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Government Keeps Hiring Amid Slowdown

By Scott Stoddard

State and local governments are in a budget crisis. But you wouldn't know it from public payrolls.

They've added 338,000 employees since a credit crunch began taking a toll on the economy a year ago, far more than the 195,000 in the prior 12 months, according to Labor Department data.

The hiring binge comes even as states grapple with budget deficits totaling \$48 billion in fiscal year 2009, which started July 1.

Private-sector employers have shed 418,000 jobs in the past year amid fears that the economy was headed for a recession.

State lawmakers and agencies have behaved as if economic good times won't end, ignoring troubles until fiscal meltdown is at hand.

Meanwhile, as sales of autos, furniture and appliances rise and fall with the economy, demand for government services remains fairly steady, analysts say.

“State and local government hiring has been far less affected by recessions than has private-sector hiring,” said Don Boyd, senior fellow at the Rockefeller Institute of Government.

State and local governments have had to respond to mandates such as smaller class sizes and the No Child Left Behind program that have required them to add education workers.

Fighting crime and rising prison populations make it hard to cut police officers and prison guards.

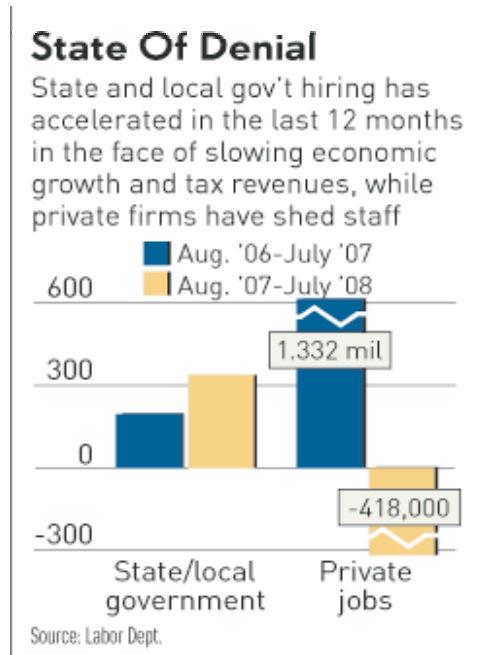
Union contracts make it difficult to cut government jobs. Big Labor attacks any effort to rein in spending as a ploy to gut schools and health care.

So state and local government employment has grown 31% since 1990 to 19.8 million, according to the Labor Department.

“They're very poor at cutting costs and very poor on cutting back on programs that don't work,” said Chris Edwards, director of tax policy studies at the libertarian Cato Institute. “They expand programs when times are good and then when times are more lean they resist cutbacks.”

Governments tend to continue to boost spending and hiring at a rapid clip as long as revenues rise, even if forecasts flash alarms.

“Tax revenue and spending was still rising at a reasonable clip into the second quarter of 2008,” Edwards said. “It's not like revenues are plunging. Property tax rates haven't fallen and in fact they continued to rise into 2008 for various reasons. The states generally aren't short of money.”



“Revenues and spending have slowed from 6% (growth) down to about 2% this year. Why should that be a crisis?” Edwards asked. “If it is a crisis, then there’s something wrong with how we run state government.”

Whatever the reason, in the fiscal year that began July 1, at least 29 states were in the red, says the nonpartisan Center on Budget and Policy Priorities. At least three others — Missouri, Texas and Washington — expect budget problems next year.

California, hit hard by soaring home foreclosures, is running the biggest budget deficit by far, at

\$22.2 billion. New York follows with a \$4.9-billion shortfall, New Jersey at \$2.5-\$3.5 billion, Florida at \$3.4 billion, Arizona at \$1.9 billion and Illinois at \$1.8 billion.

Most states are barred from running a deficit or borrowing to cover operating expenses. When they get into trouble, they can deplete reserves, cut spending or raise taxes.

But reserves are low, and opposition to tax hikes or spending