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State Budget Snapshot Not A Pretty Picture

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Washington Gov. Gary Locke predicts a \$1 billion hole in the state's \$22.8 billion biannual budget, warning that program cuts may follow soon.

Florida lawmakers are called back to Tallahassee by Gov. Jeb Bush for a legislative session to deal with the state's \$1.5 billion shortfall.

Meanwhile, Wyoming is sitting on a relatively comfortable \$63 million surplus.

Across the country, economic fallout from the terrorist attacks of September 11, as well as a general slowing of the economy, is starting to be reflected in state coffers, according to a Stateline.org survey of the fifty states.

For a handful of states, such as Wyoming and Texas, the news is good, or at least not too bad, yet. Revenues in those states are keeping track with estimates and in some cases even exceeding them. Nevertheless, officials say they will be keeping a close eye on things in the coming months.

But for the vast majority of states, such as California, Florida, Ohio and Tennessee, the news is troubling, and is likely to get worse before it gets better. For months, these states have been taking in fewer tax dollars than expected -- a trend accelerated by the attacks. Swelling unemployment ranks, stock market losses and strengthened security and public health measures are further straining limited resources.

The Stateline.org survey found 40 states reporting fiscal problems, ranging from mildly depressed revenues in Idaho to a severe budget shortfall in neighboring Washington.

That leaves 10 states -- Wyoming, Texas, Alaska, Louisiana, Montana, New Mexico, North Dakota, Oklahoma, South Dakota and West Virginia -- with a more positive fiscal outlook. The common denominator among these states' is strong oil, gas and mineral industries. They usually do well when everyone else is hurting and are continuing that trend during this downturn.

At least 15 states have made budget cuts or frozen spending since the attacks or have plans to do so soon. They are: Connecticut, Georgia, Illinois, Indiana, Iowa, Maine, Nevada, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina, Tennessee, Vermont and Washington.

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"I don't know that I'd attribute any of it to the attack, although the attack is an extraordinary and aggravating factor. Where I would say September 11 is changing our thinking is in how deep and how long this will be," said Commissioner of Finance and Management Sean Campbell of Vermont, where state agencies have already trimmed spending one percent and anticipate another round of cuts soon.

But in Connecticut and Wisconsin, two states already working to heal troubled budgets, Govs. John Rowland and Scott McCallum cited a direct link between the attacks upon New York City and Washington, D.C., and their states' freshly opened fiscal wounds. "We were doing fine until Sept. 11," McCallum told reporters last month, a mere three weeks after he signed a budget containing five percent across-the-board reductions.

Starting late last year, announcements of budget cuts, layoffs and revenue shortfalls began trickling out of state capitals at an ever-increasing rate. But since the attacks, the trickle has become a steady flow, as many more state officials have taken to podiums to deliver bad economic news.

Their rhetoric ranges from cautious to alarming.

"It is by no means a 'sky is falling' issue," said Rhode Island House policy analyst Gary Ciminero, referring to a prediction that the state's income tax revenue alone could fall \$45 million to \$50 million below estimates this year.

Tennessee Gov. Don Sundquist employed a movie analogy to highlight the precarious fiscal situation his state finds itself in.

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"Have you seen the movie 'The Perfect Storm,' where everything converges to create a complete disaster? What you saw today was the perfect storm," Sundquist said Wednesday after hearing budget officials tell legislators the state could be short at least \$275 million by next June 30.

Tennessee is in trouble because it has only \$175 million in reserves. The state used the entirety of its share of the national tobacco settlement -- a significant source or revenue for many states -- to balance this year's budget.

At least four states -- Arizona, Florida, Hawaii and Nebraska -- will reconvene their legislatures in the next couple of months to explore ways to ease their budget crunches. The obvious ways out are program cuts or tax increases, although the latter appear to be off the table in most states.

California, Connecticut, Iowa, Oregon and Washington legislators may soon be called back to their state capitols as well, although special sessions in these states are not definite.

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