



C. L. "BUTCH" OTTER
GOVERNOR

January 28, 2011

Dear Friends,

We are writing today to sound a note of fiscal caution as we proceed with our budget and policy deliberations.

The Executive Budget that was submitted to the Legislature was based on the best information available in mid-December, when it had to be completed. Leadership from both the House and Senate were supportive of the suppositions used in developing the Executive Budget recommendations.

However, we have learned three things since mid-December:


- 1) Anticipated revenue above the Division of Financial Management forecast has not materialized. December revenue alone was \$10.7 million below projections.
- 2) With the June 30 sunset looming, claims for renewable energy sales tax rebates are coming in significantly higher than expected – almost \$9 million in January alone. Available State revenue is expected to be reduced by an estimated \$47 million total in FY 2011 and FY 2012.
- 3) Conforming with changes to federal income tax law approved by Congress in late-December can be expected to reduce available revenue by a total of another roughly \$70 million in FY 2011 and FY 2012.

As a result of those factors, at this point in time we are anticipating a revenue shortfall totaling about \$185 million for FY 2011 and FY 2012. The Executive Budget recommendation included cuts that addressed about \$35 million, all in FY 2012 – leaving an additional \$150 million shortfall for us to manage.


It's clear that additional savings will be required. More than ever, we must be creative and open-minded as we consider our options in the weeks to come, and we must remain committed to working together toward finding responsible solutions for the people we serve.

We look forward to the opportunity to hear your ideas and work through scenarios with you. Thank you for your willingness to help take on this challenge, and for your service to Idaho.

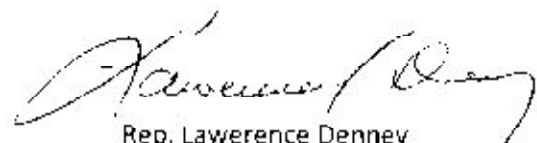
Sincerely,



C.L. "Butch" Otter
Governor



Sen. Brent Hill
President Pro Tem



Rep. Lawrence Denney
Speaker of the House