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Nation's governors meet under financial cloud

By Andrew Welsh-Huggins

PHILADELPHIA (AP) — Whether the country is in a recession doesn't matter much to the nation's governors, many of whom are presiding over state economies so grim the "r" word is old news.

While clean energy and finding good teachers are top agenda items at a governors' summer meeting, finding the money to pay for such initiatives is on a lot of state leaders' minds.

"Crisis is a terrible thing to waste," quipped Michigan Gov. Jennifer Granholm, a Democrat whose state has lost 450,000 manufacturing jobs since 2000.

"There is no doubt that states would like to make strategic investments in education and higher education, providing scholarships for all citizens, etc.," Granholm said on the eve of the National Governors' Association meeting.

"You just have to be much more creative, which is what we should be doing in a time of contraction," she said.

The governors will divide their official time between forums on energy, teacher quality, welcoming home war veterans and the association's centennial. More than 40 former governors are expected, including President Clinton.

All these talks will take place in the context of continued lousy economic news for states.

"That probably will color a lot of what they talk about at NGA — how to keep it going in spite of the fact that we're in the down end of a cycle right now," said Jeanine L'Ecuyer, spokeswoman for Arizona Gov. Janet Napolitano, a Democrat.

Napolitano just signed a \$10 billion budget that had to overcome a \$2 billion hole. Among the cuts in state spending: \$50 million taken from universities.

A midyear survey of state finances by the NGA found that 18 states reported the budgets for the fiscal year that began July 1 would be smaller than spending plans last year.

The Center on Budget and Policy Priorities reported last week that 29 states and the District of Columbia faced or are facing combined budget shortfalls of \$48 billion in the fiscal year that began July 1.

The Rockefeller Institute for Government says adjusted state tax revenues remained in decline for the third quarter in a row and that sales tax collections were flat for the first time in six years.

On Thursday, the governors of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont wrote to Congress, President Bush and both presidential candidates asking for more federal help to cover skyrocketing energy costs expected to hurt poor residents' ability to heat their homes this winter.

Making matters worse, the funds states use to pay unemployment benefits are running low, raising fears of higher taxes on businesses and less money to help out-of-work employees during tight economic times.

Governors don't make policy as a body that could change anything affecting states' bottomlines. They're also at a disadvantage compared to their colleagues in Congress, since almost all states are required to have balanced budgets.

That means tough decisions with immediate effects on residents, including less money for services

for the poor, cutbacks in school funding and higher tuition.

Governors also compete with each other for jobs at times, offering incentive packages to companies to build in one state over another.

But governors are also good at picking each others' brains for ideas to overcome problems, including the current financial crisis, said Gov. Tim Pawlenty of Minnesota, a Republican and chairman of the NGA.

This weekend's meeting is no exception.

"Colleague to colleague, we constantly are talking about what's going on in your state, what ideas do you have, what challenges do you have?" Pawlenty said.

Connecticut Gov. Jodi Rell is optimistic the governors can use their collective muscle to drive

home the message that states need help under the current financial conditions.

Her state has gone from anticipating surpluses last year to a potential \$150 million plunge into the red this fiscal year.

In response, Rell has ordered a hiring freeze and is limiting travel, including to out-of-state meetings. She says she's driving to Philadelphia and paying her registration and NGA hotel expenses out of her own pocket. Rooms run from about \$185 a night.

People who have freely traveled in the past aren't happy about the change and argue that their proposed meetings are important.

Her response: "I'm sorry — you can't do it," she said.

"It's \$1,000 here, \$2,500 someplace else," said Rell, a Republican. "It adds up very quickly."