded 2012.

Challenges

Fiscal Cliff

At the beginning of 2013 several federal tax increases and spending cuts are scheduled to begin. Two such tax increases will be a result of the expiration of the Bush-era tax cuts and the 2 percentage point payroll tax cut. Automatic spending cuts of \$1.2 trillion will be triggered if the Federal government fails to come to an agreement on how to reduce federal spending. Some economists believe if the bulk of these changes are not postponed the economy could plunge into another recession.

Intergovernmental Financial Dependency

Federal fiscal constraints are expected to have a negative impact on Idaho's future funding levels. The following statistics illustrate some of Idaho's dependence on federal funding:

- Amount of federal grants and contributions, to the State of Idaho, during fiscal year 2012 - \$2.3 billion or 36 percent of all revenues to the State.
- Fiscal year 2011 to 2012 decrease in federal grants and contributions to the State of Idaho - \$324.7 million.
- Amount of federal debt held as investments by the State of Idaho - \$2.5 billion.

Idaho's Economic Outlook

	2013	2014	2015	2016
Per Capita Personal Income	\$33,550	\$34,597	\$35,833	\$37,192
Percentage Change	1.3%	3.1%	3.6%	3.8%
Nonfarm Employment	626,342	642,547	662,940	682,990
Percentage Change	2.1%	2.6%	3.2%	3.0%
Housing Starts	9,141	11,073	12,528	12,946
Percentage Change	25.3%	21.1%	13.1%	3.3%



We want to hear from you. Do you like this report? What information would you like to see in next year's report? Your input is important to us. Please let us know by contacting: cafr@sco.idaho.gov