

2011

Idaho Report on Government Waste



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Idaho Freedom Foundation

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Acknowledgements

We'd like to take a moment thank to our IFF colleagues, Rick Coffman, Steve Owen and Martha de Simon for their help in putting this report together.

Special thanks to our board of directors, Heather Lauer, Bob Rathbone and Dan Symms for their vision, leadership and dedication to the cause of freedom and for their consummate passion and energy for the Idaho Freedom Foundation.

Last and most importantly, we are ever thankful for the generous support of our donors, who made this project -- and everything we do for freedom -- possible. Among our financial contributors to this project:

Vern and Angelina Alleman	Don and Pamela Heckman
Clay Atkins	Frank Henderson
Jim and Lorna Auld	Wayne Hoffman
Don Brandt	Maggie Lyons
The Brandt Foundation	Karen McGee
Darrell and Laurie Burchfield	Shirley McKague
Beau Burk	Darr and Dorothy Moon
Maurice Clements	Pete Nielsen
Wendi Combs	Theron Nelson
Karen Cornwell	Hubert Osborne
Sharon Culbreth	Gale Pooley
Allen and Sandy Dalton	Lenny Riccio
Darrel and Ladonna Deide	Pete and Shawna Shearer
Robert and Barbara Forrey	Kathy Sims
Larry Gilman	Ralph Smeed
Allen Gorin	Don and Terri Suggs
Marv Hagedorn	Steve Symms
Ron Harriman	Steven Thayn
Patty Hautzinger	

And dozens of anonymous donors across Idaho who share our concern about the size and growth of government, even here in Idaho.

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About us

The Idaho Freedom Foundation is a 501(c)3 public policy research organization and government watchdog that promotes limited government, low taxes, freedom and liberty. Contributions are tax deductible to the fullest extent of the law. For more information, go to www.IdahoFreedom.net.

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Ralph Smeed

1921-2010



This book is dedicated to the memory of our friend, Ralph Smeed, whose tireless effort to "make statism unpopular" is reflected in the pages that follow. Ralph was a big supporter of the Idaho Freedom Foundation, a friend and inspiration to many. Ralph was the recipient of the Foundation's first "Lifetime Achievement Award." For his service to our country, for his dedication and his friendship, we are forever grateful.

INTRODUCTION

In 2009, we told many of our friends and allies that we would write a report called "The 2010 Idaho Pork Report." We won't lie about it; many laughed. "This is Idaho," we heard time and time again. "You won't find government waste in Idaho!" Sixty-eight pages later, few people are laughing. There is waste throughout state and local government. By some measures, there is waste that can be classified as small. Still, there are a number of categories of waste that can be defined as huge blights on the face of government -- extraordinary burdens borne by taxpayers throughout the state. In fact, despite all the cuts to

government, this year's report is bigger than last year's. That means there's a lot of work yet to be done to cut the size of government in Idaho.

Legislators listened in 2010:

Our 2010 report was an overwhelming success, for many public policy decisions by elected officials came from our pork report. Lawmakers and other officials:

- Repealed the law that caused taxpayers to subsidize political parties in Idaho
- Delayed funding for a \$10 million livestock research center
- Eliminated state funding for the non-profit Idaho Council on Economic Education
- Eliminated funding for the Boise Convention and Visitor's Bureau
- Debated the future of government-funded television
- Banned state employees from being given generous parting bonuses

There is still more to do. In 2010, despite reform efforts of the past year and intensified work to expose government waste, we continue to see defiance of the proper role of government and officials (elected and appointed) resorting to expensive government funding tactics when cheaper, more reasonable approaches exist. And then there's just the blatantly absurd spending that we see all the time -- as if there isn't a recession, as if taxpayer dollars weren't scarce, as if those luxuries in the government sector are necessary and needed. We call it as we see it, and too often what we see makes little sense to us or other taxpayers.

In short, there is still much more work to do when it comes to eliminating government waste in Idaho. There is still major need for reform, and those reforms have to become the priority of the 2011 legislative session and beyond. The waste of a single dollar is nothing less than a crime against the taxpayer who had to forgo that dollar because the government made him surrender it.

A new kind of dollar: 'Taxpayer'

Before you jump ahead to the 2011 Idaho Report on Government Waste, a quick word about the spending addressed here: Remember the story of that old hillbilly, Jed Clampett, who sold his land to the oil company on the promise that he'd receive up to 100 of "some new kind of dollar." This new kind of dollar, of course, was called "million," which Jed had never heard of, but it was enough to allow him to move his fictional backwoods family to Beverly Hills.

For many years, state lawmakers have also been treated to a new kind of dollar -- "federal" dollars, which have a mystical quality all their own. They're different, somehow, from state dollars. As a result of that thinking, much of the operation of state government includes federal money and lots of it. The state's general fund spending is almost \$2.4 billion; federal funding is right at about \$2.2 billion. In short, the federal government's footprint on state government is sizable. That has caused state lawmakers to make decisions based on the assurance that we'll receive federal money.

But to receive two or three or four federal dollars, it often requires a state like Idaho to put up one or more state dollars. A good deal? If you understand the Coupon Theory of economics, not so much. The Coupon Theory works like this: In your household, you don't eat name brand cereals because they're too expensive, say, \$6 a box. You'd rather spend \$2 a box on a generic brand. One day, you get a coupon in the mail for brand name cereal for \$4 a box, and you're off to the store to get yours. After all, you're saving \$2, right? No. You're spending \$2 that you otherwise would not have spent. The state is no different. By accepting the federal government's gifts of money, the state is spending money we don't have on programs we don't need. Indeed, lawmakers are spending money the federal government doesn't have.

Throughout this report, we highlight what we believe to be wasteful or reckless spending of taxpayer dollars. This includes money passed through the federal government. Some policymakers will insist that federal dollars are different, unimportant -- that they are of no consequence to the state budget process. We say that's nonsense.

Too many bad decisions from state legislators and bureaucrats start with the words, "The money comes from the federal government." The statement is designed to be a conversation killer, akin to "don't worry your pretty little head about it." Not so much. The money comes from taxpayers, and legislators have the ability and a responsibility to help return to fiscal sobriety - especially from the federal government.

PART I: IDAHO'S GOVERNMENT SAFETY NET IS NOW A HAMMOCK

Government is often described as a safety net -- an option of last resort for the neediest people. The assumption for people on government services is that they've tried everything else, and there is nowhere left to turn. Unfortunately, government has become far more the hammock than it has the safety net, a place of continued comfort for people who should be either self-sufficient or receiving services from charities and others. But politicians convince themselves they're doing great good by creating a government program to help a particular group of seemingly deserving citizens. The sad truth is, in too many cases, they're not.

Equally troubling, as government expands into all aspects of our lives, more and more Americans are either directly the recipients of entitlements, or work with a customer base that depends on those entitlements. In other words, we're beholden to the government's largess in one form or another -- at great cost to freedom.

Sometimes, the programs operate as advertised, but defy the proper role of government. Sometimes, the programs merely exist to appear as if they're accomplishing something. And in other cases, programs exist to serve people who shouldn't be receiving government assistance.

Medicaid: Covering people who may or may not be below poverty for a length of time that we don't know

If you ask the Idaho Department of Health and Welfare how long Idahoans remain on Medicaid, here's what the agency will tell you: "We don't know." That's because there is no limit to how long a person can remain on Medicaid. Certainly, as the agency points out, there are disabled people who may be on the program for life. Similarly, however, there are able-bodied Idahoans whose time on the program should be relatively limited. The state hasn't taken the initiative to find answers to the "how long" question because the federal government isn't interested in knowing such a thing.

The state government was able to report that the turnover rate for Medicaid is about 29 percent, meaning some 71 percent of Medicaid participants remain on the program from one year to the next.¹ The next question is "why?"

Additionally, the state has no data on what percentage of Medicaid recipients fall below the federal poverty line.² Traditional Medicaid provides services to more than 158,000 children and adults who earn below 133 percent of poverty.³ But how many of those people are below the poverty threshold -- by how much and for how long -- is a total mystery.

"You could not limit the time someone can receive Medicaid. The feds would not approve of something like that," said Tom Shanahan, Department of Health and Welfare spokesman.⁴ "The way the feds see it, a child from a low-income family cannot get medical care through no fault of their own. The feds would not allow limits on food benefits for children on medical coverage through Medicaid."

¹ Ibid.

² Shanahan email to Wayne Hoffman, Nov. 22, 2010.

³ Ibid.

⁴ Email to Idaho Freedom Foundation Executive Director Wayne Hoffman, Dec. 6, 2010

The statement is sincere enough, but it neglects the fact that in 1996, advocates for the poor were saying the exact same things. That's when the federal government began a bipartisan effort to reform welfare. And despite cries from critics that children would be out on the street en masse, welfare reform happened, but the human crises that were anticipated as a result never did.

Government help is supposed to be a safety net, and except in extreme circumstances, temporary. But a safety net becomes a hammock when government aid can be used forever by anyone, including able-bodied people. When that happens, there's no incentive to get off a government program, and there are vast incentives to remain on it. Additionally, the gross expansion of government assistance has diminished the valuable role of charities in helping the poor and needy. Now, even charities are looking for a government handout or reimbursement for services rendered.

The federal government's position on Medicaid keeps the state from asking basic but important questions: How long does one remain on Medicaid? What percentage of program participants are truly poor and have nowhere else to turn? Given that Medicaid is expected to cost \$1.7 billion this year, perhaps it's time to find out the answers to basic questions.

Knowing who is receiving state aid would help lawmakers decide between two distinct, yet plausible, courses of action for Medicaid. First, the state could entirely opt out of the state-federal partnership. That's something that states like Texas are contemplating.⁵ But getting rid of Medicaid comes with no shortage of pain, and some argue that unplugging from the state-federal Medicaid partnership will just result in the poorest still requiring care, and doing so at greater cost. The federal government should redo the program, cover the neediest and make charitable and familial -- non-government aid -- a greater part of the equation for the poor, aged and disabled. But that requires a Congress that truly believes in limited government and has the gumption to pass legislation getting us there. State governments passing legislation demanding that course of action might compel Congress to dial back its unsustainable Medicaid program.

⁵ *New York Times*, "Texas considers Medicaid withdraw," Nov. 6, 2010.

Alternatively, the state could try for a Medicaid block grant, like the one Rhode Island successfully implemented. The block grant is allowing the state to cap the impact of Medicaid on the state's budget, at least in the short run.⁶ Ideally, Idaho could create a program that targets the state's limited resources toward the neediest and capitalizes on the system of charitable, family and community care delivery available in our state.

SCHIP: The money ship that keeps on sailing in circles without results

Last year, there were more than 12,600 children household incomes between 133 percent and 185 percent of poverty who were covered under the State Children's Health Insurance Program, or SCHIP. Lawmakers have become convinced that such programs save the state money by getting people into Medicaid instead of remaining uninsured, needing county-paid care or requiring more expensive medical services down the road. Well intentioned, of course, but the proper role of government is to provide services to the neediest. People earning well above the poverty limit cannot be counted among these. Nonetheless, the state still provides this service, which cost \$29.5 million last year and may well cost \$37.5 million this year.⁷

SCHIP is roundly criticized for taking people off of private insurance and putting them onto a government program, a condition known as "crowd out." Nationally, the Congressional Budget Office has generated data showing that for every 100 children who get on SCHIP, another 25 to 50 get off of private insurance.⁸ More children are getting coverage, said the CBO, but many who were on private insurance are now covered under a government program.

Idaho has some sideboards in place intended to keep this from happening; SCHIP recipients have to be uninsured for six months before qualifying under the Idaho program. But what's unknown, and probably can never be known, is

⁶ <http://www.galen.org/fileuploads/RIMedicaidReform.pdf>

⁷ 2010 Legislative Budget Book, Page 2-16.

⁸ http://www.cbo.gov/ftpdocs/91xx/doc9105/04-09-SCHIP_Testimony.pdf

the number of people who choose to go without insurance with an eye toward qualifying for the SCHIP program.

Additionally, experts who have studied SCHIP find little evidence that providing government insurance to people improves health outcomes.⁹ In other words, state and federal governments expend enormous amounts of money on programs that may do little except provide health insurance coverage without improving healthcare.

Fit and Fall: Good intentions that are the model for bad government

There's no doubt that the Department of Health and Welfare's Fit and Fall Proof program for seniors intends to do good. An exercise-based program, it is supposed to help adults 65 and older "improve balance, strength, flexibility and mobility to reduce the risk of falling."¹⁰

In one year, Idaho enrolled 4,700 people (mostly seniors) in Fit and Fall Proof classes. The department contends the research shows the program is successful in helping reduce "falling factors" for the elderly.¹¹

Our issues with this program are threefold. First, the role of the government should be to provide services as a final safety net for citizens in cases where no alternative exists. There are plenty of private sector alternatives to this department program, whether is through privately-run gyms, charitable organizations, civic clubs, families, friends or neighbors. Second, despite this program's supposed success, the rate of falls among the elderly is higher than it was four years ago.¹² Perhaps that's to say that government, despite all of its powers, will never be mighty enough stop people from falling down.

⁹ <http://tinyurl.com/29hdwvf>

¹⁰ Idaho Department of Health and Welfare Facts, Figures and Trends, 2009-2010, page 102.

¹¹ Ibid.

¹² Ibid.

Third, the department is expecting to spend \$491,268¹³ (including \$150,000 in state funds) to administer this program to about 4,700 participants. That's nearly \$105 a person -- quite a price for such a class. Indeed, Idaho has 187,000 residents older than 65.¹⁴ While this program reaches just 3.5 percent of the population today, to expand it to all Idaho seniors, it would cost taxpayers more than \$19.6 million.

Let the government babysit your tax dollars while you're at work

No doubt, the state's involvement in childcare is intended to be altruistic. The state provides a subsidy for low income parents who work and need to put their kids in daycare. The subsidy goes to the daycare provider, allowing parents to use daycare at a reduced cost. Parents must earn less than 135 percent of the federal poverty limits, or \$2,323 a month for a family of four, to qualify for the program.

In fiscal year 2010, taxpayers paid \$19.6 million in childcare subsidies for this program. Of that, almost \$1.2 million came from the state government, the rest from the federal government.¹⁵ The subsidies provided funding for 6,632 children to attend daycare.¹⁶ Such programs are rife with abuse. Although the Department of Health and Welfare contends its investigators are out making sure there's no fraud in the distribution of the dollars, nationally, the U.S. Department of Health and Human Services acknowledges that as much as 10 percent of childcare subsidies are being improperly applied.¹⁷

¹³ Data provided by the Department of Health and Welfare, Dec. 6, 2010.

¹⁴ U.S. Census Bureau, 2009 data.

