

THE
PEW
CENTER ON THE STATES

STATE OF THE STATES 2010

HOW THE RECESSION MIGHT CHANGE STATES

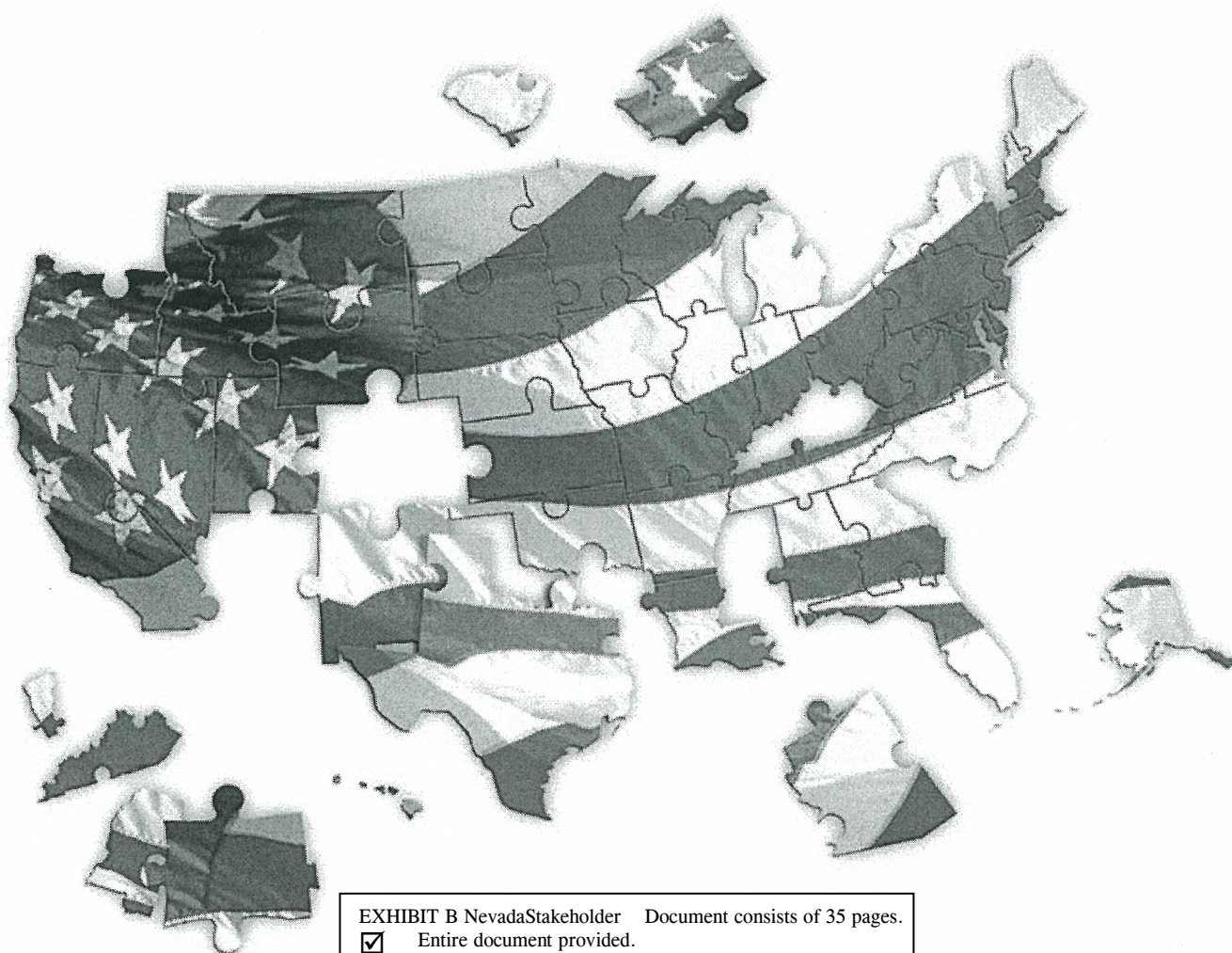


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FEBRUARY 2010

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PEW CENTER ON THE STATES

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ACKNOWLEDGMENTS

In addition to those listed above, we would like to recognize and thank Pew colleagues who assisted in this publication. Planning and conception: Katherine Barrett, Doug Chapin, Richard Greene, Kil Huh, Michele Mariani Vaughn, Andrew McDonald and Albert Wat. Photo research: Daniel C. Vock. Reporting assistance: David Harrison. Editorial research: Sarah Emmans, Tiffany Ward and Katharine Zambon. Fact-checking: Nancy Augustine, Megan Cotten, Samuel Derheimer, Melissa Maynard, Matt McKillop, Morgan Shaw and Liz Snyder. Communications: Andrew McDonald and Sarah Holt. Dissemination: Julia Hoppock, Jennifer Peltak, Frederick Schecker and Cari Sutton. We thank the Pew Center on the States project teams for their contributions. We also thank Marcia Kramer of Kramer Editing Services for her editorial assistance.

For additional information on Pew and the Center on the States, please visit www.pewcenteronthestates.org.

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February 2010

Dear Reader:

Two years after the nation fell into the longest recession since the 1930s, states still are groping to find the bottom of this grueling fiscal crisis amid double-digit unemployment, historic revenue drops and predictions of at least a couple more years of eye-popping budget deficits.

But equally critical at the troubled start of this decade is a need to pay attention to the choices lawmakers and voters are about to make that will affect states' fiscal well-being in the long term.

In *State of the States 2010*, the Pew Center on the States takes a nonpartisan, analytical look at forces already at work with the potential to reshape state government in lasting ways. Addressing "How the recession might change states," the publication raises intriguing questions that have yet to play out. Among them:

- Will budget constraints lead to permanent downsizing of government and lasting changes in how states deliver services and who pays for them?
- Do some states have such dire budget problems that it is time to re-examine how states split the tab with the federal government for expensive joint responsibilities, such as health care?
- Will incumbents in the 2010 elections—when 37 governors' offices and legislative seats in 46 states are on the ballot—pay a price at the polls for their tough choices to balance state budgets?
- What are the states to watch that could be leading indicators of trends in both politics and critical policy areas?

State of the States 2010 also offers an array of graphics on the recession's effects on states and a breakdown of federal stimulus dollars. A two-page 2010 Elections Guide features a 50-state rundown of key offices on the ballot, plus information on voting registration, laws and deadlines. And a handy pullout poster will help you keep track of the stakes in gubernatorial and legislative races.

A core focus of the Pew Center on the States is states' fiscal health, which we track and assess with a goal of identifying strategies and innovative approaches that are proven to yield improvements. Our *Stateline.org* team of seasoned reporters and editors monitors budget, policy and political developments across the 50 states and was key to this publication, which built on a series of annual reports *Stateline.org* began 11 years ago. Our researchers generate in-depth reports that compare and contrast how states are handling key issues, including budgets, pensions and state management. And our policy campaigns seek to help states advance reforms that will deliver the strongest return on taxpayers' investment. This report includes profiles of all of our work.

The new decade will demand new thinking, a long-term perspective and political will from policy makers who are stewarding states through the worst recession in our lifetime and the long recovery to follow. We are just at the outset of determining the shape of state government to come.

Sincerely,



Susan Urahn

Managing Director, Pew Center on the States



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Recession could reshape state governments in lasting ways

By Stephen C. Fehr

For a preview of the future of state government, consider Arizona's plan to raise desperately needed cash by selling and leasing back the office tower that houses most of its government. Or Hawaii, where more than 500 people chipped in their own money to keep open a public library that the state had planned to close because of budget cuts. Or Maine's attempt to simplify and lower its income tax rate while broadening its sales tax base to cover services such as ski-lift tickets and dry cleaning.

Around the country, the worst economic downturn since the 1930s forced states to consider new ways of thinking about what could be a slimming down of government lasting several years. Once states get past the immediate crisis of plugging record-high budget gaps, they will confront the likelihood that the recession will impose permanent changes in the size of government and in how states deliver services, who pays for them and which ones take priority in an era of competing interests.

Protesters at the State Capitol in Harrisburg, Pa., in August object to proposed budget cuts in social service programs. Pennsylvania was one of five states that missed their July 1 budget deadlines as tax revenue plunged. Legislators and Governor Ed Rendell (D) struggled to close a \$2.7 billion gap for fiscal year 2010.

"There is no question that states are going to be considering changes that in some cases could be dramatic," said Susan K. Urahn, managing director of the Pew Center on the States, which

tracks and analyzes issues affecting states' fiscal health and economic competitiveness. "This recession has cut too deeply."

States have weathered the ups and downs of 10 economic slumps since World War II, but none with the scope of the Great Recession. Its toll can be measured with a big number: the more than \$300 billion in budget gaps states have faced since the start of the recession in December 2007, according to the National Conference of State Legislatures (NCSL). But just as searing are its smaller impacts, such as the impending demise of the Michigan state fair, a symbol of Americana since 1849 that the state no longer can afford.



STATES TO WATCH WHITHER CALIFORNIA?

California struggled last year with a deficit bigger than most states' entire budgets, issued IOUs and had some of the country's highest unemployment and foreclosure rates. How bad could things get? Follow these indicators:

- ◆ **Budget gaps:** A \$60 billion deficit was closed in 2009. The state is short a projected \$20.7 billion in 2010. Shortfalls of almost \$20 billion a year are predicted through 2014.
- ◆ **Revenue:** Temporary increases in income tax withholding, the sales tax and vehicle license fees are set to expire in 2011. More than 80 percent of general fund revenue comes from taxes on personal income and sales.
- ◆ **Tax reform:** Governor Arnold Schwarzenegger (R) wants action on a panel's recommendation to abolish sales and corporate taxes, reduce the personal income tax and instead create a business net-receipts tax that would apply to both goods and services.
- ◆ **2010 ballot measures:** In the works are citizen-initiated measures to repeal a constitutional requirement that two-thirds of the legislature approve budgets and tax increases; impose new taxes on the wealthy; and hold a constitutional convention.
- ◆ **Real estate:** Property taxes could decrease for the first time in decades; that is good news for homeowners but devastating to local governments.

Raymond Scheppach, an economist who has headed the National Governors Association for 26 years, said the recession marked the start of a "lost decade" in which states are likely to face slow revenue growth, spending cuts, depleted reserves and backlogged needs. Unlike previous recessions, he said, states are heading into "a permanent retrenchment."

Fiscal distress for years to come

The spending decisions facing lawmakers for the budget year that for most states begins July 1 are the most difficult of the past three years.

Even as the economy slowly heals, history shows that the worst budget crunch for states comes in the year or two *after* a recession ends and that a full recovery can take years. Magnifying the problem facing states, the federal stimulus dollars that helped plug almost 40 percent of budget holes will start drying up at the end of 2010.

In addition, economists are forecasting double-digit unemployment through the summer and continued scaling back of consumer spending. Both will siphon precious tax revenue from states and drive up demand for costly social services such as Medicaid health care coverage. The plight of Kentucky is typical: State leaders used the rainy day fund and stimulus dollars last year to escape deep education cuts and mass layoffs of state workers but will have to consider both measures to erase a \$1.4 billion shortfall over the next two years.

It will take years for states to return to normal, whatever the new normal will be. In many states, the recession reduced the base for future revenue even as pressure to increase spending grew. Reeling from the Wall Street financial crisis, New Jersey might have to wait five years for revenue to return to 2008 levels. Home of two automaker bankruptcies, Michigan has less revenue this year

than it did in 1997. "Think if you were back to your income from 1997," said Scott Pattison, executive director of the National Association of State Budget Officers. Minnesota economist Tom Stinson predicts that in the next 25 years, revenue will grow at half the rate of the late 1990s. "The issue is a long-run structural one. Short-run solutions will not solve the problem," he said.

The recession is amplifying pressures on elected officials to make essential long-term changes so states can live within their means yet still educate children, keep people safe and create jobs. But 2010 is an election year, and politicians seeking another term may be loath to tackle such volatile issues as reforming the tax structure or public employee pensions for fear of backlash to higher taxes or reduced retirement benefits. The typical pattern after a recession is to muddle through until the economy recovers, then return to cycles of increased spending when revenue goes up.

But officials in a number of hard-hit states will not have that option this time because of the gravity of the downturn. "Not only has this recession affected states more deeply, it will continue to do so for a longer period of time," said Sujit CanagaRetna, senior fiscal analyst at the Council of State Governments. "As a result, it will fundamentally alter the relationship that citizens have with their government."

