

IDAHO FREEDOM FOUNDATION

2013 IDAHO REPORT ON

GOVERNMENT WASTE



# **2013 Idaho Report on Government Waste**

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## About us

The Idaho Freedom Foundation (IFF) is a nonpartisan educational research institute and government watchdog dedicated to improving the lives of Idahoans. IFF advocates for free market solutions, private property rights, individual responsibility and transparent, limited government. IFF develops and distributes original research and data with the goal of restoring our state and nation as beacons of opportunity and prosperity.

IFF is a nonprofit, tax-exempt organization that relies solely on private donations, not government funding, to carry out its mission.

## Guarantee of quality scholarship

The Idaho Freedom Foundation (IFF) is committed to delivering the highest quality and most reliable research on Idaho policy issues. The Foundation guarantees that all original factual data are true and correct and that information attributed to other sources is accurately represented.

IFF encourages rigorous critique of its research. If an error ever exists in the accuracy of any material fact or reference to an independent source, please bring the mistake to our attention with supporting evidence. We will respond in writing and correct the mistake in an errata sheet accompanying all subsequent distribution of the publication, which constitutes the complete and final remedy under this guarantee.

# Introduction

Back in 2009, the Idaho Freedom Foundation put together its first Idaho Report on Government Waste. We did so despite being told (several times), "But this is Idaho; there's no waste in Idaho government." Ah, but there is. And each year we manage to find new examples. It's not that Idaho governments waste money more than or less than other governments. But the notion that no money gets wasted in Idaho government is, well, not true.



This is our fourth report on Idaho government expenditures. As always, we don't expect that you'll agree with everything you read, but we hope it will make you think. For all of our conversations about how "the government that governs best governs least," we sure do have a lot of governing going on in Idaho. Every single dollar that government spends is money that could have been spent in the private sector.

More money in the private sector means more money for payrolls, capital improvement, investment in research and development, in families, communities and charities. That's why this work that we do is so important. We hope that you'll read the pages that follow with an open mind and an eye toward opportunities to reduce the size and scope of government in our lives.

Yours for freedom,

*Wayne*

Wayne Hoffman  
Executive Director  
Idaho Freedom Foundation  
"Restoring Liberty, Improving Lives"

# Federal Grants



It's been interesting over the years to listen to lawmakers and other elected officials talk about money. We may criticize a program, a government expenditure of some kind, only to be met with this response: "Well, you realize that program is funded with FEDERAL dollars." Such a statement is akin to patting us softly on the cranium and telling us not to "worry our pretty little head about it." Might as well slap a sign on the spending that says "no taxpayers were harmed in the making of this program." If only that were true.

There are two plain facts that elected officials need to remember:

- 1) We're in the midst of a fiscal crisis in this country. Elected officials who blindly spend money because they consider it "free" have culpability in the resulting economic crisis. They're helping push the bus off the fiscal cliff.
- 2) It is very often that Idaho and local officials accept the administration of a government program simply because someone, namely the federal government, has graciously offered us money to administer the program—not because it is good public policy, not because it is necessary and not because the public is clamoring for government regulatory involvement. We do it just because the money is there and because the federal government has asked us to do something, using the money as a lure.

We don't have enough pages to list all of the federal programs operated through the state of Idaho that fit that description, but we thought we'd take some pages of this year's report to introduce you to a few.

### **Food stamps job program: 14 percent success rate**

The food stamp program provides financial assistance to low- and no-income people for purchasing food. The aid is funded with federal tax dollars, and the program is administered by the U.S. Department of Agriculture. The benefits are then distributed by individual state governments.



Niki Forbing-Or, a spokesperson for the Idaho Department of Health and Welfare (DHW), the agency that distributes food stamps in Idaho, said "unemployed, able-bodied adults who receive food stamps are required to participate in a program to aid in job search and job placement." Well, kind of. A fraction participates, and of those only a fraction actually gets a benefit out of it. But it sure costs a lot.

In Idaho, DHW contracts with Easter Seals-Goodwill to provide these services through a program called "Working Solutions."

Between 2009 and 2013 a four-year contract has been in effect to pay Easter Seals-Goodwill \$29.8 million for providing these services.<sup>1</sup>

"Employment assistance services are offered with the primary goal of helping the individual get and keep a job," Forbing-Or stated. "We want people to be successful and we provide services to help them reach that goal."

But records from the department show the program isn't very successful at helping food stamp recipients become successful. In 2011, despite the fact that there was a monthly average of 223,730 food stamp recipients, just 10,704 of them participated in the Working Solutions program in Idaho. Even among those who did participate, only 1,511, or approximately 14 percent, obtained a job as a result of participating in the program.<sup>2</sup>

When asked about this statistic, Forbing-Or noted that "there a lot of reasons why people drop out of the Working Solutions program ..."

We might add, precious few reasons why taxpayers should be satisfied buying a program with such a lousy track record.

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<sup>1</sup> Idaho Dept. of Health and Welfare Contract Purchase Order CPO02176-05

<sup>2</sup> 2011 data from Enhanced Work Services Program.

## **As long it is federal money, it is OK to spend**

It's a federal program called the Pacific Coast Salmon Recovery Fund. Its purpose is to "protect, restore, and conserve Pacific salmon and steelhead populations and their habitats." You have probably read in the Constitution about Congress doing that, right? No?

In Idaho, this program has taken the form of a \$443,000 grant aimed at gathering and analyzing data "to assess the positive and negative effects of irrigation operations on stream flows in the Upper Salmon River Basin."<sup>3</sup>

You might think that something would have to be very important to be worth spending nearly half a million in taxpayer money, but in this case you would be mistaken. In a memo issued by the Idaho Department of Water Resources, Gary Spackman was frank about how the state views the program: "Without the federal funding, I do not believe the state would fund this activity."<sup>4</sup>

## **Fed water resources grant exceeds state requirements**

The Idaho Department of Water Resources in 2011 received a federal grant for \$127,454 for the "management of all shallow and deep injections wells within the State of Idaho." Although that may sound innocuous enough on its surface, digging a little deeper reveals some concerning additional information.<sup>5</sup>

Funding comes directly from the Environment Protection Agency (EPA). The grant is designed to fund "conducting routine and compliance inspections," "investigating illegal injection activities" and "conducting outreach activities." That sounds less like "management" and more like enforcement.

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<sup>3</sup> "Federal Funds Inventory" from the Idaho Department of Water Resources.

<sup>4</sup> Memorandum accompanying "Federal Funds Inventory" from the Idaho Department of Water Resources.

<sup>5</sup> "Federal Funds Inventory" from the Idaho Department of Water Resources.

Even more damning information comes from a memo issued by the Idaho Department of Water Resources that states that "the shallow underground injection program administers a federal program beyond the direct dictates of the state programs."<sup>6</sup> Why is the federal government administering a program that involves "inspections" and "investigations" that are not even called for by state law?

The memo also addresses the future of the program if the feds weren't funding it: "I do not believe the state would fund this activity," it states succinctly.

### **The 'stimulating' aspect to fire suppression**

There have been many tales about how the "one-time stimulus funding" that the federal government has been liberally spreading around has been allocated to some pretty unusual and wasteful projects, but one right here in Idaho has apparently been overlooked ... until now.

A pair of federal grants given to the Idaho Department of Agriculture worth more than \$4.5 million is allocated to "create local employment that results in the improvement of local fire suppression potential."<sup>7</sup>

Let's run through that a little slower. First, the grant is supposed to "create local employment." OK, so far, so good. There is certainly an argument to be made that this is not the proper role of government, but at least we understand the goal. Next, we read that the "local employment" that is created should "result in the improvement of local fire suppression." No, wait. That's not quite right. It should "result in the improvement of local fire suppression potential." Apparently, no actual fire suppression is required.

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<sup>6</sup> Memorandum accompanying "Federal Funds Inventory" from the Idaho Department of Water Resources.

<sup>7</sup> "Federal Funds Inventory" from the Idaho Department of Agriculture.

Perhaps a possible strategy would be to hire a number of folks to stand around holding fire extinguishers at the ready. No fires are likely to be suppressed, but there is plenty of potential for suppressing a fire should one suddenly spark up.

Like so many federal programs, a complete lack of accountability for how hard-earned and casually dispensed taxpayer money is used results in a situation where millions of dollars are appropriated to unnecessary and redundant programs.

Thanks, but no thanks, Uncle Sam. Idaho doesn't need any more stimulation.

### **Yet another Don't: Don't move the firewood**

What could you do with \$54,000? The Idaho State Department of Agriculture recently got that much in tax money sent to it by the federal government to help fund a public relations campaign to convince people not to move firewood.<sup>8</sup> No, that's not a joke.

Called the "Don't Move Firewood" campaign (a bit too on the nose, perhaps), the objective is to educate the public about the "dangers" of transporting "infested" firewood and to convince campers to buy their firewood locally instead.

Of course, the government is worried about people transporting forest pests from one location to another. But the department says it is also interested in "promoting businesses providing and selling local firewood."<sup>9</sup> In case you are wondering, the Legislature never granted the agency authority to promote the firewood business.<sup>10</sup> And it is worth mentioning that the Department of Ag appears to be duplicating the same program being administered by the Department of Lands.<sup>11</sup>

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<sup>8</sup> "Federal Funds Inventory" from the Idaho Department of Agriculture.

<sup>9</sup> *Ibid.*

<sup>10</sup> Idaho Code 22-103.

<sup>11</sup> "Idaho Department of Lands — Don't Move Firewood Campaign," <http://tinyurl.com/brxj9dk>.

We are certainly OK with supporting the private sector by purchasing firewood locally. But taxpayers should not be OK with a government campaign on firewood etiquette.

## **Transportation agency also in the job training business**

Federal money is not free money. That is a fallacy perpetrated by agencies and departments that want to accept and spend federal grants without anyone questioning why they are doing so. Government does not generate revenue, therefore whatever it spends is taken from the taxpayer by one method or another.

One good example of questionable spending funded by federal money is the \$330,000 given to the Idaho Transportation Department in the form of "discretionary training grants targeting population minorities and disadvantage[d] youth who might not otherwise consider career exploration and preparation in the transportation construction sector."<sup>12</sup>

And maybe you thought the transportation department was only concerned with roads, bridges and infrastructure.

## **Hey feds, can ya kill rodents by burying them in money?**

Isn't the federal government nice? Here it is giving the state of Idaho \$443,000 "to cooperate in the enforcement of the Federal Insecticide, Fungicide, and Rodenticide Act, which basically governs the sale and use of these chemicals in the United States."<sup>13</sup> The problem is that such "cooperation" involves the federal government mandating compliance with a law so far out of touch with the notion of federalism and dual sovereignty integral to our Constitution as to be almost laughable. More importantly, there are better options—for applicators of these products and consumers.

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<sup>12</sup> "Federal Funds Inventory" from the Idaho Transportation Department.

<sup>13</sup> "Federal Funds Inventory" from the Idaho Department of Agriculture.

The Federal Insecticide, Fungicide, and Rodenticide Act (or "FIFRA" as it's known in the biz) gives states the responsibility to be the primary enforcement agent in controlling how pest chemicals and the people who use them operate.<sup>14</sup> The problem is that even though the states are doing the enforcing, it's the feds who are writing the rules. Therefore, states have little ability to exercise flexibility or creativity in how they manage insecticides, fungicides and rodenticides.

And when Idaho citizens have complaints about how the program is running, the state agency need only reply that it is following federal requirements. The result: Zero accountability. Limited flexibility. More costly products.<sup>15</sup> It's no wonder the Cato Institute says FIFRA should be repealed.<sup>16</sup> The states can aid in the law's dismantling by refusing to be the federal government's agent in the administration of bad public policy.

## **Enforcing federal fuel tax law is not the state's job**

Should the state tax commission be focused on issues related to the state of Idaho or is it supposed to serve as a tax enforcer for the feds? Apparently it is the latter, according to the terms of a \$96,000 federal grant.<sup>17</sup>

What is this grant's purpose? According to paperwork prepared by the department, it is to "increase intergovernmental activities and enforcement efforts among public agencies to reduce Federal fuel tax evasion; ... to expand and enhance intergovernmental efforts to increase motor fuel tax enforcement and payments; to supplement motor fuel tax examinations and criminal investigations; and to increase research and training in the area of Federal fuel tax evasion."<sup>18</sup>

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<sup>14</sup> Federal Insecticide Fungicide and Rodenticide Act ("FIFRA"), Mar. 2, 2009, <http://tinyurl.com/bupymll>.

<sup>15</sup> "Nature Bites Back," Aug. 10, 2001, <http://tinyurl.com/bnku3rh>.

<sup>16</sup> Cato Policy Handbook for Congress.

<sup>17</sup> "Federal Funds Inventory" from the Idaho Tax Commission.

<sup>18</sup> *Ibid.*

So, apparently, instead of spending its time on issues related to the state of Idaho, the Idaho Tax Commission will be part of an "intergovernmental" enforcement effort to reduce evasion of a federal tax.

Regardless of one's views on the appropriateness of the federal fuel tax, its enforcement should certainly not be the responsibility of the Idaho state government.

## **The 'free' market can come with a hefty price**

Does government have a role to play in the market? Traditionally, most would likely have agreed that government should prevent fraud and theft and preserve safety, but should otherwise allow the market to function freely. In today's heady climate of bailouts and subsidies, however, the market has taken a disturbing turn away from the freedom that used to define it.

This trend is disturbingly apparent in the initiative known as the "State Trade Export Promotion" (STEP) program, which was authorized for three years under the Small Business Jobs Act of 2010.<sup>19</sup> The program is designed to help fulfill the goal of doubling U.S. exports by 2014 as presented in the President's National Export Initiative that President Barack Obama announced in his 2010 State of the Union address.<sup>20</sup>

In fiscal year 2012, the Idaho Department of Commerce received a federal grant of \$292,000 in STEP funding to give businesses "targeted Market Access Grants" to market their products and services outside of the U.S.<sup>21</sup> Idaho will receive another \$405,000 in federal STEP funding in fiscal year 2013.<sup>22</sup> The STEP program is discriminatory by design and gives a funding preference to rural,

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<sup>19</sup> "State Trade and Export Promotion (STEP) Grant," <http://tinyurl.com/c8vpukc>.

<sup>20</sup> "National Export Initiative," <http://tinyurl.com/crutywx>.

<sup>21</sup> "Federal Funds Inventory" from the Idaho Department of Commerce.

<sup>22</sup> "SBA.gov Office of International Trade: Idaho," <http://tinyurl.com/calu2l3>.

women or veteran-owned and economically disadvantaged Idaho companies.<sup>23</sup>

Although the state claims the STEP program "is not a primary funding source for export promotion activities in Idaho," whenever hundreds of thousands in taxpayer money is redirected to subsidize private businesses, we cannot shrug it off so casually. The free market works well, but our current boondoggle in which government takes with one hand and gives with the other has served to make our market far less efficient and far less free.

### **Canyon County's \$33,000 eye in the sky**

Idaho is not known for being a high-crime state, but that didn't stop Canyon County from spending more than \$33,000 obtained from a Homeland Security grant to purchase and train employees how to operate a Draganflyer X6 drone helicopter equipped with a camera that can stream live high-definition video to a remote operator.<sup>24</sup>

A spokesperson for the Canyon County Sheriff's Office said that the police are allowed to view things "from public places."<sup>25</sup>

Serious concerns still exist regarding how the privacy of citizens can be protected from these prying eyes, and both citizens and state legislators have expressed apprehensions about the domestic use of drone technology, yet that hasn't slowed down Canyon County one bit.<sup>26</sup> One wonders what value this expenditure really has. It's nothing more than an expensive toy, which makes it great example of government waste. Worse, it is a toy that exposes law-abiding Canyon County residents to the prying eye of government.

