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Medicaid seen as toughest challenge

Legislative leaders say tax increases unlikely to be used as solution to budget woes

BOISE - In a session fraught with controversial proposals, looming Medicaid cuts pose the toughest challenge for Idaho Senate Majority Leader Bart Davis. Speaking at an Idaho Press Club event Tuesday, Davis said the Medicaid budget "has the potential to be one of the more difficult issues we face as a state."

Barring any revenue increases, the fiscal 2012 budget faces a shortfall of about \$92 million. About a third of that could come out of Medicaid. Once federal matching dollars are added in, roughly \$120 million in service reductions will be needed. "That's a hard issue still before us," Davis said. "Those will be hard votes to cast. We will need to learn a little about ourselves."

House Majority Leader Mike Moyle, who joined Davis at the lunch meeting, said he doesn't think his caucus is ready to embrace tax increases as a solution to the budget shortfall.

"How do you go to someone who just lost their home or lost their job and tell them we need a little more money?" he asked. "It's not just government that's struggling. We have to create private-sector jobs to fill the (budget) hole. I can't see us going down the revenue enhancement row, knowing what's going on with the people in my district."

A coalition of health care organizations has proposed a \$1.25-per-pack increase in Idaho's cigarette tax. That would raise about \$51 million, but Moyle doesn't think even that has the votes to move forward.

"I don't see it happening on the House side," he said. "As Medicaid and education get farther down the track and people realize the implications, there will be some pressure and probably more will support revenue enhancement. Ultimately, I think the votes still won't be there - but that's today."

Budget analysts reported Monday they'd identified at least \$50 million in various special revenue accounts - money that could be transferred to the general fund without hurting agency cash flow needs.

Nevertheless, Moyle and Davis felt there would be resistance to tapping those funds as well. The 2012 budget already depends on about \$77 million in "one-time" money - funds that can only be used once, but that pays for ongoing needs. Lawmakers are increasingly determined to address this structural imbalance by trimming expenditures to match ongoing revenues.

"I think we might see some modest use of those (special revenue) funds, but it will probably be quite modest," Davis said. "The principle focus will be in keeping the budget as close to structurally balanced as we can this year."

Public school reform was another topic touched on Tuesday. The three reform bills are currently on the Senate's Third Reading calendar, meaning they could come to a vote at any time. However, some changes will likely be needed to ensure their passage.

"There are some genuine concerns that I believe make ultimate passage of the complete package difficult," Davis said. "That's what we're trying to work on."

Classroom size is one of the key concerns, he said. Superintendent of Public Instruction Tom Luna wants to increase student-teacher ratios by about 10 percent over the next two years. That would eliminate roughly 770 teaching positions and hundreds more administrative and support staff jobs.

In turn, the higher ratio would free up about \$100 million per year that could be invested in increased classroom technology and a pay-for-performance system to reward effective teachers and administrators.

Davis, whose wife is a teacher, joined the chorus of critics who have faulted Luna for developing his reform proposal without sufficient stakeholder input. However, he felt the Senate would still do a good job evaluating the bills.

"Do I wish the Idaho Legislature and stakeholders had been more actively involved sooner? Yes, I do," he said. "(But) there are active discussions going on with the governor, the superintendent and the stakeholders. We're trying to find the changes that are necessary to ensure passage of the legislation."

If the bills clear the Senate, they would move to the House.