



C.L. "BUTCH" OTTER
GOVERNOR

December 7, 2011

Dear Members of the Cabinet,

Today DFM is releasing its monthly report on State tax collections. A copy of this report is attached and I encourage each of you to read the detailed explanation it outlines.

Unfortunately, actual revenues once again are significantly lower than projections. For November, collections were \$5.4 million short of the projection, for a cumulative year-to-date shortfall of \$16.2 million. In addition, even the lower-than-projected November figure was bolstered by one-time funds from the unclaimed property account. Without this unanticipated \$5.8 million, the year-to-date shortfall would be about \$22 million and all five categories of General Fund revenue would have been negative for the month.

Having failed to reach projected revenue levels in four of the five months in FY 2012 will impact the updated revenue projection being finalized by the Chief State Economist. This December/January update to the revenue forecast is the basis of the budget recommendation I send to the Legislature (and is not released until the State of the State address).

So what does this mean for each of you? Fortunately the Legislature worked with me to set the FY 2012 budget at a figure lower than the earlier, more optimistic forecasts. As a result, we do not anticipate holdbacks or other significant adjustments in agency budgets for this fiscal year.

However, the possibility recently raised in the news media of large State surpluses is unlikely to be realized. The more probable scenario is for both FY 2012 and FY 2013 to continue to be years of limited growth that will require us to be very selective in the authorization of new General Fund spending.

I am aware that in the past several weeks each of you has met with DFM Administrator Wayne Hammon and his staff to discuss your agency's FY 2013 budget. Please understand that this new information will require us to revisit the draft budgets shared with you and in most cases adjust them downward to meet the new revenue forecast. However, DFM will be unable to conduct another round of budget meetings since there is very limited time before we must finalize the recommendation.

I welcome your feedback and suggestions. Please do not hesitate to contact Wayne should you have any questions or thoughts you wish to share.

As Always – Idaho, "Esto Perpetua"

A handwritten signature in black ink, appearing to read "C.L. Butch Otter".

C.L. "Butch" Otter
Governor of Idaho