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<sup>23</sup> "State Trade and Export Promotion (STEP) Grant,"

<http://tinyurl.com/c8vpukc>.

<sup>24</sup> "Drones are popping up all over Idaho and nationally as well," July 11, 2012,

<http://tinyurl.com/ararv6k>.

<sup>25</sup> Ibid.

<sup>26</sup> Ibid.



## **Inmates certainly capable of clearing brush**

You have a building full of able-bodied men and a need for labor. What do you do? Spend hundreds of thousands in taxpayer money on personnel, of course!

Due to "the risk of wildfires and severe winter storm hazards in the area surrounding, and encompassing, the North Idaho Correctional Institution," the federal government provided the Idaho Department of Corrections with an \$800,000 grant to provide emergency power, create a defensible space for wildfire protection and remove hazardous fuels.<sup>27</sup> Interestingly, \$300,000 of that money is dedicated to personnel.

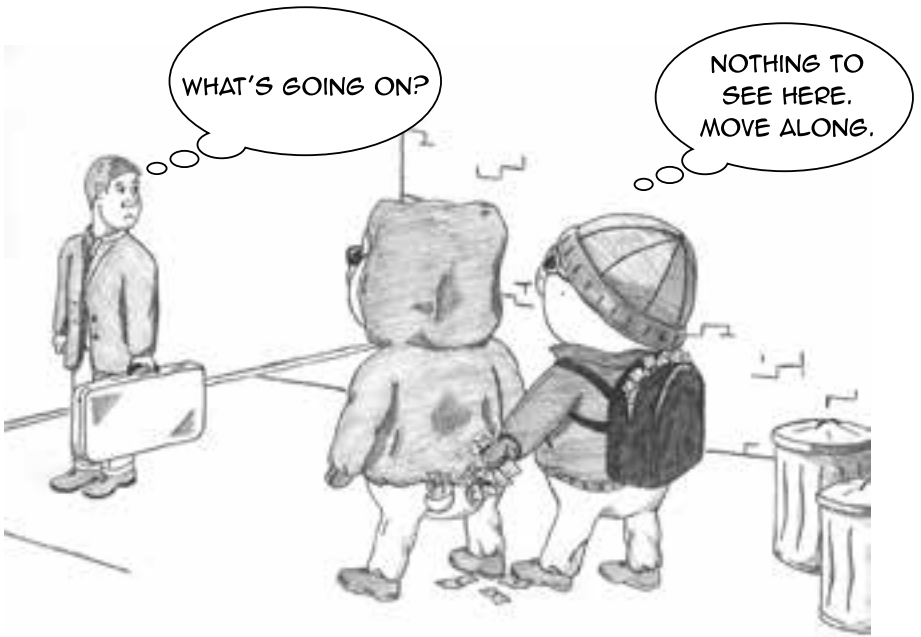
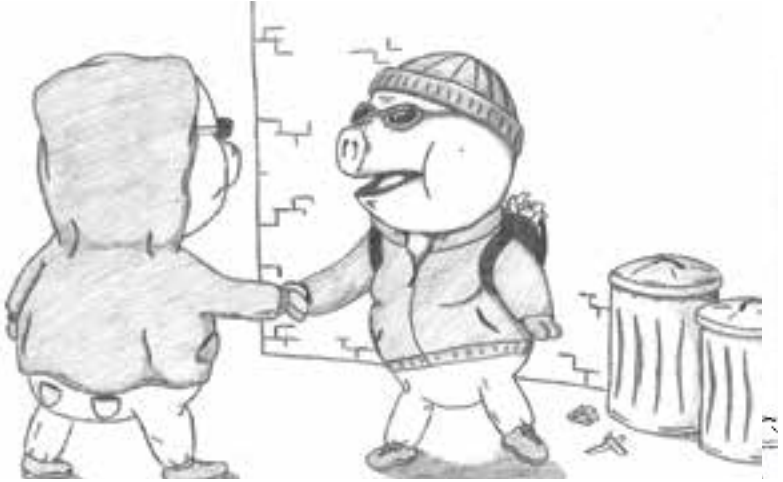
Now providing emergency power may not be a duty prisoners can handle, but certainly clearing brush and other tasks could be delegated to some of them.

When it comes to reducing the amount of money that government spends, what is needed is outside-the-box thinking and fresh ideas, not just throwing hundreds of thousands of dollars at every potential problem that comes along. Instead of just picking up trash by the side of the road, inmate work crews could be made part of the solution to a problem that actually impacts them.

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<sup>27</sup> "Federal Funds Inventory" from the Idaho State Department of Corrections.  
2013 Idaho Report on Government Waste

# Urban Renewal/Crony Capitalism



We criticize urban renewal because we care. It's not that urban renewal is worse than a lot of other badly designed government programs. What makes this one so extraordinary is how the program is often designed to trick taxpayers to think they're getting something for nothing, and how many city governments have used the program to reward certain preferred developers and developments.

Equally problematic is the way local governments have used urban renewal as a means to borrow money without requesting a vote of the people. This has resulted in elaborate debt-financing schemes with taxpayers as unwitting participants.

Since the mid-1960s, urban renewal (URA) has been part of the economic development plan in Idaho. Initially urban renewal was strictly in heavily populated areas in Idaho, like the city of Boise.

Today, however, regions using urban renewal include Caldwell, Sandpoint, Twin Falls, Ashton, Kuna and host of others. In the 2010 legislative session, the Idaho Freedom Foundation and other groups worked with the Legislature in implementing safeguards to protect taxpayers from the unelected boards with unchecked spending authority. However, these new restrictions only apply to urban renewal agencies created after June 2010, so there is more work still to be done.

As in years past, existing URAs continue to spend recklessly on pet projects of the city or county without requiring public input on spending or a vote of the people for long-term bonding. There are numerous other pet projects that need to be explored. The Mountain Home Urban Renewal Agency summed up the agenda of the spend happy agencies, "After district revenues exceeded the amount needed for bond payments in 2010, the urban renewal agency looked for another project that would spur economic expansion. Board members zeroed in on the 50-year-old, dilapidated King's Discount Store."<sup>28</sup>

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<sup>28</sup> "How Mountain Home landed a rarity: a new downtown department store," Sept. 12, 2012, <http://tinyurl.com/bfqktl9>.

According to the Electronic Municipal Market Access (EMMA), a database for publicly traded bonds for local governments, there are nearly \$240 million in bonds issued for eight Idaho Urban Renewal Agencies.<sup>29</sup> The affected cities are as follows:

Ammon	\$	5,880,000
Boise	\$	165,710,000
Caldwell	\$	20,035,000
Jerome	\$	3,500,000
McCall	\$	880,000
Nampa	\$	20,500,000
Twin Falls	\$	16,845,000
Ketchum	\$	6,440,000
<b>TOTAL</b>	\$	<b>239,790,000</b>

Whenever you are talking about hundreds of millions of dollars in debt that is taken on for optional projects using the people's property and earning potential as collateral, you have a serious problem both ethically and governmentally.

Urban renewal also helps facilitate a form of crony capitalism, which we also cover in this chapter. Crony capitalism is where government dispenses favors that aid particular businesses, segments of the economy or individuals through policies, ordinances or statute. We prefer our markets free, where people have the ability to succeed or fail, without the intervention of government.

### **Rexburg Rapids: money rapidly down the drain**

The 2012 Idaho Report on Government Waste discussed how government officials in the eastern Idaho town of Rexburg decided to fulfill their citizens' water park needs by debt-financing for a 12-year period the \$5.2 million construction of Rexburg Rapids.

<sup>29</sup> "Municipal Securities Rulemaking Board (MSRB) — Electronic Municipal Market Access (EMMA)," <http://tinyurl.com/ar5swl8>.

At that time, a revenue and expense statement from the city showed that the park made little money in 2011. The city's finance director originally reported the park netted \$60,000 in 2011, but he pointed out that outstanding bills would likely bring that total down to about \$30,000.<sup>30</sup>

We also noted that due to operating expenses the park must incur through the winter months, the city was expecting to take in even less in 2012. An optimistic projection by the city put 2012 net revenue at about \$16,000.<sup>31</sup>

Well, by the time 2012 was finished, Rexburg Rapids had lost another \$40,000 of taxpayer money. A Rexburg city report indicates that, despite being "profitable" between June 17 and Aug. 18 of 2012, the park nonetheless operated at a loss the rest of the year.<sup>32</sup>

Those winter operational costs we warned about cost the city about \$41,000 because, even though the park is closed during the winter months, the building and the water still have to be heated and the pumps have to be turned on so the equipment doesn't get too cold. Additionally, city officials "discovered" that the water in the park evaporates even when people aren't swimming in it. Thus the city ended up paying about \$2,900 just to replenish the water in the pools.

Still, the city officials of Rexburg predict a better year in 2013, because they claim to have cut the park's operational expenses. Whereas previously the park officially opened Memorial Day weekend and remained opened until Labor Day, in 2013 it won't open until the middle of June. Officials also claim that they've cut their winter costs. "We've installed a thermostat switch on the pumps," notes Matt Nielson, deputy finance director for

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<sup>30</sup> Rexburg city public records request, Oct. 17, 2011.

<sup>31</sup> Ibid.

<sup>32</sup> "Rexburg Rapids 2012 Seasonal Report" obtained by IFF, Dec. 13, 2012.

Rexburg. "This way the pumps won't go on unless the water gets really cold and the water really needs to be circulated."<sup>33</sup>

In summary, there is a \$5.2 million expenditure spread over 12 years for a water park that lost \$40,000 last year, and will be operational for only about three months this year. That's Rexburg Rapids, and that's why the government shouldn't be in the water park business.

## **Playing games with taxpayer money**

The Capital City Development Corporation (CCDC) in Boise is so flush with cash that it is able to give it away to other government agencies and entities around the Treasure Valley. All told, CCDC shelled out \$188,000 to other entities.<sup>34</sup>

Examples of this insider giving include a streetcar analysis of \$62,500 to the city of Boise; \$20,000 that went "down the drain" as it were for restrooms; \$7,500 for sponsoring the Downtown Boise Association's "Alive After Five" event; and \$23,985 to the Valley Regional Transit system.<sup>35</sup> And, by the way, \$1,485 of that last figure was generated by CCDC-owned pay phones; yes, as we reported in our "2012 Idaho Report on Government Waste," CCDC still owns pay phones.

Finally, CCDC has determined that there is a significant public health crisis on Bannock Street between 10th and 11th streets. So what is this crisis? CCDC has ordered that the "amenity" improvements include adding game tables to the sidewalk areas. You see, that is what urban renewal does best—it plays games with the taxpayer money.<sup>36</sup>

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<sup>33</sup> Phone conversation with IFF staff, Dec. 13, 2012.

<sup>34</sup> <http://www.ccdcboise.com/AboutCCDC/MeetingAgendasAndNotes.aspx>.

<sup>35</sup> Ibid.

<sup>36</sup> Ibid.

## Urban renewal funds no way to fund salary increases

The city of Post Falls is considering a novel way of tackling its fiscal challenges: Use urban renewal rebate money to supplement the city budget.<sup>37</sup>

The city wants to use \$890,000 in rebate money to provide salary increase to employees who have not have them for a number of years and to take care of other sundry items in the city budget. The problem is that this avenue of funding would be a one-time-only proposition due to the sunseting of the urban renewal district, and once the funding is exhausted, there would be no obvious way to maintain the salary increases or other ongoing expenditures.<sup>38</sup>

Instead of spending money it doesn't have on unsustainable programs and raises, why doesn't the city opt to return the money to the taxpayers and let the free market determine how it should be spent?

## As we were saying, the Ground Floor is a silly project

Back in 2011, we criticized the Meridian Development Corporation for its Ground Floor project, which provides low-rent space to local businesses—in competition with the private sector.

“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,” we wrote.<sup>39</sup>

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<sup>37</sup> "Post Falls considering urban renewal money to supplement city budget," Aug. 1, 2012, <http://tinyurl.com/d5hlxnk>.

<sup>38</sup> Ibid.

<sup>39</sup> 2011 Idaho Report on Government Waste.

Ah, it's so hard to be right all the time, but that is our burden in life. Alas, we didn't anticipate that MDC would also begin to question the usefulness of this project. The Ground Floor URA project "continues to drain resources and other options should be explored," according to minutes of the URA. Yet the agency wants to "continue to move forward with meetings with property owners in the block to discuss long-term goals."

But MDC's search for other projects is also a bit questionable. MDC has decided to make the Church of the Harvest a recipient of a grant to plant trees and put in steel grates around the trees to the tune of \$35,000. The church is one of the finest landscaped churches in Meridian compliments of Meridian taxpayers.<sup>40</sup>

And then there's this: MDC is putting out the call for all the deteriorated wineries that are in need of a boost. The MDC commission voted to make this one of three top priorities in 2013. The idea is to reach out to wineries and build a tasting room in Meridian.<sup>41</sup>

According to the Northwest Wines guide, there are two wineries in Meridian.<sup>42</sup> At least in this case the URA would not be picking winners and losers; it is just making two businesses a top 2013 priority over all the others.

We like wine with our pork as much as anyone, but this is a bit ridiculous.

## **Mountain Home taxpayers finance their competition**

Mountain Home now has a department store filling the empty King's Department Store. But there are mixed responses as to the impact the Mountain Home Urban Renewal Agency (URA) played

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<sup>40</sup> MDC Board Meeting Minutes, Aug. 8 2012, <http://tinyurl.com/czrfllj>.

<sup>41</sup> "MDC Meeting Minutes, Special Meeting of the Board of Commissioners," Nov. 5, 2012, <http://tinyurl.com/d72dv3u>.

<sup>42</sup> "Map to Western Valley Wineries — Eagle/Star/Meridian Area," Nov. 7, 2012, <http://tinyurl.com/aoo5zpp>.



in attracting Bealls, a national department store chain whose model targets smaller cities with populations of less than 50,000. The chain last year had \$1.5 billion in sales and \$31 million in profit and opens about 30 stores a year across the country.<sup>43</sup>

The URA paid \$235,000 for the old building and spent another \$650,000 to spruce up the parking lot, put in new fire sprinklers and other renovations.<sup>44</sup> In addition to the financial contribution, the city waived the building fees, which would have been \$4,660. Bealls indicated that the location will employ 7-13 people. That means the URA and city-invested between \$68,400 and \$127,000 per job created.

Mayor Tom Rist stated that he's "certain of one thing. Without an urban renewal district, Mountain Home wouldn't have its Marathon Cheese Corp. plant or the new Bealls department store." City officials say the new developments and their jobs illustrate the importance of urban renewal as a tool for economic expansion. It can give small communities an edge in competition with other communities for new businesses, they say.

But not so fast. Bealls already has a footprint in smaller Idaho cities, including Rexburg, Blackfoot and Burley. The Rexburg store opened in 2011 and there was no funding from the Rexburg Urban Renewal Agency was used in the project.

The bad news for residents who are footing the bill for the projects of the urban renewal agency is that this is only the beginning. Mayor Rist said that "the city has additional plans to make the downtown more appealing to pedestrians by upgrading streets, sidewalks and the alley that separates Main and 2nd streets."<sup>45</sup>

And they'll need the assistance of the urban renewal agency to make the improvements seamless from the public streets to the

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<sup>43</sup> "How Mountain Home landed a rarity: a new downtown department store," Sept. 12, 2012, <http://tinyurl.com/bfqktl9>.

<sup>44</sup> Ibid.

