



Monday, August 3, 2009

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

Friday, July 31, 2009

Tax-hike plan fuels Pa. budget standoff

By John Gramlich, Stateline.org Staff Writer

Photo by John Gramlich, Stateline.org

Pennsylvania state workers stream into the Capitol on Tuesday (July 28) to protest a legislative impasse that has delayed a state budget and cut off their paychecks.

HARRISBURG, Pa. -- California Gov. Arnold Schwarzenegger (R) this week put his signature on a controversial plan to close the Golden State's staggering \$24 billion budget shortfall by slashing basic services, including K-12 education and health care for the poor. But in a handful of other state capitals, like this one two hours west of Philadelphia, deeply unpopular fiscal choices still loom for lawmakers who have failed to pass long-overdue budgets — with the pressure to act mounting by the day.

Hundreds of angry Pennsylvania state workers converged on the Capitol here Tuesday (July 28) to demand that Gov. Ed Rendell (D) and the politically divided General Assembly end a month-long impasse that has held up the state budget and cut off paychecks for nearly 78,000 state employees. That includes 33,000 who were due to receive paychecks today (July 31) but instead will receive I.O.U.'s.

More than a thousand state workers last week sought emergency help from a food bank here to tide them over until a budget passes, and the U.S. Department of Labor is investigating whether the state is illegally withholding employees' pay. Even if an interim budget proposed by Rendell on Wednesday (July 29) becomes law, thousands of state workers could face layoffs under a spending plan pushed by Republicans in the state Senate and now being negotiated by a six-member, bipartisan legislative panel.

Meanwhile, Rendell's spokesman of seven years announced his resignation, citing the stress of "spending all

day, every day for the last 90 days, explaining to people what we're going to take away from them," according to the (Allentown, Pa.) Morning Call. Rendell himself, twice elected to the governor's mansion by strong majorities, has seen his approval ratings plunge to record lows amid the stalemate, according to the latest Quinnipiac University poll.

Pennsylvania is one of four states — along with Arizona, Connecticut and North Carolina — that had not reached final budget accords through Thursday (July 30). As negotiations in these states have grown more intense, lawmakers' proposals to deal with huge shortfalls have become increasingly extreme: Arizona legislators this week said they would consider selling Capitol buildings to raise money; Connecticut lawmakers have sought to eliminate the state's Department of Motor Vehicles.

Here in the Keystone State, the political impasse hinges on a familiar and deeply partisan debate that has been at the center of state budget negotiations around the country this year: whether to raise broad-based taxes — such as the personal income and sales taxes — to generate revenue, or make deep cuts to education and other core state responsibilities during a historic recession.

Saying "there's nothing left to cut," Rendell is pushing a three-year, 16-percent hike in the personal income tax to help the state close a \$3.2 billion budget shortfall and boost K-12 education funding by \$418 million. Republicans who control the state Senate have flatly rejected any broad-based tax hikes and say that increasing funding for education is irresponsible given the state's perilous fiscal condition. They favor making sweeping cuts and using federal stimulus funds to supplant state money in the K-12 education budget, a move Rendell says conflicts with the federal law.

"We think we can balance the budget in a sustainable way without new taxes or increased rates of taxation," Senate Majority Leader Dominic Pileggi (R) said in an interview with Stateline.org.

At least seven revenue-strapped states already have gone the route of higher income taxes this year. Delaware, Hawaii, New Jersey, New York, Oregon and Wisconsin raised taxes on the wealthy, while California raised income taxes by 0.25 percent on all income brackets. The income tax hikes in Hawaii, New Jersey and New York are temporary, while Oregon's still could be challenged through a ballot initiative.

In some states, Republicans have veered from their traditional anti-tax positions to seek more revenue for their strapped states. Schwarzenegger, for instance, signed off on California's income tax hike, and both Arizona Gov. Jan Brewer (R) and Connecticut Gov. M. Jodi Rell (R) are backing higher taxes to help end their current budget impasses. In Nevada, Senate Republicans joined with majority Democrats to override a veto by Republican Gov. Jim Gibbons and enact sales and other tax increases.