¹⁵ Email from Tom Shanahan, Department of Health and Welfare spokesman, Oct. 22, 2010, to Idaho Freedom Foundation Executive Director Wayne Hoffman. According to Shanahan, funding for this program is down as result of the recession. In 2007, taxpayers spent \$27.1 million on 8,017 children in this program, but with fewer people working, less childcare is needed and thus, fewer subsidies.

¹⁶ Ibid.

¹⁷ HHS FY2009 Agency Financial Report, p. III-12, www.hhs.gov/afr/2009sectiii-oai.pdf.

Still, this program raises all kinds of interesting and concerning public policy questions. The program contains a degree of social engineering; it favors licensed childcare providers over a parents' usual network support -- family, friends, parishioners at one's house of worship, and so on. Instead, the preferred course of action, as determined by the government, is for the institutionalization of children at government expense at a daycare run by strangers.

And finally, why should it be up to taxpayers to subsidize childcare, of all things? Charitable giving -- which is what this would otherwise be -- should be voluntary, privatized and not run through a government bureaucracy that includes inspectors, investigators and licensing experts. We'd find this program were run better, at less cost and tons more oversight if it were managed by a charitable organization accountable to donors who would insist that the money is well-spent and not treated as an entitlement.

A road paved with good intentions leads to federal mandates

The Access Card program, an expansion of Medicaid, is an example of legislators' valiant attempt to cut healthcare costs at minimal expense. But that program is about to come back to bite state taxpayers in a big way. Created in 2004 and 2005, the Access Card program is supposed to help make insurance more affordable by helping Idahoans buy coverage. Participants in the program get a subsidy of up to \$100 a month to help buy insurance (with a maximum of \$300 a month for children or \$500 a month for a while family). The money goes directly to the insurance provider. The program provides services to slightly more affluent clients than traditional Medicaid programs -- clients can earn as much as 185 percent of the federal poverty level (\$3,400 a month for a family of four).

As of June 2010, the state had enrolled 140 children and 396 adults. The program is expected to cost taxpayers \$630,500 in the current budget year, with

state taxpayers contributing \$126,100 toward that figure.¹⁸ The federal government won't let the state curtail eligibility for this program, which is slated to continue through Aug. 31, 2013.¹⁹ But the state can end the program outright.²⁰ That would probably be a good choice, since the federal government now expects the state to develop a plan that would take Access Card participants and move them onto coverage mandated by the Patient Protection and Affordable Care Act, aka Obamacare.²¹

The federal gov't can print money, but it isn't as generous as the state

In the state/federal Medicaid partnership, there are services offered by the state that are not required by the federal government. Such services include physical therapy and breast and cervical cancer screenings. These services are, as far as the federal government is concerned, considered optional. And yet for years the state has opted to offer these services, even as costs for them escalate year after year. The breast and cervical cancer screenings that cost \$6.2 million in FY 2010 are expected to cost \$9.6 million in FY 2012,²² a 54 percent increase. Dental services are expected to cost more than \$13 million in FY 2012, an increase of more than 36 percent. Physical therapy, which cost \$20.5 million in

¹⁸ Data from the state Department of Health and Welfare.

¹⁹ Centers for Medicaid and Medicare Services Special Terms and Conditions, <http://tinyurl.com/29wandz>

²⁰ Ibid. Page 6 says, "The State may suspend or terminate this Demonstration in whole, or in part, at any time prior to the date of expiration."

²¹ Ibid., Page 17, Section XIV: Transition Plan. The document indicates that by July 1, 2012, the state is to create a plan that demonstrates "how the State plans to coordinate the transition of (Access Card participants) to a coverage option available under the Affordable Care Act without interruption in coverage to the maximum extent possible, and to ensure that coverage for children enrolled in the Demonstration will be continued through 2019."

²² 2010 Idaho Fiscal Facts book

FY 2010 is expected to increase to \$26.9 million in FY 2012, a 31 percent bump.²³

In 2009, state optional Medicaid services were expected to cost \$753 million. A year later, these optional services were projected to cost \$823.8 million, an increase of 9.4 percent.²⁴ Legislators have bought into the notion that every dollar the state puts in means bringing in as much \$4 from the federal government under the state-federal Medicaid partnership. It also means cutting such services is equally hard; legislators would have to resolve to lose four federal dollars for every \$1 that the state government cuts. But with such a growth rate, these services just are not sustainable. Cuts are imperative.

Government benefits continue when you work for the government

Money earned by Idahoans working for the U.S. Census Bureau in 2010 was not counted to Medicaid eligibility limits for those participating in the government-funded health program. An official with the Idaho Department of Health and Welfare (DHW) says the decision to allow the exemption of census money was a one-time occurrence based on the special nature of the work.²⁵

The census, a count of the American population occurring once every decade, took place in 2010. In Idaho, it meant an extra 3,100 jobs to cover the approximate 240,000 households that didn't return census questionnaires via the mail.

Pay for census workers ranged from \$12-15 per hour. Work was temporary, lasting about eight weeks for most workers.

And it's that pay that was exempt from counting toward Medicaid eligibility guidelines. DHW, the state agency that administers Medicaid, made a one-time

²³ Ibid.

²⁴ 2010 Legislative Budget Book, Page 2-15.

²⁵ *IdahoReporter.com*, "Census income not counted toward eligibility of Medicaid," by Dustin Hurst, Dec. 15, 2010.

decision to allow program participants to take part in the Census while still qualifying for government-funded benefits.

Tom Shanahan, spokesman for DHW, said that the limited and temporary nature of the program was a large factor in the decision to exempt census money. “There are not many temp jobs that are quite as temporary as the census,” he said. “First, it occurs once every 10 years. Second, there is no question a census worker is going to get laid off in eight weeks or less.”

No matter how well a census worker performs his duties, Shanahan noted, he will be out of a job shortly after beginning.

The truth is, there are a lot of temporary jobs out in the real world. A census job is but one. Why should the government make a special distinction for one kind of income and not another? The government safety net is again being stretched to accommodate people earning as much as \$15 an hour without any kind of consideration for that income. Additionally, the financial resources for Medicaid are finite. In making this decision, the state obligated money to able-bodied Idahoans at the expense of others with clearly more demonstrated need.

PART II: THEY'RE GOING TO MAKE AN OFFER THE SCHOOL BOARD REALY, REALY SHOULD REFUSE

You're thinking, "school budgets have been cut so much, there can't possibly be anything left over which the teachers unions can negotiate." If you think that, you'd be mistaken. School labor negotiations are conducted behind closed doors.²⁶ Although the contracts are a matter of public record, it is sometimes

²⁶ Under Idaho's Open Meeting Law, labor negotiations can take place in closed executive sessions if one side requests closed meetings. However, some of the labor

nearly impossible to get a copy of the agreement. Clauses in those contracts have been negotiated over many years, and more than a handful appear to have been written with little regard for the children for whom schools were built in the first place. Not enough money? You might be surprised that the Mountain Home School District, for example, managed to include higher salaries as part of its negotiations with that school's union.²⁷ Or that the Glenns Ferry School District provides Life Flight memberships to all employees at taxpayer expense.²⁸ Or that money from emergency levies in Post Falls goes right to salaries.²⁹

The agreements vary widely, but common themes include school districts offering up to a year paid time off to teachers running their local teachers' association, paid sabbatical leave for school employees, 100 percent taxpayer-paid insurance premiums, special pay for teachers to participate in school district budget-setting. And on and on and on. Warning: These next pages may make your eyes bleed.

We'll take something from Column A, B, C, D and, well Columns A-Z

The Boise School District gives a little bit of everything to its teachers. The school district provides 13 different kinds of leave to its teachers, including sick leave that accumulates from year to year up to an unlimited amount,³⁰ personal leave which "shall be granted for any reason deemed necessary by the professional employee"³¹ and religious leave.³² "Public Service Leave" entitles a teacher elected or appointed to the Legislature to "be granted leave with pay

contracts reviewed by the Idaho Freedom Foundation takes the issue off the table by mandating closed meetings no matter what.

²⁷ Mountain Home School District master teacher's agreement, 2010-2011, Appendix A, Appendix A1.

²⁸ Glenns Ferry master teacher's agreement, 2010-2011, Article 10.

²⁹ Post Falls master teacher agreement, 2010-2011, Appendix A.1.

³⁰ Ibid., 12-A-4

³¹ Ibid., 12-B-1

³² Ibid., 12-G

and benefits for those days or portions of days requiring absence for the purpose of performing the duties of office during the legislative session.”³³ If the teacher/legislator is required to participate in legislative duties outside of the session, he or she gets pay and benefit for up to 15 days.³⁴

If two teachers take on the responsibilities of a single full-time job, under the master teacher's agreement, those educators must receive \$250 extra for choosing to do so.³⁵ New professional employees get \$100 per orientation day.³⁶ Long-term employees receive a \$500 bonus after 25 years on the job, \$1,000 after 26 and \$1,500 for 27 years and every year thereafter.³⁷

In the private sector, employees who are still being offered health insurance are paying a bigger share of the cost of health insurance, as well as higher health insurance premiums. In the Boise School District, taxpayers continue to pay the entire cost of premiums for teachers' health, dental and vision insurance, plus a \$50,000 life insurance policy.³⁸ The salary grid is still one of Idaho's most generous with a first-year teacher starting at \$31,900 – an early career increment 22 percent higher than the salary required by state code.³⁹

The next time the Boise School District cries poverty, patrons shouldn't grant additional funding – unless it's to fund a negotiations course for the board of trustees who are supposed to have the interests of all Boise School District patrons in mind, not just teachers and their benefits.

³³ Ibid., 12-L-1

³⁴ Ibid., 12-L-2

³⁵ “Master Contract Between the Boise Independent School District and the Boise Education Association. August 20, 2010 – August 19, 2011” Article 11-K

³⁶ Ibid., 14-A

³⁷ Ibid., 20-E

³⁸ “Master Contract Between the Boise Independent School District and the Boise Education Association. August 20, 2010 – August 19, 2011” Article 19-A

³⁹ Ibid., 20-D

What this school needs more than anything is 34 top-of-the-line iPads!

Last year, Bonneville School District 93 purchased 34 top-of-the-line iPad computers in an effort, officials say, to improve teacher performance.⁴⁰ The iPads have 3G capability (Internet anywhere) and maximum memory (64 gigabytes). The model purchased is the most expensive at \$829; the district spent \$29,512 (including computer cases) in federal "Title II" funds designated for staff development.

District 93 School Improvement Coordinator Scott Woolstenhulme said the machines will allow administrators to spend more time in classrooms evaluating teachers since they will be able to enter observations into an online form on the spot, rather than having to write things out twice — once in the classroom and again at office computers. As a result, teachers will get feedback faster, Woolstenhulme said. Elementary school principal Jason Lords told Local 8 News in Idaho Falls that his iPad helps him follow through on evaluations: "Before we'd do them on paper, for example. And I'd put it on paper and many times I'd come back to the office, set that down and realize a couple days later that, 'oh my heck,' I hadn't sent that back to the teacher," he said.

Only a public school district could justify buying a bunch of top-of-the line iPads in this economic environment. Here's a lesson in economics they don't teach in this school district: When money is tight, you don't buy three dozen high tech toys. As for the principal who can't remember to complete his teacher evaluations: notepads are still cheaper than iPads.

⁴⁰ *IdahoReporter.com*, Oct. 22, 2010, "School District hopes 30k iPad purchase will improve teacher performance," by Jay Patrick

I can help you read -- up until my 375th minute, then I'll cut you loose

Maybe this is just badly worded, but the grownups who run the Lapwai Education Association and the grownups who run the Lapwai School District both signed a contract that sends a painfully bad message to the parents and students. The contract limits the amount of time teachers work with their students. The contract says, "The maximum daily hours of work for employees shall be 465 continuous minutes and shall include a minimum of thirty minutes continuous, duty-free lunch period. No more than 375 minutes shall be student contact time."⁴¹ Perhaps what the two parties should have said, and didn't, is that 90 minutes each day will be set aside for teacher preparation. That's not what they said, however.

We spent \$32 million with no results except a warm, fuzzy feeling

Teacher salaries are designed to go up according to longevity and post-graduate educational credits. The salary schedule of Idaho Falls School District No. 91 is typical: a first-year teacher with a bachelor's degree earns \$30,747. After four years and no graduate school the same teacher would make \$30,760. If, however, the teacher were to add a master's degree during those four years, he or she would make \$35,132 – a guaranteed increase in pay, or "master's bump," of \$4,385.

The system was designed for fairness and measurability. Before computerized testing and instant feedback were common, graduate credits were an easy approximation for which ambitious employees were smarter, better teachers

⁴¹ Lapwai School District/Lapwai Education Association master contract, 2009-2010, Article IV.

and deserved to be paid more. Idaho has more than \$32 million tied up in increased salaries for teachers with master's degrees.⁴²

The average increase in teacher salary for a master's degree is \$7,828. Unfortunately, this assumed link between graduate school for teachers and increased student performance is based on fantasy. There is no demonstrable relationship between the master's bump for teachers and better outcomes for students.⁴³

Good teachers should be paid more, but a graduate degree does not automatically guarantee a good teacher is what we'll get. Idaho's policymakers should eliminate the master's bump and pay increased teachers' salaries according to increased student performance.

A bonus so deserved, officials have two competing excuses for it

When Boise School Superintendent Stan Olson retired from the school district in the summer of 2010, the district gave Olson a \$25,000 payment. One member of the Boise school board says the payment was based on an oral agreement that depended on Olson's participation in the district's health care program. Olson says the money was payment for unused sick days.⁴⁴

AJ Balukoff, sitting president of the board, said that in the original negotiations of the contract, Olson presented the panel with the idea of increasing his pay for not participating in a health plan offered by the district. Trustees weren't comfortable with the idea at the time, said Balukoff, because they had no way to stop Olson from enrolling in a district-funded plan, though that restriction was written into his contract.

⁴² State-by-State analysis of teacher compensation for Master's Degrees. <http://tinyurl.com/29mxu57>.

⁴³ Identifying Effective Teachers Using Performance on the Job, <http://tinyurl.com/lzd5fl>.

⁴⁴ *IdahoReporter.com*, "Boise schools handed out \$25,000 payment to Olson upon retirement," Oct. 11, 2010.

At the end of the negotiations, Balukoff said, trustees orally agreed to pay Olson some amount at the end of his contract if he withheld from a district plan. The provision was not included in his written contract. "You're not going to find anything in writing," said Balukoff, who wasn't involved in the original negotiations of the deal. The attorney who gave board members advice to work out the terms of the contract-end payout has since passed away.

