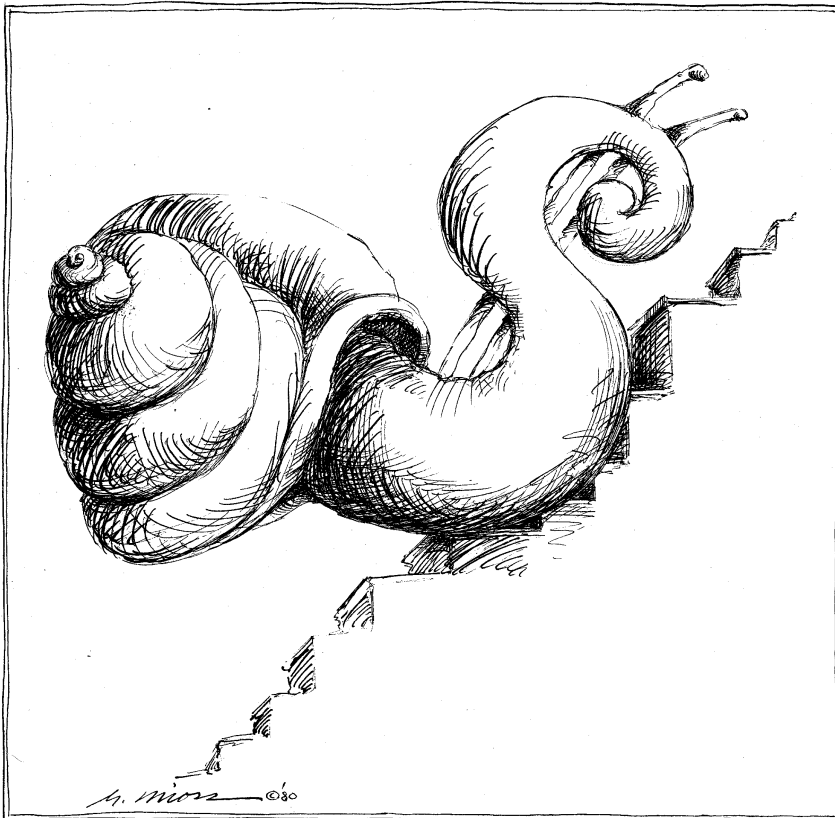


July 26, 2004

A slow, hard climb



Budget & taxes

Tentative budget deal in Illinois

5

Politics & leadership

Primaries set stage for GA fall showdown

7

Governors

Govs ponder much, decide little at annual meeting

9

Hot issues

11

Once around the statehouse lightly

13

Top Story

A new budget report from the National Conference of State Legislatures shows state economies are closing persistent budget gaps, but problems on the horizon have nervous lawmakers already wondering about 2005.

SNCJ Spotlight

State Budgets Getting Better, But Future is Uncertain

The states' long, arduous budget battle could be coming to a successful end, according to a new report that shows a majority of states ending fiscal year 2004 with higher balances than last year. But the report, issued by the National Conference of State Legislatures (NCSL) at its annual meeting in Salt Lake City last week, also

warns that while revenues have risen, they are expected to fall again by the end of FY 2005.

The NCSL report is based on the non-partisan group's survey of state legislative fiscal offices that summarizes budget and tax actions taken from the previous fiscal year, with that data then being used to project what the next 12 months will bring. This year's report compiled information from all but the six states -- CALIFORNIA, ILLINOIS, KENTUCKY, MICHIGAN, NEW YORK and NORTH CAROLINA -- that had not passed a budget for FY 2005 before the report was prepared.

