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Washington leaders now consider two years, \$100 billion for highways

Oberstar, Rendell support approach; Obama realizes importance of infrastructure improvements
December 3, 2009

Pa. Gov. Ed Rendell is starting to get some heavy traction for his front-loaded solution.

Rendell, co-chairman of Building America's Future, met with House and Senate aides on Dec. 2 to address a two-year transportation bill that would generate \$100 billion in infrastructure spending. A long-term bill would follow the front-loaded option, and Rendell's idea involves allowing federal gas taxes to accumulate in the Highway Trust Fund while general taxpayer contributions would support national transport programs. Congressional Democrats appear to be more open to the idea of a front-loaded bill.

President Barack Obama actually factored into the discussion during the White House jobs summit on Dec. 3. According to Streetsblog Capitol Hill, he told a group of 21 infrastructure professionals that "everybody in this administration acknowledges the need for infrastructure investment," and that "there is nothing I'd rather do in terms of long-term economic growth."

Obama again stressed the need of creating a National Infrastructure Bank, which received support from the 21 infrastructure representatives at the summit.

According to Streetsblog, Washington State Transportation Secretary Paula Hammond also called for the expansion of the TIGER program, which is providing \$1.5 billion in road and bridge building grants.

House Transportation and Infrastructure Committee Chairman Jim Oberstar (D-Minn.), working with House Appropriations Chairman David Obey, also is supporting a \$100 billion transportation bill over two years. At the center of the plan is the creation of a National Infrastructure Bank, and Oberstar still favors an increase in the federal gas tax.

However, the White House, along with Senate leaders, has taken that measure off the table, citing the recession.

Oberstar's plan also looks at other user fees.

Source: *Streetsblog Capitol Hill* December 3, 2009

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House transportation heads request another \$69.5 billion in stimulus

Investment will put people to work and fix roads, bridges and transit
December 3, 2009

A day before President Obama convened his "jobs summit," House Transportation and Infrastructure Committee Chairman James Oberstar (D-Minn.) convened a Capitol Hill news conference to unveil a new report to Congress detailing what could be done for the country's transportation network.

State transportation departments have identified 9,500 highway, bridge, transit, port, rail and aviation projects worth more than \$69 billion that, if funded, can be used to create hundreds of thousands of jobs across the country.

"State departments of transportation have proven that these 'ready-to-go' projects are a great way to put people back work, quickly and efficiently," said John Horsley, executive director of the American Association of State Highway and Transportation Officials (AASHTO). "We're dedicated to getting these projects out to bid fast, but we're also committed to making certain that every taxpayer dollar is spent wisely."

Horsley joined Oberstar and House Subcommittee on Highways and Transit Chairman Peter DeFazio (D-Ore.) at the news conference releasing the report yesterday. AASHTO also presented the report to Sen. Barbara Boxer (D-Calif.), chairman of the Senate Environment and Public Works Committee. The report can be found online at <http://downloads.transportation.org/Ready-to-Go.pdf>.

"Ready-to-go" means a project that can move through the federal approval process within 120 days of enactment of authorizing legislation, thus enabling the state to proceed toward construction. The report is based on responses from 50 states and the District of Columbia and includes 7,497 in "ready-to-go" highway projects valued at more than \$47 billion, and 2,091 "ready-to-go" transit, rail, port, aviation and intermodal projects valued at more than \$22 billion.

"We hope Congress will use this survey to make the case that investment in transportation infrastructure projects are guaranteed to create jobs," Horsley said. "A bright spot of the economic recovery act continues to be state transportation projects that are pumping billions of dollars into households and businesses while fixing our broken transportation network."

As of Nov. 20, 2009, 10,600 transportation projects worth more than \$30 billion have been approved for funding under the American Recovery and Reinvestment Act. Of the 9,300 highway construction projects authorized to date, more than half—5,458 projects—were either under construction or had already been completed. Three hundred fifty-five projects approved under the airport grants program and worth \$1.08 billion are under way or have been completed. Of the \$8.4 billion provided for transit, approval to proceed has been received for 690 grants valued at \$7.19 billion. Thousands of buses and rail cars have been ordered and are being assembled, and service cutbacks and layoffs have been avoided.