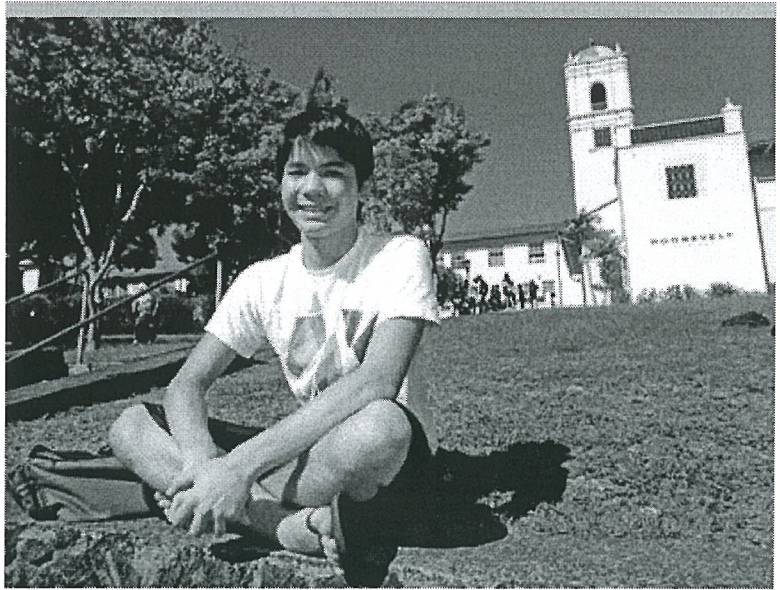
Already there are signs of how the recession is changing the face of state government.

Altering the size of government

The number of public employees is shrinking in many states, and officials are experimenting with four-day workweeks and virtual meetings.

As governors have slashed thousands of jobs, layoffs and furloughs of public employees have become an increasingly common way for states

AP PHOTO/EUGENE TANNER



Because of state budget cuts, Hawaii teachers faced the prospect of 17 furlough days in both 2009-10 and 2010-11 in what would be the largest shrinkage of the school year in the nation. But Governor Linda Lingle (R) and teachers were negotiating on a plan to restore some classroom days. Here, junior Mark Aoki, 16, outside Roosevelt High School in Honolulu, says he enjoys the extra time off but knows it could hurt his education.

to save money. They are effective because government's biggest cost, just as in the private sector, is labor. Thousands were furloughed last year in more than 20 states, including teachers in Hawaii. The Aloha State shaved up to 17 days off the school year, which could be the shortest in the nation. More furloughs are expected in 2010. Overall, the number of state workers fell in 28 states in fiscal year 2009, according to the Bureau of Labor Statistics.

Unpaid furloughs of state workers are affecting the timely delivery of unemployment checks, disability payments and food stamps for millions of Americans, according to federal officials. Citizens in California and other states are coping with the closing of driver's license bureaus and courts some weekdays, in effect imposing a four-day week for some government services. To save energy costs, Utah's 17,000 state workers switched to a four-day schedule of 10 hours a day. In Florida, among other states, employees have been asked to conduct more meetings by teleconference to trim travel costs.

What will be the long-term effect of these reductions on states and residents? Many state jobs will not be refilled, which could strain the ability to provide services. Additional layoffs could hit at critical functions of government, namely education, public safety and health care. Because many leaving government are the oldest, most experienced workers, states have fewer experts, a pressure that surfaced last year when Colorado, New Jersey and North Carolina, among other states, did not have enough people to administer and audit the federal stimulus programs. Moreover, the future appeal of working for state government has been weakened by reduced pay and, in some states, benefits. Lawmakers froze salaries in at least 10 states and shrank current or future pension benefits in 10 states. The targeting of state employees is affecting morale; some managers say they will have trouble energizing deflated workers going forward in the mission of state government. Like the private sector, states depend on the ability to recruit, retain and motivate talented workers to provide services at the lowest possible price.

Streamlining services to save money

States are rethinking how to deliver services in cheaper, more creative ways.

When Washington State was trying to close a budget gap in 2003, state leaders came up with a

system called "Priorities of Government" to examine virtually every program and service. They asked such questions as: What are the essential services the state must deliver? And what is the most effective way to accomplish goals with the money available? Variations of these questions are being asked today by state officials from coast to coast as they scour for savings.

Reducing duplication is one target. Massachusetts squished six agencies and 10,000 workers into a single state transportation department last year, saving money by laying off employees who duplicated work. Other states are reforming the way they buy goods and services. New Jersey replaced 17 contracts for buying paper and office supplies with one, shaving costs 20 percent. States such as Indiana are starting to consolidate offices, vacating leased space as contracts expire.

Coinciding with state employee cutbacks, digital government has moved beyond offering citizens a way to renew a driver's license, pay income taxes and obtain a fishing license. Nebraska ranchers can check a state database of livestock brands to identify animals that stray onto their land. Relatives of Arkansas inmates can deposit money online into a commissary account. Tennessee is claiming \$90 million in savings over nine years from digital transactions conducted on state Web sites, including the motor vehicles department, according to Web site contractor NIC Inc.



STATES TO WATCH EMBATTLED STATES STRUGGLE TO HANG ON

California is not the only state with serious financial troubles that bears watching in 2010 and beyond. Many states are experiencing similar problems that have worsened during the recession.

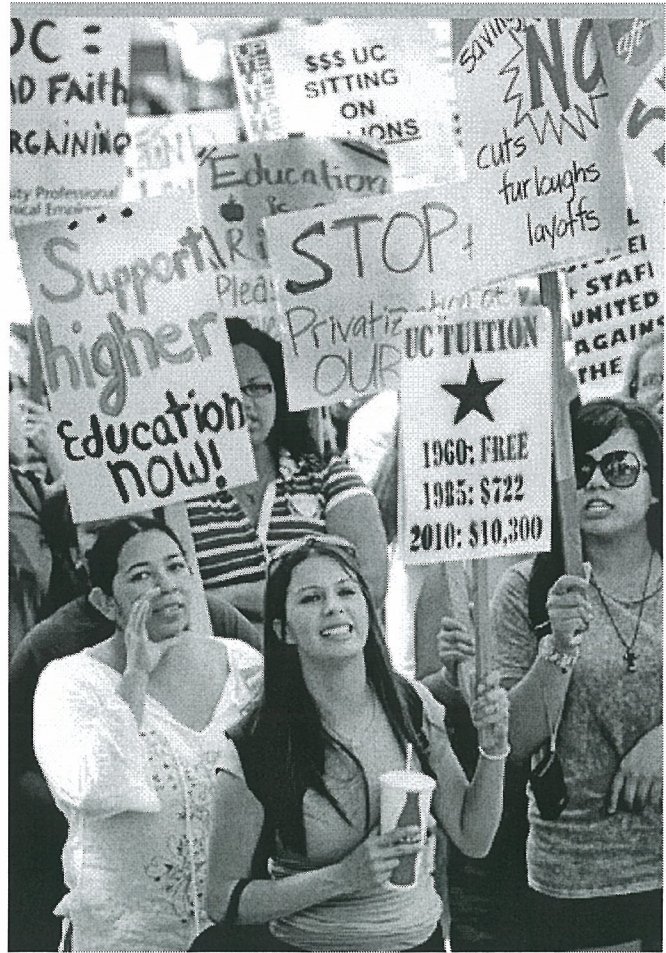
In November, the Pew Center on the States issued "Beyond California: States in Fiscal Peril," a report profiling nine other troubled states, based on data as of July 31, 2009. Those states are Arizona, Florida, Illinois, Michigan, Nevada, New Jersey, Oregon, Rhode Island and Wisconsin. (See results for all 50 states on page 11.)

Other states also have been hit hard by the recession and will face a tough year of slumping revenue and budget shortfalls. Keep an eye on Colorado, Connecticut, Georgia, Hawaii, Kentucky, Massachusetts, Mississippi, New York and Washington.

Partnerships with private companies also are tempting to state officials who cannot afford to complete expensive projects. Last February, Texas transportation officials approved a contract with a private firm to build and operate 14 miles of toll lanes, the second such venture in the Dallas area. The state is putting up about \$1 billion, with the private firms contributing \$5 billion. California's office of the courts is planning to retain a private company to design, build, operate and maintain a proposed \$300 million Long Beach courthouse. The trend is not limited to infrastructure: Louisiana is looking at privatizing the state's employee health insurance program.

Public-private deals have had mixed results, though, and states are approaching them guardedly. Although the Dallas area highway projects will move forward, Texas lawmakers in July rejected a request by Governor Rick Perry (R) to allow more privately run toll roads; policy makers were concerned about a proliferation of roadways requiring fees but will take up the issue again in 2011. Indiana Governor Mitch Daniels (R) was forced to end a 10-year, \$1.3 billion contract with IBM and other companies to dole out welfare benefits because the computer system made too many mistakes. The state had better luck with the sale of the Indiana Toll Road to a foreign company in 2006.

Still, the pressure to explore new financing options will only increase this decade because of the bleak revenue picture. The sale of assets such as Arizona's plan to deal its state office building may raise some money in the short term, but specialists question whether this is a lasting trend because states have a limited number of assets that are attractive to investors.



MARK RALSTON/AFP/GETTY IMAGES

■ UCLA students protest in September after the University of California Board of Regents approved a 32 percent tuition increase to take effect in two stages this year. Nationwide, public colleges were hit especially hard by state budget cuts; most raised fees to plug gaps. The average price of in-state tuition and fees at four-year public colleges rose 6.5 percent between the 2008-09 and 2009-10 academic years.

Who pays and how much?

States are turning to cost-shifting to balance their budgets.

In nearly every state, leaders are asking residents to take on a larger share of the cost of government. Depending on where you live, your state may have asked you to shell out higher taxes on your paycheck; pay more for a carton of cigarettes, a six-pack of beer or a tank of gasoline; or fork over higher fees to register a vehicle, rent a car, check into a hotel, adopt a child and obtain a business or fishing license.

Adults on Medicaid in four states in 2009 lost vision and dental benefits, forcing them to absorb the costs or do without. Tuition at public colleges shot up more than 10 percent in 10 states at the start of the 2009–10 academic year. Arizona's 17 percent increase was the highest, a tipping point that ignited statewide protests. By this fall, tuition at California colleges and universities will jump 32 percent. Florida International University even charged a \$5 admission fee for extra tickets to its graduation ceremony. Collegiate or high school sports will be affected in California, Hawaii, Nevada, Ohio, Rhode Island, Virginia and elsewhere, where cuts have led to fewer games, higher or first-time participation fees and even dropped sports.

The costs are not always financial, as in the case of a Mississippi mother who complained in a news account about having to put her daughter on a school bus at 5:40 a.m. and pick her up at 4:30 p.m. because budget cuts forced the consolidation of bus routes.

Much of this cost-shifting is permanent—college tuition likely will not go down, for example. Lawmakers could always rescind some of the tax and fee increases—some approved on a temporary basis anyway—if revenue collections improve, though that seems unlikely given their historical reluctance to do that.

Debate over hiking taxes and fees is overshadowed, though, by the larger, longer-term challenge of fixing tax systems that are outdated or broken to correct the structural inequities that deprive states of revenue, especially during downturns.

In contrast to Maine, where lawmakers revamped the tax system subject to approval from voters in June, a proposal by a tax reform panel in California to simplify personal income tax rates and impose a new business net-receipts tax was widely panned despite support from Governor Arnold Schwarzenegger (R). Arizona, Colorado, Kentucky, Michigan, Nevada, North Carolina and West Virginia have established panels to examine tax and budget reform. One hot topic is whether to expand the sales tax to services, such as car repairs and dry cleaning, instead of only goods. New York, North Carolina and Rhode Island are pioneering laws allowing them to get around legal hurdles to require sales taxes for online purchases.

Michigan House Speaker Andy Dillon (D), who is heading that state's budget reform effort, said the recession gives states an opening to restructure taxes and budgets early in 2010 before the campaign season heats up. "We have to do what General Motors did to itself," he said. "It wasn't until [GM] hit the wall that the real structural changes happened. We have a small window of opportunity to make structural, long-term changes to state government to avoid hitting a similar wall. That time is now."

STATES TO WATCH MINERAL-RICH STATES SPARED

Call these the "Lucky Few"—states that have weathered the recession better than most: Alaska, Montana, Nebraska, North Dakota, Texas and Wyoming. Except for Nebraska, all of these states are rich in minerals. Nebraska, meanwhile, benefits from low unemployment, rising farm income and conservative government fiscal policies.

It would be a mistake to conclude these states are somehow prospering. All except North Dakota have slashed spending. Wyoming Governor Dave Freudenthal (D), citing a drop-off in energy revenue, proposed deep cuts in transportation and local government funding as part of a two-year budget for 2011–12. Montana's chief revenue forecaster said it will take five years for the state to return to the \$2 billion in revenue raised in 2008.

Even oil-rich North Dakota did not escape the recession; unemployment benefit payments more than doubled in 2009.