The positive projections are the latest good news in a trend that has seen states gradually erase an estimated \$235 billion in budget gaps over the last four years. According to the report, year-end balances have increased by 56 percent this year, rising from a total of \$12.2 billion in FY 2003 to \$18.4 billion in FY 2004. This aggregate total, which combines general fund ending balances with any available rainy day funds, also marks a significant rise in balances as a percent of spending. The \$18.4 billion total represents 5.4 percent of FY 2004 general fund spending for the participating states, a marked increase over the 3.7 percent figure for those states in FY 2003. OREGON was the only reporting state that ended FY 2004 with a deficit. The Beaver State is in the middle of a two-year budget cycle, however, and is expected to close that gap by the end of the biennium.

Some lawmakers feel the improved economic number are already apparent in the behavior of their constituents. "Just come to Baltimore," said MARYLAND Del. Carolyn J. Krysiak (D). "You can't go a block without seeing scaffolding on houses that are being rehabilitated. We tend to run in cycles, and right now the cycle is one of continued improvement."

Twenty-seven states reported that revenue grew more than 5 percent above 2003 levels, with seven of those showing increases of 10 percent or more. Many of the largest increases, such as the 26.2 percent growth in NEVADA and the 17.8 percent rise in IDAHO, were a direct result of significant tax increases. Thirteen states had revenue go up between 0.4 percent and 4.3 percent, while only ALABAMA, OREGON, and SOUTH DAKOTA saw revenues decrease. Most states also cut back on spending, with only 13 increasing spending by more than 5 percent over FY 2003. Overall, general fund spending increased only 2.4 percent for the reporting states.

*State Recaps
available this
week on the
State Net Web site*

AK, AL, CO, CT, FL, GA,
HI, IA, ID, IN, KS, KY, LA,
MD, ME, MN, MO, MS, NC,
NE, NH, NM, OK, RI, SC,
SD, TN, UT, VA, VT, WA,
WI, WV, WY

2003-04 State Session
Recaps showcase legislative
statistics for each state.

year, which is half of what they had to close the year before, we can't forget that it is still a budget gap, and that there are still quite a few question marks out there that make 2005 a bit of an unknown."

Because they account for about a third of the total of all state budgets, the six states missing from this survey are also a noteworthy wild card in understanding the bigger picture. At this writing, Illinois and North Carolina had reached tentative budget agreements, but New York, Kentucky and California remained overdue. Michigan's budget is not due until October.

"We are fully expecting the positive budget numbers to decline as the remaining states report," Eckl said. "None of those states are currently showing big year-end surpluses or balances, so they will likely bring the national totals down."

NCSL President and UTAH House Speaker Marty Stephens (R) is a veteran of the budget wars. In announcing the report's findings, he noted both his optimism and caution over where states are fiscally as they head into the 2005 budget cycle.

"When budgets started their downturn in 2001, state legislators knew they were in for a difficult run, but they didn't expect a marathon," said Stephens. "Though we have seen some improvement in fiscal conditions, there's still a long way to go before we cross the finish line of this crisis."

NCSL IN BRIEF: Unlike the Democratic National Convention now going on in Boston, security in Salt Lake City was almost invisible. While some might have expected an event featuring more than a thousand lawmakers from all over the nation to be a worthy target for terrorists, NCSL Public Affairs Director Gene Rose said the organization's members did not see it that way. "Our members made it pretty clear from the beginning they didn't want to have all of the

The Week in Session

States in Regular Session:
CA, MA, NY, US

States in Special Session: DE "c"

States with Projected Special Session:
KY "a" on TBA
ME "c" on TBA

States in Recess:
CA "d", CA "e", MI, NJ, PA

States in Skeleton Session: OH

Currently Prefiling:
KY(Drafts for 2005)
MT(Drafts for 2005)
NV(Drafts for 2005)

States Adjourned:
AK, AL, AZ, CO, CT, DE, FL, GA, HI, IA, ID, IN, KS, KY, LA, MD "2003 session", MD, ME, MN, MO, MS, NC, NE, NH, NM, OK, RI, SC, SD, TN, UT, VA, VT, WA, WI, WV, WY