<sup>45</sup> Ibid.

private buildings, he says. We wonder how those businesses paying urban renewal taxes feel about subsidizing their competition.

## **Ketchum URA looks into building apartment units**

Last year we wrote about the Ketchum Urban Renewal Agency (KURA) and its ownership of a Starbucks and about the unfair competitive advantage it has over privately owned coffee shops in the area.

Well, KURA is now moving into the apartment leasing business. Some 23 new apartments to be exact. This is not sitting too well with the local board of realtors who took out an ad in the local paper on Nov. 7. The guise of the apartment ownership is to increase low income housing, but not so fast says the board of realtors.

The ad states that the project would cost \$500 per livable square foot, "far in excess of what many top quality single family homes cost." The ad also states that the URA did not allow time for an alternate proposal to be evaluated, that the project will be built without providing adequate parking for the its inhabitants and that it violates Ketchum's retail core codes because it will not provide retail space on the ground floor.<sup>46</sup>

KURA's plan moving forward is to create another 200 low income housing units, according to its website. In 2006, KURA estimated the need of these types of units to be up to 1,200 in the plan.<sup>47</sup> The question being asked by community members is where is the proof and where does it end? The Idaho Finance and Housing Association low-income tax-credit financing helps fund the

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<sup>46</sup> "URA responds to Board of Realtors ad," Nov. 21, 2012, <http://tinyurl.com/b6aqufy>.

<sup>47</sup> "KURA Projects — Property Improvements," <http://tinyurl.com/a28huck>.

project's construction, which will be paid back out of revenues from the KURA over time.<sup>48</sup>

Government programs such as urban renewal distort the market by creating things for which there is insufficient demand at prices that the market will not sustain. If there is a demand for more apartments at market prices, developers will step in and supply those units. Governments need to get out of the business of competing with business and allow the free market to work.

## **Subsidized advertising hypes subsidized art**

The Lake City Development Corporation (LCDC) in Coeur d'Alene has discovered a new way to promote its efforts—spend \$14,000 to produce two short videos to post on its website, the city's website, and possibly YouTube as well.<sup>49</sup> The URA commissioners believe they need to help the citizens understand all the good work being done by the agency.

For example, last year LCDC provided more than \$103,700 to the arts commission to cure the blight associated with those annoying traffic boxes and to add art to the wastewater treatment plant.<sup>50</sup> It also added "functional art bike racks" to a local elementary school.<sup>51</sup>

One LCDC commissioner believes that the arts commission utilizes LCDC funds to fund art that possesses an "educational component" where applicable (for example, microbe art work at the wastewater facility). He also claimed that "combining art and education creates a powerful learning environment," and added

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<sup>48</sup> "URA responds to Board of Realtors ad," Nov. 21, 2012, <http://tinyurl.com/b6aqufy>.

<sup>49</sup> "Lake City Development Corporation — Board Meeting Minutes," Sep. 19, 2012, <http://tinyurl.com/aedcltx>.

<sup>50</sup> "Lake City Development Corporation — Board Meeting Minutes," Jan. 19, 2011, <http://tinyurl.com/cejed3o>.

<sup>51</sup> *Ibid.*

that the arts commission "really appreciates" the financial support of LCDC.<sup>52</sup>

The reality is that taxpayer money is being spent on an attempt to convince people that spending taxpayer money to subsidize unnecessary public art is the proper role of government. This is pork in its purest form.

### **Tax credit: Growing the economy or social engineering?**

There are things governments should do and there are things they should not do, and too often government action falls in the latter category. Consider Idaho's \$7.6 million "New Employees Tax Credit," for example.<sup>53</sup> Generally, when businesses grow, so does the economy, and governments can help to create a business-friendly environment by lowering taxes and lessening the regulatory burdens that businesses face.

What does not help the economy—or anyone else for that matter—are thinly veiled subsidies for just those companies that do what bureaucrats want them to do. This particular tax credit only applies to businesses that are hiring new employees, that offer health insurance and that pay at least \$15 per hour (\$12 per hour if the unemployment rate is 10 percent or higher.)<sup>54</sup> In addition to these restrictions, the size of the credit varies by the employer's rating by the Idaho Department of Labor based on the payment of unemployment taxes.

This is not the kind of tax reduction that helps grow the economy. This is a subsidy that is designed to bribe businesses into paying not what the market demands, but what politicians demand.

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<sup>52</sup> Ibid.

<sup>53</sup> "Idaho Division of Financial Management — Idaho's Tax Structure — Exemptions, Credits, Exclusions, and Deductions," January 2012, <http://tinyurl.com/cexlbub>.

<sup>54</sup> Ibid.

Arbitrarily offering kickbacks to companies based on how much they pay—with no consideration as to the market price for labor in their respective fields—is just another example of government picking winners and losers as it attempts to mold society into what it believes it should be.

## Agency helps ask: What if all the adults disappeared?

Buried deep within the Idaho Department of Commerce is the Idaho Film Office.<sup>55</sup> According to its website, its mission is to "enhance the economic climate of the media production industry in Idaho."<sup>56</sup>

Among the rebates and tax incentives that it offers in an attempt to entice filmmakers to do business in Idaho is a grant program that is, well ... mystifying.

The first oddity is that the projects it funds do not have to be films at all.<sup>57</sup> The creators of online games or even iPhone apps are invited to apply for the \$5,000 per project grants, which a panel of anonymous judges award.<sup>58</sup>

The second oddity is that the awarding of grants is based on a complicated scoring system in which points are allocated based on a myriad of criteria including avoiding "negative portrayals of Idaho."<sup>59</sup>

In the latest round of awards, a total of \$30,000<sup>60</sup> funded by Idaho's 2 percent lodging tax<sup>61</sup> was issued to six projects including

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<sup>55</sup> "Idaho Film Office," <http://tinyurl.com/cyakdml>.

<sup>56</sup> "Idaho Film Office — Media Workforce Development Grant Program Guidelines," <http://tinyurl.com/bn2adcs>.

<sup>57</sup> Ibid.

<sup>58</sup> "Idaho Film Office — Media Workforce Development Grant Program Summary," <http://tinyurl.com/ct6b63w>, "*Because the [film] community is small, we do not disclose the names of our judges for their privacy.*"

<sup>59</sup> Ibid.

<sup>60</sup> "Idaho Film Office — Grants," <http://tinyurl.com/cpsb7sk>.

a proposed web series in which "teens awaken to a world in which all adults over age 19 have disappeared."<sup>62</sup> Paradoxically, a world in which all the adults over 19 have disappeared would be devoid of taxpayers who unwittingly help fund a stupid project about a world in which all the adults over 19 have disappeared.

### **'It's really hard to say' why CCDC gives what it gives**

The Capitol City Development Corporation (CCDC) provided more than \$375,000 to two local businesses, Whole Foods and 10 Barrel Brewery, in 2012.<sup>63</sup> When asked by IdahoReporter.com for a list of projects turned down for grant funding, the agency did not provide the information.

Mike Hall, director of development for CCDC, said that although picking and choosing who will receive a grant and who won't is meant to be a fair process, ultimately the agency can approve or decline infrastructure funding within an urban renewal district for any reason it chooses.

"It's something that's certain and doesn't require a lot of negotiation," Hall said. "It tries to treat people equitably, so it's not a case where one person gets a grant, but the other person doesn't because CCDC liked one guy's project better than the other. It's not intended to be that discretionary. On the other hand, the board does have the discretion to say, 'We are not going to issue a grant.'"

Hall declined to elaborate on which types of projects are declined for funding, and why. "That's really hard to say," Hall said. "Yeah, I don't even want to speculate on that."<sup>64</sup>

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<sup>61</sup> "Idaho Film Office — Media Workforce Development Grant Program Guidelines," <http://tinyurl.com/bn2adcs>.

<sup>62</sup> "Idaho Film Office — Grants," <http://tinyurl.com/cpsb7sk>.

<sup>63</sup> "National grocery chain and Oregon brewery receive TIF grants from Boise's CCDC," Aug. 20, 2012, <http://tinyurl.com/bvjvzlw>.

<sup>64</sup> Ibid.

Discretion allows for arbitrary personal preferences and allegiances to govern the use of tax dollars, according to planning critic Randal O'Toole, who works out of Oregon as a senior fellow for the Cato Institute, a think tank based in Washington, D.C. He wrote that "urban planners use TIF [tax increment financing] to practice social engineering, promoting developments that may be less marketable but which follow the latest urban-planning fads," like the current trend for high-density, mixed-used development of the type that urban planners routinely demolished a few decades ago.

CCDC says that its funding for public infrastructure promotes economic development, but the agency does not consistently undertake cost-benefit analyses to determine whether a particular expense is likely to generate a proportionate public benefit.

"There are cases where we might do more of an analysis of the project in terms of its costs and benefits, but for the streetscape grant program, we generally don't do that," Hall said.<sup>65</sup>

## **Not quite your daddy's 'rent control'**

The Caldwell East Urban Renewal Agency (CEURA), like many other urban renewal agencies, is in the business of owning commercial buildings and renting out the space.<sup>66</sup> Obviously this puts government in direct competition with private landowners who depend upon leasing their commercial space. It is worse than just straight-up competition, however, because the private landowners have to pay property taxes while urban renewal districts do not.

This allows URA-owned rental properties to undercut the market and could actually lead to their private counterparts going out of business and could even serve to help create the "blighted areas" that urban renewal was originally devised to revitalize.

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<sup>65</sup> Ibid.

<sup>66</sup> Caldwell East Urban Renewal Agency Revenue Budget — FY 2012.

In 2012, CEURA brought in more than \$220,000 in rent that should have gone to private businesses, which represents an increase of 5 percent from the prior year.<sup>67</sup> Put another way, this is 5 percent more than the government got that the private sector did not. In short, let's call this what it is—a new form of “rent control.”

## **Voters reject a bond, and the county gets clever**

While there was a bright spot in north Idaho when two Urban Renewal Agencies sunsetted and the taxes diverted by them were returned to other, legitimate taxing districts, the Caldwell East Urban Renewal Agency (CEURA) worked out a slight-of-hand approach for Canyon County to build a new administration building to the tune of \$10 million and expand the county jail without having to go to the ballot box for a bond hearing.<sup>68</sup>

The county tried three times to pass a bond to build a new jail, but residents voted it down each time. Now the county commissioners have struck a deal with CEURA to pay for the new office building and jail expansion rather than giving the revenues back to the county when CEURA is officially closed down in 2014.<sup>69</sup>

Not everyone at the county agrees with the move. Canyon County Clerk Chris Yamamoto is urging the county to reject the idea and use the increased income that will come into the county in 2015 (if the building is not built) to compensate for the continued decline in property tax revenues due to the fall of property values.<sup>70</sup>

According to property tax data on [AccountableIdaho.com](http://AccountableIdaho.com), the levy rates have increased more than 25 percent in the past two years

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<sup>67</sup> Ibid.

<sup>68</sup> "Canyon County to take new administration building plan to urban renewal," May 9, 2012, <http://tinyurl.com/cfo9bsw>.

<sup>69</sup> "Caldwell Urban Renewal Agency approves administration building for county," June 6, 2012, <http://tinyurl.com/cynxcyz>.

<sup>70</sup> "Opinion: County finds wise way to pay for extra office space," June 13, 2012, <http://tinyurl.com/c4cspf3>.



(2010 and 2011) while the revenues have stayed relatively flat.<sup>71</sup> This means property owners have seen no relief from the drop in their property values.

There are certainly better remedies for Canyon County's jail problems than using taxpayer money to increase the number of cages. Considering that nonviolent offenders make up more than 60 percent of the prison and jail population nationwide, not locking as many people in the county jail might be a good start.<sup>72</sup>

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<sup>71</sup> Data from AccountableIdaho.com, <http://accountableidaho.com>.

<sup>72</sup> "Prison Math," July 2011, <http://tinyurl.com/3qt3lws>.

# Government Charity



We're really big believers in charity as a preferred method of solving challenges in our community. Where government values inputs (more money, more participation in a program), charities look at outputs (needs being met, problems solved and positive results for program participants and communities served). People choose to give money to charities based on their interests in those charities.

We might choose to give to the Salvation Army, for example, but not the United Way, or vice versa. We might choose to give to the Boys and Girls Club, but not the Salvation Army. And when we give money to charities, they do their level best to make sure they're spending our money well, for if they don't, or their investments yield no real results, that charity's donors may no longer choose to contribute. We prize this decision-making process, and we're proud of our membership and gifts to charitable organizations.

But when government takes our money, it reduces our giving capacity. Worse, when government makes our charitable giving choices for us, it forces us to support organizations we may or may not choose to support, for whatever reason. And then it forces us to be members of those charities we might have never chosen to support in the first place.

There is nothing magnanimous about a governing body's decision to give our money away for us. What should happen instead is that government should tax us less, allowing us to choose which organizations are worthy of our money.

## **Where does government 'goodness' end?**

You might assume there are some expenses in life that government does not have a program to cover, but you would be wrong. Even here in Idaho there are more than a few surprises.

Idaho law allows counties to provide non-medical charity to residents who claim to need it.<sup>73</sup> Taxpayers spend millions of dollars providing rental, phone and utility assistance to people who ask counties to foot the bill. Some counties do this more than others.<sup>74</sup>

Ada and Shoshone counties combined spent more than \$415,000 last year to help people pay their rent, utility bills and other non-medical expenses. Statewide non-medical spending totaled more than \$760,000.<sup>75</sup>

It is no doubt a noble idea to help those who might not be able to help themselves. But, as with so many do-gooder ideas, where is the line out there when enough is enough? A better way to help our neighbors in need with their rent and utilities is to allow true charitable giving by organizations, churches, businesses, friends and families. Why?

Because history has taught us that people are far more accountable to each other than to government. Whenever government gets involved, money is more likely to be frittered away. When true charity is utilized, people in need are more likely to get the help they need for their long-term benefit.

## **Maybe this money will help ... or not**

If you do not live in Kootenai County, you are probably not familiar with the Dirne Community Health Clinic that opened more than 25 years ago. It was started as a nonprofit charity by Lidwina Dirne, who still sits on the board today.<sup>76</sup> We applaud Dirne for crafting something without running to the government for help.

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<sup>73</sup> Chapter 34, Title 31, Idaho Code.

<sup>74</sup> According to information from the Idaho Association of Counties.

<sup>75</sup> According to information provided to IFF by Idaho Association of Counties in response to a public information request

<sup>76</sup> "Dirne Community Health Centers — Our Story,"

<http://tinyurl.com/cmsq7u6>.

Although the clinic still maintains a variety of sources through which it receives voluntary funds from private donors within the community, it was the \$75,000 the clinic received from Kootenai County that caught our attention.<sup>77</sup> According to Kootenai County Commissioner Dan Green, this charitable gift was disbursed from the county's "discretionary fund" and was intended to provide "preventative care" to persons and to prevent them from entering into the county indigent program.<sup>78</sup>

The reality, however, is that the funds provided from the commissioner's discretionary fund go to the general operating budget of the clinic and are not actually earmarked for any specific use.<sup>79</sup> Nor can the county say that the funding has helped offset the county indigent care expense, for which the county has a separate accounting in its budget.<sup>80</sup>

Charity is defined by Webster's Dictionary as "generosity and helpfulness especially toward the needy or suffering" and "a gift for public benevolent purposes."<sup>81</sup> The fact is that money taken from citizens through taxes and turned over to "charitable" organizations is not actually "charity" because it is neither "generosity" nor a "gift." It is just more government intrusion into a charitable process that would work oh-so-much better if left to the actual "generosity and helpfulness" of the people rather than to the insatiable appetite of the government machine.