GETTY IMAGES



■ Michigan, the only state never to emerge from the 2001 recession, is downsizing its government and trying to reinvent its economy to make up for the decline of the U.S. auto industry. Becoming a leader in advanced batteries for electric cars is one vision for economic revival being pushed by Michigan Governor Jennifer Granholm (D). Here, Granholm, left, tours a General Motors Corp. plant in Flint in May with President Obama's auto recovery czar, Ed Montgomery, third from the right.

Other lawmakers say they are not convinced that radical changes are needed. Arizona State Senator Russell Pearce (R), chairman of the Senate Appropriations Committee, concedes that the state will have to end some programs. But excessive spending is the issue, he said, not taxes. "Agencies are still spending like drunken sailors," he told *The Arizona Daily Star*.

With less money to spend, who gets it?

States are reordering their spending priorities, targeting some of the fastest-growing costs.

As state officials enter a decade of limits, looming over all of their decisions are the fastest-growing costs of state government: Medicaid, corrections and public employee pensions. Indiana's Daniels, a former White House budget director, said the biggest threat to the nation's economic future is not last year's \$1.4 trillion federal deficit but "the entitlement overhang that sits out beyond that," particularly Medicaid.

Officials are rethinking how to cut Medicaid, corrections, pension systems and retiree health

care without jeopardizing public health, public safety or a stable state workforce.

Reversing years of spending increases, more than half the states clipped corrections costs last year either by closing prisons, pruning inmate rehabilitation programs or, in Colorado and elsewhere, releasing prisoners early. "Corrections departments are tightening their belts with a new round of operating efficiencies that can trim a few percentage points off their budgets," said Adam Gelb, director of the Public Safety Performance Project at the Pew Center on the States, which helps states advance sentencing and corrections policies that provide a greater return on taxpayers' dollars. "But these kinds of moves won't be sufficient for them to weather the fiscal storm. They're going to have to dig deeper, and that means implementing research-based sentencing and corrections strategies that can lead to less crime at far less cost than prison."

The next decade also will test states' ability to finance their public employee retirement benefits—pensions and health care. Because of the Wall Street financial crisis, state and local pension funds lost a median 25 percent in 2008

before the funds started to rebound last year. While officials say they can pay benefits right now, they are not sure whether they will have enough to recover investment losses and meet the increased pension payouts for retirees. More than half the states made changes to their plans in the past two years to shave costs, in many cases asking newly hired state employees to accept reduced retirement benefits. More legislatures are taking up reform this year. (The Pew Center on the States is releasing a report early this year on the bill coming due to states for their public-sector retirement benefit obligations.)

The biggest worry among state budget experts is that Medicaid—whose expenses are split between the federal and state governments and now account for a fourth of overall state spending—will continue to eat up state money needed for everything else. Some states tried to pare Medicaid costs last year; some raised fees or cut optional benefits such as the adult vision and dental coverage. But those actions and \$87 billion in federal economic stimulus dollars for Medicaid were offset by the growth in enrollees. New Mexico officials declared a crisis last fall after foreseeing a Medicaid hole of as much as \$300 million.

On the horizon is the cost of federal health care legislation. William Pound, executive director of NCSL, said proposals that ask states to shoulder greater costs so that more uninsured can be covered by Medicaid reflect Congress' lack of understanding of the gravity of state government finances.

After Medicaid, corrections and pensions, states are trying to be more strategic about where to invest scarce dollars. State-financed early education programs are a good example of the anguish confronting state officials: Even though 10 states trimmed their pre-k appropriations for fiscal year 2010, 29 states increased their investment or held funding steady.

Looking for long-term fixes

Against such pressures to control costs while revenue is declining, state officials see years of austere budgets, a striking contrast to the start of the last decade when 21 states were so flush they cut taxes and fees. Whether the recession leads to permanent change in state government will depend not just on whether lawmakers can bridge political divisions but also on whether they can find a way to manage government over the long term instead of simply getting by year to year.



STATES TO WATCH COSTS ESCALATE FOR STATE EMPLOYEE RETIREMENT BENEFITS

Nearly 20 states are examining ways to bring down one of the fastest-growing costs of state government: retirement benefits for public employees. Three of them—Louisiana, Massachusetts and North Carolina—serve as barometers of change.

Louisiana is considering scrapping its current system of guaranteed pension payouts for one similar to 401(k) plans based on defined contributions, common in the private sector. Massachusetts is weighing reduced benefits for newly hired employees, and North Carolina has a commission studying how to design a cheaper pension system for future state employees.

In the recession, state and local government employee pension plans lost a median of 25 percent in value in 2008. The plans are bouncing back, along with the rest of the stock market—but most states are not fully paying their annual bills for long-term benefits.

One obstacle to long-term planning is that the legal requirement in most states to balance the budget often demands a rapid response instead of one that is deliberate, especially when revenue drops wildly from month to month. On a single day in October 2009, six states that had balanced fiscal year 2010 budgets reported sharp revenue declines that forced further cuts. Donald J. Boyd, a senior fellow at the Nelson A. Rockefeller Institute of Government in New York, said many states will not have time to consider long-term fixes as they are swamped trying to get by through postponing payments, dipping into reserves, selling state assets or enacting one-time savings such as furloughing employees.

"States need to evolve beyond a short-term perspective," said Urahn of the Pew Center on the States. "There are actions that states can take that will position them for long-term success coming out of the recession. But they require creativity, collaboration and in some cases political courage."

Arizona last year failed to find enough short-term solutions to cover its multibillion-dollar budget shortfall, shoving off decisions to 2010. But in a hopeful example for other states, business, civic, education and political leaders launched a long-term government reform effort. They say their goal is to diversify Arizona's economy and repair dysfunction in government, such as the ballot initiative process that some state officials say can hamstring them by requiring spending on certain programs at the expense of other services.

Colorado business, civic and nonprofit groups have embarked on a similar endeavor to recommend long-term financial solutions. Iowa, Louisiana and Utah officials are meeting to identify government-streamlining



AP PHOTO/ROSS D. FRANKLIN

■ Faced with a \$4 billion budget gap, more than 40 percent of the state's general funds, first-year Arizona Governor Jan Brewer (R) clashed with legislators of her own party last year over her proposal to raise the sales tax 1 percent over three years. A panel of business, civic, education and political leaders has been meeting to devise long-term solutions to the state's budget crisis and economic decline.

recommendations that will go to the legislature. Nevada's Vision Stakeholder Group has the weighty goal of proposing changes to the state's antiquated tax structure; four previous groups since 1960 urged major reforms that policy makers ignored. Other states share comparable outcomes. "Efforts like this fail when committees like this are either captured by the special interests or partisan politics," State Senator Jeff Danielson (D) said at a recent meeting of Iowa's State Government Reorganization Commission.

Sue Clark-Johnson, executive director of Arizona State University's Morrison Institute for Public Policy, which is leading one of the efforts, uses the metaphor of the 1969 fire in Ohio's Cuyahoga River that called attention to the nation's environmental crisis. "The river is on fire" in Arizona, she said. "This crisis that we're in is so deep and severe that it is pulling people together to ask questions in a more forceful and vocal way than before. I don't think this is just an Arizona problem. Many states don't have a clear-cut vision of what they want their state to be." ■

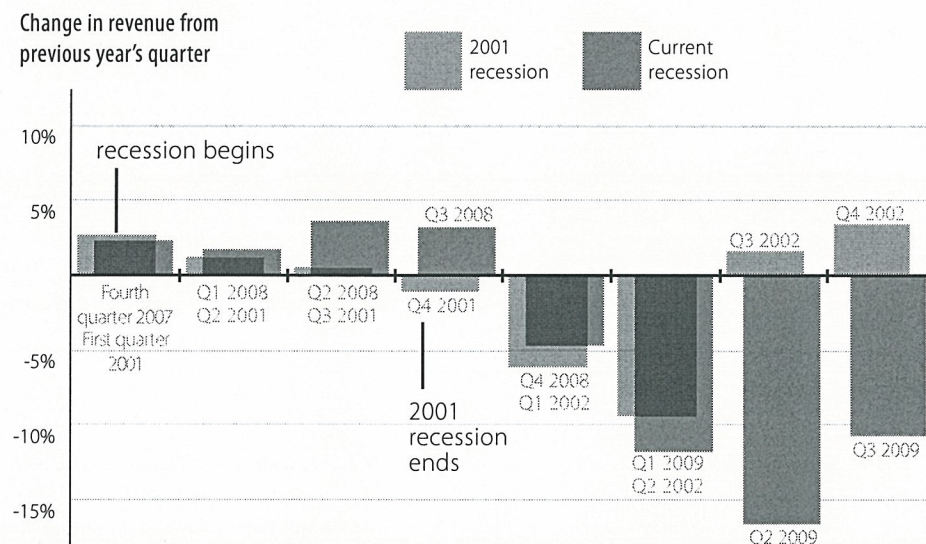
Revenue takes historic hits

Nationally, the recession appears to have ended, but states expect to face tight budgets for at least two years and possibly four. That's because many of the eight million people who lost their jobs since the recession began are still unemployed and may need help from the states. Those who are working may not be spending as much, providing fewer tax dollars to state coffers.

How this recession compares to the last one

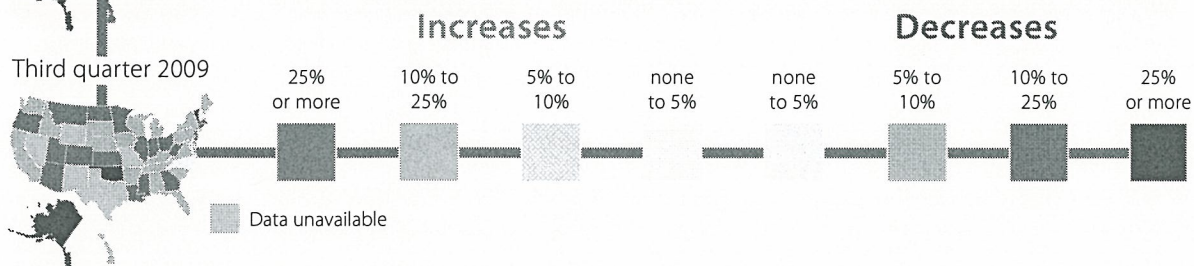
States experienced the largest revenue decreases in the months following the 2001 recession. This recession has already surpassed those declines—and revenue figures are expected to continue to take a hit.

Change in revenue from previous year's quarter



Revenue changes by state

The recession came earlier to states hit hard by the collapse of the housing boom, such as Arizona and Florida, whose revenue plunged and unemployment skyrocketed. By the second quarter of 2009, however, every state was facing declines in revenue from the previous year. And the latest figures show every major source of state tax revenue—sales, corporate- and personal-income taxes—tumbled, compared with the previous year.



SOURCE: Pew Center on the States 2010, based on data from the Nelson A. Rockefeller Institute of Government's State Revenue Reports

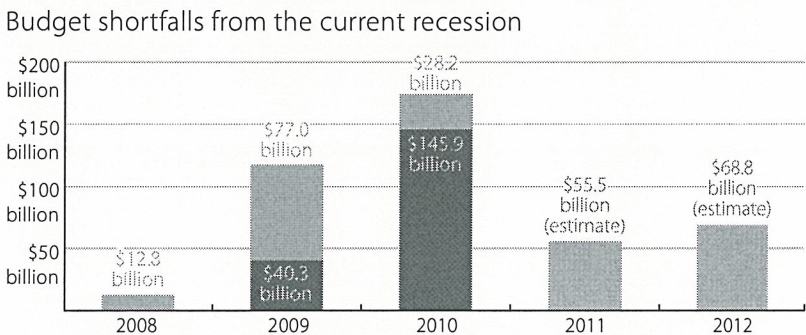
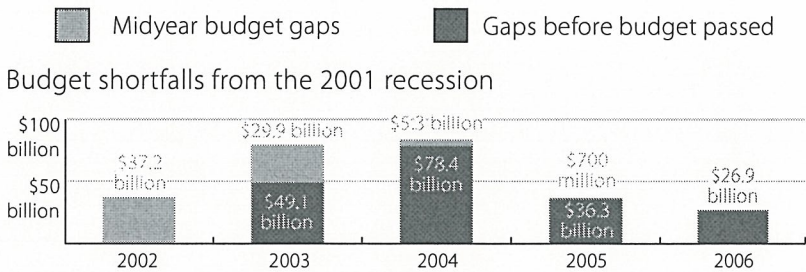
What a recession means for states

During a recession, states face more than just declining revenue. As residents cope with unemployment and lower incomes, state services become more thinly spread, resulting in tough times for both state governments and the people they serve.

Growing state budget gaps

The current recession already has forced states to deal with greater budget shortfalls than they faced in the five years it took them to recover from the last national recession after the 2001 terrorist attacks.