Olson told *IdahoReporter.com* a slightly different story. He said that his contract dictated that he receive sick days each year that could be saved over the term of his employment. Normally when an employee with the district retires, he is given half the value of accumulated sick days in health insurance to bridge the gap between district-paid health coverage and Medicaid. Olson said that because he didn't receive any type of health coverage, the board had to find a different way to compensate him for those days. At the board meeting, Olson explained, trustees decided to give him a severance of \$3,000 a year for the days for all eight years of his employment and then round it up to \$25,000. He said that the actual value of his sick days was formulated to be more than \$40,000.

Balukoff said Olson fulfilled his side of the agreement by not taking part in a district health plan, a move he believes saved the district more than it paid – though he has no official estimates – to Olson on June 24, 2010, upon his retirement from service. Trustees debated the matter for about 34 minutes and voted 4-1 to approve the payment.⁴⁵

Is anyone else bothered that school officials have differing accounts for why the district shelled out \$25,000 as a parting bonus for its superintendent? Or that there's nothing in writing regarding the deal that the district supposedly struck with the superintendent? Or that the bonus came at a time when school districts are complaining that there's not enough money to, you know, hire teachers and stuff? We are.

⁴⁵ Boise School District meeting minutes, June 24, 2010.

This superintendent is so awesome, there's little we won't give him

Chuck Shackett's contract with the Bonneville Joint School District has a number of surprising bells and whistles. It's not the contract's \$104,985 salary, full health and pension benefits that can be called into question. It's all the other goodies. For example, the school board agreed to provide Shackett with full tuition reimbursement, for which the contract spells out no limitations. Additionally, while Shackett is on the state's pension system, the board also agreed to make an extra \$7,500 deposit into Shackett's retirement account each year. The agreement also obligates the board to provide \$15,000 in "incentive pay," another \$2,000 in merit pay, a district vehicle and five days paid leave for consulting in addition to the 20 days off he already gets. Finally, the superintendent is guaranteed minimum earnings as the contract stipulates that his salary and benefits "shall not be less than salary and benefits for 2010-11."⁴⁶

The most expensive candidate wins

In Ponderay, Idaho, the Lake Pend Oreille School District and the Lake Pend Oreille Education Association agreed to a contract containing the most expensive option possible for filling vacant positions. The agreement addresses open positions thusly: "Employees shall be offered all open positions for which they are qualified in order of seniority. ... Said employee shall not be required to participate in a formal interview for a position, but shall be allowed to fill any position for which he/she is qualified."⁴⁷ The contract continues that in the event that two teachers vying for the same position have the same seniority, the one with the highest educational degree will get the job.⁴⁸

The problem, of course, is that such a clause takes more qualified candidates, perhaps at less cost to taxpayers, out of the picture as a job contender. The only

⁴⁶ Superintendent's contract, Feb. 10, 2010.

⁴⁷ Lake Pend Oreille School District/Lake Pend Oreille Education Association master contract, 2010-2011. Article III, Sec. F, Paragraph 4.

⁴⁸ *Ibid.*

thing the school district is allowed to consider is length of service and total education. The contract says nothing about offering jobs to "the best teacher" or the "most qualified teacher" or "the teacher who has managed to increase academic achievement the most." And, because the teacher with the highest educational degree and the most seniority is the teacher who is also the most expensive, the school district is contractually bound to not pick a teacher who might be better suited even if that teacher might also be less costly to employ. The real losers in this scenario are the children and the taxpayers.

The most expensive substitute wins

The Lake Pend Oreille School District master teacher contract also addresses substitute teachers in the most expensive way imaginable. The agreement directs the school district to appoint substitutes by giving priority to certified teachers. Not really an objectionable point, we suppose. But here's where the master teacher contract gets a bit carried away: The contract also stipulates that an appointment is considered long term after the substitute has been in the position for 20 consecutive workdays. "After 20 days," says the agreement, the substitute "is paid 85 percent of a typical day's work, retroactive to the first day of continuous service." The district, by the agreement, is forbidden from changing substitutes "for the purpose of avoiding long-term substitute status."⁴⁹

This contract clearly ties the school districts hands. Perhaps another substitute, who is better qualified to teach the class for 40 days comes along. Under these terms, the school district is actually forbidden from making a change. Worse, the district is contractually obligated to keep that less qualified substitute in place for a greater cost. We'd again question how such a stipulation benefits students and taxpayers.

Take a break at taxpayer expense

The contract between the Boise School District and Boise Education Association requires the school district to budget \$100,000 for teachers to take sabbatical

⁴⁹ Ibid., Article XII, substitutes.

leave. The money goes into a fund that can then be used to provide up to a year of paid sabbatical. Teachers interested in this perk must submit their applications, and the superintendent approves the applications. Teachers who have worked for seven years are eligible. Those who have taken sabbatical are eligible again after another 14 years have passed.⁵⁰ Boise is not the only district to offer sabbaticals to its employees. The Mountain Home School District⁵¹ and Basin School District (Idaho City)⁵² do, too.

The tragedy is, the same officials who are complaining that there's too little money, that children are being crammed into classrooms are the same ones who are giving taxpayer-paid vacations to teachers. Across the country, lawmakers recognize what a racket this is and are disposing of such arrangements.⁵³ Iowa House Speaker Kraig Paulsen said it best: "Why should the taxpayers of Iowa be paying to basically give these folks a year off from teaching?"⁵⁴ Good question, one that Idaho lawmakers should apparently be asking as well.

Taxpayer support goes to the neediest: (By which we mean the teachers' union, of course)

The Boise School District's master contract says the district will provide "each professional employee . . . 1.132% of the average classroom teacher's salary of the State of Idaho for the preceding year that may be used for professional activities."⁵⁵ The very next paragraph states, "The (Boise School) Board agrees, as a matter of convenience to certificated and non-certificated (Boise

⁵⁰ Boise School District/Boise Education Association 2010-2011 contract, Article XII, Sec. J.

⁵¹ Mountain Home School District master teacher's agreement, Article 4.4.

⁵² Basin School District teacher's agreement, Article 3-G-1-B.

⁵³ State Schools, lawmakers cut sabbaticals, Associated Press, Dec. 6., 2010.

⁵⁴ *Ibid.*

⁵⁵ Boise School District/Boise Education Association contract.

Education) Association members, to provide for payroll deductions of dues to the Association and its affiliates.”

In 2009-2010 the Boise School District spent \$759,000, or \$464 per eligible employee, to fulfill this master contract provision.⁵⁶ The official word from the district is that it intends for each employee’s \$464 to be used “to encourage professional educators to participate in professional activities and organizations, assist with continuing education expenses, purchase professional journals and books, etc.”⁵⁷ Considering it’s part of the negotiated contract under which all Boise teachers are obliged to work, union members or not, this is likely a strongly-encouraged intent.

One professional organization a Boise teacher could “participate in” using this money is the local chapter of the teachers’ union, the Boise Education Association. Union membership for a brand-new Boise teacher with no teaching experience is \$502.25 per year. The \$464 per year stipend surely promotes union membership among beginning teachers who otherwise might think they can’t afford it. Further, “as a matter of convenience” those dues are automatically transferred from teachers’ paychecks to the union. This certainly is convenient – for the Boise Education Association.

The Nampa School District contract with the Nampa Education Association says “when certificated employees use personal funds to pay for membership in professional organizations the certificated employee will be reimbursed up to \$300 per year.”⁵⁸ That provision cost taxpayers \$154,491 in 2010 and is expected to cost taxpayers \$167,500 in 2011.⁵⁹ It’s an interesting place to increase expenditures in a year when school budgets have universally been reduced.

⁵⁶ Data from the Boise School District.

⁵⁷ Email from district spokesman Dan Hollar, Sept. 24, 2010.

⁵⁸ Nampa School District/Nampa Education Association Master Contract 2010-2011, Section 4.9.

⁵⁹ Email from Allison Westfall, Nampa School District spokesman, to Idaho Freedom Foundation Executive Director Wayne Hoffman, Dec. 7, 2010.

Lest anyone be confused, this funding all comes from taxpayers, who foolishly believe that their taxes are being transmitted to the classroom for the education of children. They're not.

Hired to teach, some teachers spend their time running the union

Under the Nampa School District's contract with the Nampa Education Association (NEA), the sides agree to "release the NEA President from classroom responsibilities for one year." The two parties are to then agree how to pay for the arrangement. Says the contract, "A suggested starting position for sharing costs might be that the (school district) would pay all costs of the NEA President and one half the costs of the replacement with the (teachers union) paying the remaining one half of the costs of the replacement."⁶⁰

Indeed, the school district, which is supposedly in the middle of a budget crisis, agreed to pay \$52,978 toward the salary and benefits of the teachers' union president, who is contractually released from teaching duties. The Nampa Education Association agreed to put up \$20,000 toward the expense.⁶¹

(Perhaps this explains why the district also agreed to pay for both the labor union and the school board to undergo a "joint training in the collective bargaining process.")⁶²

Of course, allowing union presidents to conduct union business at taxpayer expense is rather common across Idaho schools. The Nampa School District contends it helps resolve contractual problems before they become legal

⁶⁰ Nampa School District/Nampa Education Association Master Contract 2010-2011, Article 10.

⁶¹ Email from Allison Westfall to IFF Executive Director Wayne Hoffman, Dec. 8, 2010.

⁶² Nampa School District/Nampa Education Association Master Contract 2010-2011, Article 12. Although the contract stipulates this, the school district claimed in an email that the expense, \$1,000, is being split between both the district and the teachers union.

problems. Yet some districts, however, make the release time an expense of the teachers' union, not the taxpayers. The Blackfoot School District, for example, has a contract with the Blackfoot Education Association that says "association members on official business assignments for the Idaho Education Association will receive released time as needed." The contract goes on to say that the association "will reimburse the district for the cost of the substitute in each case where the release time is utilized."⁶³

Blackfoot appears to be the exception, rather than the rule. In Ponderay, the Lake Pend Oreille School District signed an agreement with the teachers' association that gives 15 days of leave per year for association officers. The district is supposed to pay for costs associated with the first five days of leave, after which the association is supposed to cover the costs.⁶⁴ The association president gets leave time equal to 20 percent of his or her contract hours, and the district contractually bound to absorb "any costs" associated with the president's absence.⁶⁵

The Snake River School District at Blackfoot provides up to 12 days of release time for the association president, to be taken in one-half day increments. The association pays the cost of the substitute "if one is hired."⁶⁶

The West Bonner School District in Priest River allows officers of the teachers union eight days of leave per year "for association business within the state."⁶⁷ The district is required to pay for five days of substitutes. The association

⁶³ Blackfoot School District/Blackfoot Education Association Master Contract 2010-2011, Article 1, C-2.

⁶⁴ Lake Pend Oreille/Lake Pend Oreille Education Association master contract 2010-2011, Article 15.

⁶⁵ Ibid.

⁶⁶ Snake River School District/Snake River Education Association Master Contract 2010-2011, Article 1, Paragraph 9.

⁶⁷ West Bonner Schools/West Bonner County Education Association Master Contract 2010-2011.

president gets off 15 days, under the contract. For the president, the association agrees to pay for the cost of substitutes "as needed."⁶⁸

The Boise Education Association's (BEA) contract with the Boise School District says the BEA president "shall be" excused from teaching, with full pay and benefits, for his or her term of office.⁶⁹ The agreement says it is up to the district to reimburse the teacher's union an amount equal to the salary and benefits of a first year teacher.⁷⁰

Several school districts provide paid time off for teachers to attend union meetings. Among these are Cottonwood, Lakeland (Rathdrum), Mackay, Meridian, Post Falls and Troy.⁷¹

Schools that can't afford to educate the kids can afford to educate the adults who teach the kids

Many school districts across the state are telling taxpayers that they don't have enough money to educate their children. Can't buy books. Can't afford new teachers. Can't afford computers. But while there's (apparently) not enough money to teach kids, there's plenty of money to teach the adults who are supposed to teach the kids.

The Kellogg Joint School District, in its contract with the West Shoshone Education Association, agreed to "cover the cost and expenses (with the

⁶⁸ Ibid.

⁶⁹ Boise School District master teacher's contract., 3-C-3

⁷⁰ Ibid.

⁷¹ Cottonwood, Article 1; Lakeland (Rathdrum), Article 4.3; Mackay, Article 3-5; Meridian, Article 14-A; Post Falls, Article 7; Troy, Article 5.06

exception of college credits) of anyone who enrolls and successfully completes the coach's certification program offered through the University of Idaho.⁷²

The Kimberly School District's agreement with teachers says taxpayers will provide money for staff development, to be budgeted by the district. In addition, the contract says \$300 per full-time employee is to be provided annually to be used for "personal" development, which could cover college credit, workshop registration or fees, and books.⁷³

A common practice is for school districts to pay up front or reimburse teachers for their education credits. Among those whose contracts still provide for this giveaway to teachers are Cottonwood, Council, Highland (Craigmont), Lapwai, Meridian, Salmon, Sugar-Salem (Sugar City) and Troy.⁷⁴

Several school districts provide stipends to reward teacher longevity. For example, the Blackfoot School District gives its teachers as much as \$9,000, either over the course of the teachers' last three years or as a one-time payment in the last paycheck, just for sticking around until retirement.⁷⁵

Paying teachers to participate in the school district budget process

Idaho Falls School District No. 91 pays its teachers -- to participate in the development of the school's budget and other policies. The agreement between the district and the teachers union requires three teachers, three administrators and a board member to serve on a standing budget committee. "Teacher representatives," the contract stipulates "will receive an honorarium of \$300.00

⁷² Kellogg Joint School District/West Shoshone Education Association Contract 2010-2011.

⁷³ Kimberly School District, Article VII, Paragraphs D&E.

⁷⁴ Cottonwood, Attachment 3; Council, Article 11; Highland (Craigmont), Article 12; Lapwai, Article 5.4; Meridian, Article 8; Salmon, Article 12.9; Sugar-Salem (Sugar City), Article 5.5; Troy, Article 10.01

⁷⁵ Blackfoot School District/Blackfoot Education Association 2010-2011 contract, E-2.

in the June paycheck per school year for the committee work.⁷⁶ Ditto for the school district's Insurance Committee, which is used to decide the insurance benefits for employees. The three teachers who serve on the committee receive a \$300 honorarium for their work.⁷⁷

Idaho Falls School District No. 91's contract with its teachers' union also contains a provision that says the union president "shall be a nonvoting member of all (school) board committees" and "be provided the opportunity to participate in the meetings in which school district policy and procedure are formulated."⁷⁸ What does the school district get in exchange for this gesture of openness and a chance to participate in all school board functions and decision-making? Why, under the contract, the district is required to fork over the substitutes, clerical aide support, salary and benefits of up to \$14,000 a year.⁷⁹

In Post Falls, teachers who help develop curriculum get paid up to 4.5 percent of their base salaries.⁸⁰

Can't afford books, but can afford 100% of health insurance premiums

Across Idaho, school districts said they're having to shut down classes, put 30-40 kids in every classroom, lay off teachers, shutdown school. It's a little known fact that many school districts continued to negotiate contracts with the teachers' union that required taxpayers to subsidize 100 percent of the cost of each employee's health insurance premium.⁸¹ Keep in mind as well that many of

⁷⁶ Idaho Falls School District 91/Idaho Falls Education Association contract 2010-2011, 4-2-2-1.