What do the Kootenai commissioners say to the next nonprofit, worthy cause that comes before them asking for a handout? There are a lot of them out there, so the tab could be pretty high. In order to avoid the prejudicial practice of picking winners and

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<sup>77</sup> According to information provided to IFF by Kootenai County in response to a public information request.

<sup>78</sup> Phone conversation between IFF staff and Kootenai County Commissioner Dan Green, Dec. 18, 2012.

<sup>79</sup> Phone conversation between IFF staff and Dirne community clinic, Dec. 19, 2012.

<sup>80</sup> Ibid.

<sup>81</sup> "Merriam-Webster Dictionary," <http://tinyurl.com/yclvq6t>.

losers, the county will either have to fund them all or (we hope) abandon their role as a conduit for compulsory "giving."

## **The 'healing' power of taxpayer support**

In October, Boise handed out \$60,000 from the city's economic development fund to a number of non-governmental entities including Boise Contemporary Theater, the Boise Philharmonic, and the Basque Museum & Cultural Center.<sup>82</sup> In addition to the \$10,000 that was given to each of these, another \$30,000 was split between the Idaho Shakespeare Festival and the Trey McIntyre Project.

That last project claims to "support and produce the artistic vision of artist Trey McIntyre" because the people behind it "believe in the power of art and dance to transform, heal and enlighten."<sup>83</sup> That's really what you want from government, right, the "healing" power of dance?

Although these disbursements were funded by rental proceeds from city-owned rail property in southeast Boise, had the money not been given away to these non-essential ventures, it would certainly have been used on other projects that are currently funded directly with taxpayer money.

If private foundations or individuals want to support "the arts," that is absolutely their right, but government should constrain itself to its proper and limited role.

## **No Salvation for the Boise city taxpayer**

One of the lasting images of the Salvation Army is someone ringing bells at Christmas next to a little red kettle for collecting donations.

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<sup>82</sup> "Boise names grant recipients, Cultural Ambassadors," Oct. 12, 2012, <http://tinyurl.com/cvxyn9>.

<sup>83</sup> "Project Trey McIntyre — 'We are'," <http://tinyurl.com/btrfxmr>.

But in Boise, there is an even better way for the Salvation Army to get money: the city gives the money to the charity. In 2012, the city of Boise gave the Salvation Army more than \$17,600<sup>84</sup> out of its "Neighbors in Need" fund.<sup>85</sup> Yes, that is what the government really calls it! The year before, Boise used the fund to pay the Salvation Army \$13,500.<sup>86</sup>

Just how much bell-ringing is that equivalent to? If change were given in an equal mix of quarters, dimes, nickels and pennies, it would take more than 2,580 pounds of change to equal what the city of Boise has given to the Salvation Army in the last two years.<sup>87</sup> That would fill a very large bucket.

But regardless of the value of the work of the Salvation Army—and there are few who question it—where does the city draw the line of what "good causes" to fund with taxpayer money and what "good causes" not to fund? There are innumerable great causes out there deserving of financial support. It is not the city's role to pick causes.

## In Lewiston, giving becomes compulsory

You don't have to give to charity because the city of Lewiston will do it for you. In 2012, the city gave \$12,317 to Valley Meals on Wheels, a nonprofit organization that provides food to the needy.<sup>88</sup> A good cause, no doubt, but hardly the proper role of government.

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<sup>84</sup> According to information provided to IFF by the city of Boise in response to a public information request.

<sup>85</sup> The "Neighbors in Need" fund (1339) is under the "Local Affordable Housing" fund.

<sup>86</sup> IFF public records request.

<sup>87</sup> A cent weighs 2.5 grams. A nickel weighs 5 grams. A dime weighs 2.27 grams. A quarter weighs 5.67 grams. Therefore, 41 cents (25+10+5+1) weighs 15.44 grams. The city paid \$31,105 over two years. One gram equals 0.035274 ounce.  $((((31105/.41)*15.44)*.035274)/16) = 2582.43$ .

<sup>88</sup> According to information provided to IFF by the city of Lewiston in response to a public information request.

Unfortunately, the taxpayer-funded giving doesn't stop there. Indeed, another \$15,000 was given to the Boys and Girls Club of L-C Valley, and \$16,000 to the Community Action Food Bank.<sup>89</sup>

Giving to charity is optional, but paying your taxes is not. When governments use tax money to fund private charities, you are actually being forced to give to charity. Unlike voluntary funding, however, this compulsory funding lacks the accountability inherent in being reliant on altruistic contributions.

And, as we point out on such "gifts" from government, where does it stop? No doubt there are plenty of good causes in Lewiston—Salvation Army, Red Cross, to name just a couple—but government should not be in the business of picking which ones are worthy of taxpayer dollars.

### **Giraffe Laugh comes at the expense of the taxpayers**

Is a giraffe's neck long enough to reach into city hall? Giraffe Laugh operates two early learning centers in Boise and describes itself as a "private, non-profit" organization.<sup>90</sup>

While we would not normally presume to question the operations of a private entity, we are forced to question why in 2012 the not-so-private city of Boise paid it more than \$16,500 out of its "Community Development fund."<sup>91</sup> This is not some inexplicable departure from the norm either: In 2011, the city paid it more than \$21,500 and in 2010 it was in excess of \$23,500.<sup>92</sup>

Boise's "Community Development fund" is subsidized by federal dollars because Boise is a "Participating Jurisdiction" in the U.S. Department of Housing and Urban Development's "Entitlement Cities program." Charities and nonprofits compete for these grants

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<sup>89</sup> Ibid.

<sup>90</sup> "Giraffe Laugh — About Us," <http://tinyurl.com/c8epwdr>.

<sup>91</sup> According to a report from the "SPECIAL REVENUE FUND Community Development Fund."

<sup>92</sup> Ibid.



and each year some are selected to be the recipients of the redistributed funds.<sup>93</sup>

In this case, Giraffe Laugh's grant application requested money to provide "scholarships" to low-income children. This application is both enlightening and disheartening since the organization claims that part of its goal is "to keep them [enrolled children] until they enter Kindergarten." No mention is made of determining whether some children might fare better by not being institutionalized.<sup>94</sup>

Considering that all government money comes from citizens in one way or another, transferring some \$61,500 from those who earned it to a private preschool selected by the government is no laughing matter.

## **DARE to stop giving away taxpayer money**

Bonnors Ferry is a little town of just more than 2,500 people situated in the mountains of northern Idaho about half an hour from the Canadian border.<sup>95</sup> It has a crime rate less than one-third the national average.<sup>96</sup> But none of that stops the city from giving away thousands of taxpayer dollars in what can only be assumed to be an effort to continue waging the "war on drugs."<sup>97</sup>

"DARE" is the acronym for the far-less catchy sounding "Drug Abuse Resistance Education" program which touts itself as "highly acclaimed"<sup>98</sup> (that's high praise coming from oneself) under a picture of the United Nations logo on its website.<sup>99</sup> More self-congratulations follow, but the real question here is why this

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<sup>93</sup> Information provided to IFF by Boise City Housing and Community Development.

<sup>94</sup> Ibid.

<sup>95</sup> According to Google Maps, <http://tinyurl.com/cu4lo44>.

<sup>96</sup> "Crime in Bonners Ferry, Idaho," <http://tinyurl.com/bo8yagt>.

<sup>97</sup> According to information provided to IFF by the city of Bonners Ferry in response to a public information request.

<sup>98</sup> "About D.A.R.E.," <http://tinyurl.com/dlfrym>.

<sup>99</sup> Ibid.

"national non-profit organization"<sup>100</sup> needs the \$6,000<sup>101</sup> that it was given from the city of Bonners Ferry.<sup>102</sup>

A decade ago, Salt Lake City Mayor Rocky Anderson blasted DARE as "completely ineffective," and said it was "a complete waste of money" and "a fraud on the American people."<sup>103</sup> The value (or lack thereof<sup>104</sup>) of the DARE program notwithstanding, it is hard to imagine how funding such an organization falls within the parameters of the proper role of government or the proper use of taxpayer money.

## **Government subsidizes donations to itself**

Getting a tax break for making donations to worthy causes is a popular tradition in this country, but in Idaho the government offers you a tax break for donating to ... the government. Donations to a host of government entities entitles the giver to a 50 percent tax credit worth up to 50 percent of an individual's entire tax bill.<sup>105</sup>

Qualifying donations include those made to any public school or college, public libraries, public television, the Idaho State Historical Society, nonprofit public or private museums in Idaho, the Idaho Commission on Hispanic Affairs, the Idaho Council on Developmental Disabilities, the Idaho Commission for the Blind and Visually Impaired, the Idaho State Independent Living Council and the Idaho Council for the Deaf and Hard of Hearing.<sup>106</sup>

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<sup>100</sup> Ibid.

<sup>101</sup> According to information provided to IFF by the city of Bonners Ferry in response to a public information request.

<sup>102</sup> This money was paid out of the city's general fund.

<sup>103</sup> "Dare Checks Into Rehab," Feb 25, 2001, <http://tinyurl.com/c5q9yrj>.

<sup>104</sup> "Dare to Drop D.A.R.E & Replace It with an Effective Program,"

<http://tinyurl.com/cnslo6h>.

<sup>105</sup> The total tax credit is currently capped at \$500 for individuals or \$1,000 on a jointly filed return.

<sup>106</sup> "Idaho Division of Financial Management — Idaho's Tax Structure — Exemptions, Credits, Exclusions, and Deductions," January 2012, <http://tinyurl.com/cexlhub>.

Although you might think that the prospect of donating money to the government in exchange for a tax credit worth only half of the donation would not attract too many takers, the state of Idaho lost out on \$9.7 million in tax revenue in 2012 due to this particular credit. That number is expected to jump to more than \$10 million in 2013.<sup>107</sup>

Eliminating this silly tax credit could allow tax cuts to be put in place across the board rather than encouraging donations to government entities that are already being funded with tax money.

### **Still funding the group behind Benny the Drunken Poet**

In our 2010 Idaho Pork Report, we noted that the state gave \$3,672 to Big Tree Arts, a group responsible for throwing, shall we say, colorfully wordy poetry slams.<sup>108</sup> In that report, we detailed some of those slams, including a performance by "Benny the Drunken Poet" who described, using a microphone stand for visual reference, how he satiates his sexual cravings for "grandmas, cop cards, parking meters and trees."<sup>109</sup>

We also described how Benny provided medical advice in one of his skits, telling men who don't use a condom: "Open sores, yuck that's icky/Should've bought some condoms with that \$2.50/AIDS, Chlamydia, Hepatitis B/No I don't need help, it usually burns when I pee."<sup>110</sup>

The arts commission disputed that it helped pay for Benny's performance, or any of the other sexual or foul-mouthed skits. But we'd point out that by giving money to Big Tree Arts, Idaho taxpayers are involuntarily aiding the organization and all of its activities. In a sense, every Idahoan was a Big Tree Arts member. And still is.

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<sup>107</sup> Ibid.

<sup>108</sup> 2010 Idaho Pork Report.

<sup>109</sup> Ibid.

<sup>110</sup> Ibid.

In 2012, the arts commission gave \$2,842 to Big Tree Arts.<sup>111</sup> We can't tell if Benny is still performing, or if Big Tree's poetry slams are more family-oriented. Since our 2010 report, the organization appears to have stopped posting its videos online.

The agency also gave money to many other artistic ventures: Ballet Idaho, Boise Arts Museum, Boise Baroque Orchestra and Opera Idaho are among the grantees in 2012.<sup>112</sup> Whether you like it or not, you are now supporters of these programs. The government chose these for you. So even if you hate opera, you pay for it, and by extension, you are a member of Opera Idaho. You still have to purchase your own tickets, however.

The state of Idaho appropriated nearly \$1.8 million to the Commission on the Arts for fiscal year 2013.<sup>113</sup> In addition to questioning exactly how the arts made it onto the list of state government responsibilities like roads and schools, we are also wondering why it is OK that the budget for the Commission on the Arts has grown by 20 percent in the last two years.<sup>114</sup>

## **Mountain Home making 'good' use of taxpayer money**

What is the proper role of government? In Mountain Home, the answer just might surprise you.

In this last fiscal year, the city has given \$12,380 to museums; \$5,000 to the Mountain Home Arts Council; \$5,000 to Meals on Wheels; and \$4,500 to the Visitor Center.<sup>115</sup> For those not keeping track, that is just less than \$27,000 of taxpayer money that was handed off to various entities and organizations that are really

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<sup>111</sup> "The Idaho Commission on the Arts," <http://tinyurl.com/msja34>.

<sup>112</sup> Ibid.

<sup>113</sup> According to state appropriations data from HB 0616.

<sup>114</sup> FY 2011 Actual: \$1,494,200. FY 2013 Appropriations: \$1,789,900. This represents a 19.8 percent increase during a two-year period.

<sup>115</sup> This money was paid out of the city's general fund.

outside the scope of what government should be using your money to fund.<sup>116</sup>

Art, museums, private charities and visitor centers are all nice things, but they are also optional.

What is not optional are the taxes you pay that go to support these entities thanks to the misguided "generosity" of bureaucrats who are no doubt far more giving with your money than they are with their own.

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<sup>116</sup> According to information provided to IFF by the City of Mountain Home in response to a public information request.

# Stupid Government Programs



If you think about it, I mean REALLY, REALLY think about it, there is no program that the government can't offer. Seriously. Given the right motivation, a government bureaucrat or politician can come up with a reasonable-sounding excuse to fund and staff any program imaginable.

Indeed, government is also good at taking our money from us and then giving it back to us if we do what the government wants us to do. Remember the decision by the U.S. Supreme Court telling us that, indeed, the federal government can tax us for failure to buy a product? Should we truly be surprised the judicial branch of the federal government could reach such a conclusion after decades of government tax policy designed to reward us for certain behaviors?

Unfortunately, there are many politicians and government employees with active imaginations. We'd like a little less of that and a little bit more of our own money. We'd like the free market to operate without obstruction from the government, without programs that try to "make our lives better" or save us from our own decisions.

This chapter is dedicated to the proposition that many government programs either are hopelessly bloated or wouldn't be missed if they went away. Or that they're designed to manipulate our behaviors. Or that they're designed to take money out of our hands and then give it back to us later.

## **Medicaid: Idaho's budget albatross**

The largest budget set by the Idaho Legislature by a significant margin is that of the Idaho Department of Health and Welfare. It dwarfs all others including public education and is occupying an ever-growing piece of the budgeting pie.<sup>117</sup> For fiscal year 2013, this constitutionally optional department was appropriated \$2.37 billion — that's billion with a "B." That is more than 50 percent

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<sup>117</sup> FY 2012 total appropriation for Public School Support was \$1,566,813,100.  
2013 Idaho Report on Government Waste

higher than the state appropriated to the constitutionally mandated public school system.<sup>118</sup>

Of that \$2.37 billion, more than \$1.91 billion is appropriated to a single program: Medicaid.<sup>119</sup> This massive and ever-growing piece of the budget is actually being targeted for expansion by Big Government supporters who believe that spending more will equal better outcomes. Some have even gone so far as to suggest that merely expanding Medicaid could prevent tragedies like the Sandy Hook shooting.<sup>120</sup>

Contrary to these claims, however, there is significant evidence to show that simply throwing more money at this failing program will not improve outcomes for patients or for taxpayers and could actually make the situation worse by encouraging people to switch from their existing insurance plans to Medicaid.