"We need to keep the momentum going. The unemployment rate in the construction trades today exceeds 18%," Horsley said. "There is still a need to invest more in transportation projects if that's what it takes to create jobs and bring unemployment down. What the state DOTs have done over the past eight months to put economic recovery dollars to work shows there is no better way to create jobs and long-lasting benefits in every part of the country."

Source: AASHTO December 3, 2009

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Tuesday, December 8, 2009

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TOP STORY

MONDAY, DECEMBER 07, 2009

Highway money on states' radar

By Stateline.org Staff Reports

States are hoping that a job-creating initiative to be outlined by President Obama on Tuesday (Dec. 8) will include billions of dollars for infrastructure projects. Meanwhile, recession-worn Michigan may be ineligible for \$475 million in federal highway money next year because it can't find \$84 million in matching state funds.

The American Association of State Highway and Transportation Officials has identified 9,500 "ready-to-go" infrastructure projects around the nation and wants Congress and the Obama administration to provide states with as much as \$69 billion to pay for them, *The Washington Times* reports. The push by the association underscores criticism that the federal government's \$787 federal stimulus plan "gave short shrift to job-creating highway and transit construction," the paper says.

"Critics from both sides of the aisle said the first stimulus added to the heap of public debt and did not spur enough job growth," *The Times* reports. "Mr. Obama is expected to respond Tuesday by announcing infrastructure projects as a chief component of (new) stimulus measures. He will make the speech at the Brookings Institution, a liberal-leaning think tank in Washington."

In Michigan, the state may lose out on nearly half a billion dollars in federal highway money next year — and as much as \$2.1 billion through fiscal 2014 — because it can't match all the federal funds it is eligible to receive, *Crain's Detroit Business* reports.

"The lowered (state) investment would, in fiscal 2011 alone, lead to an estimated 47 percent drop in highway program-related jobs, from 17,070 in the current year to 8,988," according to *Crain's*, which reports that Michigan lawmakers have overlooked highway funding as they have dealt with a host of other budget problems.

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By joe caprio on Dec 7, 2009 12:59:25 PM

ANY STIMULUS MONEY THAT PUTS PEOPLE TO WORK IS GOOD. ANY STIMULUS MONEY THAT JUMPSTARTS THESE JOBS WITH THE HOPE THEY WILL LAST AFTER THE STIMULUS MONEY IS GONE IS VERY GOOD. THE GOVERNMENT IS LIKE IS A HOUSE IN SQUALOR. YOU HAVE TO START TO GET THIS MESS IN ORDER AND WHAT BETTER WAY TO START THEN PUTTING PEOPLE BACK TO WORK. JOE CAPRIO

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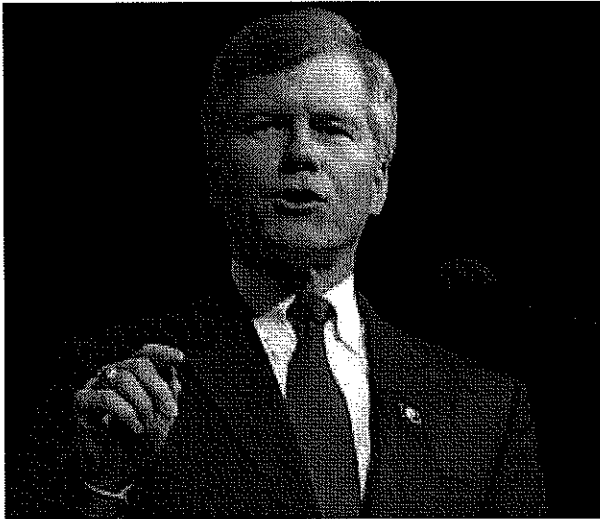
Bob McDonnell on transportation

Governor-elect Bob McDonnell tells reporters at the State Capitol about his plans to deal with state transportation problems.

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Bob Brown / Times-Dispatch

Gov.-elect Bob McDonnell said that he expects to propose ways to fund transportation during his first year in office.

