

Idaho Statesman, Sunday, Jan. 9, 2011 – Opinion by Dan Popkey (3 pages)

‘We have come to the cliff’

Idaho’s projected \$340 million gap is a full 14 percent of the state’s \$2.3 billion general fund budget. And this time, there’s no federal stimulus and few reserves.

‘We have come to the cliff.’ That’s the word from Maxine Bell, R-Jerome, co-chair of the Legislature’s budget committee and a Statehouse veteran of more than two decades. And she’s not the only one who’ll have you hankering for reruns of Acapulco divers on “Wild World of Sports.”

“The cliff is here,” said the other co-chair of the Joint-Finance Appropriations Committee, Sen. Dean Cameron, R-Rupert.

“I don’t think anybody appreciated the cliff, the magnitude of the drop, when the one-time money ran out,” said Sen. Bert Brackett, R-Rogerson.

Added Rep. Fred Wood, R-Twin Falls: “Everybody’s going to have to come to the cliff, look over, and see just how far they want to go in cutting before determining whether they want to raise any revenue.”

The first to take the plunge: The 20 members of the budget committee, who, for the first time, will directly face citizens frightened by budget cuts.

COLLECTIONS SHORT, SAVINGS DISAPPEAR

From fiscal year 2008’s \$2.9 billion peak, general fund revenue has fallen \$645 million, or 22 percent, in two years. That prompted a historic \$128 million cut in K-12 education spending for fiscal 2011, which ends in June.

The impact was softened by two big pots of one-time cash, federal stimulus and state rainy-day accounts, that contributed \$1.12 billion in fiscal 2009-11. Mere spittoons remain — most significantly \$80 million in tobacco settlement money.

It means that major cuts are inevitable for the 2012 budget and will dominate the session that begins Monday and can end only with the passage of a spending plan.

“There are no places we haven’t looked,” Bell said. “There’s nothing but simply making government look more like the people that are supporting it.”

Only higher-than-anticipated tax collections and possible increases in tobacco and beer and wine taxes likely could cushion the 2012 fall. Democrats talk of temporary sales tax increases, but Republicans, who hold 81 percent of the seats, widely oppose raising sales or income taxes — the state’s two main sources of cash.

“I don’t think, in my little crystal ball, that either the Legislature or the governor is very interested in raising taxes, or at least not any major taxes,” said Senate President Pro Tem Brent Hill of Rexburg.

MIND THE GAP

This year’s degree of difficulty is so tough the members of JFAC are taking two unprecedented steps: joint meetings with colleagues on the Education and Health & Welfare committees and two days of public hearings on K-12 and Health & Welfare spending.

“Unlike last year, I don’t have a clear direction,” said Sen. Dean Mortimer, R-Idaho Falls. “This is so large that I’m not sure how to tackle it.”

Mortimer uses shorthand to explain the scale to constituents: If the shortfall winds up at \$340 million and K-12 education took an across-the-board cut reflecting its 51 percent share of spending, that’s \$173 million. “That brings it into perspective. The reaction I’ve gotten is, ‘Look at alternatives and don’t cut education more than you have to.’ ” Rep. Marv Hagedorn, R-Meridian, is one of five newcomers on JFAC and a touchstone for House budget hawks. He predicted significant cuts for education and Health & Welfare’s Medicaid programs for the poor, disabled and mentally ill.

“Those are the two tigers in the room,” Hagedorn said, predicting cuts of \$270 million. Only a \$51 million tobacco tax increase might lessen the blow, he added.

‘PAIN AND TERROR’

The four Democrats on JFAC hope to limit the damage with “a temporary something” to raise revenue, a term of art cited by both Sens. Diane Bilyeu of Pocatello and Nicole LeFavour of Boise. LeFavour said Republicans will agree to raise taxes after realizing deep cuts will mean legal challenges, including a claim the state won’t fulfill a constitutional obligation to provide “uniform and thorough” schools.

“I have to proceed as if we’re a rational body,” LeFavour said in predicting a tax-raising epiphany. Bilyeu is less sanguine about a GOP conversion, particularly among House conservatives. Should Gov. Butch Otter urge general tax increases in Monday’s budget address — a prospect he’s consistently rejected — she doubts he’d win enough votes. “Even if he said, ‘Look, boys, we need to increase the sales tax or we need to increase whatever,’ I’m not sure they would listen to him.”

Bell expects the public hearings to be emotional. “It’s a very personal thing to have the legs pulled out from some services for a disabled child or an elderly person. They’re thinking about the pain and the terror of losing that help.”

Feelings, however, don’t trump arithmetic, Bell said. “We’re not a closed committee with no caring and no concern at all. We know what’s out there, and we’ll hear it from them. And then we’ll have to go ahead and do what we have to do.”

DEFINING ‘ESSENTIAL’

Sen. Joyce Broadsword, R-Sagle, is on JFAC and is vice chair of the Senate Health & Welfare Committee. She said she’ll focus on long-term outcomes and essential services in weighing cuts. For example, she cited \$54 daily payments that go to parents of developmentally delayed adult children who also receive daytime services paid by Medicaid. Possibly ending those parental payments is the kind of tradeoff the state must consider. “What scares me is if we don’t provide mental health services people will end up in prison or hospitals where the care is more

expensive,” Broadsword said. “I’m not saying we shouldn’t be helping families trying to keep their children home, but I don’t know that the rate we’ve set is fair.”

Sen. Shawn Keough, R-Sandpoint, is a JFAC vice chair who is “very troubled” by the impact of cuts, but not only on clients. She cites the service providers who earn their living from Medicaid.

“Right now, I’m thinking we’ll have to cut \$200 (million) to \$400 million and wondering how we get there.”

AN OTTER RESCUE?

The other vice-chair, Rep. Darrell Bolz, R-Caldwell, had hoped revenue would continue to outpace projections, as it did for the first five months of fiscal 2011. He hoped it would drop the range of cuts to between \$100 million and \$150 million, he said.

On Friday, though, lawmakers heard that preliminary December revenues were down more than \$12 million— a dramatic turnaround to the previous months. JFAC Co-Chairman Cameron saw a draft of Otter’s budget a few weeks ago. “It mitigates some of the reductions,” Cameron said. “In some cases, it punts some decisions down the road a little bit. As for the fear of the \$340 million, once you’ve seen the governor’s budget, people may breathe a little bit of a sigh of relief.”

Cameron said higher sin taxes may become more palatable as the spotlight shines on potential cuts. “If you’re talking about cutting services to the disabled poor, the mentally handicapped, somebody’s going to say, ‘Wait a minute. I’m not willing to go there. I’m willing to vote for a cigarette tax.’”

“Or, if we’re forced into a discussion of releasing prisoners, somebody’s going to say, ‘Wait a minute, I’m not willing to go there. I’m willing to raise taxes on beer and wine to make sure bad guys are kept off the street.’”

Otter hinted of sleeved aces in a meeting with reporters. “There’s some things that we’re going to be offering up,” he said Thursday. “It could lessen that shortfall.” Said Bell: “Bless his heart. What a tough time.”