⁷⁷ Ibid., 12-4.

⁷⁸ Ibid., 7-9-2.

⁷⁹ Ibid.

⁸⁰ Post Falls master teacher agreement 2010-2011, Article 15.

⁸¹ Basin (Idaho City) master teacher contract, Article 3-E-1; Butte County Joint School District contract, Article 10; Challis Joint School District, Article 7; Cottonwood School District, Article 5; Filer School District, Article 7; Hansen, Article 3.1; Highland (Craigmont) School District, Article 5; (Harrison) Kootenai

these insurance packages are extremely generous, featuring low co-pays and low deductibles. It's hard to find insurance plans in the private sector that are comparable, because many in the private sector were forced to abandon Cadillac insurance policies long ago; they're too expensive.

Some school districts pay the bulk of health insurance costs, but not all. Buhl, Glenns Ferry, Jerome, Lakeland, Mackay, Midvale, Sugar-Salem and Wilder are among those districts that pick up nearly all the cost of the employees' health insurance premium costs.⁸²

The Kellogg School District, as an example, pays 95 percent of the insurance premiums of most school employees. But the district also pays employees who get their insurance through some other employer -- \$150 a month to stay off of the government health insurance plan.⁸³ That's probably because it's hard to find an insurance plan that is comparable to the school district's offering. The incentive is designed to save money, when it would save a lot more money if the district were to have an insurance policy more in line with the private sector.

PART III: URBAN RENEWAL IS A BLIGHT ON IDAHO TAXPAYERS

Throughout the past four decades, urban renewal districts have been popping up across Idaho, leaving many Idahoans with the false impression that these

School District, Article 3; Meridian School District, Article 5; Minidoka, Article 11; Mountain Home, Article 6.4; Potlatch, Article 14.1; Salmon, Article 10.1; Troy, Article 8.01

⁸² Buhl contract, Addendum, Item 2; Glenns Ferry, Item 8; Jerome, Article 9-A-1; Lakeland (Rathdrum), Article 2.1; Mackay, Article 8-5; Midvale, Article 3; Sugar-Salem (Sugar City), Article 7-5.1; Wilder, Article 1-A.

⁸³ Kellogg Joint School District/West Shoshone Education Association Contract 2010-2011.

districts -- and the projects they create -- come at no cost to taxpayers. In fact, there are so many myths surrounding urban renewal districts that few policymakers truly understand what an urban renewal district is, how it works or what it does.

In any county where an urban renewal agency is in existence, all property taxpayers experience increased property tax levy rates. To understand how urban renewal agencies work, suppose you have a city with an urban renewal district. The urban renewal district includes an acre of bare ground valued at \$5,000. The urban renewal district encourages a developer to put a building atop the bare ground. Now that acre of land is worth \$500,000. The taxes from the difference in the valuation -- the \$495,000 -- goes to the urban renewal district to use for their "economic development" projects. The county, highway district, city, or ambulance district -- none of these entities gain from the increased valuation. As far as those taxing districts are concerned, the property is still valued at \$5,000. However, because the city, county, highway district, and ambulance district must still provide services to the new building, those taxing districts must increase their levies in order to bring the revenue needed to account for the increased services.

For a practical illustration let us consider Canyon County. Taxpayers living in Canyon County and **not** within the cities of Caldwell, Nampa or Middleton pay \$88.41 more per \$100,000 of assessed value than they would if there were no urban renewal district.⁸⁴

For taxpayers who live within Caldwell, property taxes per \$100,000 of assessed value are \$210.14 higher than they would be if Caldwell were not using tax dollars for urban renewal projects. When the county share is considered, \$88.41 added into the tax burden, the taxes are then \$298.55 higher per \$100,000.⁸⁵

⁸⁴ Data from the Canyon County Assessor's Office.

⁸⁵ Data from the Canyon County Assessor's Office.

Commercial and business property taxes are about 30 percent higher due to the tax shift created by Caldwell, Nampa and Middleton urban renewal agencies.⁸⁶

The increased taxes are due to all other taxing districts throughout the county raising their levy rates to fund their approved budgets. The property taxes within the urban renewal district are predominately kept by the district, thus increasing all property taxes throughout the county.

The urban renewal district, however, gets the added incremental valuation. So, while the city may need new firefighters and police officers, the ambulance district may need new ambulances and the highway district may need to repair more potholes, they'll still collect money as if the property they're protecting is still worth \$5,000. And it will remain that way for up to 24 years -- the maximum length an urban renewal district can remain in place under Idaho law.

It is important to remember, this is a statewide concern. While Canyon County's share of valuation that is locked away in an urban renewal district is \$9 million, the state's share is \$52 million.⁸⁷ That's money that can't be used to hire firefighters, police officers, ambulance drivers and so on. As a consequence, tax levies nudge ever higher. To validate the point, Pocatello recently voted to retire one of its urban renewal districts. As a result of that decision, \$83 million in property valuation will be released, and Pocatello leaders expect taxes will drop as much as 3.5 percent in 2012.⁸⁸

What do Idaho taxpayers get in return for their money in urban renewal? Largely, a manipulation of free markets and higher tax rates.

♪ It's fun to spend someone else's hard-earned money at the Y-M-C-A ♪

If the Village People taught us anything, it's that the YMCA is a place where a

⁸⁶ Based on data collected from the Idaho State Tax Commission and the tax data from the Canyon County Assessor's office.

⁸⁷ Idaho State Tax Commission data

⁸⁸ *LocalNews8.com*, "Pocatello City Council Votes to close TIF district," Dec. 16, 2010.

person can go when you're short on dough and that it is also fun to stay at the YMCA. At the YMCA, in the 21st century, we can still dance for free to the Village People's hit song, but we have to pay for the YMCA whether we like it or not. That's because now, tax dollars are going to the Y. Caldwell's urban renewal agency spends \$1 million a year (for a total of more than \$9.7 million) to support the YMCA.⁸⁹ Of course, the YMCA operates in competition with other health clubs, so the organization is being given an unfair advantage over its rivals. Some people will try to justify this by noting that the YMCA is non-profit. However, that's not a good excuse. Whenever government takes our money by force through the taxation process and gives it to a non-profit entity, however noble and just the cause might appear to be, it makes us all unwitting supporters of that non-profit. Even if we'd like our philanthropy to go somewhere else, the government is making the decisions for us.

But that's just part of the problem. Over a two-year period, the urban renewal agency spent \$150,000 on the YMCA's wellness program; that money was then used to subsidize 25 percent of the cost of memberships for employees of participating government agencies.

Under the program, the employee paid half of the cost of a membership, the employer paid 25 percent, and the urban renewal funds were used to cover the remainder of the membership cost. In 2009, the program was extended to Simplot employees in Caldwell and Nampa.

Urban Renewal Chairman ElJay Waite, an employee of the city of Caldwell, said the program had a positive impact on taxpayers because the program helped reduce workman's compensation claims among the employees who participated.⁹⁰ Even if that were true, and some records indicate that it is not,⁹¹ one wonders what a wellness program has to do with urban renewal. Remember urban renewal, the source of funding for the whole YMCA endeavor? Lawmakers set up urban renewal districts as a mechanism to help solve the problem of blight and deterioration in the state's urban corridors. This

⁸⁹ Public records from the Caldwell Urban Renewal Agency.

⁹⁰ Idaho Freedom Foundation interviews.

⁹¹ Records from Canyon County showed worker's compensation claims continued to rise, despite the wellness program.

program has nothing to do with that at all. It is nothing more than a conversion of public dollars to private use.

We needed those gym memberships to make sure the money was well spent (and other lame excuses)

Caldwell officials claimed that one of the burdens of leadership was the need to periodically inspect how taxpayer money was being used at the YMCA. It's a dirty job, don't you know, but some government official, namely the mayor and urban renewal district board members, had to do it. This wasn't something that could be left to some government flunky or lower-level management type. Such inspection required, according to them, free admission to the YMCA, where they could check out the environs, presumably the pool, exercise bikes and basketball hoops.

Paul Alldredge of the *Caldwell Guardian* complained about this government perk, and the attorney general's office investigated. Deputy Attorney General Stephen Bywater noted in his non-binding opinion that while an argument could be made that city officials had legitimate reason to inspect the facility, there's a public perception problem.⁹²

"Regardless of the stated reason (urban renewal board members) should have been aware of the potential for their conduct to be illegal," wrote Bywater. "Government officials should be skeptical of any 'perk' offered them, particularly those offered by entities subject to their regulation."

It's somewhat interesting that few, if any, government services require government officials to partake in their execution. Does the mayor regularly call upon police, for example, to see how well and how quickly they respond? Does he light houses ablaze to see if the fire department is equipped to put the flames out? Clearly, this was another exploitation of the fiasco that is urban renewal.

⁹² Opinion dated October 25, 2010.

When you think 'urban renewal,' you're usually thinking parks, right?

City officials in Coeur d'Alene are working on a plan to put urban renewal money to work exactly where you'd expect it to be used: to improve some park land. After all, when most people think of urban renewal, blighted land and deteriorated property, they tend to imagine parks, right? The Lake City Development Corporation is working with the city government on a plan to make improvements to McEuen Field in Coeur d'Alene. You might still consider this property blighted, that is if tennis courts, baseball and softball diamonds, picnic shelters and boat docks meet your definition of blight. Nonetheless, it is an urban renewal project, though it is questionable if it is urban renewal like the Legislature envisioned it. Still, plans are in the works to put in place a water fountain, amphitheater-style seating, green space and a playground.⁹³

Planners have a money-is-no-object approach to the project, saying they want to dream on a big scale and figure out the money aspects later.⁹⁴ Which is exactly the way people don't want public officials thinking about taxpayer money.

Urban renewal makes it sink or swim time for Rexburg taxpayers

Even if you try really, really hard, it's difficult to rationalize Rexburg's use of taxpayer money as urban renewal. Local officials broke ground in 2010 for a \$5.2 million aquatic center that features swimming pools, ball fields and a lazy river.⁹⁵ The project will be debt financed over 12 years. City leaders contend the project will be a boost for the local economy, even though area residents have

⁹³ *Coeur d'Alene Press*, "A vision unveiled," Dec. 23, 2010.

⁹⁴ *Ibid.*

⁹⁵ *Rexburg Standard Journal*, "Rexburg breaks ground for Riverside Park, aquatic center, June 28, 2010.

begun questioning the sensibility of building a recreation center in the midst of an economic downturn.⁹⁶

Rexburg residents are right to voice concern, of course. Money that could be used to cut taxes or fund existing services is instead being floated to build a giant park. Rexburg is not unique in its decision to borrow for a construction project that is supposed to aid in the economy. It's a national phenomena, where cities, urban renewal agencies or both promise low risk and high returns in exchange for taxpayer-backed projects. Invariably, those projects fail to perform, and city taxpayers find themselves having to fund the continued operation of a whole host of well-intended projects. In California, for example, sports stadiums, arenas and amphitheaters are all struggling to pay their bills, having failed to garner the community support needed to break even; they now require taxpayer subsidies.⁹⁷

We've seen such a development firsthand in Idaho. Nampa's Idaho Center, built initially under the guise of urban renewal, has yet to turn a profit. Taxpayers are having to subsidize the Idaho Center in 2011 to the tune of \$600,000.⁹⁸ Rexburg leaders think they've come up with a plan to turn a profit above the aquatic center's \$273,000 annual operating costs.⁹⁹ We're guessing if there really were money to be made from such a facility, the private sector would have built its own aquatic center a long time ago. Taxpayers in Rexburg are about to learn what their counterparts in Nampa and California already know about capital investments that fail to live up to expectations.

Urban renewal + urban planning = social engineering on a global scale

Since 2004, urban renewal agencies in two Idaho cities have paid more than \$20,000 to the Urban Land Institute (ULI), an international urban planning

⁹⁶ Ibid.

⁹⁷ The Muni Debit bomb, S. Malanga, <http://tinyurl.com/2c9avon>

⁹⁸ Nampa budget documents for 2010-2011.

⁹⁹ *Rexburg Standard Journal*, "Approved," March 25, 2010.

organization that advocates development of inner cities rather than in suburban or rural areas. Critics say such groups try to pass coercive public policies that restrict people's ability to enjoy rural or suburban living. Coeur d'Alene's Lake City Development Corporation (LCDC) spent \$11,526.74 on ULI-related expenses, while Boise's Capital City Development Corporation (CCDC) spent \$9,227.42.¹⁰⁰ While supporters of the ULI and other planning groups say they're concerned with combating sprawl, critics say they're less about urban renewal and more about social engineering. What did taxpayers get for their money?

"We've been through various training courses they've put on. It's a way to access the latest thinking on urban real estate in the country," said CCDC Executive Director Phil Kushlan.

Randall O'Toole, a land use and public transportation expert with the Cato Institute, said groups like the Urban Land Institute are on a mission in support of social engineering initiatives that dictate where and how land can be developed. Such plans are a form of coercion, because it forces people who want to live in single-family suburban developments to move back into the cities, he said.

"If you won't let them build, because there's no available land, and if you subsidize the building of high density housing, people are going to move there because they can't afford the single family homes they want to live in," O'Toole said. As originally pitched to lawmakers, urban renewal districts were supposed to reinvest tax dollars in blighted city areas. Instead, urban renewal agencies are taking urban renewal dollars and using them to pay for groups associated with global land use planning and restrictions on a global scale.

Thanks for your tax dollars. Would you like a mocha latte -- on you?

In August 2010, the Caldwell Urban Renewal Agency voted to use taxpayer dollars to help open up a new coffee shop and deli in the Treasure Valley Community College building in downtown Caldwell. Sounds like a nice way to

¹⁰⁰ Public records obtained by Idaho Freedom Foundation.

invest money for the betterment of downtown, right? No. In fact, several local businesses protested the plan, noting that the government's investment in coffee equipment would mean existing businesses would be forced to subsidize the competition.¹⁰¹ Machelle Siegal, who not long before had opened up the Kickin' Cup coffee shop in Caldwell, pointed out that the government didn't come along and help her business open up. Other business owners also noted that coffee shop entrepreneurs know a thing or two about coffee equipment that city officials don't.