TYLER WHITLEY AND OLYMPIA MEOLA TIMES-DISPATCH STAFF WRITERS

Published: December 9, 2009

Updated: December 13, 2009

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Gov.-elect Bob McDonnell said yesterday that he expects to propose ways to fund transportation during his first year in office.

In an hourlong question-and-answer session with reporters at the annual Associated Press Day at the Capitol, McDonnell said "at some point during his first year" he will take up transportation funding improvements.

But McDonnell acknowledged that "transportation solutions will probably be the most difficult thing in the near term to accomplish."

Afterward, McDonnell, who takes office Jan. 16, said he has not decided whether he will ask for a special legislative session to deal with transportation.

His 12-point roads plan includes selling the state's publicly run Alcoholic Beverage Control stores, trying to put toll booths on Interstates 95 and 85 at the Virginia-North Carolina line, and increased use of public-private partnerships.

"I think our current transportation bureaucracy moves too slow, it's too ineffective, there's too many excuses and there's not enough of a can-do problem-solving way of getting things done -- especially with the public-private transportation act," he said.

He said he'll recommend some changes to that act.

"I want to have the PPTA be a very important part of our transportation solution. Not only is it consistent with my view of the role of the private sector, but, more importantly in down economic times, public-private partnerships are a great way to leverage state resources," he said.

Despite his zeal for more privatization deals, he appeared to throw cold water on the proposed privatization of the Port of Hampton Roads. Three private companies have bid to buy the port facilities and lease them back to the state.

The port is such a valuable asset that companies would have to offer "an intensely compelling financial offer" for the state to sell it, he said. He said the port's future value must be factored into any decision.

McDonnell said the new administration is studying the sale of the ABC stores so that the state would not lose \$105 million in annual profits. He said the sale could produce \$300 million to \$500 million. During his campaign, he used the higher number -- \$500 million.

Efforts in the past to privatize the stores haven't been successful, but they haven't had this kind of backing from a governor.

McDonnell reiterated his campaign promise to reopen 18 rest stops within the first 90 days of his administration. The 18 rest stops closed last July for a lack of money. He has proposed four options for funding, including allowing businesses to "adopt" them.

An interviewer asked McDonnell to address religious broadcaster Pat Robertson's comments after the Fort Hood shootings that Islam is not a religion but a violent political system. McDonnell attended Regent University, which Robertson heads, and Robertson has contributed money to McDonnell's campaigns.

McDonnell responded that he speaks for himself and his administration.

"I don't think it's necessary or proper for a governor to have to support or defend any statement that particular donors or supporters may say," he said, adding that he intends to run a government that is inclusive.

Asked whether there is a rhythm to his spiritual life, McDonnell, a Roman Catholic, said "I'm out of rhythm" after the campaign.

He then joked: "Sometimes I've been on my knees more often after reading the morning paper."



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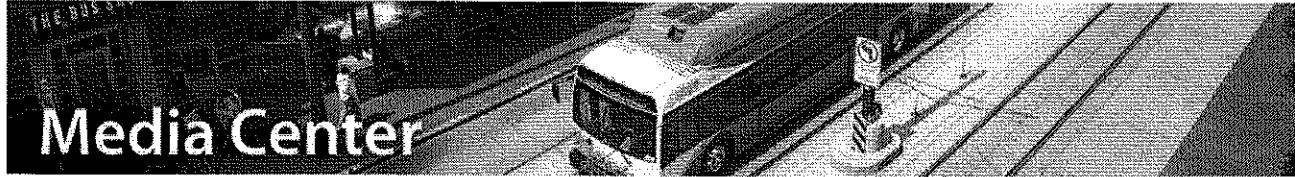
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Congress Increases Funding for Public Transportation and Provides for New Funds For High-Speed Rail, Says APTA

Statement by American Public Transportation Association president William Miller

"We commend Congress for approving the Fiscal Year (FY) 2010 Departments of Transportation, Housing and Urban Development and Related Agencies (THUD) Appropriations bill which contains \$10.7 billion for public transit programs – an all time high. This represents an increase of more than \$500 million from FY 2009. Congress had the foresight to provide an additional \$2.5 billion for grants to support intercity rail service and high-speed rail corridors within the programs of the Federal Railroad Administration (FRA).