As a result of the previous eight-month recession, states erased \$263.8 billion in deficits from fiscal year 2002 to fiscal year 2006. Since the current recession started in December 2007, states scrambling to balance their budgets already have closed at least \$304 billion in gaps between projected spending and revenue.

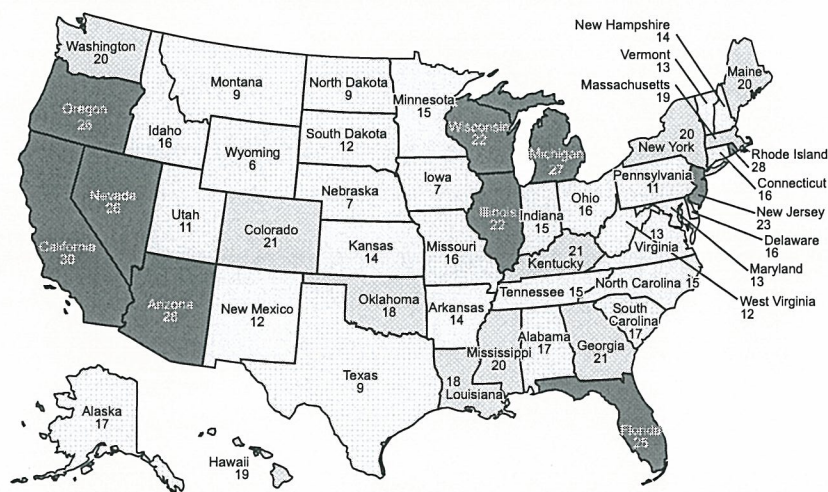


SOURCE: Pew Center on the States 2010, based on data from the National Conference of State Legislatures "State Budget Update: November 2009"

Beyond California: States in fiscal peril

In a report released in November 2009, the Pew Center on the States looked at six factors that led to California's ongoing budget crisis to determine which other states faced similar problems. Pew looked at those pressures through the first half of 2009, because that was when most legislatures and governors were working on their state budgets. Using these factors to create a scale of up to 30 points, with California ranking highest at 30, the report found at least nine other states in dire fiscal straits. Many of the factors that haunted states in 2009—including declining revenue, climbing unemployment and growing budget gaps—will continue in 2010. To read the report, go to <http://www.pewcenteronthestates.org>.

Most similar to California ■ ■ ■ ■ ■ Least similar to California



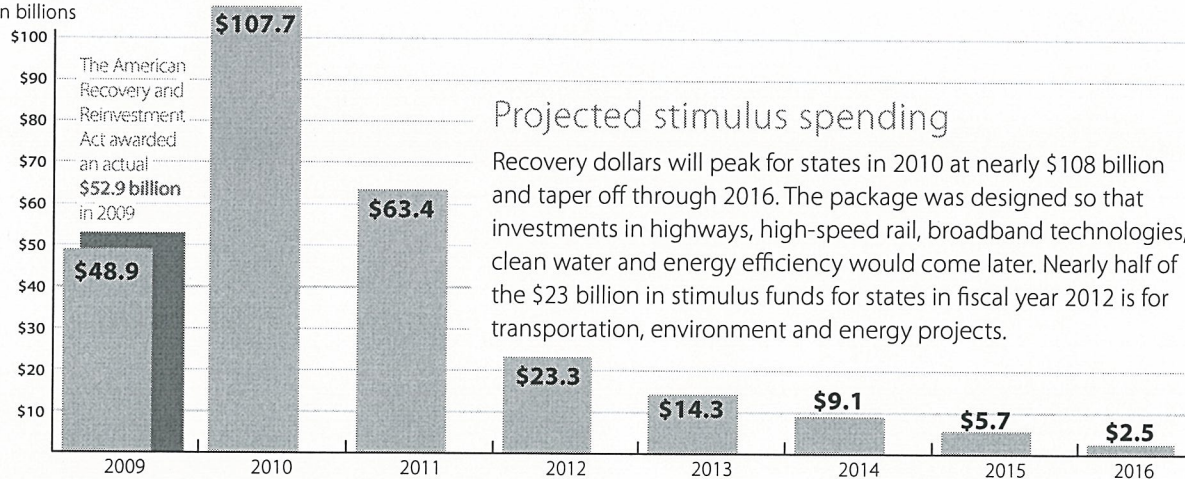
SOURCE: Pew Center on the States 2010, based on analysis of data from the Nelson A. Rockefeller Institute of Government, the Center on Budget and Policy Priorities, the U.S. Department of Labor's Bureau of Labor Statistics, the Mortgage Bankers Association, the Public Policy Institute of California and the Pew Center on the States' Government Performance Project; best available data as of July 31, 2009

The stimulus: After year one

The American Recovery and Reinvestment Act was a lifeline to states grappling simultaneously with plummeting revenue and growing demands for services. More than \$52.9 billion was paid out to states and localities for 2009—or about one-fifth of the nearly \$280 billion in recovery funds that will flow to or through states.



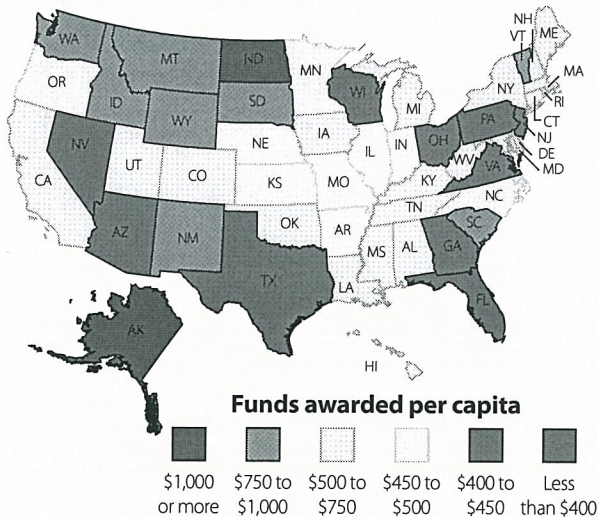
Stimulus funds in billions



Projected stimulus spending

Recovery dollars will peak for states in 2010 at nearly \$108 billion and taper off through 2016. The package was designed so that investments in highways, high-speed rail, broadband technologies, clean water and energy efficiency would come later. Nearly half of the \$23 billion in stimulus funds for states in fiscal year 2012 is for transportation, environment and energy projects.

SOURCE: Pew Center on the States 2010, based on data from the U.S. Government Accountability Office, last updated Nov. 27, 2009



How stimulus funds are being distributed

Nevada and Florida, two states hit particularly hard by the recession, have so far received fewer federal stimulus dollars per capita—less than \$400—than many other states. North Dakota, one of just two states that didn't have a budget gap, and Alaska received the most, more than \$1,000 per capita.

4,110

projects were completed

21,881

projects had not yet started

25,932

projects were less than half completed

5,063

projects were more than half completed

How the stimulus is progressing

Just over half of all projects receiving stimulus funds were under way by the end of October 2009 and 38 percent of projects weren't yet started. The speed with which states are spending new money for highways and other transportation projects varies greatly. Illinois and Iowa are among the quickest spenders as both Midwestern states are using their money to repave and repair existing roads. California is funneling most of its money through local governments, which adds time to the process.

SOURCE: Pew Center on the States 2010, based on data from a Recovery.gov analysis of recipient reporting, last updated Oct. 30, 2009



Is it time for a new balance in the federal and state fiscal partnership?

By Christine Vestal

In his 1982 State of the Union address, President Ronald Reagan called for sweeping changes in the partnership between Washington and the states. His proposal for a grand swap of state and federal responsibilities would have relieved states of one of the fastest-growing burdens on their budgets today.

Congress never acted on Reagan's proposal, and his idea to fundamentally rethink the financial ties between states and the federal government went dormant. Perhaps until now.

The nation's governors met with President Barack Obama at the White House in February 2009 within days of his signing the American Recovery and Reinvestment Act, authorizing the largest transfer of federal funds to states in history. Pennsylvania Governor Ed Rendell (D), at the microphone stand, is flanked on the left by Vermont Governor Jim Douglas (R), current chairman of the National Governors Association, and on the right by West Virginia Governor Joe Manchin III (D), the association's vice chair.

The deepest recession in decades is inviting new scrutiny of the way power and fiscal obligations are divided between Washington and the 50 state capitals, a balance forever changed by the New Deal programs after the Great Depression. Then, the federal government vastly expanded its footprint. Today, states' dire budget problems are prompting suggestions that it might be time to reassess who pays and who gets to set the rules in the states' complex fiscal partnership with the federal government.

The dominant worry for states on this front is their share of the spiraling bill for Medicaid, the federal-state health insurance program for the poor. Some state officials argue that a serious discussion about changing states' portion of

Medicaid costs should get started, if not this year then before 2014, when states might have to start underwriting coverage for some 15 million more low-income Americans under proposals for national health care reform.

In Vermont, where Medicaid today accounts for 24 percent of the state's overall spending—higher than last year's national average of 21 percent—unchecked growth of the program “crowds out all other responsibilities of state government,” Governor Jim Douglas (R), chairman of the National Governors Association (NGA), said in a July 2009 interview with National Public Radio. Without changes to Medicaid, University of Vermont economist Arthur Woolf has projected that, in 20 years, his state's tax dollars would cover little more than education and human services.

Fiscal experts also complain that growth in the full range of federal-state programs—from highways and education to job training and foster care—is restricting states' flexibility, creating mountains of paperwork and crimping their financial ability to respond to local needs.

Reagan's “swap” would have had the federal government take full responsibility for Medicaid in exchange for the states taking over food stamps

and welfare. He also proposed that the federal government “turn back” to the states 40 other federal grant programs, ranging from education to transportation, with a no-strings-attached federal trust fund to help pay for the new responsibilities over a 10-year transition.

“In a single stroke we will be accomplishing a realignment that will end cumbersome administration and spiraling costs at the federal level while we ensure these programs will be more responsive to both the people they're meant to help and the people who pay for them,” Reagan said.

Known as the “swap and turn back” proposal, it garnered national headlines and heated debate among governors, but Congress, mired in budget negotiations, failed to take up the proposal.

The ebb and flow of federalism

Under the nation's evolving federalist system, states and the federal government have long shared costs for domestic programs. Over time, officials from the two levels of government have tussled over who pays what portion of the tab and who gets to call the shots.

In general, the federal government gradually has added more state grants—and more requirements.



STATES TO WATCH WINNING MORE FEDERAL ROAD FUNDS

Alaska got more than five times what it gave to the federal Highway Trust Fund, the shared pool of motor fuel taxes that helps finance state road-building and transit projects. Montana, North Dakota, Rhode Island and Vermont got double what they contributed in 2008. Fifteen other states also received more than they paid into the fund.

On the flip side, 30 states contributed more than they withdrew.

After running a surplus for more than half a century, the nation's \$40 billion highway fund is running on empty. The fund—fed by an 18.4-cent federal tax that motorists pay on every gallon of gasoline, along with a 20 percent matching contribution per state—has seen expenditures exceed revenue since 2002. States also tax gasoline to raise federal matching funds and pay for transportation projects. A top issue when Congress reauthorizes the highway bill, work already overdue, is whether the federal government should raise its gas tax rate. Oregon, Rhode Island and Vermont increased their own gas taxes in 2009 to help balance their budgets.

Power has accreted to Washington under a process in which one or more states come up with a solution to a societal problem and federal officials decide to require or entice states through incentives to adopt the same policies.

The steady shifting of authority to Washington and the increase in national policies that states must carry out—including the addition of homeland security, election reform and strict education rules under the No Child Left Behind Act enacted under Republican President George W. Bush—worry those who believe the nation needs strong state governments with the flexibility to innovate.

Certainly, federal grant programs—such as one that provides nutrition for low-income pregnant women and infants or another that assists low-income people with home heating bills—have helped state governments enhance the quality of life within their borders. And by investing some of their own funds in national programs, states are likely to be better stewards of taxpayers' money, policy experts argue. But not all federal requirements come with enough money to cover expenses. And as rules are layered from one Congress to the next and costs grow, national programs increasingly dominate states' budgets and set the guidelines that states must follow.

Economic conditions, courts and the proclivities of the person occupying the White House have affected the vagaries of federalism. The biggest recent move to give states more autonomy came in 1996, when then-President Bill Clinton, a Democrat, worked with a Republican Congress and the nation's governors to overhaul the welfare system. In a move widely viewed as successful, the welfare program changed from an open-ended entitlement program with costs shared by states and the federal government,

much like Medicaid, to a series of capped block grants to states that gave them wide latitude on how to spend the money. Before Clinton, Reagan and fellow Republican President Richard Nixon also sought to shrink the federal government and give more power to the states.