States in Special Session
Adjourned: AK "a", AR "b", CA "a", CA "b", CA "c", CT "a", CT "b", CT "c", CT "d", DE "a", GA "a", LA "a", ME "b", MS "a", MS "b", OR "a", TX "d", UT "a", UT "c", VA "a", VA "b", WA "a", WA "b", WA "c", WI "d", WI "e", WI "f", WV "a", WV "b", WY "a"

Projected Regular Session
Adjournment: NC, IL

Projected Special Session
Adjournment: IL "a-q", OK "a", WY "a"

Letters indicate special/extraordinary sessions
Source: State Net, 7/16/04



ultra-tight security here,” said Rose....Although exact figures were not available at this writing, most observers agreed that attendance was down from recent years. Rose attributed some of the decline to other big ticket events going on in the same week or right after, such as the National Governors Association meeting and the Dems big party this week. Other attendees, who asked to be anonymous, cited the host city’s lack of, well, “sex appeal,” particularly in comparison to Las Vegas and San Francisco, which have hosted in recent years, and Seattle, which gets the duties in 2005. “Everybody wanted to go to Vegas,” said one Salt Lake City attendee....The best line of the conference came courtesy of Standard & Poor’s chief economist David Wyss. In speaking of states’ efforts to rein in runaway pain and suffering jury awards, Wyss said “the major problem with tort reform is that it drastically underestimates the creativity of the legal profession.”

— *By RICH EHISEN*

Budget & taxes

TENTATIVE BUDGET DEAL IN IL: A record-breaking 50 days after the Legislature’s scheduled adjournment date — May 21 — ILLINOIS Gov. Rod Blagojevich (D) reached a tentative agreement with legislative leaders on a state budget. The deal calls for 4 percent cuts virtually across the board, the only exceptions being education, health insurance programs for the poor, mental health programs, child-protection services, and the Legislature and statewide offices. Elementary and secondary schools would actually see a \$389 million increase in funding, and three prisons slated for closure would remain open. The legislative caucuses still have to sign off on the agreement before the full Legislature can vote on it. And that could pose a problem, as Senate Republican leader Frank Watson said his caucus could withhold its approval until the Legislature takes up another festering issue: medical malpractice reform. (CHICAGO TRIBUNE, STATE JOURNAL-REGISTER [SPRINGFIELD], ASSOCIATED PRESS, DAILY SOUTHTOWN [TINLEY PARK])

NO CASUALTIES IN VA BUDGET BATTLE: The moderate Republicans in VIRGINIA’s House of Delegates who broke rank with party leadership to end the state’s bitter budget conflict this session were also among the state’s top fundraisers, according to the first campaign finance disclosures filed since the General Assembly adjourned in May. Del. L. Preston Bryant Jr. (R) and Del. S.

Chris Jones (R), who led the effort to reach a compromise on taxes with Gov. Mark R. Warner (D) and the Republican-controlled Senate, raised \$49,811 and \$39,795, respectively, since the beginning of the year. The two now have about \$140,000 each for their 2005 election campaigns. But even some lawmakers who vigorously opposed the tax increases have done well, such as Majority Whip M. Kirkland Cox (R), who raised \$41,230, which he attributed largely to his “stand against taxes.” Some organizations definitely had the tax debate in mind when making their contributions. The Virginia Hospital & Healthcare Association, for instance, gave over \$2,000 to both Bryant and Jones, while donating nothing to the campaigns of Cox and other lawmakers in the anti-tax camp. But not all contributors based their donations solely on the tax issue. Dominion Virginia Power, for example, gave \$2,000 to Bryant and \$500 to Jones, but also gave \$1,000 to Cox. A spokeswoman for Dominion said its contributions were based on a variety of considerations, such as whether a lawmaker represented an area where a Dominion plant was located and the lawmaker’s general stand on business issues. Lawmakers on both sides of the tax issue are likely to need the cash, with political observers predicting some very tough fights this fall. (WASHINGTON POST, RICHMOND TIMES-DISPATCH)