Despite objections, the agency approved spending more than \$11,000 for this java journey.¹⁰² No doubt, business will be brisk, but other businesses in downtown Caldwell will inevitably shut down as a result of the government's attempts to juice up the free market. Business owners built their enterprises with the expectations that the government wouldn't come in and undercut them, compete against them or otherwise alter their business plan. That's exactly what happened, and now the private sector again suffers at the hands of government.

And, indeed, the very urban renewal that is supposed to be revitalizing downtown business is instead killing it.

How urban renewal leaders pick winners & losers with a makeover

When people think of urban renewal, they imagine roads and sidewalks being repaired, utilities upgraded, perhaps new light posts and signage that improve an area's "curb appeal." That's not always the case, and too often taxpayer money is put into the hands of private businesses for the benefit of that business and no one else.

The Caldwell urban renewal agency owns and leases a building in downtown Caldwell. In November, the agency's leaders voted to spend \$21,000 on an

¹⁰¹ Caldwell Urban Renewal Agency minutes, August 2010. Interestingly, Siegal's name and the name of her business are spelled wrong in the agency's official minutes.

¹⁰² Ibid.

adjacent business. Norman's Jewelry used the money to get a makeover including new façade, paint, and signage.¹⁰³ The resolution in support of the expenditure said spending is supported by the fact that Norman's Jewelry, in 1999, spent \$4,400 on sidewalks and landscaping.¹⁰⁴

This might appear to be a great way to spend taxpayer money -- making a private business look better. But every action in the marketplace has consequences. While Norman's got a taxpayer-funded makeover, other similar stores receive no such funding. They're stuck having to fund their own siding, signs and paint at their own expense. To recoup, Norman's competitors will have higher prices, smaller profit margins, lower pay for employees, or perhaps they'll go without new siding and risk losing business as a result of not being able to afford the accoutrements that the urban renewal agency provided at taxpayer expense. In extreme cases, Norman's competitors will go out of business, which has the opposite impact of what urban renewal is supposed to accomplish.

Caldwell's urban renewal efforts are merely following the lead of other urban renewal efforts that have done the same thing for years. Lake City Development Corporation, which runs redevelopment efforts in Coeur d'Alene, invested more than \$1.8 million to remodel private apartment buildings, offices and condominiums, install fences and put new siding and brick facades on buildings.¹⁰⁵

Try as they might, when government manipulates the free market, the outcomes are never good. All they're really doing is picking winners and losers.

Taking a successful business, tearing it down, leaving a vacant lot

The Twin Falls urban renewal district may not have the "renewal" part of "urban renewal" figured out. Officials there spent \$200,000 to buy Red's Trading Post, a

¹⁰³ November 2010 urban renewal board meeting minutes.

¹⁰⁴ Resolution dated Nov. 5, 2010.

¹⁰⁵ LCDC records and reports.

highly-successful gun shop with a family lineage that dates back to 1936.¹⁰⁶ The purchase was part of a four-block revitalization project in the city's Old Towne area.¹⁰⁷ The agency then voted to spend \$20,000 to pull the building down. (Interestingly, Red's relocated to downtown property that had been owned by a former urban renewal board member.)¹⁰⁸

Urban renewal agency commissioners claimed the building was an eyesore that needed to go. We'd debate that point. The building looked like many of the venerable western buildings in Idaho.

Today, instead of having a successful business operating there, the former lot is vacant, and urban renewal officials, as of this printing, have no idea what they're going to do with the site. Some urban renewal board members are talking about turning the lot into a park.¹⁰⁹ Quite an economic boost the community, right? Urban renewal officials might argue that one day, something will fill that vacant lot. Maybe so, but Twin Falls wouldn't be the first city to make big promises about a piece of property. We'd note that there's a big hole at 8th and Main in Boise, which, like the former Red's property in Twin Falls, was also torn down with the promise by urban planners that it would be something someday.

Urban renewal causes cities that can't afford police to invest in art

In case you haven't heard, there's an economic crisis going on. Bonner County's unemployment rate last August was about 10.5 percent.¹¹⁰ We reference the August 2010 rate because it so happens that's when our next story takes place. Last summer, while unemployment was in double digits and the city of Sandpoint was contemplating an increase in taxes to pay for basic services, the

¹⁰⁶ Red's Trading Post history, www.redstradingpost.com.

¹⁰⁷ *Twin Falls Times-News*, "Twin Falls urban renewal agency approves demolition of former Red's building, Nov. 9, 2010.

¹⁰⁸ Ibid.

¹⁰⁹ Ibid.

¹¹⁰ U.S. Bureau of Labor Statistics.

Sandpoint Urban Renewal Agency was deciding whether to spend \$6,600 to install steel cutouts, six feet tall, that depict wildlife and other regional images, in a local roundabout.¹¹¹ While that might seem unrelated to the city's budget issues, they are, in fact, connected. Property tax dollars that go to Sandpoint's urban renewal agency are dollars that would have otherwise gone to the city of Sandpoint if there was no urban renewal district in place. Because of the diversion of cash, one government agency was deciding how much to raise taxes, while another was deciding how much to spend on public art.

Think of it this way: Let's suppose you create two bank accounts for your household. One is for general family needs like your mortgage, food and car payment. Your other account is for recreation. You decide to take a small amount of income and deposit it in your recreation account each month, leaving the rest to pay your major expenses. Then you lose your job. Because you control both accounts, you can easily stop using your recreation money for recreation and start using it for basic human needs, like food and shelter. That's not how Idaho government works. Under urban renewal, the money is captured for other uses by a separate entity. So while there's an economic crisis under way, the urban renewal district continues to splurge on entertainment, while taxpayers are squeezed for more money to pay for the basics like police and fire protection. Cities that are raising taxes at the same time they're spending on public art are no different from unemployed people investing in flat screen televisions.

But the schism between city and urban renewal agency explains why the Sandpoint Urban Renewal Agency, in addition to the art project, also managed to turn up \$44,250 in grants for the Sandpoint Downtown Business Association to support marketing and events.¹¹² The money was to be used to market and hold events that would bring people downtown.

Urban renewal enthusiasts will argue that both the arts project and the downtown grants help spur economic activity. The reality isn't so pleasant. By diverting money to urban renewal, it only added to the pressure to raise taxes in Sandpoint. And with taxes up, economic activity ends up being suppressed. In

¹¹¹ *Bonner County Daily Bee*, "Roundabout art gets green light," Aug. 9, 2010.

¹¹² *Ibid.*, "SURA grants to give downtown Sandpoint a boost," Sept. 30, 2010.

reality, urban renewal projects are contributing to the very economic malaise it purports to stop. If city leaders really want to help revive the economy, they should simply get out of the way, cut government and lower taxes. A way to do that is to stop the diversion of cash to urban renewal.

Who wins with urban renewal? In Nampa, it's only the government

Above all else, urban renewal has become a tool to divert taxpayer dollars clandestinely toward some project that would have otherwise required a vote of the people to complete. After all, what city official in his or her right mind would want to ask voters to raise taxes when such a project can be completed minus the public input and the aggravation of an election? Take Nampa, for example. In 2008, a judge gave permission to Nampa to use \$18 million in debt financing to pay for a new law enforcement complex.¹¹³ Under the state constitution, such debt financing would usually require a vote of the people. But when disguised as urban renewal, the courts have ruled the public's voice in the matter doesn't matter. City leaders argued the project will help the city's downtown.¹¹⁴

While construction on the city government office space continued, two major things happened in the city of Nampa. First, the city revealed that it would have to raise property taxes by 5 percent.¹¹⁵ There is no question that if not for the city government construction project, taxpayer dollars wouldn't have been diverted to urban renewal, and that might have diminished the need for a tax increase. The second major development came in November, when Lloyd Lumber, a downtown anchor that had been in business for nine decades,

¹¹³ *Idaho Statesman*, "Nampa pushes revitalization downtown," March 25, 2010.

¹¹⁴ When the city buys property from the private sector, it becomes exempt from taxation.

¹¹⁵ Under state law, property tax revenues can only increase 3 percent a year. But state law also allows taxing districts to recapture property tax revenue it didn't collect in years prior. In Nampa's case the city council voted to raise taxes 3 percent for the current year and collect 2 percent it had "forgone" in the last budget year.

announced it would close its doors.¹¹⁶ That's not to say urban renewal killed Lloyd Lumber, but rather urban renewal -- and the higher taxes it brought -- didn't help.

If this urban renewal project were really about economic development, it would have invested in public infrastructure to help downtown businesses. But that's not what this venture was for. Rarely is it ever. Instead, it was about city government getting what it wanted -- a new building without a vote of the people. The citizens got one less private business and a higher tax rate.

Ketchum: a plan for affordable housing via urban renewal falls flat

Back in 2007, Ketchum's urban renewal agency spent almost \$1.5 million on a project intended to bring affordable housing to the area. Ever since then, there's been a battle raging over when -- if ever -- the affordable housing units will be built and whether the city will ever see its share of money again.¹¹⁷

Ketchum city administrator Gary Marks said it cost \$750,000 to buy a vacant lot for the housing, and another \$116,000 was spent on interest payments. Marks said the bad economy sidelined the project. The urban renewal agency was supposed to show in its financial records that \$640,000 remains to be allowed for affordable housing, but that has never been done.

In 2009, according to the *Intermountain Express* newspaper, City Attorney Stephanie Bonney said in 2009 that the urban renewal agency's audit would show a footnote indicating that the money was still set aside and available for affordable housing.¹¹⁸ However, that year's audit contained no such footnote. The audit for 2009-2010 shows a footnote, but instead of \$640,000, it shows just \$489,000.¹¹⁹ Despite all the promises that have been made to date, "not a

¹¹⁶ *Idaho Statesman*, "Nampa's Lloyd Lumber will close," Nov. 23, 2010.

¹¹⁷ *Intermountain Express*, "City defends handling of URA funds," Dec. 15, 2010.

¹¹⁸ Ibid.

¹¹⁹ Ibid.

dollar has been spent, to date, to either provide affordable housing or to pay back the city," said the newspaper.

A deal possibly worse than the Fed's ownership of General Motors

In late 2009, the Pocatello Development Authority proudly announced that it had taken an equity stake in a private company. The agency acquired 200,000 shares in a yet-to-be created spinoff of privately-held Positron Systems in exchange for the \$400,000 that Positron owed the development authority.¹²⁰ According to the agency's interim director, Robert Chambers, the agency made the deal because "it protects our investment. It also converts debt equity into share equity." Roger Chase, Pocatello's mayor at the time, said the deal would benefit Positron's new company, Acceloris Isotopes, as it sought additional backing, because the debt would no longer show up on the parent company's financial statements. The mayor said the agency would sell its shares when the development agency was able to recoup its original \$400,000 investment.

What the announcement didn't reveal is that Positron's \$400,000 loan was about to come due and had not been repaid; the Pocatello Development Authority had loaned the money on a seven-year note at zero percent interest.¹²¹ Additionally, according to city financial records, it was Positron that wanted the Pocatello Development Authority to forgive the loan in return for the 200,000 shares in the new company, terms to which the agency agreed.¹²²

This deal is full of problems: In using taxpayer dollars to give a zero-interest loan to a company, the government made taxpayers unwitting backers of a company that neither they nor any commercial lender volunteered to support on their own. That's not a commentary on the fiscal soundness of Positron but on the government's decision to use taxpayer money to support a private venture.

¹²⁰ "Pocatello acquires stake in Positron," <http://tinyurl.com/2ckupdy>

¹²¹ Pocatello Development Authority Comprehensive Annual Financial Report 2008-2009.

¹²² Ibid.

Additionally, under this arrangement, taxpayers were forced to accept a triple-losing proposition: First, no private sector lender would or could offer a loan with terms offered by the government, so the deal deprives private lenders a chance to compete. Second, there's a reason why no private lender would accept a seven-year no interest loan. Doing so basically guarantees that, at best, the government will get back \$400,000 that's worth less than it was worth when those dollars were first loaned out. That assumes the government will ever get its money back at all. In the case of Positron, taxpayers may or may not ever see a return on their investment.

Third, the government is lending out money while it is borrowing on the open market at real market rates. In 2009, the Pocatello Development Authority was paying on more than \$9.4 million it had borrowed at interest rates of up to 6 percent.¹²³

But it's not just the Positron note with which there is concern. In fact, in recent years, the Pocatello Development Authority has issued more than \$1.8 million in zero-interest loans.¹²⁴ All of this is taking place while there is a general prohibition in Idaho against government agencies lending credit to private organizations.¹²⁵

When the federal government threw money at General Motors, the feds were able to argue that one day it would get more money out of the deal than taxpayers put in. While a disputable point, Pocatello leaders can't make the same claim about any of its zero interest loans.

¹²³ Ibid.

¹²⁴ Ibid.

¹²⁵ Article VIII, Section 4 of the Idaho Constitution says " No county, city, town, township, board of education, or school district, or other subdivision, shall lend, or pledge the credit or faith thereof directly or indirectly, in any manner, to, or in aid of any individual, association or corporation, for any amount or for any purpose whatever, or become responsible for any debt, contract or liability of any individual, association or corporation in or out of this state."

Message to the private sector: We're competing for your clients

It might seem to be a magnanimous gesture on the part of government to offer up subsidized office space for new businesses. Meridian Development Corporation, the urban renewal agency for the city of Meridian, offers office space for fledgling businesses through a business incubator called "the Ground Floor." The \$199 per month fee to use the Ground Floor office space includes the use of rooms and event space and high speed Internet access.¹²⁶

Unfortunately, there are untold numbers of businesses with vacant office spaces looking for renters. Additionally, there are private businesses that offer services equivalent to that being served up by the Meridian Development Corporation. With the Ground Floor, taxpayers see the cost of this service reflected in their tax bill, while the owners of private business see the costs reflected in the absence of customers.

Can they turn our smile from a frown? Dye our eyes to match our gown?

In the *Wizard of Oz*, Dorothy Gale is amazed by all the wonders that the denizens of the Emerald City can accomplish. She's probably never been to an urban renewal district, where everything and anything is possible.

Even if we accept that urban renewal districts should exist, we'd probably insist that, with the higher taxes that they cause, districts should only be created with a vote of the people. Second, we would probably want that the funds be spent on public infrastructure, not on private developments and businesses.

The Coeur d'Alene Lake City Development Corporation, facing no limitation under Idaho law that would seem to preclude them from doing so, is

¹²⁶ www.groundfloormeridian.com.

considering providing subsidies to people buying private homes.¹²⁷ That's because while a family of three can afford a \$180,000 home, the average rebuilt downtown-area home costs about \$200,000. The idea is to put public money into the private homes to close the gap.