In other states, it is Democrats who have refused to go along with higher taxes or agreed to make deep cuts instead. North Carolina Gov. Beverly Perdue (D) recently rejected a proposed income tax hike for all tax brackets, saying she would support a hike on income taxes only for the wealthy; in California, majority

Democrats this month sent Schwarzenegger a package of steep cuts.

In Pennsylvania, however, where state lawmakers have failed to meet their budget deadline for seven consecutive years under Rendell, there are few indications that Democrats or Republicans will move away from their deeply entrenched positions anytime soon.

Photo by John Gramlich, Stateline.org

Rachel Williams, left, and Cathy Daniels, who work as counselors at a Pennsylvania state prison outside Philadelphia, protest the budget impasse at the Capitol. Williams' sign says, "Let me see Rendell come work in a state prison for free." Daniels' sign says, "Please sign the bill so my kids can have a meal." On Wednesday, the six state lawmakers tasked with finding a compromise between the Democratic and Republican spending plans sat face-to-face around a table in a committee room in the Capitol and quickly descended into arguments over who would chair the group and when its next meeting would be. The overflow crowd at the hearing room soon filtered out, and Rendell called the lawmakers' display "appalling."

In an interview with Stateline.org later in his Capitol office, Rendell lamented the acrimonious politics, saying "Harrisburg is a place where, unfortunately, partisanship has taken hold at a huge level."

But the governor took his own shots at Senate Republicans, whom he accused of "basically defrauding people" by opposing a state budget with no major tax hikes. If the General Assembly doesn't raise taxes, Rendell said, local school districts will be forced to raise property taxes to compensate later.

"We don't have to sign a tax increase, but we are causing a tax increase as sure as we are putting up our hands and voting for it. And that's the fraud of it," Rendell said.

Until a compromise can be struck, many state workers and others affected by Pennsylvania's budget impasse are pointing their fingers at Democrats and Republicans alike — including Rendell, who normally enjoys strong support from state workers' unions.

Rachel Williams, a 33-year-old mother of two and counselor at a state prison outside Philadelphia, stood in the sweltering heat outside the Capitol on Tuesday with a sign that said, "Let me see Rendell come work in a state prison for free." Williams said the budget crisis has left her unable to pay her bills and buy supplies for her children ahead of the new school year.

"This is the time that we're supposed to be preparing them to go back to school, and we can't even do that," Williams said. "The money that is saved we have to use towards our bills."

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Financial crisis torments states (7/1/2009)

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Friday, July 31, 2009

Weekly wrap:

GOP supports tax hikes as budget fix

By Stephen C. Fehr, Stateline.org Staff Writer

In a year in which several Republican governors have reluctantly accepted tax increases as a solution to balance budgets, Connecticut Gov. M. Jodi Rell has been one of the holdouts.

“My budget for the next fiscal year is actually lower than our budget this fiscal year,” Rell said in releasing her initial spending plan Feb. 4. “I am proud of that – and I am also proud of the fact that my budget contains NO tax increases for the next two fiscal years. None. People cannot afford their taxes now. We should not add to their burdens.”

Rell flip-flopped Wednesday (July 29), saying she would release on Thursday (July 30) a new budget plan that would include \$391 million in tax hikes on tobacco products, alcohol and corporate profits.

The plan is the governor’s latest attempt to resolve a dispute with the Democratic-controlled Legislature over taxes and spending that has held up approval of the budget for the fiscal year that began July 1. Connecticut, Arizona, Pennsylvania and North Carolina lawmakers still have not approved final budgets, nearly a month late.

Rell’s turnaround demonstrates the difficulty of this recession on governors and state lawmakers. Deep spending cuts and direct federal aid from the economic stimulus are not enough in many states to wipe out budget shortfalls. Republican Govs. Arnold Schwarzenegger of California, Jan Brewer of Arizona, Haley Barbour of Mississippi and Charlie Crist of Florida also have endorsed various tax increases on cigarettes, gasoline, income, sales, businesses, and hospital beds.

Republicans, especially on the national level, generally favor tax cuts, so embracing tax hikes on the state level is significant. Barbour is head of the Republican Governors Association, whose job is to elect GOP governors. Several Democratic governors also have signed budget bills with tax increases.