BUDGETS IN BRIEF: A trio of **PENNSYLVANIA** lawmakers say they will introduce bills when the Legislature reconvenes in September to prohibit elected and appointed state officials from holding a personal financial interest in gambling parlors in the state. The planned legislation is in response to a provision in the slots bill passed July 4 that allows state officials, including legislators, to own up to a 1 percent stake in slots licensees (PITTSBURGH POST-GAZETTE, PITTSBURGH TRIBUNE-REVIEW). • **MICHIGAN**’s mobile home industry succeeded in fending off legislation that would have moved manufactured housing units to the property tax rolls beginning in 2011 to provide additional revenue for municipalities that provide services for the state’s 750,000 mobile home residents. Lawmakers were apparently scared off by a 440 percent jump in contributions to a political action committee representing the mobile home industry. Under current law — enacted 45 years ago — Michigan’s mobile home residents pay \$36 a year in taxes (DETROIT NEWS). • **CONNECTICUT** Gov. M. Jodi Rell (R) received a nice welcome gift her third week in office, the state’s Office of Policy and Management officially raising its estimate of the budget surplus from \$51.9 million to \$202.2 million. Most of the projected quadrupling comes from higher-than-expected capital gains taxes (HARTFORD COURANT).

— *Compiled by KOREY CLARK*



Politics & Leadership

P RIMARIES SET STAGE FOR GA FALL SHOWDOWN: GEORGIA voters advanced some key lawmakers while rejecting others in last week’s primary elections, the preliminaries for November’s battle for control of the statehouse. Last Tuesday’s elections were the first to make use of new legislative district maps drawn by a panel of judges after a federal court struck down maps approved in 2001. Those maps were drawn by Democrats, who at that time controlled both houses of the Legislature. (Republicans took over the Senate after four Democrats switched parties following the 2002 election.) In one of the most closely watched primary contests, Republican Senate Majority Leader Bill Stephens fought off a challenge by Lauren “Bubba” McDonald, a former lawmaker who switched from the Democratic party to run for the seat. Stephens will now run unopposed in the general election. In another high profile race, former Senate majority leader Charles Walker (D) won his primary against attorney and businessman Ed Tarver. However, Sen. Dan Lee (R), Gov. Sonny Perdue’s top lieutenant in the Senate, didn’t fare as well, losing to fellow incumbent Sen. Seth Harp. Democrats saw Lee’s defeat as a positive sign for November, with Democratic Party chairman Bobby Kahn commenting, “Their first effort at running things has not gone over well with the voters. I think that bodes well for the Democrats.” Republican Party chairman Alec Pointevent disagreed, noting the increase in the number of voters who chose the GOP’s ballot. “The GOP won the warmup round,” Pointevent said. (ASSOCIATED PRESS, MACON TELEGRAPH)

SCHWARZENEGGER GETS TOUGH WITH DEMS: While CALIFORNIA Gov. Arnold Schwarzenegger’s (R) barbs at lawmakers received plenty of national media coverage last week, much less attention was paid to the less splashy but more significant shift in the governor’s tactics in dealing with the Democrats who control the Legislature. Schwarzenegger’s weekend tour of California to build support for his budget plan — during which he delivered the widely-reported “girlie men” comment — marked a major break from the generally bipartisan, good-vibes tone of his previous eight months in office. While Schwarzenegger has occasionally made use of the “stick” with lawmakers during his eight months in office — such as when he threatened to take the issue of workers’ compensation directly to voters if the Legislature didn’t approve his reform plan — he’s never wielded it with as much force as he did last weekend.