Fortunately there are alternatives to old Medicaid that actually work toward real reform rather than toward greater government spending. States such as Florida, Kansas, and Louisiana have all begun implementing pro-patient, pro-taxpayer Medicaid reform that deals with the Medicaid crisis in a way that is based on logic and research instead of emotion and fear.<sup>121</sup>

Such reforms offer patients meaningful choices, more services, and incentives to get and stay healthy while making patient health the priority. At the same time these reforms bring about greater

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<sup>118</sup> FY 2013 total appropriation for Department of Health and Welfare was \$2,366,288,800. The FY 2013 total appropriation for Department of Health and Welfare was 51.03% greater than the FY 2012 total appropriation for Public School Support.

<sup>119</sup> State of Idaho 2012 Legislative Fiscal Report.

<sup>120</sup> "To Prevent Massacres Like Newtown's, Expand Medicaid," Dec. 19, 2012, <http://tinyurl.com/cbyk5hy>.

<sup>121</sup> "Foundation for Government Accountability Medicaid Cure Conference Call #2," October 24, 2012, <http://tinyurl.com/cautnt>.



accountability and common sense competition, and even make private coverage available for those who want it.<sup>122</sup>

Going forward, Idaho will face significant pressure to just dump more money into the already bloated Medicaid program, but our state will also have an opportunity to reject these shortsighted proposals and to instead implement reforms that save taxpayers money and improve patient outcomes. Given those two options, the right decision is really not that difficult to determine.

## **State gives tax break to those insulating older homes**

Why should the government care how you spend your money? Obviously, the government does not want you to use your money to hire a hit man or to build grenades in your backyard, but provided your actions are not dangerous or harmful, why should some expenditures be considered more worthy than others?

Idaho's state government does not seem to grasp these principles, however, and in 2012 forfeited \$868,000 in revenue due to tax deductions for folks who spent money insulating buildings that "existed" as of Jan. 1, 1976, and served as a residence for the taxpayer.<sup>123</sup> Prior to the 2012 legislative session, the state anticipated that the impact of the deduction would exceed \$900,000 in 2013,<sup>124</sup> but thanks to the passage of House Bill 485, the cost could be substantially greater.<sup>125</sup>

The bill made a substantial expansion to the program by expanding the definition of eligible residences from those existing prior to 1976 to those existing prior to 2002. This change approximately doubles the number of eligible homes, which

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<sup>122</sup> "7 Improvements to Old Medicaid," <http://tinyurl.com/cdu8jvz>.

<sup>123</sup> "Idaho Division of Financial Management — Idaho's Tax Structure — Exemptions, Credits, Exclusions, and Deductions," January 2012, <http://tinyurl.com/cexlbub>.

<sup>124</sup> *Ibid.*

<sup>125</sup> "Idaho Legislature — House Bill 485," <http://tinyurl.com/cs9dztm>.

means (assuming the same level of participation) that the amount of forgone revenue will approximately double as well.<sup>126</sup>

Now we certainly have nothing against folks who both live in older homes and who decide to purchase insulation, but why they should get special tax breaks for doing so is far less clear. Subsidizing certain purchases (and not others) is picking winners and losers, which is not the proper role of government.

### **Narrow tax credit favors one business over another**

In its stable of tax credits, Idaho offers the "Recycling Equipment Credit," which is for 20 percent of the cost of equipment used in manufacturing products that consist of post-consumer waste.<sup>127</sup> Such a tax credit is actually a subsidy for companies that do business in one way as opposed to another. While not the costliest tax credit offered by the state, in 2012 this credit diverted \$27,000 in tax revenue that further pushes other tax rates higher.<sup>128</sup>

Instead of a fair and equitable tax cut from which all businesses are able to benefit, this very specific credit is designed to uniquely encourage a type of behavior that the government has decided to support. This credit allows the government to "reward" some companies while spurning others based on their manufacturing choices.

Not only is the government once again up to its old trick of picking winners and losers, it is also attempting to dictate what constitutes good business practices.

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<sup>126</sup> "Idaho Legislature — House Bill 485 Statement of Purpose," <http://tinyurl.com/bqaswvp>.

<sup>127</sup> "Idaho Division of Financial Management — Idaho's Tax Structure — Exemptions, Credits, Exclusions, and Deductions," January 2012, <http://tinyurl.com/cexlbub>.

<sup>128</sup> Ibid.

## Is an Idaho Commission on Libraries really needed?

One day we will probably have to sit our children down and explain certain terms like "encyclopedia" and "library" to them. The conversation probably won't go well since the concept of "printing Wikipedia" and "printing the whole Internet" will just lead to quizzical expressions and understandable disbelief.

Until that day comes, however, we have the Idaho Commission for Libraries. Yes, even in the digital age, the state of Idaho believes that spending millions of dollars of taxpayer money to assist "libraries to build the capacity to better serve their clientele" is a good idea. Not only is it still funding this commission, but the price tag is going up.

For fiscal year 2013, the Idaho Commission for Libraries was appropriated \$5.4 million,<sup>129</sup> which represents more than a 24 percent increase from its appropriation just two years ago.<sup>130</sup> Much of this increase was due to federal stimulus dollars earmarked for the "Broadband Technology Opportunities Program" and the "Read to Me" program.<sup>131</sup>

It is one thing if local communities want to nostalgically fund libraries for a while longer, but as our state deals with an increasingly tight budget, eliminating the Commission for Libraries seems like an obvious choice.

## A government enterprise by a slightly different name

Sometimes all it takes is a little sleight of hand for a big government program to look like something else entirely. Increasingly, we are seeing innocuous sounding terms such as "economic development planning"<sup>132</sup> and "working together to plan

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<sup>129</sup> Appropriations for FY 2013: \$5,412,900.

<sup>130</sup> FY 2011 Total Appropriations: \$4,352,000. FY 2013 Appropriations: \$5,412,900. This represents a 24.4 percent increase during a two-year period.

<sup>131</sup> State of Idaho 2012 Legislative Fiscal Report.

<sup>132</sup> "Panhandle Area Council, Inc. (PAC)," <http://tinyurl.com/d3q6xb8>.

for the future"<sup>133</sup> that sound innocent enough, but the real intent impacts individual freedom and wastes money attempting to micro-manage human mobility and behavior.

Although these entities exist throughout the state, two in particular stand out for their lofty goals of centralization and outsized budgets.

The Panhandle Area Council, Inc (PAC) is an organization membered by elected officials of north Idaho cities and counties for the stated purposes of providing access to low interest loans, government procurement assistance, economic development planning and acting as an incubator of startup and expanding businesses. Of course, these are all just code words for using taxpayer monies to regulate both businesses and individuals while also picking winners and losers in business.

The PAC claims 25 governmental entities as members, each of which pays dues in exchange for one vote on the council. According to its latest tax filing in August of 2012, the PAC had \$12.8 million in assets and \$913,000 in revenue.<sup>134</sup>

In Idaho's Treasure Valley there is the Community Planning Association of Southwest Idaho (COMPASS), which, much like the PAC, is made up of various elected officials who offer an air of solemnity to what is as much a lobbying organization as a planning association. About one-third of the association's revenue is generated by the dues paid by the cities and counties which are its members. Those dues represented \$846,000 in fiscal year 2011.<sup>135</sup>

In addition to all of the other problems delineated above, COMPASS advocates for additional taxpayer-funded subsidies for

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<sup>133</sup> "COMPASS FY2013 Unified Planning Work Program,"

<http://tinyurl.com/bwzfat>.

<sup>134</sup> "Idaho Secretary of State — Panhandle Area Council, Inc.,"

<http://tinyurl.com/ctpk48y>.

<sup>135</sup> "COMPASS Financial Statements for FY 2011," <http://tinyurl.com/ck5I35y>.

transportation under the innocuously titled "Mobility Management Strategies" program that calls for "managing and delivering coordinated transportation services throughout the region to individuals with disabilities, those with low incomes and older adults."<sup>136</sup> Another way of phrasing that would be "cha-ching!"

These entities are really just facades for elected officials who want to push through their pet projects with minimal public scrutiny or objection. These projects exist in all areas of planning and development, including public transportation, urban renewal and the leasing of government buildings and properties in ways that bypass requirements of a vote of the people for bonding.

Idaho does not need more central planning and taxpayer-funded "studies" pre-destined to determine that even more spending is required. Instead we need far less government spending and far greater freedom for individuals and businesses to expand their interests and utilize their property as they see fit.

## Highway district doubles as a bicycle district

It's called the Ada County Highway District, but many of the agency's projects are not related to roads at all. In fact, in its list of "major projects" for the fiscal year 2011-12 budget is \$4.2 million allocated to "Community and Safe Routes to School Projects."<sup>137</sup> What does that mean?

For starters, it means that millions of dollars are being spent on projects that have little if anything to do with roads. The projects included in this category are numerous and include "curb, gutter, sidewalk, pathways and other pedestrian and bicycle projects for many locations across Ada County."<sup>138</sup>

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<sup>136</sup> Ibid.

<sup>137</sup> "Ada County Highway District Fiscal Year 2011-2012 Budget,"

<http://tinyurl.com/c5taqpo>.

<sup>138</sup> Ibid.

This is not a new phenomenon, however. ACHD maintains a "Bicycle Advisory Committee"<sup>139</sup> and is actively working to implement a "Roadways to Bikeways Plan" that will eventually provide "a designated bicycle facility within a quarter-mile from 95 percent of the residents in Ada County and its six cities."<sup>140</sup>

Millions of dollars that could either be spent on actual roads for both bicycle and vehicular traffic or never expropriated from taxpayers to begin with are being diverted to these unnecessary, bicycle-specific projects.

How about just fixing some potholes here and there with the money?

## **Big Idaho potato comes with a big cost**

Last year we brought you the story of a \$300,000 marketing campaign for Idaho potatoes, but as it turns out, the actual cost is \$700,000, more than double the original estimate.

This Idaho Potato Commission (IPC) program, known as the "Big Idaho Potato" campaign, is funded by a mandatory tax on potato producers, which, of course, is passed on to the consumer. The commission does not refer to the member assessment as a tax; it prefers to call it a fee. But Idaho law is clear. It's a tax.<sup>141</sup> And a farmer who fails to pay the tax risks daily civil penalties under the statute.<sup>142</sup>

Anyway, the commission drove a truck containing a fake potato weighing more than 44,000 pounds around the nation for seven months. The cost breakdown for this campaign is \$280,000 for designing, building and leasing the truck; \$309,000 [estimated] for

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<sup>139</sup> "Ada County Highway District Bicycle Advisory Committee," <http://tinyurl.com/cvqdrnv>.

<sup>140</sup> "Ada County Highway District Roadways to Bikeways Plan," <http://tinyurl.com/clnoz7q>.

<sup>141</sup> Idaho Code 22-1211.

<sup>142</sup> Idaho Code 22-1213.

salaries, food, lodging, fuel and maintenance; and a \$100,000 donation to Meals on Wheels.<sup>143</sup>

According to the commission's public relations spokesman, "The truck is on a goodwill mission to promote Meals on Wheels, celebrate the IPC's 75th anniversary and to remind consumers to look for the 'Grown in Idaho' seal when they purchase potatoes."<sup>144</sup> You have to look really closely at the TV ad to see any reference to Meals on Wheels; it is there, but only for a moment.

In addition to pimping Idaho potatoes, the project claims to be part of an effort to "spread the word about the growing issue of senior hunger in America."<sup>145</sup>

This might appear to be a clever advertising devise, but in reality it is a whimsical use of taxpayer dollars with questionable benefit. And even if you believe the commission's contribution to Meals on Wheels is a good use of taxpayer money, there is no statutory authority for the potato commission to be giving away this cash.<sup>146</sup> That's actually a good thing, because farmers and consumers themselves should be able to decide which charities to support.

## **Commuteride takes taxpayers for a ride**

The Ada County Highway District (ACHD) is not shy in bragging about the Commuteride "vanpool" service it offers. It says that it is "operated and accounted for similar to a private business enterprise in that costs of providing goods and/or services to the general public are financed primarily through user charges."<sup>147</sup>

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<sup>143</sup> Email from Sue Kennedy, PR director for the "Big Idaho Potato" campaign.

<sup>144</sup> Ibid.

<sup>145</sup> "BigIdahoPotato.com," <http://tinyurl.com/c69t7ov>.

<sup>146</sup> Nothing in Chapter 12, Title 22, Idaho Code permits the commission to expend money on charitable donations.

<sup>147</sup> "Ada County Highway District Fiscal Year 2012 Annual Budget," <http://tinyurl.com/dyclzr7>.

That's interesting ... if it runs like a business, why does government even need to be involved? Perhaps because what it considers "revenue" from the program is not just user charges, but also federal funding. Although ACHD may have conveniently forgotten the fact, federal funding is not "free money" by any means, but is either funded directly through taxation or passed on to future generations in the form of debt.

Indeed, the federal funding for the program is quite significant. In 2011, it accounted for more than \$1 million of the program's \$2.5 million budget. Rider fares accounted for just more than half the budget with the remainder coming primarily from the ACHD general fund. For 2012, despite a projected decrease in total revenue from rider fares, the budget saw a hefty 24 percent increase, which was slated primarily to fund the acquisition of new vans. Federal funding increased by 63 percent to nearly \$1.7 million<sup>148</sup> while the spending from the ACHD general fund increased by 25 percent.<sup>149</sup>

While supporters will point out that much of the federal money is dedicated to equipment rather than to operations, ACHD commissioner Carol McKee recently gushed over the program's acquisition of its 100th van and stated that "the next goal" was 150 vans.<sup>150</sup>

In the last four years, the Commuteride program has received \$4 million<sup>151</sup> in federal funding and more than \$860,000 from the ACHD general fund. In that same time period, the program has only generated \$4.7 million in rider fares.

Far from being "operated and accounted for" like a business, ACHD's Commuteride has only taken in half of what it has spent

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<sup>148</sup> Federal grant total for FY 2012: \$1,675,000.

<sup>149</sup> ACHD general fund total for FY 2011: \$160,500. ACHD general fund total for FY 2012: \$200,000.

<sup>150</sup> "ACHD Commuteride hits the 100-van mark," Oct. 23, 2012, <http://tinyurl.com/c7htdwl>.

<sup>151</sup> FY 2009 and FY 2010 actuals plus FY 2011 and FY 2012 budgets



during the last four years. Any business with that track record would be considered a failure.

## **Yes, there really is an energy device tax deduction**

Governments have a bad habit of wanting to control personal behavior and although threats of fines or jail time are often their favorite tools, sometimes bribes are used as well. For reasons of debatable merit, the state of Idaho has decided to use tax deductions—particularly the "Alternative Energy Device Deduction"—to push the alternative energy agenda and to reward those who comply with their wishes.

This deduction is "for the cost of acquiring, constructing, and/or installing wood, pellet, solar, wind, geothermal energy, or natural gas/propane devices in the taxpayer's residence." It cost taxpayers more than \$500,000 in 2012.<sup>152</sup> The impact of the deduction is growing as well; it has grown by 38 percent since 2008 and is expected to grow by another 4 percent in 2013 to reach \$552,000.<sup>153</sup>

Instead of using the tax code to play favorites and to reward specific behaviors, Idaho needs to replace inequitable tax credits and deductions with tax cuts that apply to all.

## **Where there's smoke, there's (free) fire alarms!**

In the city of Meridian, city officials are having a smokin' hot time giving out smoke and fire detectors. The city spent more than \$80,000 of federal grant money to hand out smoke detectors and fire alarms to "eligible Meridian citizens."<sup>154</sup>

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<sup>152</sup> "Idaho Division of Financial Management — Idaho's Tax Structure — Exemptions, Credits, Exclusions, and Deductions," January 2012, <http://tinyurl.com/cexlbub>.