Unlike his Republican predecessors, Bush increased grants to states to historic levels during his eight-year tenure but also broke records for the number of federal mandates and state pre-emptions. His new welfare rules, for example, took away much of the leeway states had been granted under the Clinton administration.

Obama and federalism

The administration of President Barack Obama shows signs of both increasing federal authority and giving states more flexibility. His aggressive domestic policy agenda—including health reform, financial regulation and climate-change legislation—leads some to speculate that federal funding to states will rise and state authority will wane. But his actions so far indicate that he sympathizes with states' concerns, said Michael Bird, federal legislative director for the National Conference of State Legislatures.

When the state fiscal crisis was emerging before Obama took office, the Democratic president-elect told an NGA gathering in Philadelphia, "If we're listening to our governors, we'll not only be doing what's right for our states, we'll be doing what's right for our country. That's how we'll grow our economy—from the bottom up."

In the first months of his presidency, as banks toppled and millions of Americans lost their jobs, Obama ordered federal agencies to yield to existing state laws when issuing new regulations, expanded federal funding of the state Children's Health Insurance Program and repealed Bush-

era Medicaid rules that had restricted state health care policies. States got nearly everything they requested from Congress, Bird said.

The \$787 billion stimulus package, passed in February 2009, included the biggest transfer of federal funds to states in the nation's history. Nearly \$280 billion of economic recovery funds are expected to flow to or through states through 2016, with \$135 billion going straight to their bottom lines: \$87 billion for Medicaid costs and \$48 billion in state stabilization funds, primarily for education.

For expedience, the American Recovery and Reinvestment Act of 2009 distributed stimulus money to states using existing formulas. The biggest chunks required states to maintain recent funding levels for critical services, such as Medicaid. A few governors complained about conditions attached to the aid, but most were eager to offload nearly 40 percent of their budget gaps to Washington's balance sheet, no matter what the requirements.

STATES TO WATCH SPIRALING MEDICAID COSTS

Record unemployment helped push up states' overall spending on Medicaid, the nation's main taxpayer-funded health care program for the poor, by nearly 8 percent in fiscal year 2009. But spending in six states shot up at more than twice that rate, according to the National Association of State Budget Officers (NASBO): Wisconsin (27.1 percent), Mississippi (20.3), Missouri (17.9), Nevada (16.9), Alaska (16.5) and Washington (16.1).

After decades of growth, Medicaid now accounts for 21 percent of state expenditures, counting both federal and state funding streams. National health care reform could push that number even higher, causing worries that, after paying for health care, states would have little left for other priorities. Nine states already spend more than a quarter of their overall budgets on Medicaid: Missouri (38.4 percent), Maine (30.4), Illinois (29.9), Pennsylvania (29.8), Arizona (29.4), New Hampshire (27.0), New York (26.7), North Carolina (26.6) and Tennessee (25.9), according to fiscal year 2009 estimates from NASBO.

"The federal government has attached so many conditions, strings, limits on the use of the money that it's not going to allow us to be as creative or reform-minded or as flexible as we would have liked, and that's disappointing," Minnesota Governor Tim Pawlenty (R) complained in a February 2009 interview with *Stateline.org*. Like Pawlenty, Republican Governors Bob Riley of Alabama, Bobby Jindal of Louisiana, Haley Barbour of Mississippi, Mark Sanford of South Carolina, Rick Perry of Texas and then-Governor Sarah Palin of Alaska also bridled at some of the requirements attached to the federal funds but in the end took most of the money.

While some questioned the federal aid, political analysts say it was natural for the federal government to open its purse strings when the Great Recession hit, just as it did after the September 11, 2001, terrorist attacks and the 2005 devastation of the Gulf Coast after Hurricane Katrina.

The Obama administration drew the line, though, when California later asked for federal loan guarantees because of fears that short-term credit would be unavailable during the banking meltdown in 2009. The Golden State ultimately was able to borrow what it needed without federal help.

As the stimulus funding nears an end, most governors are declaring it a success.

"I expect we'll look back on this period and see it as another New Deal," said Raymond Scheppach, executive director of the NGA. "I don't really know what states would have done without it."

When federal-state cost sharing began

The New Deal programs of the mid-1930s rescued legions of destitute people and restarted the nation's devastated economy. They also changed forever the fiscal relationship between states and the federal government. Until that time, Washington

gave states only scant resources, primarily for road building. What little assistance was available for impoverished families, elderly people and the disabled was provided by states and localities.

But the enormity of human suffering after the 1929 financial collapse prompted Congress to appropriate nearly 10 percent of the federal budget for domestic aid programs such as Social Security, which began in 1935 and became part of what is now known as the “safety net.” Later, in the mid-1960s, when the nation was flush with cash and gravely concerned about poverty and racial inequities, Congress approved so-called Great Society anti-poverty and education funding measures, further upping the portion of the U.S. budget that went to programs previously run by states.

Today, the U.S. Department of Health and Human Services, which funds state-run programs for the needy and generally oversees the nation’s health and welfare, takes up 29 percent of the federal budget, and the Social Security Administration occupies nearly 24 percent, according to the U.S. Census Bureau. That compares to less than 18 percent for national security, which was envisioned by the framers of the Constitution as the federal government’s primary responsibility.

Medicaid and state budgets

While Washington can print money and operate on a deficit, states have limited borrowing ability and are bound to balance their budgets. As a result, the recession has led some state officials to complain that continuing to obligate states to underwrite national programs, particularly Medicaid, is unsustainable.

“We’ve been splitting the bill with a partner that’s too rich for us for far too long,” said Michael Genest, who retired January 1 as the director of the California Department of Finance. He predicted that Medicaid, if unchanged, would claim 30 percent of his state’s general fund dollars by 2030—and 40 percent by 2040—compared to about 18 percent in fiscal year 2009.

Governor Arnold Schwarzenegger (R) took the grievance even further. Facing a \$20 billion deficit in his final year in office, he released a state spending plan in January that relies on \$6.9 billion in new federal money that he claims his state is owed for Medicaid and other programs. He called on the federal government to work with states to change “the flawed formula that demands that the states spend money that we do not have.”



STATES TO WATCH OPTING OUT OF NATIONAL HEALTH CARE REFORM

Legislatures in more than half the states are being asked to consider blocking a key element of national health care proposals—a requirement that most adults acquire health insurance.

As the 2010 legislative season got under way, lawmakers in 26 states had introduced measures to give people the right to opt out of a universal health care plan if enacted by Congress: Alabama, Alaska, Arizona, Arkansas, Florida, Georgia, Idaho, Indiana, Louisiana, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Hampshire, New Mexico, North Dakota, Ohio, Oklahoma, Pennsylvania, South Carolina, Tennessee, Virginia, Washington, West Virginia and Wyoming. In six other states, lawmakers promised to introduce similar legislation, according to the conservative American Legislative Exchange Council.

The bills are modeled after Arizona’s Proposition 101, a proposed constitutional amendment that Arizona voters narrowly rejected in 2008 but will see again on the 2010 ballot. If successful, experts say the measures—which would bar penalties for failing to sign up for health insurance—will be challenged in court.

Launched in 1965 to expand state efforts to ensure basic health care for the poor, Medicaid committed the federal government to an open-ended partnership that has led to a complex array of state health insurance plans. Medicaid originally offered federal payment for about half of low-income health costs in return for states agreeing to minimum eligibility and coverage standards. Rules have changed over the years, but currently states must cover children ages 6 to 19 if family income is less than 100 percent of the federal poverty line (about \$22,000 for a family of four), pregnant women and young children if income is under 133 percent of poverty levels, and elderly, blind and disabled persons who meet eligibility thresholds. Participation in Medicaid was optional, but all states eventually adopted laws to qualify for the federal money, most within the first few years.

Though state plans vary widely, what they have in common is ballooning price tags. Taxpayers in 2009 paid an estimated \$335.1 billion for Medicaid, according to the National Association of State Budget Officers (NASBO), and the program's costs are projected to spiral, with or without national health care reform.

According to a Kaiser Family Foundation report, the recession spurred Medicaid's biggest enrollment growth in six years during fiscal year 2009, increasing spending nearly 8 percent.

Economists have cited out-of-control health care costs as a major cause of the nation's economic woes and entitlement programs, including Medicaid, as a primary source of the staggering federal deficit. In its deliberations on a universal health care plan, Congress moved to expand eligibility for Medicaid coverage but showed little appetite to relieve states and shoulder the entire cost of the expanded public health care burden.

Still, as state revenue has been sinking, interest has risen in exploring a recalibration of fiscal tradeoffs in

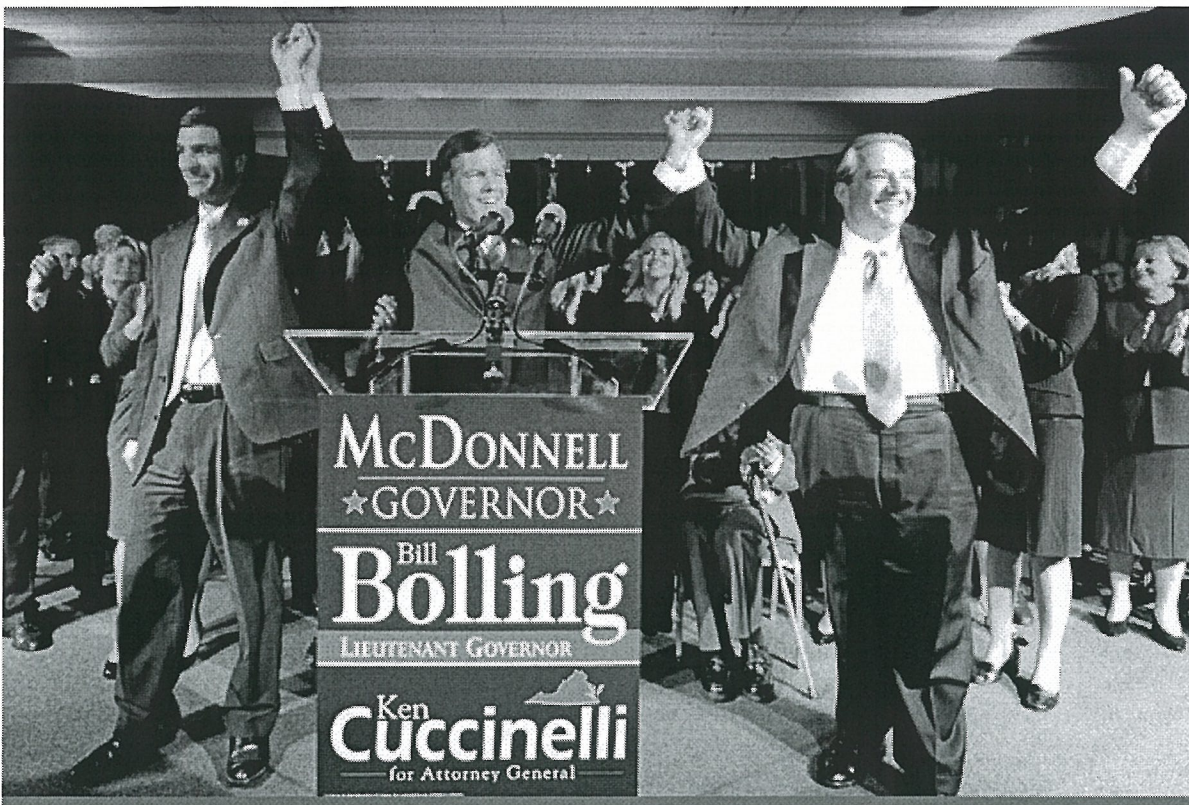
the state-federal realm. For now, the most tangible step is the formation by NASBO of a committee of state fiscal analysts to study the state-federal cost-sharing arrangement. Nothing like a Reagan plan has been floated, though state fiscal experts offer a couple of potential scenarios.

The portion of Medicaid attributable to the elderly could be combined with the federally financed Medicare program for seniors, reducing administrative costs and bureaucratic confusion. At least 46 percent of all Medicaid spending is for so-called dual eligibles—those over 65 who qualify for both Medicare and Medicaid and use benefits to pay for prescription drugs and nursing home care. Under this scenario, states would continue to administer and pay for their portion of Medicaid to cover low-income families and the disabled, and Washington would continue to pay about half of that bill.

Another scenario would have states taking full responsibility for education and highway funding and Medicaid becoming entirely a federal program. Based on 2009 figures from the U.S. Census Bureau, such a swap would take \$135.5 billion in Medicaid spending off states' books in exchange for states forgoing about \$56.8 billion in federal K-12 education grants and some \$40 billion in federal highway aid.

If states were to scale back or repeal their Medicaid laws, their fiscal worries would end. States are under no federal obligation to continue the programs. "If a letter went to Washington from all 50 governors saying, 'We're not going to provide Medicaid anymore,' that would get the conversation moving," said California's Genest.