"While we support this positive development, the legislation does not include an extension of the Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) or a new authorization bill to replace that law. The current extension of SAFETEA-LU expires on December 18 and we continue to urge Congress to write a new multi-year surface transportation authorization bill.

"It is important to acknowledge that not only did the Congress include \$2.5 billion for grants to support high-speed rail, but provided specific language which urges the Secretary and the FRA to meet the intent of advancing high-speed rail along 11 named corridors. We are also pleased that the bill contains \$50 million to help rail carrier's implement Positive Train Control systems as required by the Rail Safety Improvement Act of 2008. This is a down payment to provide technology to make a safe industry even safer.

"This legislation is an important step in increasing investment in the nation's local public transit systems and laying the foundation for high-speed rail. Local public transit systems provide over 10 billion trips per year and APTA along with other stakeholder groups look forward to working with the Congress as we address the needs of the riding public."

####

The American Public Transportation Association (APTA) is a nonprofit international association of over 1,500 public and private member organizations, engaged in the areas of bus, paratransit, light rail, commuter rail, subways, waterborne passengers services, and high-speed rail. This includes: transit systems; planning, design, construction, and finance firms; product and service providers; academic institutions; transit associations and state departments of transportation. APTA members serve the public interest by providing safe, efficient and economical transit services and products. More than 90 percent of the people using public transportation in the United States and Canada are served by APTA member systems.

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Highway Users demands action from Congress

Congress must act now to restore trust in the Highway Trust Fund
December 15, 2009

The American Highway Users Alliance released letters to the House and Senate leaders of both parties and the secretary of transportation yesterday asking for their leadership to maintain and enhance "user-fee" funding of federal-aid highway programs, prevent collapse of the Highway Trust Fund and enact a strong, reformed, six-year highway bill.

Highway Users President and CEO Greg Cohen said, "Congressional leaders and the Obama administration must take immediate action to restore public trust in the Highway Trust Fund and the 'user pays, user benefits' principles that undergird the fund. The following actions are critical:

- "Immediately correct past diversions and transfers from the Highway Trust Fund to restore the fund's solvency and increase the cash balance;
- "Enact a jobs bill that is substantially focused on highway and bridge projects that benefit America's economy;
- "Responsibly increase the excise fees on fuels to account for inflation, engine efficiency, alternative fuels and increased highway and bridge safety needs. Guarantee that the highway user fees will be spent on projects that benefit users;
- "Enact a strong, six-year surface transportation authorization bill that fully ties federal highway user revenues to funding levels for highway investments; and
- "Ensure that the highway bill retains 'contract authority' and six years of guaranteed funding so that transportation agencies, planners and contractors can securely invest in employees and equipment."

Source: *American Highway Users Alliance* December 15, 2009

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Transportation

Gov.-elect Bob McDonnell says fixing Virginia's roads will be his 'most difficult challenge'

By Kimball Payne

247-4765

10:18 PM EST, December 15, 2009

NORFOLK

Unlocking the state's chronically clogged roads looms as the most vexing problem of the next four years, Gov.-elect Bob McDonnell told Hampton Roads business leaders Tuesday.

"Transportation is near and dear to this region," he said. "This will no doubt be the most difficult challenge I will face in these tough economic times."

McDonnell spoke Tuesday at the annual meeting of the Hampton Roads Chamber of Commerce, one of his first major local appearances since his election victory in November.

His visit comes during a crucial transition week as Gov. Timothy M. Kaine prepares to hand down a two-year spending plan on Friday. Lawmakers are bracing to confront a \$3.6 billion hole in a budget already trimmed by \$7 billion over the past two years.

As almost 800 bankers, lawyers and business executives munched on chicken Florentine and pumpkin pie, McDonnell said the path ahead is fraught with peril from the global economic downturn. But he said the crisis also allows leaders to rethink the role of state government.

"These will not be easy times," McDonnell said. "But to me, it's a great opportunity to look at new ways to do things."

The difficulty of securing new roads spending is not lost on local leaders, who have long lobbied for more money to upgrade the region's increasingly fragile network of bridges, interstates and tunnels. Road improvements have been a top priority in some circles for more than a decade, but efforts to boost funding have fallen flat.

