



State of Idaho

A Report to Our Citizens

Photo Courtesy of Idaho Tourism

What's Inside

Idaho's Vision and Objectives.....	1
Idaho's Progress.....	2
Idaho's Finances.....	3
What's Next.....	4

Governor Otter's Vision

"My goal as your Governor is to empower Idahoans to fulfill their individual potential and be the architects of their own destiny, so that Idaho can remain all that America was meant to be."

- Governor C.L. "Butch" Otter

Rapid Response Team

To "Move at the Speed of Business" and expand career opportunities for Idaho citizens, the Governor established an interagency rapid response team led by the Idaho Department of Commerce. This team is responsible for collaborating quickly and efficiently when businesses are interested in launching, growing or relocating within Idaho. The team is responsible for:

- Proactively engaging with companies to clearly communicate applicable regulatory requirements.
- Speed up the timeline to secure permits.
- Discuss infrastructure needs.
- Outline opportunities for grants and other forms of assistance.

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.

Luma

Recognizing the risks associated with Idaho's aging business systems, in 2014, the State Controller sponsored a systems modernization study after receiving approval and funding from the legislature. The passage of House Bill 493 on March 7, 2018, allows the State to acquire and implement a statewide Enterprise Resource Planning (ERP) system.

The new system, called Luma meaning "to shine light on", will accomplish the following goals:

- Acquire and implement an ERP system that all state agencies will utilize for statewide unification in budget planning, financial management, procurement, payroll, and human capital management.
- Improve productivity and reduce costs by eliminating redundant systems, workarounds, and unnecessarily complex operational and administrative services.
- Modernize and standardize business processes to align with industry best practices inherent in commercial off-the-shelf software for efficient workflow and accurate information reporting.
- Increase transparency of government operations.
- Reduce risk exposure associated with the outdated software systems.
- Improve decision making by capturing and being able to report a consistent expandable set of data.
- Ensure strength and efficiency of the State's data security management.

Demographic Information*

Year	Population	Per Capita Income	Unemployment Rate	State Employees	School Year	Public School Enrollment	Public Higher Education Enrollment
2017	1,717,000	\$41,824	3.2%	25,307	2016/2017	298,787	53,240
2018	1,744,000	\$43,217	2.8%	24,512	2017/2018	302,469	54,778
Change	1.6%	3.3%	(0.4)%	(3.1)%	Change	1.2%	2.9%

*Sources: October 2018 Idaho Economic Forecast, Office of Idaho State Controller, Idaho Department of Labor, Idaho State Board of Education.

Idaho's Progress

In Fiscal Year 2018

Photo Courtesy of Idaho Tourism

Idaho's Economy

Under Governor Otter's leadership, the State's economy continued to grow. According to the U.S. Bureau of Economic Analysis, the value of all goods produced in Idaho rose 3.7 percent from \$69.2 billion in 2016 to \$72.3 billion in 2017 (unadjusted for inflation). Growth in construction, manufacturing, professional and business services, arts, entertainment, recreation, accommodation, and food services accounted for the majority of gross state product increase in 2017.

Idaho Gross State Product (dollars in millions)

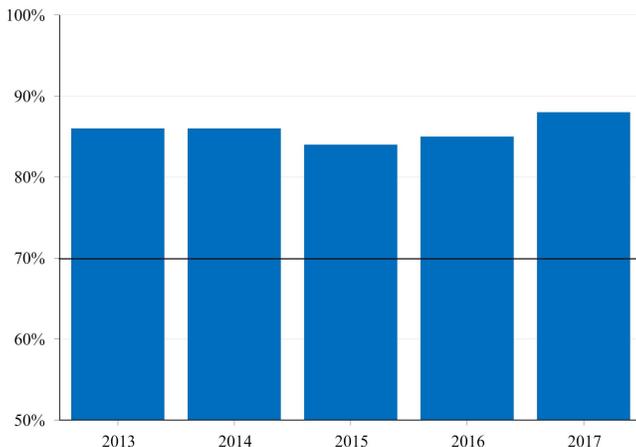
	2014	2015	2016	2017
Yearly Total	\$63,615	\$66,274	\$69,203	\$72,294

Transportation

To improve and maintain the State's system of roads and highways, the Legislature authorized the Idaho Transportation Board to finance road improvements through the Idaho Housing and Finance Association. Since 2006, \$787.3 million has been financed.

