



Monday, July 13, 2009

Exclusive articles on state policy, politics and trends from the staff of Stateline.org

Tuesday, July 7, 2009

National Guard aids Afghan farmers

By John Gramlich, Stateline.org Staff Writer

National Guard troops from a half-dozen heartland states are taking their civilian farming know-how to Afghanistan in a little-noticed aspect of the Obama administration's efforts to stabilize the war-torn country.

About 400 Guard troops from six states — Indiana, Kansas, Missouri, Nebraska, Tennessee and Texas — are serving 11-month tours in Afghanistan as part of special "agricultural development teams" that are teaching Afghans how to improve their farming techniques. Six other states — California, Florida, Iowa, Kentucky, Oklahoma and South Carolina — will send similar teams to Afghanistan by the end of the year, according to Guard officials.

Pioneered by the Missouri National Guard in 2007, the teams are intended to improve relations with the Afghan people and give a boost to Afghanistan's agriculture-dependent economy.

Farming accounts for more than a third of Afghanistan's gross domestic product of \$23 billion annually, and nearly three-fourths of all Afghans rely on farming for their income, even though only about 12 percent of the land in the mountainous country is arable. But Afghan farming techniques are considered primitive compared with those in the United States.

Guard officials hope the agricultural teams can build trust among the Afghan people and, by helping develop the battle-scarred country, improve the fragile security situation there. President Obama has made stabilizing Afghanistan one of his chief foreign objectives, and about 68,000 U.S. troops are now stationed there.

Guard leaders also hope that by teaching Afghan farmers more effective ways to grow local crops such as wheat, rice, nuts and fruit, the teams will discourage them from growing opium, which produces heroin, fuels

the international drug trade and helps finance Afghanistan's Taliban-led insurgency. In 2007, 93 percent of the world's opium was produced in Afghanistan, according to the U.S. State Department.

Military officials say that Guard troops — who usually work full-time jobs as civilians until they are called into active duty by their governors or by the president — are uniquely prepared to carry out the agricultural development mission. Only the Guard and reserves offer both practical agricultural experience and combat-zone readiness, supporters of the teams say.

“It absolutely epitomizes the citizen soldier concept that the National Guard is all about,” said Charlie Kruse, president of the Missouri Farm Bureau, an advocacy group that lobbies on behalf of Missouri farmers. His is one of several non-governmental organizations that have provided financial and other support to the agricultural teams. Kruse served in the Missouri Guard for 26 years.

State land-grant universities also are lending a hand. Agriculture professors at Purdue University in West Lafayette, Ind., for example, have provided specialized training to National Guard teams from Indiana, Tennessee and Texas prior to their deployments.

Kruse and the outgoing head of the Army National Guard, Lt. Gen. Clyde Vaughan, another veteran of the Missouri Guard, first pitched the idea of the teams to Pentagon leaders in 2007. Since then, the teams have won praise at the highest levels of the military. In an interview with Stateline.org at the Pentagon last month, Gen. Craig McKinley, a four-star general who heads the National Guard Bureau, called the agricultural development initiative “one that I’m just as high on as I can be.”

The Guard's teams usually are composed of about 60 soldiers and airmen, many with experience as commercial farmers in the United States and all of them volunteers for the mission. The non-farmers in the teams provide security.

Different states' teams are assigned to different regions of Afghanistan, a country roughly the size of Texas. Missouri's team, for example, is assigned to the Nangarhar Province in Eastern Afghanistan on the border with Pakistan, and has focused on improving locals' irrigation systems, access to power and sanitation of crops, according to Maj. Denise Wilkinson, the team's executive officer.

Wilkinson acknowledged that many challenges face her team, including a persistent lack of power and the possibility of being attacked by the Taliban. But she stressed that Afghan civilians have welcomed the Guard forces and helped them steer clear of danger. No members of an agricultural development team have been killed in Afghanistan.

