



Alliance for a Just Society convenes community and racial justice organizations nationwide on critical public policy issues, providing research and policy analysis and fostering public conversation.

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THE COST OF CUTS IN IDAHO

Budget Cuts Hurt Families, Communities, and the Economy

INTRODUCTION

In 2008, the United States experienced a severe financial crisis, the result of increasingly risky practices among the country's large financial institutions and the deregulation that allowed these practices to flourish.

The resulting Great Recession unleashed widespread economic insecurity and deepened existing economic inequalities. It also caused revenue shortfalls that Idaho lawmakers chose to close through budget cuts rather than requiring corporations and the rich to share the sacrifice.

Idaho's investments in health, education, and other human and physical infrastructure form the basis for families' ability to participate in the economy and contribute to prosperity. These investments are especially important now, with continued high unemployment, a shattered housing market, and demand lagging for small businesses.

Instead of raising adequate revenue, Idaho lawmakers have chosen to gut services such as water quality protection,¹ health care,² and children's education.³ This decision has resulted not only in vital services Idahoans count on, but also has harmed the state's economy in the short- and long-terms as well.

This report shows that state budget cuts implemented by Idaho lawmakers have cost Idahoans jobs when jobs are needed most. It should remind our lawmakers that the cost of budget cuts is too high — and that it is time to raise revenue instead.

GROWING ECONOMIC INEQUITY AND THE GREAT RECESSION

A spike in economic inequality preceded the Great Recession. By 2007, the country's top 10 percent of earners controlled 50 percent of total income, exceeding even the concentration of income in the late 1920s.⁴ Such growing inequality and stagnation reduced the cushion that could have helped families make it through the downturn.

The Great Recession caused the biggest job loss of any postwar economic downturn, with high unemployment persisting.⁵ As of 2009, foreclosures were projected to cost 92 million neighboring homeowners across the country an average of \$20,300 in property value loss from 2009 to 2012, with a total national loss estimated at \$1.86 trillion.⁶

The recession has hit communities of color especially hard. From 2007 to 2009, Black and Latino borrowers, respectively, were 76 and 71 percent more likely than whites to experience foreclosure.⁷ Income loss for the median African American family was double that for white families – a 4.4 percent versus 1.6 percent decline in real median income.⁸

Meanwhile, Idaho's tax system lets the state's wealthiest residents off the hook for contributing to a prosperous economy from which all can benefit. As of 2009, the lowest 20 percent of income earners, who made an average of \$10,800 annually, paid 8.6 percent of their income in state and local taxes. The top 1 percent, meanwhile, who made an average of \$1.3 million annually, paid 6.3 percent.⁹ By choosing the path of divestment over equitably raising revenue, state lawmakers are compounding economic inequality in the state.

THE RIPPLE EFFECT OF BUDGET CUTS

Cuts to state budgets ripple throughout the economy. Public sector workers who lose their jobs, experience furloughs, or have their wages frozen have less discretionary income to spend at local businesses. The same is true with individuals who have their benefits cut or businesses that lose income from government contracts.

The cuts are then felt by Main Street and other businesses that suffer from suppressed demand and consumption. With fewer customers and less revenue, these businesses refrain from hiring new workers, or they have to cut employees or their hours. In other words, the decline in public spending ripples in the private sector and harms economic activity and jobs.

METHODOLOGY

This report uses a linear regression analysis to compare expenditure and unemployment data in Idaho. The data, which focuses on general fund spending, is taken from the National Association of State Budget Officers' annual expenditure reports and includes general fund spending. This data has been controlled for both population and inflation.

The regression analysis, using a six-month time lag, shows the impact of

changes in state general fund spending on unemployment. Specifically, the variables we compare are percent changes in year-to-year, inflation-adjusted, per capita general fund spending with the percent changes in the year-to-year unemployment rate.

THE COST IN JOBS

Idaho lawmakers have cut spending by 25 percent, or \$431, per capita between 2002 and 2010. This reduction has hurt the employment picture in Idaho. The impact is large, with a 1 percent cut in state spending associated with 490 lost jobs.

Communities of color have been particularly hard-hit by the decline of the job market, as seen in the U.S. Bureau of Labor Statistics' 2010 unemployment figures. At 13.5 and 9.7, respectively, Latinos and Asians in Idaho have significantly higher unemployment rates than the state average of 9.0.

RECOMMENDATIONS

The answer to our economic difficulties is not more budget cuts. This disinvestment in our schools, health care, infrastructure, and public institutions is taking a toll on families and communities. It is also harming the economy and the job market.