In November 2010, the Lake City Development Corporation was looking to send \$30,000 in grant money to the Idaho Housing and Finance Association, which would then send money to nonprofit organizations to distribute the funding. Supposedly, the money would remain on the property as a second mortgage, reducing the amount of money a family would have to put into a house to buy it.

Under the plan announced late last year, the program would target those home buyers earning up to 120 percent of the median income -- about \$68,400 a year.¹²⁸

"It's exciting" Jim Elder, LCDC vice chair, reportedly said of the arrangement. "One of our charters, as an urban renewal agency, is housing."¹²⁹

Can they even dye our eyes to match our gown? That, too, since Idaho law doesn't seem to give any reason why it should stop them.

There are consequences, however, when the government gets involved in the private sector. In its attempt to make housing more affordable, it will invariably drive up the cost of housing downtown and impact the sales of houses elsewhere in the community.

¹²⁷ Ibid.

¹²⁸ Ibid.

¹²⁹ Ibid.

PART IV: STILL FUNDING AFTER ALL THESE YEARS, AND FOR WHAT?

How long must taxpayers pay for a professor who doesn't teach?

An Idaho State University (ISU) professor suspended almost four years ago after being hit with federal charges stemming from a hoax involving threatening to mail someone a deadly virus is still receiving a yearly salary of close to \$70,000.¹³⁰

Professor Thomas F. Hale was suspended from teaching by ISU in early 2007 after being indicted in a Utah federal court in late 2006. Hale was charged with mailing a substance with a message saying the substance may contain the hantavirus, a deadly virus humans can contract from rodents. He was also indicted on two other counts related to a bankruptcy filing.

Hale allegedly sent an envelope with the hoax message to a bankruptcy trustee handling his bankruptcy in Utah at the time. Hale told ISU leaders at the time that the government actions were an effort to destroy his reputation.

"I am not the Mouse Turd Terrorist (MTT) that the government agents have depicted me as," Hale wrote in a 2006 letter to ISU President Arthur Vailas.

ISU is paying Hale an annual salary of \$68,764, according to school officials. Hale has been at ISU for more than 25 years. He's also the director of the school's Oral History Project, though he is currently on leave from that program.

¹³⁰ *IdahoReporter.com*, "Suspended college professor collecting salary for almost four years," by Brad Iverson-Long, Dec. 23, 2010.

Hale's legal case has yet to go to trial. In September, he was granted an extension pushing back his trial to next March. Hale said his attorney advised him not to discuss the case, though he said his side of the story has yet to be told.

"If they had a case that they could work with fairly good odds, they would have taken it to trial a long time ago," Hale told *IdahoReporter.com*. "There's a great deficit in terms of their initiative."¹³¹

Brad Hall, an attorney with ISU, said he couldn't comment on Hale's suspension or whether his work with the Oral History Project amounts to a full-time job. Hale's oral history work has been cited in some books and research papers.

The question for the university is this: How long must taxpayers and students be forced to subsidize the salary of a professor who doesn't teach?

Tons of money going to retirement fund - - and it is still not enough

Idaho's government pension system is underfunded by about \$2.5 billion,¹³² and taxpayers will likely soon have to pay more in order to properly fund this already expensive entitlement. Lawmakers could implement a better, less costly alternative for retirement benefits, and now would be a good time to do it.

Taxpayers subsidize the pensions of retired employees by paying into the state Public Employee Retirement System of Idaho (PERSI) an amount equal to more than 10 percent of payroll. Employees also contribute to PERSI. But benefits are outpacing the amounts being paid by taxpayers and employees, meaning, at some point, both can expect to have to increase their contributions for public employee retirement.

¹³¹ Ibid.

¹³² 2010 PERSI actuarial report.

PERSI has one of the better run, positively respectable pension programs in the country. That doesn't change the fact that it is far more expensive than other options and pension plans are becoming a relic. Taxpayers would unequivocally save money if Idaho switched to a defined contribution program for government employees.

Consider this: Idaho state and local governments added 4,600 new public employees from July 1, 2009, to June 30, 2010.¹³³ The combined annual payroll for these new employees is \$104.7 million.¹³⁴ If those new employees had been put into a defined contribution plan, instead of our current pension plan, at a generous 5 percent a year, it would have cost taxpayers around \$5 million annually. Instead, under our current system, the retirement benefit cost taxpayers \$11 million. Had we started moving new employees onto a defined contribution program three years ago, the cost to taxpayers would have been about \$20 million instead of the \$42 million we did spend.¹³⁵

The exact savings that would be obtained in 2011 by gradually pulling the plug on the state's pension benefit will depend on how the plan is implemented; lawmakers will need to simultaneously extricate the state from the 45-year-old pension system while keeping it fully funded for existing participants in the program. But in the long run, there's little doubt: Taxpayers could save millions of dollars if the Legislature would end this dinosaur of a government employee benefit.

Lawmakers-turned-administrators get the gift of big pension payoffs

Former lawmakers who become administrators get a large jump in retirement benefits when they go work for the state, particularly as administrators of state agencies.

¹³³ Data from PERSI.

¹³⁴ Ibid.

¹³⁵ Idaho Freedom Foundation calculations comparing current state-funded pension contribution rates and a contribution rate set at 5 percent.

Public employees, including state legislators, are part of the Public Employee Retirement System of Idaho (PERSI), the agency which administers the state's retirement accounts. Retirees receive pension payments each month, with the payments based on income levels and length of service. Pension payments go up significantly when former lawmakers are picked to run state agencies at significantly higher income levels.

One example is former Rep. Bill Deal, who was picked in 2006 by Gov.-elect Butch Otter to head up the Idaho Department of Insurance. The Nampa Republican served 16 years in the Idaho House of Representatives.

Deal makes \$97,000 each year as head of the Department of Insurance.¹³⁶ Had Deal not taken the directorship for the Department of Insurance and remained in the Idaho Legislature and at the end of 2010, his pension would have been based on his \$15,800 pay level for state lawmakers. If that had occurred, Deal would receive a monthly pension payment of \$526 from PERSI.¹³⁷

But with his Department of Insurance salary being used to figure his pension, Deal can expect to retire with a pension of at least \$3,220 a month. If Deal only received credit for the months he was actually in Boise for legislative sessions plus his accrual as insurance director, his monthly benefit would be approximately \$1,502.¹³⁸

Other former legislators similarly benefit. Former Rep. Debbie Field, R-Boise, lost re-election in 2006 to Democratic Rep. Branden Durst. Field was hired to head up the Idaho Office of Drug Policy in 2006.

Field served 12 terms in the Idaho House and will receive a boost in her state-funded pension because of it. The former legislator makes about \$74,000 annually with the drug policy office, and if that figure is her highest average salary for 42 months upon her retirement, it would mean she would receive a monthly benefit from PERSI of about \$1,973.¹³⁹

¹³⁶ OurIdaho.com government transparency database.

¹³⁷ *IdahoReporter.com* calculations.

¹³⁸ Ibid.

¹³⁹ Ibid.

Had Field not taken the post with the state agency and not returned to the Idaho House after her electoral defeat, her monthly PERSI pension payment would be approximately \$443.¹⁴⁰

The perk for Idaho judges: Earn 75 percent of salary in retirement

Under the state's lucrative judicial retirement program, Idaho judges, who already make six-figure salaries, get paid a retirement benefit based on how long they were a judge. The retirement can be up to 75 percent of a judge's salary while he or she served on the bench.¹⁴¹ The pension fund is paying out faster than money is coming in, prompting a bit of a crisis. The retirement fund hasn't been fully funded since 2000, and now stands at 70 percent funded with \$22 million in unfunded liabilities at the end of June.¹⁴²

"The present levels of contributions to the Fund are insufficient to financially cover the current retirement benefits promised to plan members," according to a report on the retirement plan prepared by an independent actuarial company.

In the month of June, Idaho paid out \$387,840 to 78 retired judges or their spouses. That's an average of almost \$5,000 a month or \$60,000 a year.

The question for lawmakers is why taxpayers should subsidize a program that provides up to three-quarters of a judge's salary while in retirement. An additional question: Why should judges be treated differently than any other state employee?

¹⁴⁰ Ibid.

¹⁴¹ Idaho Code 1-2001.

¹⁴² *IdahoReporter.com*, "Retirement fund for Idaho judges could face changes," Nov. 13, 2010, by Brad Iverson-Long.

When private entities benefit from public dollars, taxpayers lose

When you think of a retirement fund like the Public Employee Retirement System of Idaho, you might assume that the first word, public, means only public employees participate. That's not the case, however. In fact, the Idaho Education Association, a private organization that represents the interests of teachers when it is lobbying the Legislature and local school boards, is also a participant and has been since 1967.¹⁴³ Although they're not public employees, everyone from the union president to the secretaries and lobbyists are allowed to participate in the system, because of how an "employer" is defined in state law.¹⁴⁴ That also means that taxpayers are ultimately on the hook to secure the retirement benefits of the private teachers' union as much as those taxpayers are on the hook to supply pension payments to people who are employed by taxpayers. Heck of a deal, if you're work for the IEA. Not so much if you're a taxpayer.

Government's job: protect the people and provide ... TV programs?

Let's say you were going to create a state from scratch in the 21st century. What would this government look like? What programs would it offer? It likely would have a police force of some kind, a national guard, a prison system to lock up the bad guys. What else? How about a statewide television network? Of course not. Yet the state of Idaho still spends \$1.4 million in state taxpayer dollars on Idaho Public Television.¹⁴⁵

¹⁴³ http://www.persi.idaho.gov/employers/current_employers.cfm.

¹⁴⁴ Under Idaho Code 59-1302 (15), an employer includes "organizations funded only by government or employee contributions or organizations who discharge governmental responsibilities or proprietary responsibilities that would otherwise be performed by government."

¹⁴⁵ 2010 Legislative Fiscal Report, Page 1-35.

Supporters of Idaho Public Television have several easily-debunked reasons for continuing to insist on taxpayer support of IPTV. They say the broadcaster provides programming that can't be found anywhere else. In reality, there are plenty of commercial broadcasters and cablecasters providing exactly what IPTV offers -- education programming, science, history, arts and entertainment. These programs are being offered up and down the dial in multitude. In addition to TV signals, we also have Internet resources, which were not around when IPTV first signed on the air.

Supporters of IPTV say government television helps "unify" the state, allowing one end of Idaho to see the same Idaho-based programming as any other. With IPTV, people north of Riggins can see the same Idaho shows as those in the south. While true, this is nothing extraordinary in 2011. There are no barriers to people in Boise, for example, seeing the same programs as people in Sandpoint at any given time. Once upon a time, television newscasts in Boise could only be seen in Boise. Not anymore. The Internet is the great equalizer when it comes to information availability.

Our friends who back government television say it provides uniquely-Idaho shows that other stations don't air. That's somewhat true. "Outdoor Idaho" is unique programming. But we don't know what shows commercial stations won't produce because the government television station is already producing it.

Would a local television broadcaster in Boise invest time and money in a show like "Outdoor Idaho" if the government broadcaster weren't already in the business? Quite possibly, but not as long as the government is in the business of producing that kind of show. The government has managed to kill similar types of programming by cornering the market.

The one thing IPTV does that is unique is provide live, gavel to gavel coverage of the state Legislature. That's a good thing. But even that could be taken on by the private sector. It is up to state lawmakers to consider the relevance of IPTV in 2011, consider the private sector, and get the state and its taxpayers out of the business of paying for television programming.

Duplicate services come at taxpayer, private sector expense

With a \$5 million¹⁴⁶ appropriation from the state general fund, the Idaho Digital Learning Academy (IDLA) is a state agency that provides K-12 online content to Idaho classrooms. IDLA's mission "is to provide Idaho students with greater access to a diverse assortment of courses that may not otherwise be unavailable [sic] due to access, availability, time, or distance."¹⁴⁷ IDLA administrators hire teachers to develop online courses and the agency delivers them to school districts.

There is an obvious need for online learning, especially in a rural state like Idaho. A solid online curriculum that meets state standards gives children living in remote areas the same academic advantages as their urban peers. However, Idahoans should not pay for a state agency to duplicate online classes that are readily available in the private sector. At least five private companies sell their fully-developed, comprehensive curricula in math, English, reading, foreign languages and more to full-time online charter schools in Idaho. There's no reason for the government to bill taxpayers to offer a service that is already provided (at less cost and with better results) by the private sector.

Further, a student enrolled in an IDLA course double-dips into the government trough. Normally, a student taking classes outside the district where he is enrolled has his share of education funding split between the entities delivering his education, such as when a student is dual-enrolled in both a regular district and a charter school. However, Idahoans pay twice for an IDLA student: once through his portion of the state educational funding formula and then again through the appropriation to IDLA. The district or student pays \$100 or less per online class.¹⁴⁸ The Legislature should disband the Idaho Digital Learning Academy. Like the Bonneville, Vallivue, North Gem and Bear Lake County school districts, Idaho's school districts can choose to buy online classes from the

¹⁴⁶2010 Legislative Fiscal Report, Page 1-4.

¹⁴⁷IDLA website <http://bit.ly/aMoi7f>

¹⁴⁸Ibid.

private sector. Let schools serve their students with the best, most current tools available without duplicating expenses for the taxpayer.

Paying for students who don't exist

Everyone's heard of government programs paying farmers not to farm and rewarding dairy producers for pouring milk down the drain. Not as well-known, however, is the law requiring Idahoans to pay for students who don't exist.

The state of Idaho calculates its portion of K-12 public education funding based in part upon "average daily attendance" or ADA. This policy is designed to prevent spending money on students who are enrolled but not attending. However, Idaho law also mandates payment for students who don't attend. The statute says if a school district's number of students drops 1 percent or more from the previous year, the district may choose to take last year's state funding, less 1 percent.¹⁴⁹

For example, the Gooding Joint School District with its three schools had an ADA of 1,221 students in the 2007-2008 school year. Its ADA for 2008-2009 was 1,092, meaning the district lost 11 percent of its students between school years. Gooding School District asked for and received 99 percent of its 2007-2008 state entitlement instead of funding based upon its actual 2008-2009 ADA.

Not every pupil is worth the same amount of money to a district. A kindergartener is not entitled to the same money as a high school senior or a special education student. It is impossible to know who the missing students would have been.

Nevertheless, roughly speaking, the Gooding Joint School District was funded like it had an ADA of 1209 (99 percent of 1,221) rather than being funded according to its actual ADA of 1,092 – a difference of 117. As the Gooding Joint School District lost students, the North Valley Academy Charter School, also in Gooding, opened for the 2008-2009 school year with an ADA of 156.