“The government and the people want us here! We are creating jobs and improving their way of life. The more we do for them the more they want us around,” Wilkinson wrote in an e-mail to Stateline.org from her base in Jalalabad. She said Afghans have provided the team with information on the location of insurgents and IEDs,

or improvised explosive devices.

The Afghan teams are not the National Guard's first foray into non-combat partnerships with foreign countries.

Since the early 1990s, the Guard has run the State Partnership Program, which teams up individual states' Guard units with foreign militaries to exchange best practices and build relationships around the world. Minnesota, for instance, partners with Croatia, Washington state with Thailand and Louisiana with Uzbekistan. The program was established after the fall of the Berlin Wall to help teach Eastern European countries how the military functions in a democracy.

The agricultural development teams are different from those participating in the State Partnership Program in one key respect, noted Maj. Gen. Tod Bunting, the commander of the Kansas National Guard, which has a 60-person unit currently deployed in Afghanistan.

"The difference," he said, "is that Afghanistan's still at war."

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Wednesday, July 8, 2009

Energy stimulus could see lower returns

By Tony Romm, Special to Stateline.org

When Congress agreed earlier this year to shell out \$3.1 billion in stimulus dollars to help states reduce energy consumption, it expected a major return on its investment. Since the 1970s, every federal dollar sent to states through the U.S. Department of Energy's State Energy Program has produced more than \$7 in energy savings — a perfect opportunity for quick stimulus results.

While Congress anticipates this nearly 70-fold funding increase, up from just \$44 million last fiscal year, to save governments, consumers and businesses about \$22.3 billion, experts are beginning to doubt that math. They argue that the new State Energy Program money, more than \$964 million of which has been sent to the states since May, is likely to generate much lower returns because of the program's historically loose

enforcement and oversight.

At issue is a condition in the recovery act that asks governors to guarantee their states will adopt the latest building energy standards in 90 percent of new and renovated buildings by 2017. Although every state governor except one has submitted a letter assuring compliance, the codes are typically the responsibility of state lawmakers or local officials, so governors cannot promise their states will approve the new rules.

Neither can the federal government. While states have eight years to upgrade their codes, the Department of Energy has only until September 2010 to distribute its stimulus money. That means most, if not all, of the State Energy Program's recovery funds could reach states long before any of them actually revise their building standards.

"Punishments are not appropriate in the stimulus because you need to use the funds right away," said Jeff Genzer, general counsel at the National Association of State Energy Officials, adding that states have every intention of following federal rules. "Compliance is going to be a tough thing; there's no question about it."

Already, the code upgrade requirements have triggered serious political debates in a number of states. On one hand, builders insist the codes — which govern the kinds of insulation, heating and cooling systems and light bulbs they install — raise construction costs, and thus, a building's market price. Yet, conservationists and energy officials counter that the upgrades actually combat the sticker shock. Buildings account for 40 percent of all energy use, so tightening the standards would lower consumers' monthly bills while helping the environment — two of the Obama administration's top goals.

"Building codes are one piece of the energy efficiency puzzle," Genzer said. "If the average market family spends a few thousand a year (on energy bills), and you can reduce that a few hundred each year, you're essentially giving people a second stimulus."

But states have been lukewarm to the proposed upgrades. Although every state except Alaska has submitted the required assurance letter, only California has implemented commercial and residential standards on par with what the stimulus mandates, according to the Building Codes Assistance Project (BCAP), an advocacy organization. The state made the revisions in April 2008 — long before the recovery act called for it.

Other states lag behind, many by several code versions. Eight states have yet to implement commercial energy rules, and 11 have declined to do so for residential buildings, leaving local jurisdictions in charge. And one of those states — Alaska — has altogether refused to make any such changes. There, Gov. Sarah Palin (R) declined almost \$29 million in stimulus cash because she believed the code mandate constituted a tax on homeowners, she said in a letter to the Department of Energy.