Turning over the reins of the chamber's executive committee, the regional president for BB&T, Robert Boyd, joked that McDonnell could probably use the oversized wooden gavel for heated debates.

"He might need to borrow this," Boyd said, "to get us some new transportation dollars."

McDonnell picked up on the theme, predicting some combat over roads soon.

"I'm fairly confident that I'll be needing it (that gavel) over the next three months as the General Assembly comes to town," McDonnell said.

McDonnell laid out much of the same vision he offered on the campaign trail for transportation improvements.

He hopes to get an influx of cash by moving state-run liquor stores to the private sector and wants to aggressively pursue off-shore drilling for natural gas, bonding debt, tolling and public-private partnerships to overhaul state roads.

"We're going to have to be creative and aggressive," he said.

Dwight Farmer, executive director of the Hampton Roads Transportation Planning Organization — a panel of local elected officials who set the region's road-building priorities — said he's optimistic about real, concrete progress.

"A can-do, let's-make-it-happen attitude is just what we need," he said.

Kaine recently floated the idea of eliminating tax breaks and tax credits to help offset the holes in the state budget, but McDonnell continued to rail against new tax hikes.

"In this tough economy where businesses are already struggling mightily, I don't think it's proper to raise taxes," he said.

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Somber Va. roads panel readies \$893 million cut

By BOB LEWIS

AP Political Writer

December 16, 2009

RICHMOND, Va.

Virginia transportation officials vote Thursday on \$893 million in cuts its six-year master plan for road building and maintenance, the fifth time spending has been slashed since June 2008.

That will bring total funding reductions for state projects across the state through 2015 to about \$4.6 billion, an amount roughly equal to an entire year's worth of revenue.

"So what we are being asked to do when you vote tomorrow is to run a six-year program on five years of revenue," Transportation Secretary Pierce Homer told members of the Commonwealth Transportation Board after they heard briefings on the shortfall Wednesday.

The newest austerity measures are the result of years of declining transportation revenue derived chiefly from taxes on dwindling automobile and gasoline sales. It has already forced the Virginia Department of Transportation to lay off 450 employees, with another 1,000 layoffs due early next year.

Twice, when the General Assembly was asked to broaden transportation revenue in 2006 and 2008, proposals to boost taxes died in the Republican-run House.

"We're struggling here with some dramatic budget issues," said board member E. Dana Dickens of Suffolk. "The funding model we are working with is not sustainable."

The cuts come at a time when revenue is already so scarce that the state has had to make unprecedented cuts, not only to new highway projects but to maintenance. Thirty percent of the pavement on Virginia's secondary roads is graded as deficient, Homer said.

Board member James Lee Keen of Vansant told his colleagues of an accident he witnessed that was caused by water that pooled on a rural road because of a poorly maintained ditch and subsequently froze.

In July, budget cuts closed 19 of Virginia's 42 Interstate rest areas. VDOT also cut back on the frequency of mowing on highway rights of way, and the width of the area cut.

Transit systems that receive state support will also feel the loss. All of them will have to factor in an average 10 percent reduction in state funding.

Revisions will also force the elimination of pay raises that had been planned for VDOT and Department

of Rail and Public Transit employees in 2011 and 2012.

The sagging transportation tax collections will force reductions in the current VDOT budget of nearly \$89 million. Those will show up on more miles of rough road because of a \$45 million cut in road repaving.

"Our top priority is maintenance, and we're taking \$45 million out of the paving budget simply to balance the books," said Homer, who leaves his cabinet-level transportation post next month when the term expires for Democratic Gov. Timothy M. Kaine, who appointed him, and Republican Gov.-elect Bob McDonnell takes office.

On the Web:

Commonwealth Transportation Board briefing presentations: <http://www.ctb.virginia.gov/meetings.asp>

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RECESSION & RECOVERY

SOCIAL POLICY

TAXES & BUDGET

TECHNOLOGY

TRANSPORTATION

ARCHIVES

COMMENTARY

PUBLICATIONS

RSS FEEDS

STATE SPEECHES

NEWS ALERTS

PUBLIC POLICY LINKS

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STATE BLOGS

ISSUE BLOGS

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State budget gaps linger at year's end

By David Harrison, Special to Stataline.org

Connecticut's 2010 legislative session is only three weeks away, but in Hartford, state lawmakers are still dealing with 2009 problems. On Dec. 15, they gaveled themselves into a special session. Later the same day, they gaveled themselves out without voting on the governor's plan to solve the \$467 million budget deficit that erupted since the state's two-year, \$37.6 billion budget passed on Sept. 1.

