

Idaho stumbles forward - into the past

At the rate Idaho's lawmakers are going, their state government is going to be making a return trip to the 1960s.

The economy and the rest of the states will proceed toward the new century.

How do we know?

The GOP leadership in the House refuses to update its 1960s-model sales tax. No review of exemptions. No taxes on Internet sales allowed. So says House Speaker Lawrence Denney, R-Midvale.

It's also firmly wedded to balancing Idaho's budget deficit exclusively through program cuts. The House even refused to raise court fees imposed on criminal defendants just to cover police training costs.

All of which runs counter to some of the best advice out there on how states will dig out of their current financial holes.

It comes from the Brookings Institution's Mountain West project and the Morrison Institute for Public Policy at Arizona State University.

Yes, that Brookings Institution - the left-of-center think tank that Idaho's conservative ideologues will instantly denigrate. Give them the Cato Institute, Heritage Foundation or Americans for Tax Reform.

But the people at Brookings get around. Looking at other states, they see a pattern of a harsh recession coupled with the legacy of short-term budget fixes.

Here's how they chart the way back:

1 Spending cuts and tax increases. "Massive budget gaps cannot be responsibly closed by only cutting spending. Budgetary balance and revenue diversification are crucial."

Tax codes need to be updated. Case in point: Idaho's 45-year-old sales tax exempts 60 percent of the transactions taking place in this state. It no longer reflects a modern, service-sector economy. For the fuel tax, it's the same story. Based on the number of gallons consumed, the fuel tax generates fewer dollars as people drive more fuel-efficient cars.

1 Build "rainy-day" reserves when the economy recovers. Actually, Idaho deserves a nod on this point. After coming up short in the recession of 2001-2002, lawmakers socked

away so much money that reserves, coupled with federal stimulus dollars, cushioned the budget cuts for past two years.

I Give local units of government more autonomy. "Those local governments need greater control over revenue generation and public services." The day that happens in Idaho, you can order crushed ice from hell.

Cities and counties are stuck with the reviled property tax. Lawmakers cap how much more money they can collect each year. If the locals want more, they've got to win a two-thirds vote at the poll. With few exceptions, they can't impose a local option sales tax. Boise imposes all manner of unfunded mandates. And now there's talk that lawmakers will balance their own budget by siphoning the \$128 million in sales tax funds they share with cities and counties.

I Get the best financial information you can find. Make certain everybody sees it. That once was the case in Idaho. But no longer. Under Gov. C. L. (Butch) Otter's administration, forecasting the economy has become a political exercise. Before he retired last year, the state's professional economist was made a scapegoat and politicians substituted their own revenue calculations for his. Last week, the governor's budget shop conceded it had missed a couple of tax developments that will transform a projected \$35 million shortfall into \$185 million.

Meanwhile, other states go so far as to kick politicians out of the tax revenue forecasting process and engage in detailed review of tax bills to show who is likely to benefit and by how much.

One way or the other, many states will follow some portion of the Brookings' advice and move forward. Idaho, of course, will go its own way. - M.T.