

Two Budgeting Views, One with Taxes, One Without

By Representative Stephen Hartgen

The 2012 Legislative session is still more than four months away, but already, two clear philosophical paths have emerged on how Idaho ought to raise and spend money in the new year. Both views were on display this past week, one from retired state economist Mike Ferguson, the other from his former boss, Gov. C.L. "Butch" Otter.

Ferguson announced that he'll head a new "Idaho Center on Fiscal Policy" to project state budgets. The goal, as he explained it, will be to base state revenues on fairness, efficiency, adequacy and stability. The new center is backed in part by the Northwest Area Foundation, whose goal is to reduce poverty in the region. This looks like an effort to establish what the "needs" are in Idaho, and then to project a state revenue plan to bring revenues up to that level, either by trimming tax exemptions or raising taxes directly.

In short, it's a classic 'spend and tax' approach to state budgeting, reminiscent of the political gubernatorial campaign of Democrat Keith Allred, for whom Ferguson crunched numbers prior to the election last fall. We might describe it as "Common Cause Lite" in honor of Allred's fig-leafed, partisan interest group. If Allred had been elected, Ferguson might still be proposing budgets to fund needs from poverty to food stamps to welfare benefits, and proposing tax raises to meet those needs.

But that's not how the election turned out. Otter buried Allred in the governor's 2010 race and legislative Republicans added to their conservative majorities. In effect, Idahoans said, "not so fast" to the spend-and-tax model. This past week, Otter made it clear that, as long as he's in office, Idaho will take a more conservative approach to budgeting, building in the in-place and reduced levels of state spending as a "new way of doing business" in the state. "We are not going to grow back at the same rate as the economy grows," he declared. "I find it better to...underestimate a little bit."

In this model, as Otter explained it, budgeting will continue to be tight and underestimating state revenues will be the norm. The goal, he said, will be to have expenditures come in a bit below budgets, thus allowing for adjustments at the end, but avoiding mid-year holdbacks which would be needlessly disruptive.

This second approach is precisely what the Legislature did in the 2011 session and provides a sound budgeting model for the coming year. Budgets in 2011 were set knowing the state might well surpass them slightly. Indeed, at the end of the fiscal year on June 30, the state's surplus was about 3.7 percent, some \$85 million above

plan. Most of that was then immediately sent to the public schools and community colleges, as the Legislature directed.

This kind of prudent, fiscally responsible budgeting allowed the state to balance the budget and avoid tax increases. The Ferguson-Allred approach, by contrast, would have led to an inflated budget based on wants, for which taxes would likely have had to be raised to fulfill.

Think about these two ways of approaching your own family budget. Do you set your spending as a family above your known income? Down this path is debt, over spending, expenses you can't afford and all measure of financial pain.

Or rather, do you set your expenses it a bit below your known income, allowing for a bit of a cushion, investment and savings for a rainy day? Which is the better way to get ahead in this world? If you take the first route, you have no way to handle a big car repair, leaky roof or a blown-out well pump. If you do the second, you have a cushion for unintended consequences and a better future for tomorrow.

We all know the needy are, well, in need. There is no end to what we could do to help these fellow citizens. The Ferguson approach puts their needs first, setting their "budget" in place and then taxing others to cover it.

But our general citizenry also has "needs." The need to have stable, known taxes which do not rise. The need to have a prudent and fiscally responsible budget model in state government. The need to know that someone will not be allowed to reach into their pockets every time a new "need" is identified.

Learn to live on less than you take in, says the old adage. Save the difference. This is Otter's and the Legislature's model, and from our perspective, it's a better one for Idaho.