Even for those states that have assured swift code revisions, the outcome is far from guaranteed. In Arizona, for instance, home rule allows local governments to set their own residential energy standards. Nineteen of the

state's 32 jurisdictions have the 2006 residential code in place, the most recent precursor to the 2009 code the recovery act specifies. The rest require the 2003 version, and one jurisdiction relies on the 2000 guidelines, according to Charlie Gohman, manager of the Building Science and Efficiency Program at the state's Commerce Department.

Colorado, too, gives local governments the power to set their own building codes. However, the state legislature can set a baseline standard— currently a 2006 code for residential buildings, which went into effect last year. Whether the state's General Assembly intends to raise its standard and force its locales to comply with the recovery act remains unclear.

"The (Governor's Energy Office) plans to work with local jurisdictions providing the resources and incentives to move them forward in regards to energy codes," said Todd Hartman, the office's spokesperson. "Although (energy efficiency) is a top priority of Gov. (Bill) Ritter, he also respects the rights of local jurisdictions."

In these states, and others facing similar struggles, the federal government is unlikely to compel local governments to act swiftly. For one thing, the Department of Energy's stimulus timetable is ambiguous. The first two checkpoints, which states must pass to receive the first half of their new green-energy greenbacks, include no mention of building codes, beyond requiring the governors' letters promising compliance. The Department of Energy has yet to publish its second set of funding criteria.

"From the Department of Energy's perspective, the key for states receiving money is the governor assurance letters that they are working to implement the new codes," said Jen Stutsman, the department's deputy press secretary.

Yet, tepid enforcement is hardly new to the State Energy Program. A 2006 audit of the federal government's yearly program grants found that regional offices were not regularly monitoring whether states were spending their money appropriately, according to the inspector general's report. Worse yet, auditors added that regional offices "had not established or collected meaningful performance metrics to determine the cost benefit of the Program in meeting its goals."

A follow-up report issued in March 2009 echoed those concerns, identifying the State Energy Program as a stimulus risk area — one of many Department of Energy programs that have been previously scrutinized for lax accountability or management. The Inspector General recommended at the time that the department establish better metrics for success and means of enforcement.

Despite these oversights, state energy departments are working closely with local officials on code upgrades, and they have every intention of complying with the recovery act, Genzer said. States are also anticipating \$5 billion additional stimulus dollars by way of the weatherization program, which offers energy assistance to low-income families to insulate their homes, and \$3.2 billion through the Energy Efficiency and Conservation Block Grant program, which offers competitive awards to states and locales to decrease their energy consumption,

he added.

Still, while these stimulus programs are likely to reduce energy use even in states that keep their archaic building standards, experts say that the level of savings promised by the Department of Energy is impossible unless states make the tough code revisions required by the recovery act.

“States are very far behind, especially with compliance, and offering them funding to get it together is an excellent strategy,” said Aleisha Khan, BCAP’s executive director. “But there does need to be follow up and accountability.”

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Correction: The original version of this story mislabeled NASEO as the "National Association of State Energy Offices." The organization's correct name is the "National Association of State Energy Officials."

Thursday, July 9, 2009

Plunging revenue causes new problems

By **Stephen C. Fehr**, Stateline.org Staff Writer

A wave of states that had balanced budgets earlier this year are facing new or widening shortfalls as May and June tax revenue collections are declining more than expected.

In recent days, officials in Colorado, Hawaii, Iowa, Kansas, Maryland, Massachusetts, New York, Oklahoma and Virginia have reported that declines in sales, income and business tax receipts will knock their budgets out of balance. Georgia and Utah officials are awaiting new revenue estimates any day, but say they could be dealing with budget gaps.

More states could have the same problem as the summer goes on, specialists say. May and June are the last two months of the 2009 fiscal year for most states, so officials will have to cover those new gaps as well as the shortfalls they are already projecting for the 2010 fiscal year that began July 1. Governors can do that through executive orders or legislatures can take action when they next meet. The solution usually is some combination of spending cuts, tax increases or dipping into reserves.