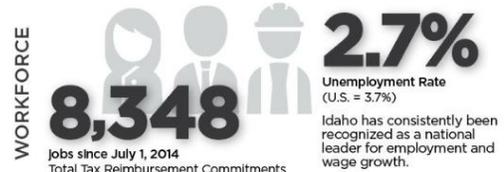
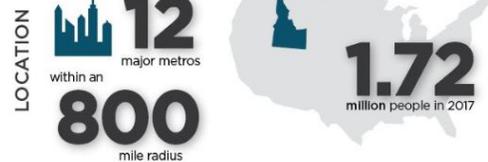
The graph below illustrates the pavement condition of the State's highways.

Percent of Pavement in Good or Fair Condition*



*Source: Idaho Transportation Department

Target: Keep at least 70 percent of all state highways in good or fair condition.



Source: <https://commerce.idaho.gov/>

Education

One of the focuses of Governor Otter was to create a world class educated workforce. The table below shows the number and type of state-wide degrees awarded from public colleges and universities over the past four years.

Degrees Awarded

	2015	2016	2017	2018
Associate	3,247	3,637	3,540	3,581
Bachelor's	6,532	6,560	6,597	6,648
Master's	1,651	1,614	1,667	1,860
Doctorate	366	398	361	362

Target: No state-wide target has been identified.

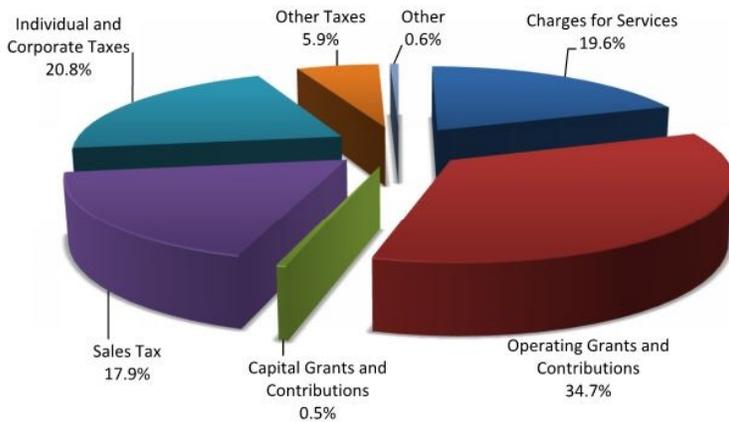
Idaho's Finances

Revenues and Expenses

Photo Courtesy of Idaho Tourism

Primary Government Revenues

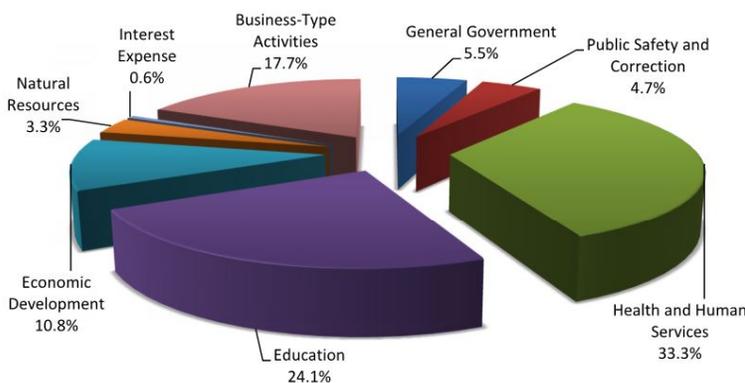
Fiscal Year 2018 Revenues by Source



Revenues By Source (dollars in thousands)	2017 Revenues	2018 Revenues	Change
Charges for Services	\$ 2,009,365	\$ 1,972,959	(1.8)%
Operating Grants and Contributions	3,163,261	3,482,381	10.1 %
Capital Grants and Contributions	35,958	47,872	33.1 %
Sales Tax	1,636,125	1,805,363	10.3 %
Individual and Corporate Taxes	1,848,281	2,091,958	13.2 %
Other Taxes	562,693	596,719	6.0 %
Other	37,833	60,991	61.2 %
Total Revenue	\$ 9,293,516	\$ 10,058,243	8.2 %

