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Idaho revenue down, more cuts likely

Gov. Butch Otter will begin meeting next week to devise a plan that could include trimming spending this fall.

Gov. Butch Otter is warning of further spending cuts - including education, social programs and transportation - because of a new forecast of a 6.8 percent drop in revenue. The figure was released Thursday by Otter's budget office. Otter now says fiscal 2010 revenue will fall \$151 million short of the \$2.507 billion the Legislature budgeted for the spending year that began July 1.

The lingering recession has already prompted the first-ever year-to-year cut in public schools spending and a 5 percent cut in state personnel spending, and it killed Otter's plan to raise fuel taxes.

Fiscal 2009 spending was trimmed 7.8 percent from the original appropriation. Lawmakers then set fiscal 2010 spending at 8.6 percent less than 2009. The cuts would have been deeper without federal economic-stimulus money and state reserve funds.

Otter said he couldn't predict where new cuts may occur. "I can't look into the crystal ball and say Health and Welfare is going to be cut this, higher education is going to be cut that, education is going to be cut here, the highways or some other agency is going to be cut in these areas," Otter said. " ... No. 1, I don't know what the shortfall is going to be totally, and No. 2, those are decisions that I have to make in concert with the Legislature."

Rep. Maxine Bell, who co-chairs the joint House-Senate budget committee, said the new revenue figure confirms fears among lawmakers when they adjourned in May. "When we left town we were hopeful, but we were afraid we hadn't hit bottom," she said.

Bell, R-Jerome, suggested a mix of a 3.5 percent holdback and tapping some of the state's \$274 million in savings to satisfy the state constitutional mandate for a balanced budget. A holdback is an executive action to reduce an amount the Legislature appropriated for a state program.

"I don't think you can do a 6.8 percent holdback," Bell said. "There are agencies you can't cut that much more without changing statutes and eliminating responsibilities."

Democrats said they agree with Bell on using holdbacks and rainy-day funds to close the gap.

Rep. Wendy Jaquet, D-Ketchum, a member of the budget committee, said cuts should be targeted, not across the board. "We have to look at every place we have to save some money."

Senate Minority Leader Kate Kelly, D-Boise, said Democrats want a discussion of the \$1.6 billion in potential revenue exempt from the sales tax. "We don't want to hurt already overburdened businesses and individuals, but it should be something that's on the table."

Otter has scheduled three meetings to deal with the problem: Sept. 10 with his Cabinet, Sept. 11 with the Legislature's top Republicans and Sept. 16 with Democrats. Otter said he'll continue to meet monthly until the Legislature convenes in January.

Otter said he hasn't decided whether to execute holdbacks before January. "But I want to remind you, it is much easier to make a holdback as early in the fiscal year as possible than it is late in the year," Otter said. "Spreading that holdback out over eight or nine months does a lot less violence and damage to the fiscal responsibility and to the missions of the agency of state than it is if you have to wait until the end of the year."

Bell, Jaquet and Kelly expect the 2010 Legislature to address changes in the duties of government. "It's good to take advantage of hard times to restructure," Bell said, "but I don't think you restructure on the fly. We have to take time and be thoughtful. We're going to look at all of state government."

Bell's co-chairman, Sen. Dean Cameron, R-Rupert, has raised the prospect of eliminating entire programs.