“I think there will be other states that see gaps in fiscal 2010,” said Elizabeth McNichol, a senior fellow who is

tracking state budget issues for the Center on Budget and Policy Priorities. The Washington, D.C.-based think tank advocates policies benefitting low- and moderate-income people.

The revenue problem is separate from the issue of the six states that failed to enact spending plans by the July 1 start of the fiscal year. One of those states — Arizona — moved closer to an agreement as Republican Gov. Jan Brewer was planning to sign a \$10 billion budget deal Wednesday (July 8) that maintained her goal of avoiding cuts to public education. But the budget still has a \$2 billion gap that will need to be resolved in the next few weeks.

The other states without spending plans are Connecticut, Illinois, North Carolina, Ohio and Pennsylvania. Lawmakers in a seventh state, California, approved a spending plan earlier in the year but it has since unraveled because of sagging revenues. The gap is \$26 billion.

The spreading budget crisis shines a light on the practice of estimating revenues, which during normal years attracts little attention, especially if a state is bringing in more money than forecast. During a recession, when tax receipts drop as people stop spending and workers lose their jobs, the revenue projections are crucial to keeping states' budgets in balance. Month by month, the current recession has turned out to be worse than most economists thought it would be, which has made it difficult for revenue officials to make accurate projections.

“It’s hard to take them to task because they are relying on economic forecasts that have since been downgraded,” McNichol said. “They’re trying to hit a moving target.”

Massachusetts and Hawaii officials were the latest states to learn about the dip in June revenue. In Massachusetts, officials were told that revenue dropped about \$260 million last month compared to a year ago, according to preliminary estimates. If that number holds up, the state will end the 2009 fiscal year with a \$180 million gap.

In Hawaii, Republican Gov. Linda Lingle on Tuesday (July 7) raised the estimate of the two-year state budget shortfall from \$730 million to \$823 million after learning that revenue collections fell even lower than officials had projected in late May. She had hoped to cover most of the gap by furloughing as many as 47,600 state workers, but a judge blocked the plan.

New York state controller Thomas DiNapoli, peeking at preliminary June revenue estimates, said Sunday (July 5) the state was headed for a “budget free fall” if the Legislature and Gov. David Paterson (D) do not slash the budget this summer. Revenues in April and May were 36 percent lower than a year ago, and June receipts will continue the pattern, he said. The Legislature approved the \$132 billion budget in March; New York’s budget year starts April 1.

“It’s not fair to say we’re quite at the same point as California, but we certainly have a budget that appears not

to be holding together,” DiNapoli told the New York Daily News. California officials are issuing IOUs to pay their bills because of a cash crisis brought on by their budget gap.

Maryland lawmakers approved a balanced spending plan for 2010 in April but recently learned last year’s budget is out of whack by as much as \$300 million because of less than expected tax receipts in May. Gov. Martin O’Malley (D), who has said he would propose \$200 million in cuts by the end of July, called the midyear budget cuts “a limbo dance” that every state is dancing.

Because of falling revenue in May and June, Kansas Gov. Mark Parkinson (D) and legislative leaders now are confronting a \$160 million deficit, only a few months after approving a balanced budget in April. The leaders also agreed July 6 to borrow \$700 million from reserves to pay bills and issue income tax refunds. Parkinson explained the problem many states are having in a July 2 web address:

“The legislature left in April, and we all felt pretty good about the work that we had accomplished. Unfortunately then, we got the May revenue numbers,” he said. “It looks like in June, we’ll receive less money than we thought we would, so we’re going to have to make cuts that are even beyond the \$100 million cuts that we learned about in May.”

New revenue forecasts in Colorado show the state ending the 2009 fiscal year on June 30 with a \$249 million shortfall and beginning 2010 with another \$135 million gap, or \$384 million overall. Democratic Gov. Bill Ritter has ordered state agencies to slash 10 percent from their budgets.