¹⁴⁹ Idaho Code 33-1003.

Therefore in 2008-2009 the Idaho taxpayer paid for the 156 students attending one Gooding public school plus 1,092 students attending three other Gooding public schools -- plus approximately 117 public school students who didn't exist.

Statewide, this aspect of the school funding formula likely costs taxpayers a minimum of \$5.6 million for about 870 students who are funded but don't exist.¹⁵⁰

Why do we continue to fund schools according to geography and attendance? Why not according to educational outcomes? It's an idea that makes at least as much sense as paying for students who aren't there.

We're from the government and we're here to tell you which art you should love (and we're here to help)

State taxpayers put \$715,600¹⁵¹ a year into the state Commission on the Arts, which then dictates which programs and artists taxpayers should sustain through the disbursement of grants and other support. Last year, we pointed out in this report, that such support includes a grant to a group, Big Tree Arts, that produces often-vulgar "poetry slams." Initially, the Arts Commission defended funding for poetry slams, but after the release of the 2010 Idaho Pork Report, the commission changed its story and insisted that no state money is ever used in support of Big Tree Arts' blue-language performances. We would, nonetheless, dispute that contention. Any time the state gives an organization money, it is deciding for those taxpayers which organizations to support. The state then becomes a partner in that organization's programs, as taxpayer money is used to help supplement the organization's cash flow.

The Arts Commission, once again, has awarded \$3,535 to Big Tree Arts "for the Loud Writers' project, which will make performance poetry accessible to Idaho

¹⁵⁰ Idaho Freedom Foundation calculation using minimal funding formula allotments for each school district.

¹⁵¹ 2010 Legislative Fiscal Report, Page 6-31.

youth through a nine-week, in-school poetry workshop; a classroom poetry slam, publication of their work in a chapbook, and monthly community poetry slams.¹⁵² If taxpayers choose to support this program, they should do so on their own. It's a tragedy that Idaho involuntarily takes money from taxpayers and then makes them support this program -- whether they want to or not. Such could be said of other arts commission grantees also. We only point to the Big Tree Arts as one grantee many Idahoans would find objectionable. Others might also have similar feelings about the Arts Commission's donation of \$11,228 to the Idaho Shakespeare Festival.¹⁵³ It is not the proper role of government to make decisions for taxpayers as to which art should be loved and which shouldn't. Such decisions should be left to individuals, the private sector and the free market.

If the idea of the 'Idaho Caucasian Commission' sounds offensive, so should the Hispanic Commission

The state of Idaho has indoctrinated the idea of discrimination by creating an agency that targets people simply based on their ethnicity. It sends a chilling message that's no different than "colored" water fountains from America's Jim Crow era. Yet the state still spends \$94,800¹⁵⁴ on this agency, created in 1987. The agency's job is to promote economic, social, political, legal and educational equality for Hispanic people. We'd like to think that all Idaho state agencies would be engaged in promoting such concepts for all people, regardless of their ethnicity. And if Idaho can't do that, we have deeper problems with which we must contend.

¹⁵² Idaho Arts Commission list of grantees for FY 2011, www.arts.idaho.gov.

¹⁵³ Ibid.

¹⁵⁴ 201 Legislative Fiscal Report, Page 5-43.

Why is one agency forbidden by law from helping blind people?

We pointed this out last year: State law actually forbids the state Division of Vocational Rehabilitation from helping blind people.¹⁵⁵ So while the state spends almost \$1.3 million on a separate state Commission for the Blind and Visually Impaired¹⁵⁶ and \$7.2 million at the Division of Vocational Rehabilitation¹⁵⁷, you can't help but wonder how much money could be saved if those two agencies were somehow combined. Moreover, if the role of the Blind Commission is to help Idahoans achieve independence, often by helping with employment opportunities, and the role of Vocational Rehabilitation is to help Idahoans with disabilities enter employment, are we not missing some key opportunities to engage the Department of Labor, which is, theoretically, charged with helping Idahoans find work?

Government: Open for business and competing against yours

Not so long ago, politicians talked about how they would "run government like a business." These days, they take that motto seriously -- with government running businesses by buying them.

The state of Idaho recently spent \$2.7 million¹⁵⁸ to buy a self-storage business, which the state continues to own and operate as if it were just any other business in town, competing for its share of the market against similar businesses that pay taxes — businesses owned by people like you and me.

¹⁵⁵ Idaho Code 33-2303.

¹⁵⁶ 2010 Legislative Fiscal Report, Page 6-32.

¹⁵⁷ 2010 Legislative Fiscal Report, Page 1-47.

¹⁵⁸ IdahoReporter.com, Oct. 21, 2010, "State holds millions in commercial property investments," by Jay Patrick.

The state justifies this business endeavor, saying the profits made by the storage business will be used to benefit schoolchildren, who are among the beneficiaries from the investments in the state's land and business holdings. The state contends it's a great deal for the kids, because when it was privately owned, the property taxes from the storage business brought in just \$10,000 for the Boise School District. While state-owned land is exempt from property taxes, the Department of Lands estimates that the storage business will net \$228,000-\$260,000¹⁵⁹ a year in profit. When run through the school funding formula, that profit will yield around \$20,000 for the Boise School District. And isn't it exciting how through the magic of a state investment in a business, the Boise School District will get double what it would have under private ownership?

In truth, all the taxing districts — such as highway, mosquito and community college districts — collected a total of \$31,000 from property taxes when the storage units were under private ownership. Those districts will have to nudge their tax levies higher in order to make up for the loss of taxable value. Additionally, most businesses would have to pay income taxes on its profit. The state doesn't, and so that's another \$20,000 annual loss (assuming the top marginal rate) to the state in possible income tax revenue. How's that for a deal?

There are also the opportunity losses we can never account for: Who might have bought the property had the state stayed out? What might those private owners and investors had done with the profits? Hire more workers? Invest in more properties? Expand the existing facility? Give to a charity? And what of the existing storage companies that are deprived of thousands of dollars in revenue now going to state coffers instead of to their own businesses? What raises might those private businesses have given if only the commerce had gone to them and not the government-owned storage center? What workers might these businesses have to lay off because they were unable to rent the storage units they needed to meet their cash flow?

And finally, if the state can jump into the storage unit business, what's to keep the state from jumping into any business — including your competition? From

¹⁵⁹ Department of Lands data provided to the Idaho Freedom Foundation

opening a car dealership? A coffee shop? A grocery store? The Legislature should protect the free market by banning this practice -- now and forever.

We (proudly) claim this storage business in the name of Idaho

In November, the state Land Board, chaired by Gov. Butch Otter, approved an \$85,000 public relations plan calling for plaques proclaiming Idaho's ownership to be stuck on state-owned commercial properties, including office and retail buildings in downtown Boise, and the newly-purchased self-storage facility to the city's southwest.

State Controller Donna Jones, a Land Board commissioner, asked Department of Lands Deputy Director Kathy Opp to justify the need for the plaques.

Referring to the board's controversial \$2.7 million acquisition of the storage business in August, Opp said, "There were a lot of insinuations that we were hiding the ball, and we're not ... We felt it was important to communicate that (state ownership and benefits) in an open and transparent fashion."

The plaques are to read: "This property is part of the State of Idaho Endowment Land asset portfolio and is managed by the Idaho State Board of Land Commissioners and the Idaho Department of Lands to generate income for the benefit of endowment trust beneficiaries."

The PR contract with Tracy Communications, Inc. includes holding small group meetings with endowment beneficiaries to convey the plusses of investment in commercial property. Tracy Communications held similar Lands Department communications contract, sans the signage, from November 2009 to October 2010.

Maybe the state could save its money by letting the free market work instead of proclaiming the supposed value of state ownership of businesses that should be privately-held in the first place.

Let's spend \$200,000 on public relations, no bidding required

A public relations firm has been paid more than \$200,000 since 2003 by the Idaho Judicial Branch, which is exempt from state rules that would require the deal to go out to bid. According to public records obtained by the Idaho Freedom Foundation, the Gallatin Public Affairs (formerly known as the Gallatin Group) has received \$25,000 a year for the last eight years.¹⁶⁰

Patti Tobias, administrator for the Idaho Supreme Court, said the annual contracts were for public information services provided by Gallatin. "Reports about court caseloads, court services, and new innovations are regularly published," said Tobias. "Every effort is made to encourage accurate coverage of the Idaho Courts and to inform Idahoans of important court trends, services, and programs."¹⁶¹

She said the annual cost for a public information officer (PIO) would be \$109,206 in salary and benefits, and an assistant PIO would cost the judiciary \$74,418. Therefore, Tobias said it's much more financially prudent to hire a public relations firm to provide "management of editorial content and production of annual reports, speeches and presentation materials, preparation and distribution of court-related news releases, and communications advice and counsel to the court and its administrative staff."

When asked why Gallatin Public Affairs has received the contract for the last eight years, Tobias simply said, "We have been well satisfied with their services."

The judicial branch is not violating any statutes or rules by awarding the contract every year to Gallatin Public Affairs without a bid.¹⁶² But as Rep. Lynn Luker of Boise asked, "from a taxpayer viewpoint, why should the judiciary be exempted from competitive bidding?"

¹⁶⁰ Public records provided to the Idaho Freedom Foundation.

¹⁶¹ Interview with IFF reporter Jay Howell.

¹⁶² Idaho Administrative Rule 38.05.01.044.07 and Idaho Code 67-5716.

If only we could find a place to hold a meeting without cost to taxpayers

On Dec. 9-10, 2010, the Idaho Transportation Department (ITD) held a hearing to determine the fate of some large loads that oil companies want to ship through central Idaho along Highway 12. The meeting was held at the Grove Hotel in downtown Boise, costing the state agency \$3,000.¹⁶³

Why go to that expense, especially when free space was available for the meeting less than five blocks away at the Idaho Capitol building?

Jeff Stratten, spokesman for ITD, told *IdahoReporter.com* that the hearing was held in the hotel because a staffer at the Idaho Department of Administration said no state space able to hold more than 100 people was available for the two-day hearing process. The hotel was chosen after ITD officials scrambled – they had less than a week to locate meeting space – to find a suitable location. Stratten said the staffer tasked with finding a meeting room contacted 15 other locations before settling on the Grove Hotel.

The \$3,000 charge included room rental, audio-visual setup, water and coffee.

Meanwhile, the Senate Auditorium in the Idaho Capitol building, built to seat 200, sat empty on the two days of the hearings. The auditorium, in addition to its large seating capacity, is also equipped with audio-visual equipment and drop-down screens necessary for visual presentations.

For the general public, the scheduling policy for the Capitol outlines that rooms must be reserved more than 180 days in advance of events, a provision that would have prohibited ITD from scheduling its hearing in the auditorium.

However, ITD doesn't count as the general public because as a state agency, it is given special consideration. "The State reserves the right to cancel a reservation if the space is required for an official State function, including but

¹⁶³ *IdahoReporter.com*, "ITD spent \$3,000 on room for mega-load hearing despite available Senate auditorium," Dec. 17, 2010.

not limited to use by an elected official," says the note on the scheduling website page for the Idaho Capitol.

It's not as if state agencies don't already use the large auditorium for other functions. The Idaho Department of Health and Welfare held a meeting in the space on Dec. 11, a day after the mega-loads hearing, and Idaho Public Television held a series of debates in the room this year for various electoral races.

The state spent \$373,000 on meeting room space rent in the 2009-2010 fiscal year.¹⁶⁴ The \$3,000 spent by ITD makes one wonder how much of last year's meeting room space expenditure was really necessary.

Post hoc ergo propter hoc: Or, why we assume the Meth Project works

The Latin expression *post hoc ergo propter hoc* means "after this, therefore because of this." Let's say you decide to eat a carrot with every meal. After a few days of eating carrots, a stranger asks you on a date. You therefore conclude that the carrots have impacted your appearance, making you more desirable. *Post hoc ergo propter hoc*. You ate the carrots, after which you were asked out, therefore the carrots are responsible. Maybe, but then again, maybe not.

Idaho lawmakers have been directing money into the Idaho Meth Project under a similar premise. The Idaho Meth Project runs advertisements -- by some measures graphic advertisements -- depicting the horrible impacts of meth use and the addictiveness of the drug after just one use. Lawmakers gave \$500,000 to the project last year.¹⁶⁵ Meth use is going down. Therefore, supporters of the program will say that the Idaho Meth Project is responsible. Yet there's no direct data to back that claim. Research published in the *Journal of Health Economics* found that the Montana Meth Project's gut-wrenching advertisements are

¹⁶⁴ Data from Idaho Freedom Foundation's government transparency website, www.OurIdaho.com.

¹⁶⁵ 2010 Legislative Fiscal Report, Page 6-84.

"statistically indistinguishable from zero."¹⁶⁶ Additionally, there are a lot of reasons why meth use may be on the decline, namely that the use has been on the decline since 2005, when state and federal governments put in place restrictions on the dispensing of some meth-making ingredients. There are a number of different reasons that could come into play, and lawmakers should really understand the reasons before committing more money to the project.

Putting more and more into colleges, and getting out ... what?

Every year, the Legislature wrestles with how much money to give the state's colleges and universities. And whatever the outcome, it seems Idaho's colleges and universities ask for more money from students to make up the difference between what the schools wanted and what they got from Idaho lawmakers. But what too few people ask is, "Are Idaho college students getting the education they're paying for?" The answer, really, is no. Says the American Council of Trustees and Alumni (ACTA), only Lewis-Clark State College provides the seven subjects of study that the schools should offer for a complete education.¹⁶⁷ Science is the only subject that is required at a majority of the institutions. In short, students can graduate with big gaps in their education, regardless of where they go. Additionally, more than half of the students surveyed for ACTA's study of Idaho's colleges and universities reported that course readings and public events or panel discussions are sometimes one-sided. More than 40 percent of students reported that some professors use the classroom to present their personal political views. More than 80 percent of students said that they don't know how to lodge a complaint about social, political, or religious bias by a professor.

¹⁶⁶ <http://tinyurl.com/2bphxq6>

¹⁶⁷ ACTA's study of Idaho's colleges and universities, January 2011.

PART V: WHAT SOME OFFICIALS DO WITH YOUR MONEY WHEN YOU'RE NOT LOOKING

In case you haven't heard, there's a bit of an economic crisis taking place that has caused folks in the private sector to pull back their spending. Businesses have eliminated retirement contributions, stopped offering health insurance to employees, laid off workers, cut salaries, ditched expansion plans and otherwise cut everything they could from everywhere. Folks in government say they're doing the same thing, yet looking at the expenses being paid -- by taxpayers -- across Idaho, you'd think some leaders are oblivious to what's happening around them. Or maybe some officials are just hopeful people are oblivious to what's happening with their tax dollars once the money arrives in the government coffers.