<sup>153</sup> Ibid.

<sup>154</sup> According to information provided to IFF by the city of Meridian in response to a public information request.

There is no doubt that having a smoke detector is a good idea, but when you can purchase one from a local store for less than \$13, there is certainly reason to question why a city government needs to be involved at all.<sup>155</sup>

## **Government discrimination is not OK**

Government has a bad habit of singling out certain groups or individuals for special attention—sometimes positive attention and sometimes negative attention.

One particularly troubling example of this exclusionary activity in Idaho is the Commission on Hispanic Affairs. For 2013, the state of Idaho appropriated more than \$200,000<sup>156</sup> for a government program that is designed to discriminate and treat individuals with a certain ethnic background as if they need a little extra help to make it in life.

It is one thing to be singled out based on merit or even to be singled out based on actual need, but to be singled out based purely on ethnicity is not cool. It's also demeaning.

## **Grocery tax credit should be replaced with lower taxes**

For nearly half a century Idaho has had a "grocery credit," a comparatively small credit worth \$10 per person per year when initiated in 1965, and currently being phased up to \$100 per person per year.<sup>157</sup>

While it represents only a modest savings in an average household's state tax bill, the cost of the credit to the state as a whole is substantial. Lawmakers have augmented the grocery tax

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<sup>155</sup> "First Alert Photoelectric Smoke and Fire Alarm,"

<http://tinyurl.com/d78vumk>.

<sup>156</sup> According to state appropriations data from SB 1354

<sup>157</sup> "Idaho Division of Financial Management — Idaho's Tax Structure — Exemptions, Credits, Exclusions, and Deductions," January 2012, <http://tinyurl.com/cexlhub>.

credit, too, with the increase in the state sales tax. In 2008, the credit cost the state slightly more than \$50 million, but by 2012 the cost had more than doubled to \$110 million. It is estimated that the cost to the state will be in excess of \$126 million in 2013.<sup>158</sup>

Oddly, this "tax credit" is really more of a subsidy because, as the Idaho State Tax Commission kindly reminds us, "you can get an Idaho grocery credit refund even if you aren't required to file an income tax return."<sup>159</sup> The stated reason for this anomaly is that, although treated as an income tax credit, the program is designed to offset the sales tax on groceries.<sup>160</sup>

One of the problems with this system where Idaho citizens pay sales tax on groceries, and then file paperwork with the state to get an income tax credit (even if they otherwise would not have had to do so) is that some money is always lost through the filing and administration of paperwork—costs that could have been avoided altogether with better tax policy.

If the state wants to offer a tax cut on groceries, why not simply lower the sales tax rate on groceries or eliminate it entirely so that the savings is enjoyed at the time of purchase? Groceries are already uniquely coded in retailer computer systems that participate in the food stamp program (because sales tax is not charged on groceries purchased with food stamps<sup>161</sup>), so no new infrastructure would be required to support such a tax cut.

Another simple idea is to lower the sales tax rate for all purchases. Any of these options is better than the current cumbersome practice of taking money from taxpayers only to give it back later.

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<sup>158</sup> *Ibid.*

<sup>159</sup> "Idaho State Tax Commission — Idaho Grocery Credit," <http://tinyurl.com/c8unm7t>.

<sup>160</sup> *Ibid.*

<sup>161</sup> "SNAP The Supplemental Nutrition Assistance Program Training Guide for Retailers," <http://tinyurl.com/cojvwmn>.

## Walking the taxpayer plank in Sandpoint

The city of Sandpoint is heralding its new boardwalk and moorage area near downtown, but the cost may leave you wishing to drown your sorrows in a drink you can no longer afford.

Funding for this project, which includes such critical necessities as a "kayak dock" and historic photographs for decoration, included half a million dollars from the Idaho Transportation Department, a quarter of a million dollars from the Sandpoint Urban Renewal Agency and another \$60,000 from an Idaho Parks and Recreation Waterways Grant.<sup>162</sup>

Although project director Stephen Drinkard says that the project "enhances the area's natural character,"<sup>163</sup> it is the lightening of the taxpayers' wallets that should be the primary concern for lawmakers in Idaho. These types of nonessential projects should be left to the ingenuity of individuals and private businesses and to the demands of the market, not funded through compulsory taxation and government fiat.

## PERSI: Can't say we didn't warn ya!

We've been harping on the state Public Employee Retirement System of Idaho (PERSI) for years. And part of that warning has been this: Idaho's pension system is underfunded and will continue to cost taxpayers more and more and more.

Well, here we are. We warned you. In December 2012, PERSI's board decided to let a rate increase take effect. That means instead of 16.62 percent of each employee's wages going to pay for lifetime post-employment retirement, the contribution level will be 18.11 percent of payroll for most employees.<sup>164</sup> The contribution rate is higher for public safety officers. Bottom line,

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<sup>162</sup> "Boardwalk opens door to Sandpoint's downtown," Oct. 28, 2012, <http://tinyurl.com/ctdf5st>.

<sup>163</sup> Ibid.

<sup>164</sup> Report from PERSI's December board meeting.

both employees and taxpayers need to pay more to prevent the PERSI fund from becoming insolvent, like other states. To keep the funding gap from becoming wider, PERSI's board needed to let the contribution rate increases to take effect.

But Bob Williams, a researcher with the private, non-partisan State Budget Solutions, believes the state is underreporting the pension system's financial weaknesses. "We estimate that PERSI has an unfunded liability of about \$10 billion," he notes, and he says that PERSI is mistakenly assuming that its funds' investments will produce a return of 7-8 percent annually. "The state is using budgeting gimmicks—unreasonable expectations on the rate of return in their investments, writing-off financial losses over several years, and so forth—in estimating that they have only \$1.2 billion in unfunded liabilities. They aren't being realistic."<sup>165</sup>

PERSI officials will beg to disagree. But they can't deny that the cost to taxpayers keeps going up, a reality which helps suppress government employee wages and provides government employers an ever-growing fixed cost associated with hiring every government employee.

Idaho would do well to follow Utah's lead and adopt a defined contribution plan that will still provide a robust retirement benefit for government employees. That would allow government employees to be paid better and protect taxpayers from the escalating costs associated with the pension system.

## **16 Years, \$62 Million = 40 percent effectiveness rate**

After 16 years and more than \$62 million spent, the Idaho Department of Labor (IDOL) reports a 40 percent "effectiveness" rate for a statewide job training program.<sup>166</sup>

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<sup>165</sup> IdahoReporter.com interview with Bob Williams.

<sup>166</sup> "Report: Idaho Workforce Development Fund shows 40 percent 'effectiveness' results," Oct. 31, 2012, <http://tinyurl.com/aqfjrnmb>.

Created by the Legislature in 1996, the Idaho Workforce Development Fund is overseen by IDOL. It is financed with a 3 percent offset paid by Idaho businesses to the state unemployment insurance fund, according to the department.

After conducting its own assessment of the program and determining its 40 percent effectiveness rate, Roger Madsen, director of IDOL, praised the training program. "It's been one of Idaho's most valuable economic development incentives for more than a decade," he said. Madsen also noted the assessment's findings that employees who had received the taxpayer-funded job training saw their wages increase more quickly than workers who did not receive the training.<sup>167</sup>

Asked by IdahoReporter.com if a 40 percent effectiveness rate is to be regarded as a success, given the program's multi-million dollar price tag, department spokesperson Bob Fick stated that "We have nothing to say about that. The report is what it is, and Director Madsen's comments are what they are. There's nothing more to discuss."<sup>168</sup>

Actually, there is. Any program that operated as inefficiently as the one Idaho businesses are funding today would be eliminated, if the businesses paying the tax were in charge, that is. This program is subject to the approval of the Legislature. There's much more to discuss.

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<sup>167</sup> Ibid.

<sup>168</sup> Ibid.

# Education



Idahoans spend \$1.5 billion on public education.<sup>169</sup> Across such a massive education system, it's not too difficult to imagine that some of that money is wasted. On the following pages, we talk about some of that waste. But with the failures of Propositions 1, 2 and 3 on the November 2012 ballot, we think it is important to send this message to state lawmakers: Everyone understands that the education system here in our state must be reformed. We believe the current system is unnecessarily wasteful of taxpayer money and does not serve students, parents or teachers as well as it could.

What if we could have, here in Idaho, an education system where a student who was excelling could move ahead onto the next lesson or the next class?

What if underperforming students could have more time with their teachers so that they could catch up with their peers or even meet up with or pass excelling students?

What if it were commonplace for high school students to take college courses during their sophomore, junior and senior years, instead of being a rarity?

What if a student in Challis could learn chemistry from a chemistry expert in Boise or Salt Lake City or London?

What if our students routinely were exposed to classes at MIT or Harvard or Oxford?

What if all students had access, at their fingertips, to 100,000 volumes of classical literature, even if their school library only had 1,000 books?

We live in an amazing time of technology and possibilities. Yet we continue to have the same old debates about education as if it were the 1950s. Idahoans rejected the school reforms passed by

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<sup>169</sup> 2012 Legislative Fiscal Report. The total contains almost \$1.3 billion in general funds.



the 2011 Legislature. But that doesn't mean we should stop talking about education reform. In fact, Idaho should lead the discussion.

Here are some thoughts on education going forward:

First, every child should be able to be educated in a way that best meets his or her needs. For some, that is a traditional public school. For others, it is a charter school. It might also be a private school, or a home school. It might be an online education, or an education system that uses a blend of digital learning and classroom time.

Second, the state should eliminate any barrier to a successful, thriving public school. Such barriers might include a pay structure that keeps the best teachers from being highly paid for their hard work and systemic dynamics that divert money and staffing resources unnecessarily out of the classroom. The Legislature should debate each of these, one at a time, one bill at a time: Why is tenure good public policy? Why are master labor agreements that have no expiration good public policy? Should universities be able to participate in the creation of charter schools? And so on.

Third, the state requires people to pay into a public education system. But sometimes the public education system is not the best system for a student. Therefore, the state should create a mechanism to make sure that students are able to access the education system that best meets their need, and not hold them captive to a system that doesn't. Such a mechanism might include an education scholarship funded through tax credits, which are perfectly constitutional and appropriate in a state like Idaho.

And finally, the linkage between K-12 education and higher education should be more seamless than it is today. The Legislature should encourage that fluidity, making it easier for kids to move on to a college degree.

The education debate didn't end in the 2012 election cycle. It is only beginning, and one that should take priority during the

coming legislative session. It is that important, and if we work at it, we can even find common ground and a path forward that will benefit future generations of Idahoans.

## **Big parting gift for ex-Blackfoot School District super**

It was suspicious when the Blackfoot School District refused to release documents to the Idaho Freedom Foundation related to a "contracted services" \$105,428 item in its budget, but what was eventually revealed is truly stunning. Sixth District Judge David Nye ruled in favor of an open records lawsuit, forcing the district to release its records.<sup>170</sup>

As it turns out, the "contracted services" was actually a \$211,000 buyout for the district's former superintendent that had been split between two years. As if that wasn't bad enough, the district had attempted to keep the payout a secret by hiding the document in the superintendent's personnel file, which by state statute is protected from public information requests.

The board of trustees also admitted that it broke Idaho's open meeting law on two separate occasions while drafting the buyout.<sup>171</sup>

Local property owners are likely less than pleased that a third of the \$647,000 in bond revenues brought in by their school district in the 2011–12 school year was spent on a secretive buyout deal that was brokered in illegally closed meetings and intentionally buried out of public view.<sup>172</sup>

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<sup>170</sup> "Records show Blackfoot board tried to hide payout," Dec. 11, 2012, <http://tinyurl.com/cdzkp29>.

<sup>171</sup> *Ibid.*

<sup>172</sup> "Idaho State Department of Education Statistical Data," <http://tinyurl.com/cww526a>.

## Let's spend \$53,155 per pupil and see what happens

In the "2012 Idaho Report on Government Waste," we pointed out the excessive spending per pupil in the Avery school system. The latest figures from the state department of education put the district at the highest spending once again. The figure is a boggling \$53,155 per student, compared to the state average of \$7,363.<sup>173</sup>

Is there a better way to educate the 14 students in Avery? The district should consider alternatives, such as using the Idaho Virtual Academy, which costs taxpayers less than \$5,000 a year per student.<sup>174</sup> Or perhaps a blend of tech and classroom teaching. Now is the time to be innovative. At such a cost, the state could provide a tutor to every student in the district.

Spending more than seven times what it costs per student in the rest of the state should motivate legislators to look at alternative ways to educate those students.

## Spending more on education does not add up

Sitting adjacent to each other in Idaho's Treasure Valley are two of the largest school districts in the state: Boise and Meridian. One thing striking about these two similar districts is that while Meridian spends an average of \$6,298 per student, Boise spends 40 percent more for an average of \$8,792 per student.<sup>175</sup>

What does this extra 40 percent get in terms of results? Not much, according to standardized test results. In 2012, the Boise district saw its fifth grade students score either proficient or advanced at rates of 88.4, 78.1, 80.9, and 70.7 in reading, math, language and

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<sup>173</sup> "Idaho State Department of Education Statistical Data,"

<http://tinyurl.com/cww526a>.

<sup>174</sup> Ibid.

<sup>175</sup> "Idaho State Department of Education School Finance Data and Stats,"

<http://tinyurl.com/bmhntdg>.

science respectively. Meridian had slightly higher rates in each category, posting 89, 78.5, 81.6, and 75 respectively.<sup>176</sup>

Similarly, in 10<sup>th</sup> grade, the proficient and advanced scores for reading, math, language and science were 88.1, 79.6, 77.7, and 77.5 for Boise and 90.9, 81.1, 79.1, and 81.7 for Meridian.<sup>177</sup> In each case, Meridian had more students scoring in the top two brackets despite the 40 percent premium that the Boise district spends.

Both school districts are considered to be high performing, but one manages to do it on significantly less. From an academic perspective at least, more money does not equal better results, and Idaho would do well to remember that fact when someone wants to argue that it does.

### **Free insurance at taxpayer expense is not an answer**

Many school districts around the state—Clark County, Meridian and Nampa to note three of them—provide full-time employees with health, dental and disability insurance at no cost to the employee. Other districts—Payette is an example—require employees to pay nearly 25 percent of the cost.<sup>178</sup>

Too generous benefit packages are a result of education unions being able to control when negotiations occur and a school board unwilling or unable to just say no. Such puts too much strain on school budgets, whose school boards turn to taxpayers to plug holes.

In September, school officials discovered a \$4.3 million shortfall at the Nampa School District. Most of Nampa's spending is tied to salaries. But, according to Idaho law, in order to make

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<sup>176</sup> "Idaho State Department of Education ISAT Results,"

<http://tinyurl.com/clhxyb5>.

<sup>177</sup> Ibid.

<sup>178</sup> 2011-12 Negotiated contracts requested from all Idaho School Districts September 2012

adjustments to union contracts, both sides have to agree on the changes or the existing negotiated agreement stands.<sup>179</sup> This issue was solved through the 2011 education reforms, but those changes were rejected by voters.

If Nampa were to recalibrate its insurance benefits, the district could save as much as \$1 million a year, putting that money into classrooms and higher pay for great teachers.

In the private sector, most employers can't pick up all the costs for insurance benefits. It's too much money. But government agencies continue to make taxpayers pick up the tab for insurance on public employees. Government officials think they're doing their employees a favor by agreeing to such an arrangement. Really, they're not. They're incurring high costs unnecessarily, keeping employees from recognizing the value of the commodity they're being offered and providing a benefit that people in the private sector can't afford.