In Oklahoma, state agency heads will be forced to make cuts of 1.4 percent in last year’s budget after May tax collections were less than estimated. The Legislature already cut spending 7 percent for the budget year that started July 1.

Iowa finished the 2009 budget year as much as \$161 million in the red, prompting some Republican lawmakers to urge Democratic Gov. Chet Culver to call a special session to reach into reserves. Culver said the special session is not necessary but added that future cuts are possible.

Washington state officials said recently that increased demand for health services — typical in a recession — has cost state government about \$250 million more than projected. The state already has a \$200 million budget gap because of falling tax collections. The \$450 million shortfall will have to be made up. Gov. Chris Gregoire has ordered more spending cuts but the Legislature would have to approve dipping into reserve funds. The next session is in January.

Virginia’s budget is off by \$300 million, Gov. Tim Kaine (D) recently announced, which will be made up from federal stimulus funds, spending cuts and other funds.

An even bigger worry for states is the budget year that begins July 1, 2011. As revenue continues falling and

officials cut the 2009 and 2010 budgets, states will have fewer dollars to spend in 2011. "The revenue base will be lower to start with, so you won't have enough revenue to balance spending," McNichol said.

A University of Denver report released Tuesday (July 7) put a finer point on the 2011 problem. The report said spending for schools, prisons and Medicaid will keep growing in 2011 in Colorado.

"I do think fiscal year 2011 is a cliff," says Charles Brown, director of the university's Center for Colorado's Economic Future. "That seems to be the time when the state will face a terrific hole to fill."

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Friday, July 10, 2009

Weekly wrap: Bullet point dramatizes crisis

By Stateline.org Staff

How bad is the state budget crisis? So bad that Mississippi is limiting state troopers to one box of ammunition per year. The highway patrol is "trying to be conservative on the ammo it does use in the down budget times the state finds itself in," the Jackson Clarion-Ledger quoted a Department of Public Safety spokesman as saying. The newspaper further quoted the spokesman as saying: "This in no way means a trooper in the field will be short ammunition should they need it to defend their lives or those of Mississippians."

In California, epicenter of the budget mess, the strain on state resources is likely to mean sharply higher state college fees and fewer spaces for students. California State University Chancellor Charles B. Reed plans to ask the university's trustees to approve an additional student fee hike of 15% to 20% for this fall, and enrollment reductions of 32,000 students in the year to follow, the Los Angeles Times reported. It said the proposed increase would come on top of a 10 percent increase approved in May and would bring average yearly undergraduate fees to \$4,688 to \$4,861. That doesn't include the cost of books, transportation or room

and board.

Declining revenues and budget cuts have forced several states to delay sending out tax refunds. The Macon Telegraph reported this week that Georgia and Alabama are rushing to get thousands of refund checks out by July 15th. If they fail to meet the deadline, they'll have to pay the refunds with interest. California and Kansas are among other states where refund checks have been delayed.

Tiny Vermont is the exception to budget woes buffeting most of the states – so far. The Burlington Free Press this week quoted a top state official as saying that preliminary figures indicated the state would finish the budget year that ended June 30 with its general fund in the black. But it said Vermont avoided a deficit primarily because more than \$10 million in taxes were paid on one deceased person's estate in May.

Monday, July 13, 2009

Tracking the Recession: Stimulus helps revive summer youth jobs programs

By Christine Vestal, Stateline.org Staff Writer

School's out and young job seekers across the country have a less than 30 percent chance of finding work. For disadvantaged youths – high school dropouts, teen parents and minors with a criminal record – the odds are worse.

“We're talking about young adults whose lives are pretty screwed up. They have a tough time finding work even in the best times,” said James M. Golembeski, director of Wisconsin's Bay Area Workforce Development Board.

In this recession, college graduates, senior citizens and dislocated workers of all ages are snatching up so many low-wage jobs that few are left for youths. On top of that, many of the retail outlets and restaurants that normally hire students during the summer are cutting back or have gone out of business.