“I want you to go out there and go after those Democratic legislators,” he said at a shopping mall in Stockton. “They are obstructionists. Go out there and vote them out of office. Vote them out of office and we will put new faces in there.” The fact that Stockton was one of three stops on the governor’s tour that will see close legislative races in November is also telling. Schwarzenegger’s communications director, Rob Stutzman, indicated recently that the governor is also seriously considering calling a special election next year to consider an initiative on making the California Legislature a part-time body. Observers say Schwarzenegger’s get-tough strategy is in response to the significant criticism he’s received for failing to deliver on his campaign promise to bring the state’s chronically late budget in on time this year. (SACRAMENTO BEE, SAN FRANCISCO CHRONICLE)



SINE DIE: MINNESOTA’s 2004 legislative session was among the least productive in years, according to political insiders. Lawmakers failed to act on several major issues, such as authorizing the state to borrow money for construction projects that could have created 10,000 new jobs; strengthening the state’s sex-offender laws; expanding gambling; deciding whether to build new stadiums for the Vikings, Twins and Gophers; and passing a balanced budget. About all legislators had to show for their 3 1/2 months on the job were new high school graduation standards, a lower threshold for drunk driving and a mourning dove hunting season. Observers said the overriding reason for the do-little session was an unwillingness to compromise on the part of all the major players — Pawlenty, the Republican majority in the House and the Democratic Farm Labor majority in the Senate. That resistance was chalked up to a number of factors, including election-year politics, growing partisanship and lingering hard feelings among DFL senators who were steamrolled by Pawlenty and House Republicans last year. (ST. PAUL PIONEER PRESS)

POLITICS IN BRIEF: OREGON voters will not be given the opportunity this year to decide whether to reinstate term limits, struck down by the Supreme Court in 2002. Supporters of a term-limits initiative fell 8,000 votes shy of the 100,840 they needed to place the measure on the November ballot. Voters, however, will see measures concerning damage award caps in medical-malpractice suits, limiting timber cutting in state forests, and expanding the state’s medical

Hot Issues

B **BUSINESS: ILLINOIS** Gov. Rod Blagojevich (D) signs legislation that bans Prairie State insurance companies from printing or embedding Social Security numbers on policyholders' cards. The move is designed to curb identity theft (CHICAGO BUSINESS).

CRIME & PUNISHMENT: ARIZONA and **WASHINGTON** become the first states to adopt a high-tech upgrade to their Amber Alert system for missing children. The new system will broadly expand who receives the alerts while also cutting the timeline for their delivery from hours to minutes. At least nine other states are expected to sign onto the new system right away, which sends alerts to law enforcement, community groups and individuals via a network of cell phones, e-mail pagers and other personal electronic devices. All states except for **HAWAII**, which has no statewide system, are expected to eventually have access to the system (SEATTLE POST-INTELLIGENCER, LAS VEGAS REVIEW-JOURNAL, USA TODAY)

EDUCATION: Lawmakers in **NEW YORK** approve a bill that would limit the state and city university systems from using SAT or other high-stakes tests as the major criteria in determining which students they will accept. It now must score big with Gov. George Pataki (R) if it is to become Empire State law (NEW YORK POST). • Education officials in **NEW HAMPSHIRE** begin building a universal student database that will assign each Granite State child a confidential identification number that will allow the state to track that student's individual performance over their academic career. The system is also designed to produce demographic data that will allow school officials to analyze school quality. It is expected to go into service this fall (CONCORD MONITOR).

ENVIRONMENT: Wildlife officials in **SOUTH DAKOTA** adopt plans to begin poisoning prairie dogs that leave U.S. Forest Service areas and encroach onto private land. The Coyote State Legislature must first approve funding for the plan before any of the critters can be killed (RAPID CITY JOURNAL). • **IOWA** joins seven other states and New York City in suing the nation's five largest power companies for allegedly contributing to global warming. The suit claims the companies are helping change the Earth's climate by sending huge amounts of carbon dioxide into the atmosphere. The petition doesn't ask for money, but seeks to have

a judge order electric companies to cut their emissions of carbon dioxide. The five companies being sued are Xcel Energy, American Electric Power Corp., Southern Co., Tennessee Valley Authority and Cinergy Corp., while the seven other states bringing the suit are **CALIFORNIA, CONNECTICUT, NEW JERSEY, NEW YORK, RHODE ISLAND, VERMONT** and **WISCONSIN** (DES MOINES REGISTER).