## **An education in Idaho's scholarship programs**

Among hundreds of other government programs, Idaho appropriates almost \$8 million in scholarships and grants for students to go to college.<sup>180</sup> All of this sounds lovely, of course, but maybe not so much.

For example, the state of Idaho provides a loan forgiveness program for teachers and nurses meeting certain requirements and conditions set by state law.<sup>181</sup> The program cost \$225,000 in FY2012.<sup>182</sup> The problem with loan forgiveness is that the government is deciding that certain jobs are more important than others and tries to influence people's behaviors using taxpayer

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<sup>179</sup> "Nampa School District to tackle budget shortfall," Dec. 9, 2012, <http://tinyurl.com/bn2kons>.

<sup>180</sup> State of Idaho 2012 Legislative Fiscal Report.

<sup>181</sup> Idaho Code 33-3722.

<sup>182</sup> 2012 Idaho Legislative Budget Book.

money. This may or may not yield so-called "good outcomes," but it provides good feelings, anyway.

Except if you're, for example, a farmer who recently returned home from college and you have to pay off your own student loan debt as well as the debt of your neighbor. Ah, but, at least Idaho limits the debt forgiving to 16 potential teachers per year and 13 nurses per year.<sup>183</sup> Of course, the problem with that is it makes the program unfair to the 17<sup>th</sup> teacher and 14<sup>th</sup> nurse to come along. This makes the entire purpose of the program questionable altogether.

And the scholarship programs offered by the state seem lovely, but the State Board of Education, which manages scholarship programs, was tracking input and not outputs.

Said the state Office of Performance Evaluations, "As part of the board's annual performance measure report, it tracks the distribution of scholarship money in terms of total dollars distributed. The board also provides the number of applicants who apply for and are selected to receive the Promise A and Promise B scholarships. However, it does not track any further outcome or performance data on state scholarship distribution and is unable to determine the college completion rate for those students who receive state scholarships."<sup>184</sup>

In other words, we've spent a lot of money helping kids go to school, but we don't know if that help was worth anything at all in the long run.

## **Too many cooks in the K-12 school kitchen**

The Idaho public school system is a huge portion of the Idaho state budget, receiving an appropriation from the state of \$1.57

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<sup>183</sup> Idaho Code 33-3722.

<sup>184</sup> OPE report on higher education, January 2012.

billion for fiscal year 2013 in addition to the hundreds of millions brought in from local property taxes.<sup>185</sup>

At least \$79 million of those state dollars are spent on administration and while that may not seem like a huge portion of the total, the rate of growth in the cost of administration is outpacing all other categories under the umbrella of the public schools.<sup>186</sup> Even as state spending on teachers saw a growth rate of just four-tenths of a percent during the last year, spending on administration ballooned by 5.5 percent during the same period.

The reason for this growth is quite apparent when one looks at the massive growth in the number of administrators relative to the growth in the number of students. In Idaho, student enrollment increased by 21.9 percent between 1992 and 2009, while administrative and non-teaching employment grew at more than three times that rate, increasing by a staggering 73.2 percent.<sup>187</sup>

In an environment in which "doing more with less" is an economic necessity, Idaho could do with fewer administrators and fewer dollars spent supporting them.

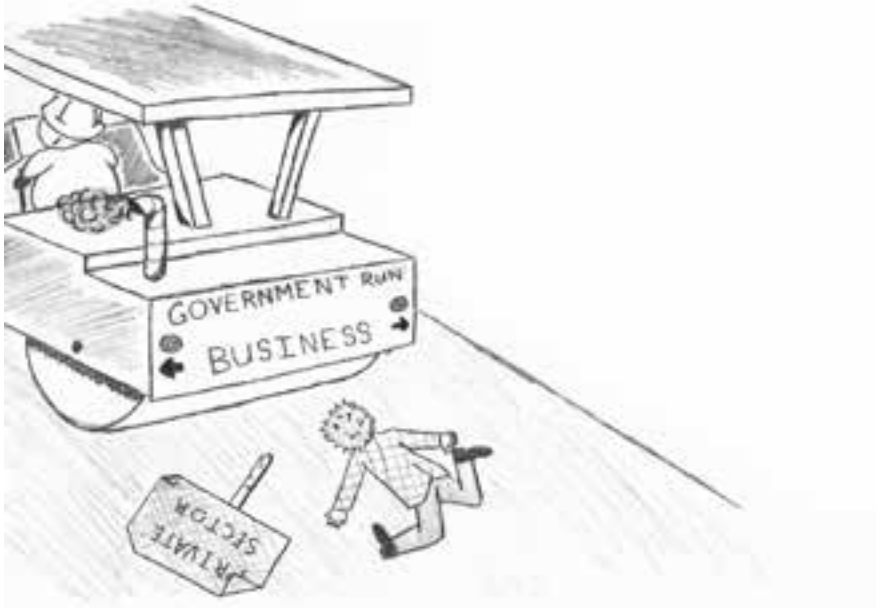
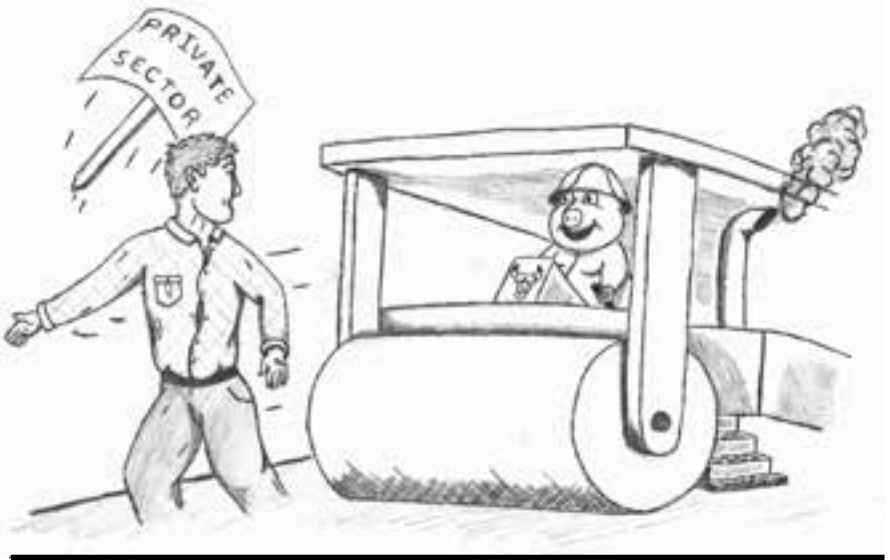
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<sup>185</sup> FY 2013 LFR

<sup>186</sup> *Ibid.*

<sup>187</sup> "Report says non-teaching staff in Idaho schools expanded more than triple the rate of student enrollment," Oct. 26, 2012, <http://tinyurl.com/c5tmlxa>.

# Government-Run Businesses





Idaho's government sure is in a lot of businesses. The state government owns a liquor business, an insurance business, a storage business, a television broadcast business. The state also competes against private driver education companies, online curricula providers and has a big commercial real estate venture.

It's hard enough to be in business as it is. It's even harder when businesses find they have to share the marketplace with an entity that pays no taxes and gets to write the rules.

It's not necessarily that government officials are trying to drive businesses out of the state. The bureaucrats always come up with an excuse for why government should be in one business or another. So far, we've yet to hear a good one. Idaho's government is involved in too many business ventures, as this chapter proves.

## **Getting government out of our business: I'll drink to that**

Government interferes in the free market in an astonishing number of ways, but one extremely egregious example in Idaho is the state's unapologetic monopoly over the sale of liquor. Despite numerous examples from around the nation that demonstrate that no societal harm comes from the privatization of this enterprise, Idaho hangs on to this antiquated and government-centric way of doing business.

We're told that government control assures some degree of temperance. But the real reason is that state and local government realize substantial money from the control of liquor sales. How do we know? Well, the state Liquor Division is asking for several thousand dollars in its FY 2014 budget to offer party tips and drink recipes on its website.<sup>188</sup> Temperance, indeed.

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<sup>188</sup> Liquor Division's budget request to the governor's Division of Financial Management.

For fiscal year 2013, the Legislature appropriated in excess of \$16.7 million to the Liquor Division.<sup>189</sup> This was a 6 percent increase from what it spent just two years before.<sup>190</sup>

Included in its budget were items ranging from more than 200 personnel to remodeling stores and purchasing everything from new display shelving to laptops and servers.<sup>191</sup> For the upcoming budget year, the Liquor Division would like to open even more stores.<sup>192</sup>

While it is true that government has a job to do, running businesses that could easily be handled by the private sector is simply not a proper part of that job.

## **Work comp program competes with private sector**

The Idaho State Insurance Fund provides workers' compensation insurance to businesses in Idaho and has been doing so for nearly a century.<sup>193</sup> The problem is that private businesses also offer workers' compensation insurance, so the state owning such a fund puts it in direct competition with the private sector.

According to data from the Idaho Industrial Commission (which regulates workers' compensation activities in Idaho<sup>194</sup>), 69.1 percent of Idaho employers purchase their workers' compensation insurance from the government while slightly more than 30 percent purchase it from private insurers.<sup>195</sup> This represents a market share for government that is more than double that of the private sector.

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<sup>189</sup> Appropriations for FY 2013: \$16,735,900

<sup>190</sup> FY 2011 Actual: \$15,807,800. FY 2013 Appropriations: \$16,735,900.

<sup>191</sup> State of Idaho 2012 Legislative Fiscal Report.

<sup>192</sup> FY 2014 budget request.

<sup>193</sup> The State Insurance Fund was created by the Idaho Legislature in 1917 as part of the Workers Compensation Act.

<sup>194</sup> "Idaho Industrial Commission," <http://tinyurl.com/cwzjo6k>.

<sup>195</sup> Data provided by the Idaho Industrial Commission, December 2012. 2013 Idaho Report on Government Waste

Arguments in favor of this government business echo those for all socialist programs: the American Association of State Compensation Insurance Funds (AASCIF), which is an umbrella organization for these state funds, argues that "insurance carriers might impose excessive premium rates" and that increased rates might allow insurers to "reap unfair profits."<sup>196</sup>

Fear of allowing market rates to prevail and the categorization of profits as "unfair" are to be expected in a statist philosophy class, but they have no place driving the activities of state governments and they should certainly not be the motivations for undercutting private businesses and replacing them with government-run alternatives.

### **Government's interest in the education marketplace**

Cue the Jeopardy music and read the clue: "This government program received an appropriation of more than \$5 million for fiscal year 2013 and competes directly with private alternatives in the free market."<sup>197</sup> Give up? The question is, "What is the Idaho Digital Learning Academy (IDLA)?" Established by the Legislature in 2002, the IDLA launched the state into the new business realm of providing online education.<sup>198</sup>

Now, proponents of IDLA contend that without it, there would be no resource for providing online education to Idaho schoolchildren. But online providers tell us that they can't provide their resource in Idaho because of the state's competition with the private sector. Something tells us these private providers know a thing or two about their industry.

Online education is a great thing, but government competition with the private sector is not. In fact, what Idaho is doing actually

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<sup>196</sup> "American Association of State Compensation Insurance Funds (AASCIF) — State Funds Emerge," <http://tinyurl.com/dx74452>.

<sup>197</sup> State of Idaho 2012 Legislative Fiscal Report.

<sup>198</sup> "Idaho Digital Learning — Who We Are," <http://tinyurl.com/c2m8acy>.

restricts the marketplace, denying schoolchildren access to the rich and varied curricula that students deserve.

## **Driven to compete against the private sector**

During the 2010–11 school year, the state of Idaho spent more than \$1.2 million on driver training programs for students, according to data provided by the Idaho State Department of Education.<sup>199</sup>

In the 2011 legislative session, lawmakers considered a bill to end the \$125 per driving student subsidy currently paid to local school districts by the state, but after making it to the House floor, it was returned to the education committee where it died.<sup>200</sup>

Rep. Steven Thayn, R-Emmett, who is now in the Idaho Senate, supported the bill, saying it would provide more options for students looking to get their licenses, and cited California where there is a 30-hour online program to get a driver's license.<sup>201</sup>

But there's more. Private driving schools compete against programs operating out of the public school system. And because of the state subsidy, parents find cheaper driving options at their local public school than via privately-owned driving instruction companies. In short, private companies are looking for business, and their top competition comes from cut-rate government-owned providers.

## **Bagging on the Bird: Funding for IPTV has to go**

Under the guise of "education," Idaho continues to subsidize public television with an appropriation of more than \$2.5 million for fiscal year 2013.<sup>202</sup> This may not seem like a lot of money in terms

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<sup>199</sup> "Idaho State Department of Education School Finance Data and Stats," <http://tinyurl.com/bmhntdg>.

<sup>200</sup> "Idaho Legislature — House Bill 314," <http://tinyurl.com/d94pdhz>.

<sup>201</sup> "House sends drivers' training subsidy bill back to committee," April 4, 2011, <http://tinyurl.com/chy9f85>.

<sup>202</sup> FY 2013 Total appropriation: \$2,552,700

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of the state's general fund, but a million here and a million there ... and it all adds up.

And it will continue to do so. The agency is asking for yet another big infusion of taxpayer support in the upcoming budget year—\$1.5 million more.<sup>203</sup>

Idahoans should not have their hard-earned money taken from them to subsidize a medium that is in direct competition with the private sector. We live in a time in which video content is created and made freely available thousands of times faster than it can even be viewed.<sup>204</sup> Meanwhile, IPTV draws viewers away from commercial educational offerings, and for no good reason.

We've said it before and we'll say it again: Subsidizing broadcast television makes about as much sense as trying to make sure everyone has access to a typewriter. There are a number of fine public television offerings. We were expressing our affection for Big Bird—and our disdain for his funding—long before Mitt Romney gave the yellow avian a shout out in the presidential debate.

Romney's gone from the public policy scene. But we're not. As long as lawmakers continue to pluck money from taxpayers to fund television, we'll be bagging on the Bird and all his friends.

## **Dynamis: Good ideas don't require subsidies**

One of the reasons the free market works so well is because consumers have the capability to "vote with their dollars" and decide which businesses to patronize and which ones to spurn. This fact incentivizes companies to improve their business model and to offer better quality, better service and better prices in order to increase their market share.

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<sup>203</sup> "Public television plans to ask for funding increase from 2013 Legislature," Nov. 2, 2012, <http://tinyurl.com/c2qu6ym>.

<sup>204</sup> 72 hours of video are uploaded to YouTube every minute, for a ratio of 4,320:1. <http://tinyurl.com/3ka4sub>.

Unfortunately, many government programs and subsidies work against this process by encouraging companies not to improve, but to become "rent-seekers" and to expend their resources on lobbying rather than on refining their products.

Take Dynamis Energy, for example. Although opinions of the company and its proposed waste-to-energy plant in Ada County run the gamut, one fact is clear: Its plan to turn municipal waste into power could only be economically viable if the company secures a power purchase agreement (PPA) with Idaho Power that includes significantly higher rates than those paid to other energy providers.

According to data from Idaho Power, Dynamis would receive \$92.35 per MWh<sup>205</sup> generated by their proposed waste-to-energy plant compared to \$65 per MWh<sup>206</sup> for power generated by wind turbines (which are also heavily subsidized) and just \$24 per MWh<sup>207</sup> for power at actual market prices.

There are also still questions about the vetting process (or lack thereof) that Dynamis went through to secure its contract with and its \$2 million loan from Ada County, the appropriateness and legality of how Dynamis spent that money<sup>208</sup> and the possible environmental impact of the proposed plant.<sup>209</sup> The primary problem from a free market standpoint, however, is that turning municipal waste into energy is not cost effective and requires a subsidy by the taxpayers.