It is unlikely states would shirk their health care responsibilities entirely. Still, the recession already is forcing some states to consider shrinking their Medicaid benefits to help balance their distressed budgets. ■



2010 elections: New faces, daunting problems

By Pamela M. Prah

Barack Obama won the presidency running on a platform of change in 2008, and change also will be the watchword in 2010 at the state level.

Bruising budget battles could put voters in a testy mood and usher in a wave of new faces to lead state government, where Democrats now hold the majority of governorships and statehouses.

In November, 37 states will elect governors and 46 will choose new legislators just as states are trying

to emerge from the worst recession since the 1930s. It is a certainty that more than half the faces in the 2010 class of governors-elect will be new, and leadership in almost two dozen statehouse chambers could change political hands as well.

States with some of the biggest budget brawls could be ripe for takeover by the opposing party. Polls and pundits indicate that Democrats are in jeopardy of losing both the governor's mansion and possibly a legislative chamber in Michigan, New York and Pennsylvania. Meanwhile, Republican governorships are rated up for grabs in Arizona, California, Nevada and Rhode Island, and GOP-led chambers are in play in Tennessee, Texas and Montana.

■ Republicans celebrate an Election Day 2009 sweep of top posts in Virginia with hopes of more victories in the far larger bounty of races on November 2. Here, Governor-elect Robert McDonnell, center, is flanked by Attorney General-elect Ken Cuccinelli, left, and Lieutenant Governor-elect Bill Bolling. Facing a \$4 billion shortfall over two years, McDonnell has vowed to cut his own pay and make government more efficient.

The punishing economy could be an albatross to incumbents and a godsend to challengers in the biggest election for states in four years. All 37 states with gubernatorial races have lost revenue since the recession started. Of the 15 states where incumbents are running, all but four raised taxes or fees, primarily on tobacco, for fiscal year 2010.

Lessons from earlier elections

In what could be a warning for incumbents, voters in the last big gubernatorial election year to fall in the midst of a state budget crisis—2002—were in a mood for change.

Four sitting governors were ousted that year, and party control flipped in half of the 36 governors' seats on the ballot. The GOP lost 10 governors' offices, while the Democrats lost eight. Turnabouts occurred even where the incumbent's party traditionally had

been strong, including Georgia, Kansas, Maryland and Tennessee. The handling of the economic downturn was a major factor in many of the 2002 races.

Anti-tax advocates vow to make tax hikes the litmus test for 2010 statehouse and governors' races. "Tax increases are what failed governors do," said Grover Norquist, founder of Americans for Tax Reform and a major advocate of limited government.

Voters in California in May 2009 showed their disdain for higher taxes by overwhelmingly rejecting \$6 billion in increases proposed by the legislature and governor. But Oregon voters on January 26 reached the opposite decision, giving popular approval for the first time since 1930 to a general tax increase. Oregonians upheld plans by the governor and legislature to plug a budget gap with \$727 million in new taxes on the wealthy and corporations.

More measures on the collection and use of taxpayers' dollars are likely on the 2010 ballot. Twenty-four states allow citizens to put measures on the ballot that can intentionally or unintentionally hamstring lawmakers' ability to cut certain programs or raise taxes.

Anti-tax crusaders probably will try again to use the ballot box to rein in spending, even though they failed to gain traction in 2009 when voters in both Maine and Washington State rejected tax-cap measures modeled after Colorado's controversial Taxpayer's Bill of Rights (TABOR). Maine voters rejected a similar initiative in 2006, as did voters in Nebraska and Oregon.

Measures already making their way to the Colorado ballot would cut the income tax and slash at least \$1 billion in taxes. And Washington voters may yet get another measure to curb taxes and fees courtesy of Tim Eyman, a conservative political activist who has sponsored at least a dozen ballot proposals in recent years. "If the legislature goes hog wild," he told



STATES TO WATCH POLITICAL PENALTY FOR TAX HIKES?

All but four of the 15 states where incumbent governors will face voters this fall raised taxes or fees to balance fiscal year 2010 budgets. In all, taxpayers in 29 states saw hikes. It is unclear whether tax and fee increases will translate into voter anger at the polls.

New York Governor David Paterson (D) will have to defend the biggest tax increase in total dollars terms—some \$6 billion in fee increases and higher sales, personal income, tobacco and alcohol taxes.

Massachusetts Governor Deval Patrick (D) boosted revenue by \$890 million with a 25 percent higher state sales tax. Idaho Governor C.L. "Butch" Otter (R) failed to push through a proposal for a gasoline tax increase to pay for road improvements and settled for a higher motor vehicle fee. Over the objection of Governor Jim Gibbons (R), Nevada brought in nearly \$300 million with heftier payroll and hotel room taxes.

Governors will face voters after raising taxes on cigarettes or tobacco in Arkansas, New Hampshire and Texas; motor vehicle fees in Alaska, Idaho and Utah; and corporate income taxes in Iowa. In Maryland, a tax was imposed on electronic bingo winnings.

The Olympian in November, he will work to put on the ballot the same spending limit measure that was defeated last fall by double digits.

Californians may get the chance to vote on changes to the budget process that many argue would address the root of the state's fiscal problems. Several groups are leading ballot drives for an array of measures, including one that would allow the legislature to increase taxes and pass the budget with a simple majority vote, rather than the two-thirds approval that is more difficult to win and has led to political gridlock in Sacramento. Another proposal would stipulate that groups seeking to pass a ballot measure that commits public funds must identify counterbalancing cuts elsewhere in the budget.

But the outlook for such measures is uncertain. "Many voters are simply too distrustful of state politicians to loosen restrictions on taxes and spending," said Mark Baldassare, president of the Public Policy Institute of California, a San Francisco-based think tank.

California, in a league of its own for fiscal dysfunction, shows what can happen when voters revolt. Californians re-elected Governor Gray Davis (D) in 2002, only to oust him less than a year later in an unprecedented recall election that put Arnold Schwarzenegger (R) into office. A tripling of the car



GETTY IMAGES

■ On a trip to Troy, N.Y., last fall, President Barack Obama greets Governor David Paterson (D). As New York's financial condition has plummeted, so has Paterson's standing with voters, whom he will face for the first time since he inherited his job in March 2008. Paterson is locked in a budget struggle with fellow Democrats in the legislature over his call for cuts to schools and other programs to erase red ink in the budget.

tax and Davis' handling of spiraling budget deficits were partly to blame, while Schwarzenegger ran on a campaign to "tear up the state's credit card" and put the world's eighth-largest economy on more sound fiscal footing after years of "financial recklessness."

Statehouse control at stake

The 2010 election will test incumbents of both political parties. Pushed to the wall by historic revenue drops, incumbents will have to defend decisions to slash programs or increase taxes—even as billions of federal stimulus dollars flowed into



STATES TO WATCH BATTLEFRONT: 21 LEGISLATIVE CHAMBERS, 17 STATES

Among the 46 states with legislative races this year, the contests most worth watching are for political control in roughly a couple dozen narrowly divided statehouse chambers.

Twelve state Senates could switch power with shifts in three or fewer seats, and control in nine House chambers could change with a shift in five or fewer seats, according to an analysis by the National Conference of State Legislatures (NCSL).

Up for grabs, according to NCSL, are both chambers in Alaska, Montana, Tennessee and Wisconsin. In the Alaska Senate and Montana House, Republicans and Democrats currently are tied.

Historically, the party that controls the White House loses statehouse seats during midterm elections. Democrats have more to lose as they must defend more chambers. Going into the elections, Democrats control both chambers in 27 statehouses; the GOP has majorities in both chambers in 14 states. Eight statehouses are split between the parties, and Nebraska has the nation's only nonpartisan, unicameral legislature.

state coffers. Campaigns will heat up just as many lawmakers will have cobbled together budgets fiercely harder to balance than the previous year's despite a national economy that seemed to turn the corner toward recovery.

All but a handful of gubernatorial races are expected to be nail-biters, and control of twice as many statehouse chambers could change to the other party than what typically happens in an even-year election, according to predictions from professional election handicappers.

Legislative term limits in 14 states, including Arizona, California, Florida, Michigan and Ohio, will usher in fresh faces to grapple with huge budget problems.

Also on the ballot are spots for 31 attorneys general and 26 secretaries of state, posts that often serve as launching pads for the governorship. Attorneys general in Arizona, California, Florida, Georgia, Michigan and Oklahoma have expressed interest in their state's top job, and insiders speculated that New York Attorney General Andrew Cuomo might jump into a Democratic primary race against embattled Governor David Paterson. Likewise, Vermont's secretary of state is vying for governor, and Georgia's top election official stepped down in 2009 to make a gubernatorial run.

Control of Congress also is on the line, with Democrats vying to retain the upper hand in both chambers as all 435 House seats and 36 U.S. Senate seats are on the ballot.

The stakes are especially high this year because whichever party wins control in statehouses will have an advantage in redrawing maps for congressional and legislative districts based on new census numbers. Texas, with its growing population, is expected to gain as many as four seats in Congress. Democrats are just two seats from recapturing the state House in Austin, a coup that would snatch the plum redistricting role from the GOP.

Equally important, many Republicans are banking on victories at the state level to reverse the party's national slide, which cost it control of Congress and the majority of governors' seats and legislative chambers in 2006 and the White House in 2008.

Republicans hope to build on momentum from the stunning upset January 19 by Massachusetts State Senator Scott Brown (R) to fill the seat of the late U.S. Senator Edward Kennedy (D). The GOP also won 2009's only gubernatorial races, taking back Virginia with a win by former attorney general Robert McDonnell and ousting one-term New Jersey Governor Jon Corzine (D), the first incumbent governor to face voters after deep budget cuts.



STATES TO WATCH RUNNING FOR REDISTRICTING POWER

Democrats and Republicans will be vying for advantage in 2010 statehouses races for the right to sketch new political maps that will influence seats in state legislatures and on Capitol Hill for the next decade. Watch state legislative races to see which party wins the upper hand in redistricting.

All eyes are on Texas, which is likely to be awarded up to four extra seats in Congress, more than any state. The Texas legislature will draw the new district boundaries. A swing of just two seats in the state House could cost Republicans their lock on political control.

Legislatures also will play a primary role in redrawing districts in states expected to pick up one seat in Congress: Florida, Georgia, Nevada, North Carolina, Oregon, South Carolina and Utah. Arizona could pick up two congressional seats, but its map is drawn by an independent commission.

Republican Chris Christie, a former prosecutor, beat Corzine in part by promising to cut taxes while hammering the Democrat for slapping a higher tax on the wealthy. In his campaign, Corzine touted his being the first governor in 60 years to cut state spending, but even campaign appearances by President Obama, who is popular in New Jersey, did not help.

Under Corzine, New Jersey was one of nine states since the recession started to increase taxes on high-income earners to balance budgets. Among that group, only New York's Paterson and Maryland Governor Martin O'Malley (D) will face voters this year.

Budget woes loom over campaigns for governors' seats

Intraparty squabbles are a sign of today's hard times as state revenue has trended down for at least four straight quarters even as social spending has increased on safety-net programs such as taxpayer-funded health care.

New York's Paterson is among the 15 incumbent governors hoping to keep their jobs, which in the Empire State comes with promises of widening budget deficits and a turbulent political climate in the Democratic-controlled legislature. Facing a \$3.2 billion budget shortfall before 2009 ended, Paterson fought fellow Democratic lawmakers over his demands that popular and generous health care and education programs not be immune from cutbacks. In November, he called lawmakers into special session and warned that New York was running out of money, even after just raising a record \$6 billion in new and higher taxes and fees.

More than 2,000 miles away in Arizona, Republican Jan Brewer also has butted heads with her own party since inheriting the governor's job from Janet Napolitano (D), who left office in January 2009 to join Obama's Cabinet. Brewer pushed for a temporary 1-cent sales tax hike to balance a budget \$4 billion out

of whack. The former secretary of state's prescription of a tax increase, combined with spending cuts, faced a hard sell in a state famous for anti-tax sentiment. As 2009 ended, Arizona's shortfall stood at \$1.6 billion.

Throughout 2009, Brewer and Paterson trailed badly in polls. Other incumbents in hard-pressed states also face tough campaigns to keep their jobs. Winning the primary will be the first hurdle for some. Illinois Governor Pat Quinn (D), who ascended to his job last year after former governor Rod Blagojevich (D) was impeached and removed from office, woke up from his February 2 primary to find the results too close to call. According to political handicappers, other Democrats to watch are Chet Culver of Iowa, Deval Patrick of Massachusetts and Ted Strickland of Ohio. Among Republicans, Governors Rick Perry of Texas



STATES TO WATCH RUNNING ON THEIR OWN MERITS

Five of 15 incumbent governors running in 2010 face their first election for the state's top job. They inherited the office—some along with billion-dollar budget holes—when their bosses left midterm.