Primary Government Expenses

Fiscal Year 2018 Expenses by Source



Expenses By Source (dollars in thousands)	2017 Expenses	2018 Expenses	Change
General Government	\$ 507,700	\$ 512,086	0.9%
Public Safety and Correction	410,975	439,116	6.8 %
Health and Human Services	2,668,755	3,079,063	15.4 %
Education	2,089,048	2,229,172	6.7 %
Economic Development	862,427	996,854	15.6 %
Natural Resources	295,879	303,441	2.6 %
Interest Expense	15,879	52,271	229.2 %
Business-Type Activities	1,586,813	1,642,388	3.5 %
Total Expenses	\$ 8,437,476	\$ 9,254,391	9.7%

An independent audit of the State's financial statements (the Comprehensive Annual Financial Report) resulted in a clean 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

Photo Courtesy of Idaho Tourism

Future Challenges

Education

Education remains one of the top priorities of the Governor and is of vital importance to the State's economic future. In his 2018 State of the State Address, the Governor stated that literacy is essential to developing other skills needed to advance successfully through life. He stated that thousands of Idaho children start their educational journey already reading below grade level. In recognizing this challenge, the Idaho State Department of Education tested all students in kindergarten through third grade during the first month of the 2018-2019 school year using the Idaho Reading Indicator (IRI) to evaluate the students' reading level. The IRI assesses phonemic awareness, letter knowledge, vocabulary, spelling and comprehension as well as fluency. Based on the IRI results, 45 percent of kindergartners, 42.9 percent of first graders, 60.3 percent of second graders, and 61.9 percent of third graders were at grade level reading. The results will allow educators to create a plan to provide those students who are reading below grade level with additional support through the State's literacy intervention program.

The Housing Market

The State's economic boom has created issues in both affordability and supply for housing, particularly in the more urban areas of the State. According to the October 2018 Idaho Economic Forecast issued by the Division of Financial Management, the median home price in both Ada and Canyon counties set new records at \$334,400 and \$230,000, respectively. For Ada county, the record median price of a home represents an approximate \$81,000 increase from the median home price in June 2016. Adding to this dilemma is the cost of construction material and labor. Construction costs were 9.5 percent higher in August 2018 compared to August 2017. Softwood lumber is up 19.5 percent during the same timespan.

Idaho's Outlook

Employment

According to the Idaho Department of Labor, the October unemployment rate is at 2.7 percent. Job openings remain strong in the State, contributing to the low unemployment rate. Online job openings increased 5.3 percent to 21,714 in October compared with 20,613 a year ago. Of these postings, 5,406 were classified as hard-to-fill by Department of Labor analysts. Hard-to-fill positions are continuously posted for 90 days or more. Healthcare, occupations, including physicians, surgeons, psychiatrists, occupational and physical therapists and support positions, represented the largest share of all hard-to-fill online job openings at 17 percent.

Housing

Based on the Idaho Economic Forecast, the number of new residential construction projects are projected to be just shy of 16,000 units this year and will climb through 2022 when almost 18,500 units are expected to be constructed. Additionally, several apartment complexes are being built across the State, which should help increase available housing.

Personal Income

Real personal income growth, adjusted for inflation, not shown below, is projected to increase from between 2.6 to 2.9 percent through 2022, with nominal personal income growth coming in at around 5 percent.

Idaho's Economic Outlook

	2019	2020	2021	2022
Per Capita Personal Income	\$ 40,314	\$ 40,851	\$ 41,307	\$ 41,808
Percentage Change	1.0 %	1.3%	1.1%	1.2%
Nonfarm Employment	752,887	770,148	786,630	802,534
Percentage Change	2.0 %	2.3%	2.1%	2.0%
Housing Starts	15,780	16,891	17,870	18,466
Percentage Change	(1.3)%	7.0%	5.8%	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