HEALTH: Prescription drug officials in **IOWA** approve a plan to require pharmacists to routinely report all prescriptions they fill for certain drugs, particularly painkillers and anti-depressants. The new rules are expected to end the practice of “doctor shopping,” where someone visits multiple doctors to obtain prescriptions for the same drug (IOWA CHANNEL).

SOCIAL POLICY: A federal appeals court throws out an **IDAHO** law that requires girls under the age of 18 to get parental consent before having an abortion. The court’s ruling is aimed at language in the law which severely restricts emergency abortions, provisions that judges say are too strict. Republicans in the Gem State Legislature say they will appeal the decision to the U.S. Supreme Court (ASSOCIATED PRESS, MSNBC).

POTPOURRI: The **NEW YORK** Legislature approves anti-terrorism legislation that eliminates the statute of limitations on terrorism-related crimes. Gov. George Pataki (R) is expected to sign the bill, which would also establish a training program for emergency first responders as well as a state Homeland Security Office (ALBANY TIMES-UNION).

In the Hopper

State Net’s database tracks tens of thousands of bills in all 50 states at any given time. Here’s a snapshot of what’s in the legislative works:

- **Number of prefiles/intros this week:** **334**
- **Number of prefiles/intros overall in 2004:** **116,063**
- **Number of bills enacted/adopted this week:** **687**
- **Number enacted/adopted overall in 2004:** **23,090**
- **Total number of measures in State Net database:** **185,762**

— Compiled By GINA HUMMELL
(2003-04 data current as of 7/16/04
Source: State Net)

— *Compiled by RICH EHISEN*

•
•

Once around the statehouse lightly

A N HONOR — OF SORTS. The NEW YORK Legislature was placed at the top of a list last week by the Brennan Center for Justice at New York University School of Law. As reported in *The New York Times*, the Empire State’s body of lawmakers won top billing as the “least deliberative, most dysfunctional state legislature in the nation.” Evidence? Over a five-year period, New York lawmakers batted 1.000 — 11,474 bills reached the floor of the two houses and 11,474 passed. From 1997 through 2001, the Legislature held hearings on less than 1 percent of the major laws it passed, with more than 95 percent whisking through without so much as one word of debate. Among the rule changes proposed by the Brennan Center: Count a lawmaker’s vote only when said lawmaker is present in the house chamber when the vote is taken. Senate Maj. Ldr. Joe Bruno called the report “nonsense.” Bruno then compared the Legislature to a private company, asking whether a CEO would let all the company’s employees weigh in on company policy. Someone in New York needs to introduce Sen. Bruno to Democracy 101.

EXPRESS YOUR OUTRAGE. Some in CALIFORNIA were outraged last week when Gov. Arnold Schwarzenegger referred to lawmakers as “girlie men” because they wouldn’t agree with him over the state budget. Other Californians were amused. And then, there is fashion designer Sarah Lefton of San Francisco. She decided to make a buck off of it. According to the *California Journal*, Lefton created a \$24 baseball shirt with the words “Sacramento Girliemen” inscribed across the chest. Lefton claims her work is a “small contribution to the fight against the trivialization of American politics.” A t-shirt doesn’t trivialize politics, of course.

LET’S CALL THE WHOLE THING OFF. Democrats in MISSOURI have been unable to reach a compromise on one of the grinding questions of the day. According to the *St. Louis Post-Dispatch*, the two Democratic candidates for governor each pronounces the name of the state differently. Incumbent Bob Holden uses the urban name — MissouREE. State Auditor Claire McCaskill takes the more pol-

