

88 down and out
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Idaho Statesman/Boise State University

Boise's downtown still showed the scars of urban removal when the economy tanked in 1982. Pictured: wrecking ball on Grove Street.

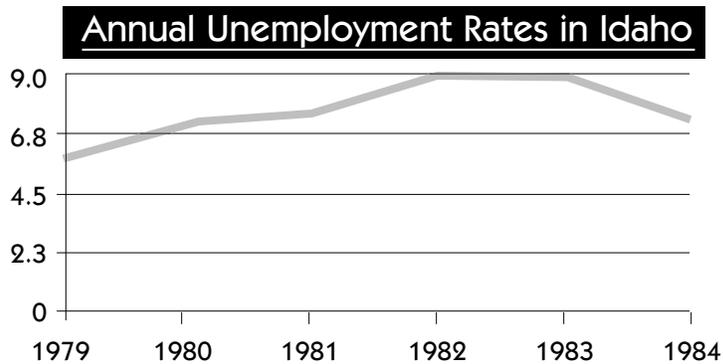
The 1982

RECESSION

by Daniel R. Gans

Tax revenues plummeted as unemployment numbers rose. Boise cut funding for many programs, from police and fire departments to books in the library and jobs in city hall. Public schools laid off staff and reduced salaries. Boise State University cut programs. Those may seem like the familiar hallmarks of the recent Great Recession, but they describe another earlier downturn—the recession of 1982—that threw the Boise economy in a tailspin.

In the late 1970s, Americans faced an unreliable economy. By 1979, the U.S. had experienced two oil crises and a slowed economy with high unemployment and soaring interest rates. The economy was bogged down by stagflation, where interest and unemployment rates remained high while the economy continued to slow down. Idaho had not been severely affected by national recessions in the past, but it was not immune to the recession of the early 1980s. The people of Boise felt it in a big way.



In addition to the effects of national economic downturn, by 1982, Idaho governments grappled with a dramatic change in the way the state assessed and distributed tax revenue. Inspired by similar efforts in California, in November 1978, Idaho voters approved the 1% Initiative, which limited the assessment of local property taxes to 1 percent of the property's 1978 tax value, and limited property tax increases to 2 percent per year. For local governments such as Boise's that operated primarily on property tax revenues, the 1% Initiative restricted their ability to raise municipal funds. From 1978 to 1981, the constraining effects of the initiative crimped the city's budget. The recession dealt an additional blow that challenged the city's ability to provide basic municipal services to its citizens.

In Boise, where the property tax was still the mainstay of municipal government funding, the initiative hit especially hard. The City of Boise employed more firemen and police in 1979 (before the 1% Initiative took effect) than in 1990, despite a 25 percent jump in population and soaring property values. Richard Eardley, a former three-term Boise mayor now living in Meridian, remembered that the city was forced to lay off firefighters and close down a fire station. "We learned to live with less," said Eardley, who added that the sudden loss of revenue caught Boise off guard.

In the early 1980s, Ada County and Boise began to experience explosive population growth that remained steady until recent years. According to Mayor Eardley, the 1% Initiative hampered the city's ability to gain additional revenues from that new growth. While cities in the county grew rapidly, they received only minimal increases from property taxes to pay for the growing demand for services. This hampered their ability to recover from recession, explained Eardley, who said the 1% Initiative was a major reason for Boise's dire financial situation.



Mayor Richard Eardley struggled to sustain police and fire protection in the wake of the California-inspired "1 Percent" taxation revolt. Elected to three terms as mayor, Eardley served from 1974 to 1986.

In 1980, after months of debate, the Idaho State Senate passed an amendment to the 1% Initiative that froze the collection of any property taxes in Ada County that were already above 1 percent of the fair market value of the property. This freeze in tax collection hurt the City of Boise. A bill signed into law by Gov. John Evans dealt yet another blow to city and other municipal entities. The law stated that \$10,000 or 20 percent of a



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Mill closures and firings at Boise-Cascade contributed to the spiking unemployment in 1982. Pictured: abandoned Boise-Cascade warehouse.

property's value (whichever is less) would be removed from taxable value. Municipalities in Ada County were only allowed to collect taxes from 1 percent of the remaining 80 percent of the taxable property value.