Flying one past the taxpayers

The Boise City Council voted July 2010 to spend \$60,000 to educate the public on House Joint Resolution 5, which won voter approval in November, that will allow cities to incur debt for airports without a vote of the public. Councilman Alan Shealy said it is the city's responsibility to make sure voters get "an unvarnished view" of the amendment.¹⁶⁸

"Some public agency must step forward to make sure accurate information is disseminated to the public," added Councilman David Eberle.¹⁶⁹

Of course, that assumes that the city can be the official arbiter of what's true and what's not. The city is incapable of this role. Boise officials lobbied the Legislature to pass HJR 5.

¹⁶⁸ Boise City Council meeting, July 20, 2010.

¹⁶⁹ Ibid.

Public records also prove the city wasn't interested in education; the city was interested in passage of the amendment. Notes from a meeting of city officials including Mayor Dave Bieter and top aides show the mayor and his staff discussed the formation of a pro-HJR 5 political action committee, fundraising for the organization and who would serve on its board.¹⁷⁰

Other documents reveal that Bieter's administration understood that the amendment takes away the right of voters to approve debt-financed airport projects. But in April 2010, when prompted by the Legislature to develop pro and con statements regarding the constitutional amendment for the secretary of state's voters' guide, city leaders discarded statements against the amendment and claimed they couldn't think of any reason why a voter might want to cast a "no" vote.

An e-mail from Bieter to mayors and airport managers throughout Idaho clearly showed the city's interest is the passage of the amendment. In the e-mail, Bieter asks for a meeting of city leaders "so we can discuss ways to work together to pass this important amendment."¹⁷¹

Boise is hardly the only city in Idaho that thinks it has a duty to be the center of the information universe. Kuna recently used taxpayer dollars to inform the public regarding a bond election for a new City Hall featuring recreation opportunities including a pool. The city spent almost \$2,100 on the brochures that contained many statements about the desirability of the project, but nothing really on why voters might want to reject the proposal.¹⁷²

City governments have one function and one function only. They are to administer the city government. Provide resources to catch the bad guys when a crime is committed. Put out fires.

Some cities think it is their job (and duty) to manipulate voters, too, using the voters' own money. Too bad for us.

¹⁷⁰ March 22, 2010, notes obtained through public records by the Idaho Freedom Foundation.

¹⁷¹ June 11, 2010 email from Bieter to Idaho airport managers and mayors.

¹⁷² *Kuna Melba News*, Oct. 20, 2010.

Let them eat cake!

Perhaps Marie Antoinette's recommendation that the French peasantry dine on cake would have gone over better if she'd have sent some to the news media first. Maybe Antoinette had the wrong PR firm.

Last February, the Greater Boise Auditorium District, which is funded through hotel room taxes and auditorium district fees, hired a PR firm and then had the firm send cakes to news organizations in celebration of the 20th birthday of the district's Boise Centre auditorium facility. The PR stunt cost the agency \$10,000.¹⁷³

Agency Executive Director Pat Rice defended the public relations ploy, saying the district is debt free and building up a comfortable cash reserve.¹⁷⁴

Boise Guardian writer Dave Frazier said the cake feed was nothing more than an effort to manipulate public opinion at taxpayer expense.

He's right, of course. Might we also add ... isn't this the most pitiful story in the world -- having to buy one's own birthday cake in an effort to get people, indeed the media, to notice you on your birthday? And to have to raid public coffers to do it, too. For crying out loud, have some dignity.

Policing the world because taxpayers have money to spare

Boise taxpayers are paying thousands of dollars for a Boise police officer to be on the job and on the clock -- in the Asian subcontinent. Officer Shelli Sonnenberg, the Boise police department's refugee outreach officer, is slated (as of this writing) to travel to India, Nepal, Burma, and Bhutan through the Rotary Club's Group Study Exchange program. The travel-approval form signed by Mayor David Bieter said Sonnenberg's trip will cost the city nothing,

¹⁷³ *Boise Guardian*, Feb. 4, 2010.

¹⁷⁴ *Idaho Statesman*, Feb. 5, 2010.

however, Sonnenberg will receive her \$29.95 per hour salary while she's away from Jan. 3 to Feb. 5, 2011, said Boise police spokeswoman Lynn Hightower. The pay will total about \$6,000. Rotary is covering travel expenses.¹⁷⁵

"The goal of these trips is to promote peace, maybe even more importantly, to promote an understanding of different cultures and bring that knowledge back to communities," Hightower said.

Hightower said Sonnenberg's liaison work involves educating new arrivals about the role of American law enforcement and to let them know that some behaviors perhaps tolerated back home, like domestic violence, will land them in jail here. If that were really the point of this taxpayer-funded excursion, the city would invest in informing new arrivals when they actually arrived in Boise, not when they're still overseas.

Let's be honest about this: This is a thinly-veiled junket. There's no direct correlation between the city's law enforcement responsibilities and this trip. Taxpayers are footing the bill because the city is making them, not because some great benefit will come to the residents of the city.

Parting gifts for local government employees: \$283k in 10 years

In the last decade, Idaho taxpayers have shelled out \$283,000 to boost the monthly retirement benefits of at least 10 city and county government employees. According to records from the Public Employee Retirement System, taxpayers in Ketchum, Rathdrum, St. Anthony, Canyon County and Nez Perce County paid to purchase "service time" for employees.¹⁷⁶

Under Idaho law, government employee retirement benefits are calculated using a formula that takes into account the employee's wages and length of public service. Sometimes, employees boost their retirement pay by buying

¹⁷⁵ *IdahoReporter.com*, Dec. 2, 2010, "Pay for Boise cop while abroad," by Jay Patrick.

¹⁷⁶ Idaho Freedom Foundation report and research, April 6, 2010.

service time. But government agencies, occasionally, make the purchase themselves.

Addressing the issue last session, the Legislature passed House Bill 604, to prohibit state government agencies from purchasing time for employees. The bill did not address local government.

"We may need to come back (in 2011) and make it clear that law applies also to cities and counties, not just state government," said Rep. Steve Hartgen, R-Twin Falls.

That's true. The current system allows local government officials to play favorites, to reward employees on their way to retirement -- at taxpayer expense. Additionally, because retirement income data are confidential, often these deals never see the light of day, and there's almost no accountability, consistency or fairness in how the dollars are spent. The Legislature should eliminate this perk, just as it did with state employees in 2010.

Taxpayers pay for city councilman's defense in election recount case

Coeur d'Alene taxpayers were compelled to pay a portion of the legal fees owed by City Councilman Mike Kennedy following a lawsuit surrounding his 2009 election victory. The council agreed to pay \$69,660, an amount agreed to by Kennedy's lawyers and the city.¹⁷⁷ Jim Brannon challenged Kennedy's win in court saying that several people voted in the city election who should not have been admitted as part of the final vote count. Councilman Woody McEvers said it is up to the city to support Kennedy. "We have to defend our election. If it's not him, it's one of us."

Kennedy's legal bill was one of his own making. He chose to obtain the legal counsel he did, collecting legal bills totaling more than \$107,000.¹⁷⁸ Really, the city government, of which Kennedy was and is a member, and Kootenai County

¹⁷⁷ *Coeur d'Alene Press*, "CDA picks up lawyer's tab," Dec. 8, 2010.

¹⁷⁸ *Ibid.*

could have mitigated costs by removing barriers in Brannon's quest to determine whether the outcome of the contested election was legit. Instead, roadblock after roadblock went up, resulting in prolonged legal wrangling and higher and higher costs now having to be borne by all the parties involved, including taxpayers.

You'll never, ever guess how Boise spends your hard-earned money

Seriously, you won't. Because it is just unimaginable. First, let's set the stage: The city of Boise has an arts department, just like the state has an arts commission. Like the state, the city has provided money to the now-notorious Big Tree Arts (\$1,412), which is the force behind often vulgar poetry slam events.¹⁷⁹ In total, the city granted \$45,000 for the 2010-2011 grant period.¹⁸⁰ Who else got taxpayer support? The Boise Rock School, which teaches kids how to be rock stars, is the recipient of \$1,150. The grant pays for the Guitars for Kids program. Other grant winners include the Trey McIntyre Project, which got \$25,000 to serve as the city's cultural ambassador and \$1,281 to bring the play "Killadelphia," about a rash of murders in Philadelphia, to Boise. Did we mention we're having an economic crisis right now? Yes? Someone should let Boise's city leaders know.

Did they cut everywhere they could? No, in fact, they did not

Last year, Nampa city leaders gave a rousing sob story about how the city had cut everything it could from the city budget and were still unable to prevent having to pass on a tax increase to the city's property owners. Nampa leaders even claimed their 5-percent-tax-increase budget was "conservative."

¹⁷⁹ City of Boise Arts Department grant recipients list.

¹⁸⁰ Ibid.

As our favorite libertarian and curmudgeon, the late Ralph Smeed, used to say, "Interesting, if true." It's not. Taxpayers in Nampa are forced to pay 95 percent of the city employee (including mayor and city council member) health insurance premiums. An insurance policy for a city employee and his or her family costs almost \$1,400, of which the employee pays \$70. Taxpayers pick up the rest.¹⁸¹

We'll decide which charities and community projects merit support

Money is fungible, and so when taxpayers statewide funnel \$128 million¹⁸² to local governments as part of sales tax revenue sharing, in a way, taxpayers in Boise are funding government waste in McCall, for example, and vice versa. It should also concern taxpayers statewide when the people running a unit of government agency or another decide to substitute their knowledge and preferences when it comes to funding charitable programs or community activities however noble or justifiable the cause might seem. For example, the city of Caldwell spent nearly \$50,000 in FY 2010 on "community projects," including donations to the Hopes Door domestic violence shelter, the Idaho Youth games, chamber of commerce luncheons and senior citizen meal services.¹⁸³ Whether we like these programs or not, decisions such as these force city residents to participate in programs or organizations that they may or may not support on their own. The city is, in effect, substituting its knowledge and preferences for that of the people paying the bills.

Caldwell is not alone in making determinations regarding charitable and community projects. The city of Rexburg gave the Legacy Flight Museum in Rexburg \$48,200 in tax revenue.¹⁸⁴ The city also put almost \$14,300 to the

¹⁸¹ Information provided to the Idaho Freedom Foundation from the Nampa finance office. By comparison, the state taxpayers are on the hook for 92 percent of state employee health insurance premiums -- well above what's offered in the private sector, but lower than what Nampa requires of its residents.

¹⁸² Idaho State Tax Commission sales tax revenue sharing report.

¹⁸³ Caldwell expense records provided to the Idaho Freedom Foundation.

¹⁸⁴ Rexburg city expenditures provided to the Idaho Freedom Foundation.

restoration Romance Theater, a local landmark built in 1917, which flooded during the 1976 Teton Dam disaster. The theater closed about 10 years ago. Sounds like a worthy cause that Rexburg citizens should decide on their own whether to support, and not have the city take its pound of flesh through the collection of taxes.

The city of Idaho Falls spends as much as \$350,000 on a variety of community projects, including \$30,000 for the arts council, arts grants and museum, \$35,000 for the Museum of Idaho and \$5,000 for the chamber of commerce.¹⁸⁵

Did anyone not see this coming?

When the city of Nampa and Canyon County said they had a really neat plan to save taxpayer money, and that the county prosecutor, John Bujak, would get to put public money into his private bank account, did anyone really, really, really not think the deal could end very, very, very badly?

To set this up properly, let's remind our readers that the state constitution forbids public officials from turning a profit on the public dollar.¹⁸⁶ State law, however, allows county prosecutors to continue to do work as part of their private practice, and to earn money from that work, even if it is prosecutorial work for a city government. Bujak convinced the city of Nampa that he could prosecute crimes for the city of Nampa, using county resources to do it, but he claimed he would do so as John Bujak, attorney at law, and not John Bujak, county prosecutor. Bujak said he'd take the city's money and put it into his own private bank account, then reimburse the county for the use of county resources. But in September, when the county's payment was due, Bujak wasn't able to offer up payment. He resigned from office, taking with him \$289,000 in public dollars that is now nowhere to be found. Taxpayer money should never

¹⁸⁵ City of Idaho Falls data.

¹⁸⁶ Article VII, Section 10 of the state Constitution says, "The making of profit, directly or indirectly, out of state, county, city, town, township or school district money, or using the same for any purpose not authorized by law, by any public officer, shall be deemed a felony, and shall be punished as provided by law."

go in to a private account; elected officials should never be allowed to profit at the expense of the public.

CONCLUSION

Despite some cuts that have been made in government, state and local officials still have tremendous opportunities to demonstrate leadership by cutting government programs, eliminating waste, renegotiating contracts and returning to the proper role of government. Here are some summary of our findings in this report:

1. Idaho lawmakers need to remember that government is supposed to be a provider of last resort -- providing help to the neediest residents who can't get help anywhere else. Several state programs have strayed from that notion, undermining charitable care, community-based resources and the ability of taxpayers to fund such programs.
2. The state's pension system is broken. The pension program is too expensive and provides perks to lawmakers and leaders of the state teachers' union. Additionally, the judge's retirement system is an aberration and running out of money. It's time to eliminate the pension system, create a defined contribution system for state employees, including judges, and get the state teachers' union off the state system.
3. School union contracts offer a perverse litany of perks that are indefensible under even normal economic conditions. Union contracts should be limited to union member wages and benefits and not dictate the terms of conditions for operating entire school districts. Collective bargaining agreements, if they are to exist at all, should put students and parents first, promote positive education outcomes and reward teachers who deliver classroom success.
4. Urban renewal districts cheat taxpayers out millions of dollars each year, upsetting free markets and not accomplishing what they were originally charged with doing -- curing blight and deterioration in Idaho cities. Lawmakers can

easily cut taxes by curtailing urban renewal, restricting the creation of renewal districts and insisting on a public vote before new urban renewal districts can come into being.

5. There are too many duplicative programs and unnecessary spending commitments being made at the state and local level. It's time to cut the fluff across the board.

6. There are myriad opportunities to privatize state services, increase reliance on families, communities and charities. The state should thoroughly consider these options in 2011. We've mentioned this before, but the formation of a Grace Commission, like the one Ronald Reagan commissioned in the 1980s, would go a long way to identifying opportunities to cut government programs and lift up the private sector.

Idaho lawmakers and elected officials have a once-in-a-lifetime chance to press the "reset" button on government, to cut spending, improve accountability, reduce tax burdens and eliminate waste.

This report should be viewed as a guide -- a launching point -- to dialing back years of government growth and to establish Idaho as a beacon of economic opportunity and freedom for the entire country.



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