- Alaska Governor Sean Parnell (R) took over after former vice presidential nominee Sarah Palin (R) stepped down to write a book and explore national options.
- Arizona Governor Jan Brewer (R) reclaimed the office for her party when Janet Napolitano (D) joined President Obama's Cabinet, only to deadlock with the GOP-held legislature over her call for a temporary sales tax hike.
- Illinois Governor Pat Quinn (D) replaced impeached Rod Blagojevich (D) and unsuccessfully pitched raising the state income tax.
- New York Governor David Paterson (D) plugged a budget hole with \$6 billion in new taxes and fees after taking over in 2008 from Eliot Spitzer (D), who resigned in a sex scandal.
- Utah Governor Gary Herbert (R) is seeking voter approval to finish the term of Jon Huntsman Jr. (R), who became Obama's ambassador to China.

and Jim Gibbons of Nevada are expected to have competitive primaries in March and June, respectively. The slate of candidates will not be final until as late as September in some states.

Clark County Commissioner Rory Reid, a Democrat like his father, U.S. Senate Majority Leader Harry Reid, is among those vying to become governor of Nevada and take on the stunning challenges of a recession-ravaged state. When gambling and tourism dollars slumped as consumers cut back, Nevada's building boom wrenched to a halt, resulting in unemployment and foreclosure rates that were among the highest in the country.

"We have a state government built for the 19th century and happy to stay there," Reid said in a 30-page blueprint for fundamentally changing

Nevada's economy. One of his ideas is to make Nevada the nation's "IT closet" for storing electronic data because it rarely has severe weather.

Political analysts say Schwarzenegger's low approval ratings as he leaves office because of term limits plus voter disgust over California's perennial budget problems open the door for Democrats to regain the office. Attorney General Jerry Brown (D) is leading in polls against several Republican candidates—including former eBay CEO Meg Whitman—in the race to succeed Schwarzenegger, putting Brown in a position to reclaim the job he held from 1975 to 1983 if he decides to run.

Brown has vowed to hold the line on taxes, while Whitman has signed a no-new-taxes pledge and has promised to cut 40,000 state jobs and reduce

CHANGES AIM TO MAKE EVERY VOTE COUNT—AND COST LESS

States' bottom lines increasingly are a top concern in preparing for Election Day. As the recession squeezes budgets, states are searching for ways to change their election systems—not just to improve voters' experience and accuracy in vote-counting, but also to cut costs in 2010 and beyond.

Voter registration is one major focus. The huge surge in voter interest in 2008 exposed weaknesses in state laws and procedures for building and maintaining voter rolls. As a result, states are rethinking their processes and exploring different approaches to voter registration modernization.

Nine states, led by Arizona and Washington, have moved or are moving registration online, linking voters to motor vehicle records to quickly verify their identity and eligibility. Delaware has eliminated "wet ink" signatures in favor of e-signatures. Utah and Ohio are considering substantial reforms that would use official records—not just voter application forms—to help build and maintain voter lists.

In addition, prompted by the October 2009 passage of the federal Military and Overseas Voter Empowerment Act (MOVE), states are developing the ability to transmit blank ballots and information electronically to voters abroad. These measures seek not only to ensure these voters can cast a valid ballot in time for it to be counted, but also to save states time and money by no longer relying exclusively on postal mail. Massachusetts enacted legislation to comply with MOVE in November 2009, and others are expected to follow suit in 2010.

States also are making other election information available online. In 2009, Virginia's official Web site added an interactive elections "gadget," providing useful information such as polling place locations, which users can embed in other online sites. Some estimates suggest states could save up to \$100 for every voter phone call or office visit avoided.

Finally, there is growing interest in early and absentee voting and voting by mail as ways to cut the cost of Election Day, while some states, such as Hawaii, are shrinking the number of polling locations to trim expenses.

Challenges remain, however, in the nation's continued transition to new voting machines as mandated by Congress after problems in the 2000 presidential election. Turnover in the election technology industry—marked most recently by the acquisition of Diebold Inc.'s election business by Election Systems & Software—has led to mounting concern at the state and local level about the cost of purchasing and maintaining voting machines.

Doug Chapin, Director, Election Initiatives (www.pewcenteronthestates.org/elections)

spending by \$15 billion. Steve Poizner, the state insurance commissioner who also wants to be the GOP nominee, is vowing to cut personal, sales and corporate taxes by 10 percent and to cut spending 10 percent over two years.

Brown may not be the only former governor vying for his old job. Running for open seats, former Oregon governor John Kitzhaber (D), who left office in 2003 because of term limits, is seeking an unprecedented third term, while former Georgia governor Roy Barnes (D) wants to reclaim the office he lost in 2002. In Iowa, former governor Terry E. Branstad (R) is challenging Culver, the Democratic incumbent, and many Republicans are hoping former Maryland governor Robert Ehrlich Jr. will run for the post he lost in 2006 to O'Malley. Because all except Brown led during boom years, it could give these former governors a "weird advantage" if voters associate them with good times, said Jennifer Duffy, a senior editor who tracks governors' races for *The Cook Political Report*, a nonpartisan publication.

If history is a guide, GOP could gain

For many, the election will be a referendum on Obama. "There is no question that the incumbent president has a real effect on the outcomes of gubernatorial elections in at least some states," said Larry J. Sabato, director of the University of Virginia's Center for Politics.

History is not on the Democrats' side. Sabato's research shows that 75 percent of the time, the party that wins the White House loses gubernatorial berths—typically four seats—in the following midterm elections. In 1982, the GOP suffered a net loss of seven gubernatorial spots after Republican Ronald Reagan won the presidency. In 1994, in the first midterm election after Bill Clinton won the White House, his fellow Democrats lost a net of 10 governors' seats, control of 20 legislative chambers



GETTY IMAGES

■ Republican Chris Christie, left, took over in January as New Jersey's governor after running on a platform of making government smaller, promising not to raise taxes and cutting state spending as much as 25 percent to help plug a \$9.5 billion deficit. His running mate, former sheriff Kim Guadagno, right, is the state's first lieutenant governor and also was appointed by Christie to serve as secretary of state.

and, for the first time in 40 years, control of Congress. Both of those midterm elections came on the heels of national recessions, and the 1994 election also followed a bitter, failed debate in Congress over health care reform.

The 2002 election stands out as an exception, perhaps because it followed the 2001 terrorist attacks that led to high approval ratings for President George W. Bush. Republicans had a net loss of just one governor in the first election after Bush's victory in 2000. And the GOP gained 177 legislative seats, the first time since at least 1938 that the party occupying the White House had not lost seats, according to the National Conference of State Legislatures (NCSL).





















































































































































































Tim Storey, an elections expert at NCSL, cautioned that even unusually high legislative gains by the GOP might not herald a Republican comeback at the state level in 2010 because "Democrats are at such a high-water mark in many states." Going into the elections, Democrats control both chambers in 27 states, nearly twice the 14 controlled by the GOP. Eight states have split control, and Nebraska's unicameral legislature is nonpartisan. ■



state elections

November 2

-  **Incumbents running for election**
-  **Incumbents running for other office**
-  **Incumbents ineligible to run for re-election because of term limits**
-  **Incumbents choosing not to run for re-election**
-  **Incumbents not up for re-election**
-  **Incumbents in appointed positions**
-  **States with elections in both legislative chambers**
-  **States with elections only in the lower legislative chamber**
-  **States without legislative elections**
-  **Nebraska's unicameral state legislature will have elections in 2010**

	Governor	Secretary of state	Attorney general	Legislative control
Alabama	 Bob Riley (R)	 Beth Chapman (R)	 Troy King (R)	 Democrat
Alaska	 Sean Parnell (R)	None	 Daniel S. Sullivan (R) ¹	 Split
Arizona	 Jan Brewer (R)	 Ken Bennett (R)	 Terry Goddard (D)	 Republican
Arkansas	 Mike Beebe (D)	 Charlie Daniels (D)	 Dustin McDaniel (D)	 Democrat
California	 Arnold Schwarzenegger (R)	 Debra Bowen (D)	 Jerry Brown (D)	 Democrat
Colorado	 Bill Ritter (D)	 Bernie Buescher (D)	 John Suthers (R)	 Democrat
Connecticut	 M. Jodi Rell (R)	 Susan Bysiewicz (D)	 Richard Blumenthal (D)	 Democrat
Delaware	 Jack Markell (D)	 Jeffrey W. Bullock (D) ¹	 Beau Biden (D)	 Democrat
Florida	 Charlie Crist (R)	 Kurt Browning (R) ¹	 Bill McCollum (R)	 Republican
Georgia	 Sonny Perdue (R)	 Brian Kemp (R)	 Thurbert Baker (D)	 Republican
Hawaii	 Linda Lingle (R)	None	 Mark J. Bennett (R) ¹	 Democrat
Idaho	 C.L. "Butch" Otter (R)	 Ben Ysursa (R)	 Lawrence Wasden (R)	 Republican
Illinois	 Pat Quinn (D)	 Jesse White (D)	 Lisa Madigan (D)	 Democrat
Indiana	 Mitch Daniels (R)	 Todd Rokita (R)	 Greg Zoeller (R)	 Split
Iowa	 Chet Culver (D)	 Michael Mauro (D)	 Thomas Miller (D)	 Democrat
Kansas	 Mark Parkinson (D)	 Ron Thornburgh (R)	 Stephen Six (D)	 Republican
Kentucky	 Steven L. Beshear (D)	 Trey Grayson (R)	 Jack Conway (D)	 Split
Louisiana	 Bobby Jindal (R)	 Jay Dardenne (R)	 Buddy Caldwell (D)	 Democrat
Maine	 John Baldacci (D)	 Matthew Dunlap (D) ²	 Janet T. Mills (D) ²	 Democrat
Maryland	 Martin O'Malley (D)	 John McDonough (D) ¹	 Doug Gansler (D)	 Democrat
Massachusetts	 Deval Patrick (D)	 Bill Galvin (D)	 Martha Coakley (D)	 Democrat
Michigan	 Jennifer Granholm (D)	 Terri Lynn Land (R)	 Mike Cox (R)	 Split
Minnesota	 Tim Pawlenty (R)	 Mark Ritchie (DFL)	 Lori Swanson (DFL)	 Democrat
Mississippi	 Haley Barbour (R)	 Delbert Hosemann (R)	 Jim Hood (D)	 Democrat
Missouri	 Jay Nixon (D)	 Robin Carnahan (D)	 Chris Koster (D)	 Republican
Montana	 Brian Schweitzer (D)	 Linda McCulloch (D)	 Steve Bullock (D)	 Split
Nebraska	 Dave Heineman (R)	 John Gale (R)	 Jon Bruning (R)	 Nonpartisan
Nevada	 Jim Gibbons (R)	 Ross Miller (D)	 Catherine Masto (D)	 Democrat
New Hampshire	 John Lynch (D)	 William Gardner (D) ²	 Michael Delaney (D) ¹	 Democrat
New Jersey	 Chris Christie (R)	 Kim Guadagno (R) ¹	 Paula Dow (D) ¹	 Democrat
New Mexico	 Bill Richardson (D)	 Mary Herrera (D)	 Gary King (D)	 Democrat
New York	 David Paterson (D)	 Lorraine Vazquez (D) ¹	 Andrew Cuomo (D)	 Democrat
North Carolina	 Beverly Perdue (D)	 Elaine Marshall (D)	 Roy A. Cooper (D)	 Democrat
North Dakota	 John Hoeven (R)	 Al Jaeger (R)	 Wayne Stenehjem (R)	 Republican
Ohio	 Ted Strickland (D)	 Jennifer Brunner (D)	 Richard Cordray (D)	 Split
Oklahoma	 Brad Henry (D)	 M. Susan Savage (D) ¹	 Drew Edmondson (D)	 Republican
Oregon	 Ted Kulongoski (D)	 Kate Brown (D)	 John Kroger (D)	 Democrat
Pennsylvania	 Ed Rendell (D)	 Pedro Cortes (D) ¹	 Tom Corbett (R)	 Split
Rhode Island	 Don Carcieri (R)	 A. Ralph Mollis (D)	 Patrick C. Lynch (D)	 Democrat
South Carolina	 Mark Sanford (R)	 Mark Hammond (R)	 Henry McMaster (R)	 Republican
South Dakota	 Mike Rounds (R)	 Chris Nelson (R)	 Marty Jackley (R)	 Republican
Tennessee	 Phil Bredesen (D)	 Tre Hargett (R) ²	 Robert Cooper, Jr. (D) ³	 Republican
Texas	 Rick Perry (R)	 Esperanza Andrade (R) ¹	 Greg Abbott (R)	 Republican
Utah	 Gary Herbert (R)	None	 Mark Shurtleff (R)	 Republican
Vermont	 Jim Douglas (R)	 Deb Markowitz (D)	 William Sorrell (D)	 Democrat
Virginia	 Robert McDonnell (R)	 Janet Polarek (R) ¹	 Ken Cuccinelli (R)	 Split
Washington	 Christine Gregoire (D)	 Sam Reed (R)	 Rob McKenna (R)	 Democrat
West Virginia	 Joe Manchin III (D)	 Natalie Tennant (D)	 Darrell McGraw (D)	 Democrat
Wisconsin	 Jim Doyle (D)	 Doug La Follette (D)	 J. B. Van Hollen (R)	 Democrat
Wyoming	 Dave Freudenthal (D)	 Max Maxfield (R)	 Bruce Salzburg (D) ¹	 Republican

¹Appointed by governor.²Appointed by legislature.³Appointed by state supreme court.⁴Individual polling place hours may vary.⁵All Nebraska polling locations are open during the same hours: 7 a.m. to 7 p.m. in the Central Time Zone and 8 a.m. to 8 p.m. in the Mountain Time Zone.⁶Oregon has a vote-by-mail system, but allows voters to cast ballots in person.⁷States with separate mail-in registration deadlines.⁸Preregistration ends before Election Day, but voters may register on Election Day.⁹After registration in North Carolina closes, the state offers one-stop registration and absentee voting Oct. 14–Oct. 30 (April 15–May 1 for the primary).¹⁰38 of the state's 39 counties conduct voting by mail.