"I've done my job. It's time for the legislature to act," Gov. M. Jodi Rell (R) told a business group the next day.

Over the past few months, state legislators around the country have been confronted with unfinished fiscal business tugging at them like a bad dream. Mid-year budget gaps have opened in dozens of states, brought on, in part, by overly hopeful revenue projections. According to the National Conference of States Legislatures (NCSL), 36 states are still facing shortfalls in the current fiscal year, even as governors are putting the finishing touches on their budget proposals for fiscal year 2011, which for most states starts in July.

Continuing job losses and anemic consumer spending have depressed tax collections and opened gaps ranging from tens of millions of dollars to the billions. All told, the new gaps total almost \$28.2 billion, according to NCSL. That's on top of the \$145.9 billion that state policymakers cut from their fiscal year 2010 budgets during legislative sessions earlier this year.

The mid-year gaps underscore how difficult it is to anticipate trends in a volatile recessionary economy and hint at larger troubles to come. They also have generated political skirmishes at a time of year that traditionally has been quiet in state capitals. So far, at least six states—Arizona, California, Connecticut, Nebraska, New Mexico and New York—have held special sessions since July 1 to deal with the budget. Arizona kicked off another special session on Thursday (Dec. 17).

"I've been in the Legislature 33 years, and we've had ups and downs, but this is the worst one," said Democratic state Rep. Henry Kiki Saavedra, who chairs New Mexico's House appropriations committee. "There's hardly any difference between this and the Great Depression."

Although mid-year deficits are not unusual during recessions, "this is really close to unprecedented," said Scott Pattison, executive director of the National Association of State Budget Officers (NASBO).

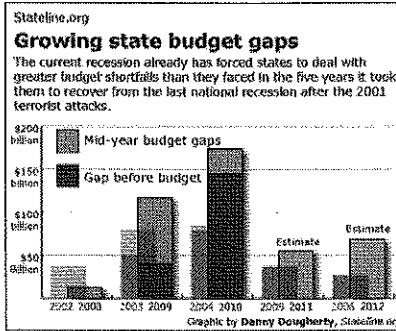
During the last recession in 2001, revenue from income and sales taxes were lower nationwide than states had projected for two straight years, according to Don Boyd, senior fellow at the Nelson A. Rockefeller Institute of Government. In 1991, revenue fell short of projections for three years. NCSL estimates that states have at least two more difficult years ahead before their finances recover.

"I don't know whether we would have believed it if it had been predicted," said Craig Burns, Virginia's deputy secretary of finance, referring to the state's plunging revenues. "In normal times, whatever normal times is, it's a little clearer and more predictable."

Virginia officials have revised their revenue projections several times after tax receipts sank like a stone. In August, Gov. Tim Kaine (D) announced layoffs, cuts to higher education and prison closures to plug a \$1.35 billion hole. It wasn't enough. Last month, a House of Delegates committee learned that declining revenues will force the commonwealth to cut an additional \$300 million from its budget before the end of the current fiscal year.

Virginia is one of 38 states that allow governors to cut the budget during difficult times, according to a tally by NASBO, although in most cases there are restrictions on what the governors can do. In Maryland, for instance, a state panel consisting of the governor, treasurer and comptroller can cut programs or agencies only up to 25 percent. So far this year, the panel has cut \$362 million from transportation funding, health care and financial aid for college students, despite calls from legislators to hold a special session to make these decisions.

Other states are in a similar bind. Across the country, legislative and executive officials have struggled to strike a balance of power to address their budget crises. But with shortfalls in the



Source: The National Conference of State Legislatures' "State Budget Update: November 2009"

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millions or billions, the process has the potential of becoming heated, whether lawmakers hold a special session or not.