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<sup>205</sup> "Before the Idaho Public Utilities Commission, In the Matter of the Application of Idaho Power Company for a Determination Regarding Its Firm Energy Sales Agreement With Dynamis Energy, LLC.," Feb. 24, 2012, <http://tinyurl.com/c9kpzd2>.

<sup>206</sup> "Idaho Power Newspaper Headlines," 2012, <http://tinyurl.com/c8oqw2r>.

<sup>207</sup> Ibid.

<sup>208</sup> "Dynamis used county money to buy Macs, pay consultants," Sep. 30, 2012, <http://tinyurl.com/cxox3k8>.

<sup>209</sup> "DEQ raises concerns about Dynamis' mercury emissions," Dec. 8, 2012, <http://tinyurl.com/ck2nmp>.

Generating energy is good and consuming waste in the process is even better, and eventually the technology to do so may be sufficiently developed to make the process cost effective. If that happens, households will be in the enviable position of having eager buyers waiting to purchase their trash instead of having to pay someone to haul it away. Until that day comes, however, governments should resist the urge to subsidize a concept that the free market has rejected.

## **Land Board doubles down on commercial investments**

Despite previous admissions by Land Board members Gov. Butch Otter and Superintendent of Public Instruction Tom Luna that the board's 2010 foray into commercial investments was a mistake,<sup>210</sup> in 2012 they did it again.<sup>211</sup>

Not content with owning Affordable Storage in Boise, or with investing in a brewery in downtown Boise, the Land Board voted unanimously to obtain commercial office space in Idaho Falls. They did so by swapping a 14-acre parcel of land in McCall, currently being used by the University of Idaho's McCall Outdoor Science School, for a privately owned commercial building.

Although Emily Callihan, a spokesperson for the Idaho Department of Lands, categorizes the activity as merely meeting a "need to diversify the land assets,"<sup>212</sup> there remain a number of significant problems with the board's expanded role as a commercial landlord, not the least of which is that government owning and operating private businesses is an on-the-nose description of not only the activities of the Idaho Land Board, but also the very heart and soul of socialism.

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<sup>210</sup> As expressed in interviews with IdahoReporter.com.

<sup>211</sup> "Land Board acquires commercial property in McCall-Idaho Falls land swap," Nov. 21, 2012, <http://tinyurl.com/cd5ce56>.

<sup>212</sup> "Land Board watchdog: 'Our government is on its way to becoming Idaho's largest real estate agent'," Nov. 28, 2012, <http://tinyurl.com/bn5r9I3>.

In addition to the significant philosophical questions raised by this latest government acquisition is a far more practical concern: Last year, the very property obtained by the Land Board generated approximately \$36,000 in property tax revenue for Bonneville County.<sup>213</sup> The transition from private ownership to government ownership, however, carries with it what the Land Board no doubt considers a perk: no taxes.

When the state gobbles up private businesses it not only assumes a role that used to be held by competing entities in the free market, it also stops paying taxes to the local governments. The local governments are still required to supply all the services that those property taxes normally pay for, however.

Although the objections delineated above should indicate that the Land Board is on the wrong track, there are still more complications to consider. How can actual private businesses expect to compete with government businesses when the private businesses have to pay taxes and the government does not? Most businesses already operate on razor-thin profit margins, and now they have to compete with a government business that can undercut their prices by up to the full amount the private businesses have to allocate to paying property taxes.

From following the game plan of socialist ideologues to depriving local governments of tax revenue while still demanding services to setting up an impossible scenario for private businesses, the Idaho Land Board is doing the wrong thing and it needs to stop. Only by divesting itself of these commercial properties can it find its way back into the proper role of government.

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<sup>213</sup> Ibid.



# Miscellaneous

TRUST ME, THERE'S  
NO SUCH THING AS THE  
"FISCAL CLIFF"



OH, UH. THAT'S  
A LONG WAY DOWN.



It's easy to talk about state spending in big, unintelligible terms. What the heck does a \$6 billion budget even mean? Or look like? And is the spending appropriate?

Apart from the other observations we make about state agencies and government programs, it's sort of hard to tell. If an agency buys new furniture, is it waste? What about new cars? Or employee travel? Discretionary? Or necessary? During our tour of government spending, we simply encounter oddities that are worth pointing out.

### **The rising cost of combating criminality**

For fiscal year 2013, Idaho will spend more than \$205 million out of the state general fund on corrections in one form or another.<sup>214</sup> That amount represents a full 7.6 percent of all general fund spending.

It wasn't always that way, however. Two years ago the state spent just less than \$181 million and in 2000 it spent only \$108.5 million. In 1993, general fund spending on corrections was just \$37.5 million.

To put that in perspective, we are talking about a 14 percent increase during the last two years, an 89 percent increase since 2000 and a whopping 450 percent increase since 1993.<sup>215</sup> Lest you be tempted to think that level of increase is standard, consider this: In 1993, spending on corrections represented 3.7 percent of total general fund spending. Today that percentage has more than doubled to 7.6 percent.<sup>216</sup>

Where does such a dramatic increase come from? In that same period state spending on colleges and universities went from 14.3 percent of the budget to 8.4 percent.

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<sup>214</sup> Total general fund for 2013 was \$205.5 million.

<sup>215</sup> State of Idaho 2012 Legislative Fiscal Report.

<sup>216</sup> Ibid.

But perhaps locking young people up is cheaper than educating them.

## **Dreaming of caviar with someone else's money**

When you think of caviar, Idaho is probably not the first place that comes to mind, so when the U.S. Department of Agriculture decided to issue a \$300,000 "Value-Added Producer Grant" to an Idaho caviar producer, it unsurprisingly raised a few eyebrows.<sup>217</sup> The producer claims the grant will help with his plan to increase his production, and to engage in a \$600,000 marketing campaign in an attempt to create international demand for his product.<sup>218</sup>

Obviously, expanding one's business is a good thing, but using government money for that purpose is not. Such practices not only require and encourage the coercive redistribution of wealth on a massive scale, they also lead to the government picking winners and losers by taking tax revenue from some businesses and giving to others.

A planned economy might have been all the rage in the old Soviet Union, but here in Idaho, we prefer free markets—even if that means postponing our caviar dreams.

## **Profligate public pay prevents private parity**

Governments in Idaho employ more than 68,000 full-time employees plus another 34,000 part-time employees when considering both the state government and local governments within the state.<sup>219</sup> Together they combine for nearly 79,000 "full-time equivalent employees" in a state whose total employed population averages just more than 700,000 people.

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<sup>217</sup> "Ooh La La! The Caviar Next Door," Feb. 08, 2012, <http://tinyurl.com/c2f997d>.

<sup>218</sup> *Ibid.*

<sup>219</sup> 2011 data from the US Census Bureau.

That means that more than 14.5 percent of Idahoans work for state or local government to some degree and 11.3 percent of all employed persons in the state are equivalent to full-time government employees.

But wait, there's more! Not only are one in seven Idaho workers receiving a paycheck from either the state government or a local government, but according to recent research conducted by economists,<sup>220</sup> after accounting for all relevant variables including age, gender, education and race, individuals employed in the public sector earn 10.6 percent more in wages and benefits than their private sector counterparts.<sup>221</sup>

That means that not only do every six employees have to pay enough in taxes to fund a government employee, but they have to pay enough to make sure that the government employee earns significantly more than they do. It may be a great deal for public employees, but for the rest of us, not so much.

## Is growing guns some sort of cash crop?

In September of 2012, the Idaho Firearms and Accessories Manufacturer's Association held a two-day conference with manufacturers, dealers and others in the firearm industry in attendance.<sup>222</sup> The problem is that a large chunk of funding for this event came through a U.S. Department of Agriculture (are they growing guns?) "economic development grant" of \$25,000.

That wasn't bad enough, however. Classes were actually offered during the conference on how gun manufacturers could obtain more money from the government.<sup>223</sup>

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<sup>220</sup> David Macpherson (Trinity University) and William Even (Miami University)

<sup>221</sup> "Research says public sector pay, benefits better than what is available in private sector," Oct. 15, 2012, <http://tinyurl.com/c9t6lrr>.

<sup>222</sup> "Idaho Firearms and Accessories Manufacturer's Association conference," <http://tinyurl.com/bnckzrk>.

<sup>223</sup> Ibid.

The awarding of government grants always involves the twin evils of the redistribution of wealth and the arbitrary selection of winners and losers by government. While we certainly appreciate that our right to keep and bear arms is enshrined in our Constitution, we simply cannot condone this kind of subsidy—even when that cause is one we otherwise support.

### **Cars, cars, cars**

Idaho government agencies spent \$6.3 million on automobiles and light trucks in the 2012 budget year.<sup>224</sup> The top spender for these vehicles: The Department of Fish and Game, which spent \$1.8 million, followed by the Transportation Department at \$1.1 million.<sup>225</sup> Fish and Game, by the way, spent \$2.3 million on vehicles in 2011. Other car buyers include the Department of Correction at more than \$888,000 and the Department of Agriculture at almost \$473,000. Idaho State Police, an obvious vehicle-intensive agency, spent \$448,000 on cars and trucks.<sup>226</sup>

### **A little furnishing goes ... everywhere**

Furniture is also a fun place to track state spending. Again, it's impossible to know, item for item, which purchases were appropriate and which are extravagance. But trends tell a story, and lawmakers and the public should be willing to ask questions about the story.

In the last budget year, state agencies spent more than \$636,000 on furniture.<sup>227</sup> The top buyer of furnishings was the state liquor division, which spent \$151,000. The South Central Health District spent \$112,000 on furnishings. Idaho State University and the University of Idaho were next with more than \$60,000 and \$55,000, respectively.<sup>228</sup>

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<sup>224</sup> Data from AccountableIdaho.com state spending database.

<sup>225</sup> Ibid.

<sup>226</sup> Ibid.

<sup>227</sup> Ibid.

<sup>228</sup> Ibid.

## Can you hear me now?

Idaho's government agencies spent \$2.8 million on cellular communications in the last budget year.<sup>229</sup> That's a marginal increase over the previous year. The top cell phone spender was the Transportation Department at \$446,000. The Department of Health and Welfare was next with \$406,000, followed by the Department of Fish and Game with almost \$293,000.

## Traveling on your dime

After a dip in spending during recent years, taxpayers are again starting to shell out increasing amounts of money on state employee travel. In the 2012 budget year, taxpayers spent \$17.7 million on employee travel, up from \$17.4 million in the previous year.<sup>230</sup> That's up from a low of more than \$14.8 million in 2010, but nowhere close to the \$23 million in 2008. The top agency traveler in 2012 was the Department of Health and Welfare at \$1.4 million, which marginally edged out the Transportation Department.<sup>231</sup>

## Not all pizzas are created equal

One quirk of the food stamp program is that it excludes "hot food."<sup>232</sup> Yes, that's right; the temperature of your food determines its eligibility for taxpayer-funded subsidies. The common understanding of the reason for this policy is to prevent dining at restaurants, but that is actually covered by a separate prohibition against using food stamps to purchase "food that will be eaten in the store."<sup>233</sup>

One of the dichotomies of this strange collection of guidelines can be seen in comparing pizzerias. Those that offer "take 'n' bake

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<sup>229</sup> Ibid.

<sup>230</sup> Ibid.

<sup>231</sup> Ibid.

<sup>232</sup> "USDA SNAP Eligible Food Items," <http://tinyurl.com/3xgaqq9>.

<sup>233</sup> Ibid.

pizza" such as Papa Murphy's are allowed to accept food stamps while those that bake the pizzas on site such as Domino's are generally forbidden to do the same.<sup>234</sup> These rules may be suspended for certain individuals, such as the homeless,<sup>235</sup> and during certain situations, such as a natural disaster.<sup>236</sup>

Neither pizza is designed to be eaten where it is purchased, but due simply to where it is baked, one pizza chain can accept food stamps while the other cannot. This is a classic case of government picking winners and losers by forcing comparable establishments to abide by different rules due to a technicality.

It's time for a healthy order of the free market instead of the half-baked government concoction we have now.

## **State insurance exchange is not a free-market solution**

Idaho, like many other states throughout the union, is currently grappling with the question of whether to create a state health insurance exchange. According to an analysis by KPMG, an international accounting and professional services firm, opting to do so would cost at least \$77 million. That would cover the initial design and implementation, but there would also be recurring operational costs of approximately \$10 million annually.<sup>237</sup>

In addition to the significant direct costs associated with implementing this exchange, there will be substantial indirect costs as well. As Michael Cannon from the Cato Institute explains,

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<sup>234</sup> "Papa Murphy's Frequently Asked Questions: '*Papa Murphy's gladly accepts EBT at nearly every store location.*'," <http://tinyurl.com/bqucgy3>.

<sup>235</sup> "Can you buy food at restaurants with SNAP benefits?" Nov. 28, 2011, <http://tinyurl.com/c45mpt2>.

<sup>236</sup> "USDA Special Disaster Rules for Accepting Supplemental Nutrition Assistance Program (SNAP) EBT Benefits for Hot Food Purchases," November 2012, <http://tinyurl.com/bor83su>.

<sup>237</sup> "KPMG: Idaho health insurance exchange would cost \$77 million to implement, \$10 million annually to operate," Oct. 9, 2012, <http://tinyurl.com/bwg588j>.

refusing to create an exchange will exempt the state's employers from the employer mandate—a tax of \$2,000 per worker per year.<sup>238</sup>

There are free-market alternatives to this nightmare exchange, however, and one of the most important is allowing insurance sales across state lines. Although a bill to do just that passed the Idaho House 59-6 in 2012, it was never even brought up in committee in the Senate.<sup>239</sup> Despite the fact that one can easily purchase any number of other commodities from anywhere in the nation (or even the world) some major insurance companies are still jealously guarding their *de facto* monopoly in Idaho.

Ultimately, this antiquated prohibition on buying insurance across state lines is just market protectionism in the guise of consumer protection, and eliminating it would go a long way toward giving Idahoans true choice and real freedom in their health care purchases.

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<sup>238</sup> "Obamacare Is Still Vulnerable," Nov. 9, 2012, <http://tinyurl.com/afmvfjt>.

<sup>239</sup> "Idaho should lift ban on cross-state insurance sales," Oct. 29, 2012, <http://tinyurl.com/cwjxoo>.



# Conclusion

It's easy to look at each of the programs we've talked about here and explain our criticisms away. And every program we've criticized has a constituency who will rise to its defense and offer a well-reasoned statement to challenge our analysis. That's fine. We invite the rigorous review of our research. We stand by what we've been telling you for the last four years: Government is too big. It does too much. And often, its size and scope hurts the people who are supposed to benefit the most from its "safety net."

Large, impossible to manage bureaucracies, failing programs, micromanaged economies and crony capitalism do nothing to improve the lot in life of the people who struggle the most. And despite what you've been told about Idaho's government to the contrary, even here in the Gem State, government is too big and does too much.

This leads us to some amazing opportunities to cut government back to its proper role, to free the marketplace and let Idahoans reinvest again in their communities, their families and in their neighbors.

Americans, especially Idahoans, are looking for leaders who will make a difference and stop the wanton spending taking place at all levels of government. They're tired of dwindling paychecks. They're tired of failing programs. They're tired of being played by politicians and bureaucrats.

Unlike many other states, Idaho is uniquely situated. It has the right political environment and temperament to show other states the way. Idaho, in our opinion, can be a beacon for opportunity and prosperity. Our Legislature talks of conservative principles, of limited government, of embracing federalism and free markets.

Talk is one thing. Here's our challenge to legislators: Prove it.

*Restoring Liberty,  
Improving Lives*



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