

## MEMORANDUM

DATE: August 21, 2008  
TO: Idaho State Legislature  
FROM: Ray Houston, Legislative Budget & Policy Analyst, 334-4741  
SUBJECT: Ending Free-Fund Balances in Reserve Funds - Millions of Dollars

At Senator Cameron's request, I have updated a nine-year history of the year-end balances in the State of Idaho's four major reserve funds. 1) The Budget Stabilization Fund was created for the purpose of meeting general fund revenue shortfalls and to meet expenses incurred as a result of major disasters (§57-814). 2) The uses of the Millennium Income Fund, derived from the tobacco settlement agreement, shall be determined by legislative appropriation (§67-1806). 3) The Public Education Stabilization Fund is continuously appropriated for the purpose of making up shortfalls in the discretionary funding available per support unit. It may also be used for making up General Fund holdbacks, making up for declining endowment distributions, and for meeting state match requirements for the School District Building Account (§33-907). 4) The Economic Recovery Reserve Fund was created for the purpose of meeting General Fund revenue shortfalls, meeting expenses incurred as the result of a major disaster, and for providing one-time tax relief (§67-3520).

I have not included the Permanent Millennium Fund, with a market value of \$50.9 million at the end of FY 2008, because it is restricted by the Idaho Constitution (section 18, Article VII).

Fiscal Year ending June 30	Budget Stabilization Fund	(Traditional) Millennium Income Fund	Public Education Stabilization Fund	Economic Recovery Reserve Fund	TOTAL
2000	\$ 36.0	\$ 29.8	\$ 0.0	\$ 0.0	\$ 65.8
2001	\$ 53.2	\$ 48.8	\$ 0.0	\$ 0.0	\$ 102.0
2002	\$ 53.1	\$ 49.3	\$ 0.0	\$ 0.0	\$ 102.4
2003	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
2004	\$ 0.0	\$ 22.8	\$ 7.1	\$ 0.0	\$ 29.9
2005	\$ 16.0	\$ 44.6	\$ 12.1	\$ 22.0	\$ 94.7
2006	\$ 108.6	\$ 67.7	\$ 7.8	\$ 36.2	\$ 220.3
2007	\$ 121.6	\$ 64.4	\$ 109.0	\$ 2.7	\$ 297.7
2008	\$ 140.6	\$ 70.4	\$ 112.0	\$ 66.1	\$ 389.2

Note that five years ago, two of the funds did not exist and the other two were depleted. The reserve funds were used when the original FY 2002 revenue estimate approved by the legislature later turned out to be 12.4% above actual collections and the original FY 2003 revenue estimate turned out to be 9.2% above actual collections.

Historically the original revenue estimates have deviated from actual collections by 10% at one standard deviation and the January revised estimates have deviated from actual collections by 4.6% at one standard deviation. On a \$2.86 billion revenue estimate, that amounts to a variation, at 68% confidence, of plus or minus \$286 million on an original estimate to \$132 million on a revised estimate.