One important measure of the economy's health is the unemployment rate. Near the end of the '70s, the unemployment rate did trend higher than it had since the Great Depression, reaching as high as 7.7 percent in Idaho for February 1979. This was the beginning of major downturn in Idaho. As the recession worsened, the annual unemployment rate also went up. In January 1980, Idaho's unemployment rate was 7.9 percent and continued to climb. In 1981, the rate in Idaho never fell below 6.6 percent and rose to 9.3 percent in January of that year. This trend continued through the early 1980s with a staggeringly high unemployment rate of 11.6 percent for Idaho in



Boise State University

Boise State University President John Keiser and Governor John Evans made tough decisions to cope with the 1982 recession, including cutting several programs at BSU. From left: former Boise Junior College President Eugene Chaffee, President Keiser, Governor Evans, and former BSU President John Barnes, 1982.

January 1983. This impacted the bottom line of local governments as tax revenues declined and budgets were reduced.

Saying 1982 would be the tightest year in memory, educators across the state looked for new ways to raise funds to supplement declining revenues. Since property tax revenues were a primary source for funding education, the 1% Initiative curtailed a large portion of school funding statewide. Many districts attempted

to increase funding for the schools through tax levies, many of which were voted down by residents already feeling the pinch of the recession.

That left school districts the choice of finding ways to either gather more funding or cut costs, or a combination of both. Funding for schools in 1982 became an extreme situation. The Boise School District had to cut funding to multiple programs and reduce staff. In the fall of 1982, there were 200 fewer teachers in the district than the previous year and the school board dipped into its reserve account to make up a \$500,000 shortfall in the \$41 million budget. The district even proposed to close Madison Elementary to save money, an alternative that never took place but illustrated the district's desperate search for savings.

A state revenue shortfall led Gov. John Evans to order a 9 percent cut in budgets, which at Boise State led to the elimination of degrees in French and German, home economics and others. The university eliminated 30



Washington Post

Sound familiar? Seniors protest proposed cuts to Medicare, July 1982.

positions and 100 courses to fill the holes in its \$22 million budget. Speaking to a local Kiwanis club, BSU President John Keiser said, "We've had to start shedding some blood and in my candid judgment, there will be a lot more (cuts) this year."

Funds for the City of Boise's \$22.1 million 1982-83 operating budget went up by 1.6 percent over the previous year due to an increase in tax revenues. However, with inflation on a steady rise, the new funds did not go as far as the funds from the previous year. Even with the increased income there still needed to be cuts to city services in an effort to keep up with growing inflation.

Mayor Eardley's budget cover letter stated the financial situation for the city was dire, explaining there would be some service cuts despite the increase in funding. He went on to say some of the shortfalls of the budget were filled by funds that had been pulled from a city savings account that had been accumulating for many years. Mayor Eardley went on to write that using funds from this savings account was a short-term fix for a potentially long-term issue.

The next fiscal year, costs and inflation grew much faster than revenues. The city again used funds from the same savings account that it used the previous year. This time the city took \$888,000 from that account. Because of this and increased efficiency among city workers, the city was able to maintain the same service levels that it had in the previous year.

Boise continued to lay off city workers and borrow from the city savings account in the years that followed. In 1984-85 the Idaho State Legislature approved a bill that allowed sharing of state and local sales tax revenues between the state and local municipalities. The influx of revenue made it possible to stop borrowing money from the city savings account, thus giving it a chance to regain some of its lost totals from the years of borrowing against it.

By the middle of the 1980s, Boise and the rest of the nation started to recover from the recession. Unemployment rates in Idaho, although remaining high, started to dip. The recovery from this major downturn in the economy was not caused by a single action from local, state, or city governments. The process took time. Increased government spending on the federal and state levels combined with initiatives by the Federal Reserve to lower interest rates allowed inflation to come down and created more earnings in both the government and private sectors. These increased revenues allowed federal, state and local governments to create more jobs and reopen vacant positions. The recovery process also allowed the private sector to create more jobs and encouraged entrepreneurs to start new businesses to jumpstart the weakened economy.

Eventually the economy was back on its feet, but the impacts of the cuts in personnel and programs meant a reduction in services that lasted for years later. What also remained was the sobering experience of governments that had to do whatever was necessary to adapt to severe, sudden drops in revenue. Some services were eventually restored; others never came back. But as Mayor Eardley put it, "We kept the city alive."

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