Rell, who is considering seeking re-election next year, said she was supporting tax increases because “I have exhausted the (spending) cuts.” Connecticut has a two year, \$8.5 billion shortfall.

President Obama talked about the impact of the stimulus on state governments during a town meeting Wednesday (July 29) in Raleigh, N.C. Here's the account, with the stimulus discussion on page 5.

Obama said the stimulus spared the states billions of dollars in budget shortfalls and helped them cover benefits for unemployed workers. If the stimulus had not been in place, the president said, "imagine the situation that people would be going through right now. It would be a lot worse, and the states would be going through a lot tougher times, having to make cuts that they don't want to make."

For anyone seeking a perspective on how this recession compares to previous downturns, a must-read is The Wall Street Journal's July 28 piece: "The Great Recession: A downturn sized up."

The article and accompanying graphics assemble the proof that this recession is so much worse than any since the Great Depression. Among the evidence: the recession of 2008-2009 has burned up Americans' wealth as no other time in modern history. Home prices have plummeted, eroding homeowners' equity by 41 percent. Stock prices have followed the same path. "No other episode of wealth destruction since the 1930s comes close," said the article by Justin Lahart.

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Monday, August 3, 2009

Tracking the recession:

State ;stimulus ;Web ;sites get mixed marks

By Pamela M. Prah, Stateline.org Staff Writer

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Stimulus oversight

All 50 states have Web sites that are tracking the stimulus or providing accounting of state spending. To oversee stimulus spending, many states have appointed point people, sometimes called "stimulus czars." Click on a state below for more information on who oversees that state's stimulus spending and for links to relevant Web sites.

Source: Stateline.org reporting, state Web sites Interested in learning from your state how its federal stimulus dollars? You may find the information more easily if you live in Maryland, Colorado or Washington, but good luck if you call Illinois home.

The group Good Jobs First ranked Illinois dead last in its report that rates all 50 Web sites that states created to show how and where their shares of the \$787 billion stimulus dollars are being spent. On a scale of zero to 100 for 10 criteria, Maryland scored the most points with 80, while Illinois received a zero, largely because its site offers only national figures and nothing on how much is being spent in the state.

The group considered how well a Web site tracked all federal recovery money coming into the state, but also looked more specifically at how a state displays information about stimulus highway projects, which the group called “a high-profile” aspect of stimulus spending. Illinois was the only state to rank last in both categories.

Sites earned high marks if they included information about the broad categories of stimulus spending; descriptions of specific spending projects; contract details, including dollar amounts; maps showing the location of projections; and data about jobs created.

But just because a state’s own Web site is lacking doesn’t mean taxpayers are in the dark. The White House’s recovery Web site offers state-by-state information, including for Illinois. And Illinois is also one of 16 states that the U.S. General Accountability Office is closely following on its recovery Web site and in its bimonthly reviews of stimulus spending.

The Stimulus and the

States

Follow how states are managing the stimulus money and which programs are receiving funding as part of the recovery effort using Stateline.org's stimulus special section. Other online sites with state-by-state information include: the Council of State Governments’ StateRecovery.org; States for a Transparent and Accountable Recovery or STAR coalition; the country’s mayors at MainStreet Economic Recovery; and from the private sector, Recovery.org. Many cities have their own stimulus tracking sites, including New York City’s Stimulus Tracker and San Francisco’s recovery site.

Another resource for tracking how states are managing stimulus money and which programs are receiving funding as part of the recovery effort is Stateline.org's stimulus special section.

The report from Good Jobs First, a nonprofit watchdog group, found that Maryland is the only state Web site that allows users to correlate where the stimulus dollars are being spent with patterns of unemployment and home foreclosure rates. Maryland joins Colorado, Washington and West Virginia as the only states that provide information about jobs creation.

Only 10 states’ sites provide names of contractors being awarded stimulus funds and the dollar amounts, and only 11 display maps showing where individual stimulus projects are being done.

“Many states are failing to support President Obama’s vow that the recovery act will be carried out with an unprecedented level of transparency and accountability,” Good Jobs First Executive Director Greg LeRoy said

in a statement.

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