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State hiring curbs may chill hot market for government staff

By The Associated Press

As U.S. states struggle with about \$39 billion in total budget shortfalls, at least 10 have announced hiring curbs and others may follow — chilling one of the few parts of the economy that had been adding jobs.

More than half the states are experiencing budget shortfalls. Under state constitutions, most can't borrow money or run a deficit, making spending cuts a necessity. That has brought hiring limits or freezes in states from California to Maryland.

The hiring curbs — and the threat of government job cuts — could spread. At least 27 states, including several of the nation's largest, are facing budget shortfalls in fiscal 2009, according to the non-partisan Center on Budget and Policy Priorities.

That comes amid slowing state revenue from personal income taxes, sales taxes and corporate taxes, while prices rise for everything from retired teachers' prescriptions to gas for state troopers' patrol cars.

The state shortfalls, together with that in Washington D.C., come to more than \$39 billion. And the hiring curbs — in California, Delaware, Louisiana, Maryland, Michigan, Minnesota, New Hampshire, New York, Ohio and Rhode Island — follow a hiring binge by governments at every level.

If states' money problems worsen and the hiring curbs are taken seriously by legislatures and governors, that could mean even more bad news for battered job hunters.

Those states with shortfalls are Alabama, Arizona, California, Delaware, Florida, Illinois, Iowa, Kentucky, Louisiana, Maine, Maryland, Massachu-

setts, Michigan, Minnesota, Mississippi, Nevada, New Hampshire, New Jersey, New York, Ohio, Oklahoma, Rhode Island, South Carolina, Tennessee, Vermont, Virginia and Wisconsin.

State budget cuts are already hurting human services, from subsidized lunches for children in South Carolina to nursing home care in Rhode Island. Under new state budgets, more than 10 million people will lose dental care, access to medical specialists, name-brand prescription drugs or other benefits.

"It's early," said Scott Pattison, the former state budget director for Virginia, now executive director of the National Association of State Budget Officers. "I don't think we've seen the most painful cuts we're going to see."

Tennessee Gov. Phil Bredesen said Wednesday that the state will need to cut jobs to deal with a \$550 million budget gap. He declined to say how many of the state's more than 45,000 employees could be affected. One possible cut is 160 positions at the Department of Children's Services because of a \$73 million reduction in federal funding.

"I'm not talking about 20 people or something, I'm talking about some serious change in the number of people who are employed by the state," Bredesen said. "I just want to be honest with people and not give people any false hopes about where we are."

State and local government employment has grown for the last decade, and governments at all levels continued adding jobs in March, according to the Bureau of Labor Statistics. Employment in the sector is now the highest on record and payroll jumped 40 percent in the last 15 years, growing to a nationwide total of \$60.74 billion in March 2006, according to the most recent U.S. Census Bureau data.

In the last quarter, as most industries have shed jobs, government has been the rare bright spot, adding about 18,000 jobs between February and March for a total of 22.39 million workers at the federal, state and local levels, according to preliminary data from the Bureau of Labor Statistics. Most of the month's increase came at the federal level, while state and local government employment stayed steady.

Government employment expanded as growing states and cities hired teachers, police and firefighters, said Bob Ward, deputy director of the State University of New York's Rockefeller Institute of Government.

But "public payrolls seldom shrink as the service base shrinks, whether it's school enrollment or population in Northeastern cities such as Buffalo, Pittsburgh and Philadelphia," he said.

While most recessions don't lead to deep state and local government job cuts, in the 2001 downturn, a sharp drop in tax revenue forced payroll reductions. "The question, of course, is whether the current downturn will be like 2001 or whether it will be more like the other recessions," Ward said.

There's no consensus, but economists expect unemployment, now at 5.1 percent, to rise slightly to 5.2 percent when the Labor Department releases employment data Friday, according to the consensus estimate of Wall Street economists surveyed by Thomson Financial/IFR.

Some states and municipalities, including College Township, Pa., are considering switching to a four-day workweek to save utility costs.

So far, some states' freezes have proven permeable. In Louisiana, for instance, there's a blanket exemption for anyone hired to care for patients in the Louisiana State University hospital system. Other workers must apply for an exemption from the gov-

ernor's budget office; about three-quarters of those who ask get one.

California has cut about \$2 million from its payroll since it announced a partial hiring freeze in February. Still, two weeks after Gov. Arnold Schwarzenegger required all departments to trim "nonessential" spending by at least 1.5 percent, he appointed his former chief speechwriter as an adviser to the state's Integrated Waste Management Board at a salary of \$103,603 a year.

While New York Gov. David Paterson insisted last Monday that the hiring freeze he was announcing was serious, ordering agency heads to rethink their hiring practices, last Thursday The Associated Press reported that the state was planning a mass recruitment to replace thousands of management employees expected to retire in the next five years.

Michigan has whittled total of state workers to the lowest number since 1973, said Liz Boyd, spokeswoman for Gov. Jennifer Granholm.

"We are doing more with less," Boyd said.

Rhode Island not only has a hiring freeze, but Gov. Donald Carcieri has also proposed eliminating 7 percent of the state work force, or roughly 1,000 employees and contractors, by June 30 to help close the gap on its \$515 million budget deficit. Staff reductions, which included an expected 400 retirements, were designed to save the state about \$100 million.

In Delaware, Gov. Ruth Ann Minner said in March that the state wasn't looking at layoffs.

"That's not to say that eventually we won't have to," she said.

Associated Press Writer Erik Schelzig in Nashville, Tenn., contributed to this report.