But thanks to a \$1.2 billion federal stimulus fund, states are revitalizing summer youth programs that have languished over the past decade because of declining federal funding. Allocated to states over a two-year period and then distributed through local workforce agencies, the stimulus program allows states to subsidize jobs and create training programs for 14-to-24-year-olds who come from low-income families and have one or more risk factors, such as foster care, homelessness or teen pregnancy.

Starting this month, states are using the new money to hire young people for jobs as varied as cleaning state parks, scrubbing the decks of docked battleships, assisting in underwater environmental studies and working in offices and hospitals. In addition, most programs squeeze in time for academic assistance, particularly for kids struggling to finish high school.

Despite severe budget gaps, Massachusetts Gov. Deval Patrick (D) added more than \$8 million in state money to \$21.1 million in stimulus funds to create a wide variety of summer jobs for 10,000 youths over the next two years. In Wisconsin, Golembeski plans to use his region's share of stimulus funding to train older youths on interviewing techniques and general workplace skills so they can find permanent work when the economy begins to recover. And in rural Oregon, \$3 million in stimulus funding is slated for an innovative engineering project that will employ 1,200 disadvantaged youths.

Wisconsin's youth program starts with a three-week, intensive work-readiness training program. Dubbed Work Certified, the program is the brainchild of Florida's workforce agency, but Wisconsin is the first to try it out on youths. Those who complete the program will get a certificate that is widely recognized by local businesses and should help them land a permanent job. They also get a \$650 stipend – minimum wage for the three weeks they spent in class. After that, youths can pursue a variety of subsidized summer jobs.

According to the U.S. Department of Labor, nearly half of all youths ages 14 to 21 had jobs in 2000. Now fewer than one in three can find work – the lowest youth employment rate since the federal government started tracking youth jobs in 1948.

For every year that a teen works, their income in their twenties rises 14 percent to 16 percent, said youth employment expert Andrew Sum of Northeastern University. In addition, research shows that girls who have jobs are much less likely to become pregnant and boys are less likely to get involved in property crimes and drug use. High school graduation rates also go up for kids with work experience.

Research also shows that increased youth joblessness can contribute to flare-ups in crime and gang activity during the summer months. "I figure if we keep even one youth from being incarcerated, we've saved the state at least \$90,000. That's a pretty good return on investment," Golembeski said.

In rural parts of the country, kids have the added problem of isolation. "They have no grasp of career possibilities. They need to experience something outside of their little towns," said Kris Latimer, chief of Oregon Workforce Alliance.

Eighty percent of Oregon is sparsely populated and public transportation is non-existent, making it nearly impossible for kids to travel to and from a work program. So Latimer's group created a sleepover work camp in the Cascade Mountains where 1,200 youths will work on a research team building a remote-operated vehicle for underwater and volcanic exploration.

This summer, because thousands of middle-income teens and their families have been hit hard by the recession, critics in many communities are arguing the stimulus money should not be reserved for just low-income kids with problems.

“There are a lot of questions about why middle-class kids can’t be part of the program,” said Nancy Snyder, president of Massachusetts’ Commonwealth Corporation, which administers the state’s youth jobs program.

“I’m really sensitive to that and try to give guidance to non-eligibles on how to look for a summer job.” Although the stimulus money is welcomed, advocates say that the \$1.2 billion will help only a fraction of at-risk youths and that because summer programs have been dormant for so long, states will be hard-pressed to quickly create high-quality programs because most of their business contacts are no longer available.

“We’re encouraging folks to think of the stimulus as a building block for the future,” said Mala Thakur, director of the National Youth Employment Coalition. For the fiscal year that ended in June, states received \$950 million for youth job creation under the Workforce Investment Act; next year the federal budget proposal is \$924 million, in addition to the stimulus funding.

The severity and duration of this recession does not bode well for youth job creation, which Sum said has lagged several years behind adult jobs in previous economic downturns. “Don’t expect any growth in teen jobs until 2012,” he said.

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