Under statutes and state constitutions, legislators have more say in 12 states: Alaska, Arizona, California, Delaware, Iowa, Kansas, Louisiana, Michigan, Nebraska, New Hampshire, Rhode Island and Tennessee, according to NASBO. Still, governors in some of those states can get around legislative requirements. In Michigan, for instance, governors can reorganize agencies by executive order. In Iowa, the governor can unilaterally order across-the-board cuts, a tactic that Iowa Gov. Chet Culver (D) has used this year.

In October, Culver ordered a 10 percent reduction across state agencies to close a \$900 million budget gap over the objections of some lawmakers who argued that the size of the deficit justified a special session.

"A number of Republicans saw that this was coming before Culver announced a 10 percent cut, so they had been calling for a special session for some time," said Tim Hagle, a political science professor at the University of Iowa.

Although a unilateral cut is "less messy," Hagle said, lawmakers should be allowed to weigh in. "It's the job of the legislature to make this sort of decision, shared with the governor, of course," he said.

In Massachusetts, the situation is reversed. Gov. Deval Patrick, a Democrat, has asked the legislature to return for a special session to give him the authority to close a \$120 million gap, but House Speaker Robert DeLeo, also a Democrat, refused to cut short the lawmakers' holiday break. Bay State governors can unilaterally cut only executive branch agencies. Patrick has said that means he will be forced to slash social service programs unless lawmakers let him trim other agencies.

In New York, by contrast, the legislature has taken on more responsibility for budgetary matters. After a series of grueling special sessions, lawmakers approved a \$2.7 billion deficit-reduction plan that wiped out most—but not all—of the state's \$3.2 billion shortfall. The governor's hands are tied by a 1980 state Court of Appeals decision that found that the executive branch could not withhold money appropriated by the legislature. Still, Gov. David Paterson (D) is holding back about \$750 million in aid to local governments and schools, a decision that has sparked lawsuits.

In Arizona, Gov. Jan Brewer (R) and legislators are holding a fourth budget-cutting special session this week. Late last month, a measure to cut spending went down by a single vote in the Republican-dominated state Senate, without picking up a single Democratic vote. The state faces a \$1.6 billion shortfall.

Other states have had more success. New Mexico legislators approved \$200 million in cuts in October, part of an effort to close this year's \$650 million gap. The decision spared K-12 education but took a bite out of other agencies.

Nebraska stands out amid the political stasis. There, the nonpartisan, unicameral legislature last month reached agreement on \$334 million in cuts and transfers to close the state's deficit.

"It took a while for us to get on the same page, but eventually we came out of the appropriations committee nine to zero and we got to the floor," said state Sen. Lavon Heidemann, committee chairman. The legislation was unanimously approved by the full legislature and signed by Gov. Dave Heineman (R) on Nov. 20, allowing lawmakers to wrap up their work before Thanksgiving.

"It was some of the roughest periods of time that I've spent in my life, but in the end, by tweaking here and tweaking there, we were able to get everybody on appropriations to get together, and when that fell together, it fell together on the floor," Heidemann said.

As difficult as these mid-year cuts have been, the picture isn't likely to improve when regular legislative sessions start in a few weeks. A recent Rockefeller Institute report found that state tax revenues in the third quarter of this year plunged 10.7 percent over the previous year, after dropping 16.6 percent in the second quarter. Still, some states see a glimmer of hope. Arkansas forecasters predict a 2 percent increase in revenue next fiscal year. And bookings for South Florida hotel rooms are up slightly. But those optimistic signs are still the exception.

"At this point (fiscal year) 2011 looks like it will have large gaps in many, if not most, states, and the latest revenue numbers suggest the gaps are continuing to grow worse," Rockefeller's Boyd said.

Legislatures used federal economic stimulus funds to balance their budgets this year, and many likely will do so again next year. But the federal money, which starts running out at the end of calendar year 2010, won't be enough to forestall drastic service cuts, say state officials.

Back in New Mexico, Saavedra is starting to feel the strain. "Nobody wants to smile anymore," he said. "Can you imagine? When you're cutting all the time?"

Contact David Harrison at dharrison-temp@pewtrusts.org

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