Idaho lawmakers should reverse this course of disinvestment and commit to building a prosperous future for all Idaho's families, including a robust job market that supports Main Street businesses and overall community development. Lawmakers should:

- Develop a stronger, more equitable tax system that demands adequate contributions from corporations and the rich
- Promote economic and racial equity by preserving public investments and public sector jobs



Jobs lost with
1% spending cut

490

Unemployment
by race

White: 8.9%

Black: 8.0%

Asian: 9.7%

Latino: 13.5%

Total: 9.0%



● Ed Keener | Boise

I am a retired pastor and work as a community volunteer at the Interfaith Sanctuary Homeless Shelter in Boise, where I'm in direct contact with people affected by state budget cuts. The cuts strain individuals, families, community organizations, and public institutions. People who were in stable situations while on Medicaid may end up requiring our services after cuts – I've seen people who are unable to take care of their health lose their housing.

Public and private services are in high demand. They're also important. Beyond helping create jobs, they increase the quality of life for our citizens. When there are budget cuts to necessary services, other providing agencies such as churches and non-profits get overwhelmed and eventually burn out.

Our shelter can't rely on donations, because many people already feel maxed out financially. I cannot imagine a more intense situation than what we are experiencing now, but I know it will get worse. We will see even more people ending up on our streets. This situation is discouraging for the entire community, not just those who are losing services. When people suffer, it hurts all of us.

We need to value the humanity of everyone when making state budget decisions. A caring and compassionate community, dedicated to sharing and generosity, will make budget decisions that respect all of its citizens. Sadly, I don't see these values reflected in Idaho's most recent budget. People depending on these cut services are just expected to find another way. There needs to be a greater expectation for the wealthy in our community to contribute through taxation. We should all be equally invested in the wellbeing of all people in the state.

Greg Olson | Boise

I own Blue Lightning Renewable Energy Solutions and have benefited from incentive programs through the state. I've also worked with homeowners who have used state support to install renewable energy in their homes.

These are important investments in our communities and our state, contributing to energy independence, economic efficiency, good stewardship of resources, and jobs. Support for renewable energy is just one of the public investments that benefit our communities. Education and health care are also important, and cuts to them create a system that traps people in a cycle of poverty.

Equality is the main value that should inform state budget decisions. There should be equal opportunity for all people in our state to move forward, and our state budget decisions should reflect this goal. We should value education more highly. I see this in my own business, since I struggle to find enough qualified people to hire and work with.

However, I don't see this value reflected in our budget.

Big money interests are what's reflected, and I believe the entire debate we're having about state budget cuts reveal a system run and maintained by wealthy interests, big business interests. There are no longer any checks and balances, because the system has been bought from outside and has abandoned the public interest.

ENDNOTES

- 1** Associated Press, “Environmental programs fall victim to budget cuts,” Idaho Press-Tribune, November 26, 2011, http://www.idahopress.com/news/state/environmental-programs-fall-victim-to-budget-cuts/article_32331586-8ac6-5a00-bb1c-880cd8618e29.html.
- 2** Molly Messick, “Medicaid Cuts May Prove Hard to Reverse,” StateImpact, December 9, 2011, viewed at: <http://stateimpact.npr.org/idaho/2011/12/09/medicaid-cuts-may-prove-hard-to-reverse/>.
- 3** Ben Botkin, “Lottery Money Does Little to Offset Idaho Education Cuts,” December 19, 2011, viewed at: http://magicvalley.com/news/local/mini-cassia/lottery-money-does-little-to-offset-idaho-education-cuts/article_0e087870-e9d2-5b68-ae43-877028b9d11f.html.
- 4** Emmanuel Saez, “Striking it Richer: The Evolution of Top Incomes in the United States (Update with 2007 estimates),” August 5, 2009, viewed at: <http://elsa.berkeley.edu/~saez/saez-UStopincomes-2007.pdf>, Figure 1.
- 5** Rebecca Thiess, “The Great Recession’s Long Tail: Third Anniversary Underscores Severity of Labor Market Woes,” Economic Policy Institute, Briefing Paper #294, February 2, 2011, viewed at: <http://www.epi.org/publications/entry/6708/>, p. 2. [Hereinafter Theiss.]
- 6** Center For Responsible Lending, “Soaring Spillover: Accelerating Foreclosures Cost Neighbors \$502 Billion in 2009 Alone; 69.5 Million Homes Lose \$7,200 on Average, Over Next Four Years, 91.5 Million Families to Lose \$1.9 Trillion in Home Value; \$20,300 on Average,” May 2009. Available at <http://www.responsiblelending.org/mortgage-lending/research-analysis/soaring-spillover-3-09.pdf>
- 7** Debbie Gruenstein Bocian, Wei Li, & Keith S. Ernst, “Foreclosures by Race and Ethnicity: The Demographics of a Crisis,” Center for Responsible Lending, June 18, 2010, p. 8.
- 8** Ibid.
- 9** “Who Pays? A Distributional Analysis of the Tax Systems in All 50 States,” The Institute on Taxation and Economic Policy, 3rd Edition, 2009, p. 40. Available at: <http://www.itepnet.org/whopays3.pdf>