2010 ELECTIONS GUIDE

Polling place hours	Registration deadline	Primary		No-excuse absentee voting		Voter ID requirements	
		election date	registration deadline	by mail	in person / early voting ¹¹		
7 a.m. - 7 p.m.	Oct. 22	June 1	May 21	Excuse required	No early voting	Require any ID	Alabama
7 a.m. - 8 p.m.	Oct. 3	Aug. 24	July 25	No excuse required	Allows early voting	Require any ID	Alaska
6 a.m. - 7 p.m.	Oct. 4	Aug. 24	July 26	No excuse required	Allows early voting	Require any ID	Arizona
7:30 a.m. - 7:30 p.m.	Oct. 3	May 18	April 18	No excuse required	Allows early voting	Require any ID	Arkansas
7 a.m. - 8 p.m.	Oct. 18	June 8	May 24	No excuse required	Allows early voting	HAVA minimum ¹²	California
7 a.m. - 7 p.m.	Oct. 4	Aug. 10	July 12	No excuse required	Allows early voting	Require any ID	Colorado
6 a.m. - 8 p.m.	Oct. 26 ⁷	Aug. 10	Aug. 9 ⁷	Excuse required	No early voting	Require any ID	Connecticut
7 a.m. - 8 p.m.	Oct. 9	Sept. 14	Aug. 21	Excuse required	No early voting	Require any ID	Delaware
7 a.m. - 7 p.m.	Oct. 4	Aug. 24	July 26	No excuse required	Allows early voting	Require photo ID	Florida
7 a.m. - 7 p.m.	Oct. 4	July 20	June 21	No excuse required	Allows early voting	Require photo ID	Georgia
7 a.m. - 6 p.m.	Oct. 4	Sept. 18	Aug. 19	No excuse required	Allows early voting	Photo ID requested ¹³	Hawaii
8 a.m. - 8 p.m. ⁴	Election day ⁸	May 25	Election day ⁸	No excuse required	Allows early voting	HAVA minimum ¹²	Idaho
6 a.m. - 7 p.m.	Oct. 5	Feb. 2	Jan. 5	Excuse required	Allows early voting	HAVA minimum ¹²	Illinois
6 a.m. - 6 p.m.	Oct. 4	May 4	April 5	Excuse required	Allows early voting	Require photo ID	Indiana
7 a.m. - 9 p.m.	Election day ⁸	June 8	Election day ⁸	No excuse required	Allows early voting	HAVA minimum ¹²	Iowa
7 a.m. - 7 p.m. ⁴	Oct. 18	Aug. 3	July 19	No excuse required	Allows early voting	First-time voters	Kansas
6 a.m. - 6 p.m.	Oct. 6	May 18	April 19	Excuse required	No early voting	Require any ID	Kentucky
6 a.m. - 8 p.m.	Oct. 4	Aug. 28	July 28	Excuse required	Allows early voting	Photo ID requested ¹³	Louisiana
varies - 8 p.m. ⁴	Election day	June 8	Election day	No excuse required	Allows early voting	HAVA minimum ¹²	Maine
7 a.m. - 8 p.m.	Oct. 12	Sept. 14	Aug. 24	No excuse required	Allows early voting	HAVA minimum ¹²	Maryland
7 a.m. - 8 p.m.	Oct. 13	Sept. 14	Aug. 25	Excuse required	No early voting	HAVA minimum ¹²	Massachusetts
7 a.m. - 8 p.m.	Oct. 4	Aug. 3	July 6	Excuse required	No early voting	Photo ID requested ¹³	Michigan
7 a.m. - 8 p.m. ⁴	Election day ⁸	Sept. 14	Election day ⁸	Excuse required	No early voting	HAVA minimum ¹²	Minnesota
7 a.m. - 7 p.m.	Oct. 3	June 1	May 1	Excuse required	No early voting	HAVA minimum ¹²	Mississippi
6 a.m. - 7 p.m.	Oct. 6	Aug. 3	July 7	Excuse required	No early voting	HAVA minimum ¹²	Missouri
7 a.m. - 8 p.m. ⁴	Election day ⁸	June 8	Election day ⁸	No excuse required	Allows early voting	Require any ID	Montana
8 a.m. - 8 p.m. ⁵	Oct. 22 ⁷	May 11	May 3 ⁷	No excuse required	Allows early voting	HAVA minimum ¹²	Nebraska
7 a.m. - 7 p.m.	Oct. 12 ⁷	June 8	May 18 ⁷	No excuse required	Allows early voting	HAVA minimum ¹²	Nevada
varies ⁴	Election day ⁸	Sept. 14	Election day ⁸	Excuse required	No early voting	HAVA minimum ¹²	New Hampshire
6 a.m. - 8 p.m.	Oct. 12	June 8	May 18	No excuse required	Allows early voting	HAVA minimum ¹²	New Jersey
7 a.m. - 7 p.m.	Oct. 5	June 1	May 4	No excuse required	Allows early voting	Require any ID	New Mexico
6 a.m. - 9 p.m.	Oct. 8	Sept. 14	Aug. 20	Excuse required	No early voting	HAVA minimum ¹²	New York
6:30 a.m. - 7:30 p.m.	Oct. 8 ⁹	May 4	April 9 ⁹	No excuse required ⁹	Allows early voting ⁹	HAVA minimum ¹²	North Carolina
7 a.m. - 7 p.m.	No registration	June 8	No registration	No excuse required	Allows early voting	Require any ID	North Dakota
6:30 a.m. - 7:30 p.m.	Oct. 4	May 4	April 5	No excuse required	Allows early voting	Require any ID	Ohio
7 a.m. - 7 p.m.	Oct. 8	July 27	July 2	No excuse required	Allows early voting	HAVA minimum ¹²	Oklahoma
7 a.m. - 8 p.m. ⁶	Oct. 12	May 18	April 27	No excuse required	No early voting	HAVA minimum ¹²	Oregon
7 a.m. - 8 p.m.	Oct. 4	May 18	April 19	Excuse required	No early voting	First-time voters	Pennsylvania
7 a.m. - 9 p.m. ⁴	Oct. 2	Sept. 14	August 14	Excuse required	No early voting	HAVA minimum ¹²	Rhode Island
7 a.m. - 7 p.m.	Oct. 2	June 8	May 8	Excuse required	No early voting	Require any ID	South Carolina
7 a.m. - 7 p.m.	Oct. 18	June 8	May 24	No excuse required	Allows early voting	Photo ID requested ¹³	South Dakota
varies - 7 p.m. ⁴	Oct. 4	Aug. 5	July 6	Excuse required	Allows early voting	Require any ID	Tennessee
7 a.m. - 7 p.m.	Oct. 4	March 2	Feb. 1	Excuse required	Allows early voting	Require any ID	Texas
7 a.m. - 8 p.m.	Oct. 18 ⁷	June 7	May 7 ⁷	No excuse required	Allows early voting	Require any ID	Utah
varies - 7 p.m. ⁴	Oct. 27	Sept. 14	Sept. 8	No excuse required	Allows early voting	HAVA minimum ¹²	Vermont
6 a.m. - 7 p.m.	Oct. 12	June 8	May 18	No excuse required	No early voting	Require any ID	Virginia
7 a.m. - 8 p.m.	Oct. 20 ⁷	Aug. 17	Aug. 9 ⁷	No excuse required ¹⁰	No early voting ¹⁰	Require any ID	Washington
6:30 a.m. - 7:30 p.m.	Oct. 12	May 11	April 20	Excuse required	Allows early voting	HAVA minimum ¹²	West Virginia
7 a.m. - 8 p.m.	Election day ⁸	Sept. 14	Election day ⁸	No excuse required	Allows early voting	HAVA minimum ¹²	Wisconsin
7 a.m. - 7 p.m.	Election day ⁸	Aug. 17	Election day ⁸	No excuse required	Allows early voting	HAVA minimum ¹²	Wyoming

¹¹Includes both casting a ballot on a voting machine and applying for and casting an absentee ballot during one visit to an elections office.

¹²The federal Help America Vote Act requires ID from first-time voters who registered by mail and did not verify their identification at the time.

¹³Voters without proper ID can sign affidavits and cast regular (non-provisional) ballots.

SOURCES: Pew Center on the States 2010, based on data from the National Governors Association, the National Conference of State Legislatures, the National Association of Secretaries of State, the National Association of Attorneys General, Ron Gunzburger's Politics1.com and state elections offices

State policy on Pew's radar

THE PEW CENTER ON THE STATES works with states across a range of tough issues to ensure that they have what they need to make smart investments and adopt fiscally sound policies: the best available information, evidence of what works and what does not, access to nonpartisan expertise and resources and public support for proven reforms.

Pew operates a trio of campaigns focusing on children—increasing access to high-quality early education, dental health care and home visiting programs—and a fourth project to engage business leaders as champions for investments in children. Pew also runs initiatives aimed at improving elections, making states' sentencing and corrections more cost-effective, and ensuring that state governments are managed as efficiently and effectively as possible. In addition, Pew is tracking, researching and analyzing a range of issues affecting states' fiscal health and economic competitiveness, including the clean energy economy, public sector retirement benefits and tax reform.

In 2010, Pew will continue to monitor movement on these issues, which could reshape the role of state government. Here are some states that have played a key role in these areas of interest.

STATES TO WATCH

PEW CENTER ON THE STATES: MAXIMIZING GOVERNMENT PERFORMANCE

■ THE PUBLIC SAFETY PERFORMANCE PROJECT reports on the explosive growth in correctional populations in America and the resulting increase in demands on state budgets. The Pew project works with states to advance fiscally sound, data-driven policies and practices in sentencing and corrections that protect public safety, hold offenders accountable and control costs.

Illinois has enacted legislative and administrative reforms aimed at reducing crime, holding offenders accountable and controlling costs. The Crime Reduction Act will assess public safety risks posed by most prisoners, expand corrections options for low-level, nonviolent offenders and create incentives for local jurisdictions to increase the success rate of probationers and parolees. The state is also supervising 1,000 nonviolent offenders in the community using electronic monitoring devices.

■ THE GOVERNMENT PERFORMANCE PROJECT provides states with comprehensive and independent research about state management. The need for innovative management solutions is more important than ever as states face challenging economic times and increased public demands for greater services. The project helps policy makers navigate challenges by sharing what works, learning from what does not and adapting ideas to their unique needs.

The Virginia Performs state performance accountability system was launched to closely monitor state agencies' progress toward their goals. Established by former governor Mark Warner and expanded by his successor, Tim Kaine, both Democrats, the program has created a culture of evidence-based decision-making that allows Virginia's leaders to systematically tackle the state's budget crisis and increase agency productivity.

■ PEW'S ELECTION INITIATIVES partner with state and local election officials, the private sector and others to foster an election system that achieves the highest standards of cost-effectiveness, accuracy and efficiency.

Several states took action in 2009 to improve the performance of their election systems in advance of the 2010 elections. Virginia hosted a cutting-edge information "gadget" on its Web site to assist voters with their questions. Arizona and Washington are among nine states that unveiled online voter registration systems that helped citizens register more efficiently. Delaware instituted "e-signature" technology that dramatically cut the personnel costs for its state voter registration system. Minnesota overhauled its system for military and overseas voting, resulting in an increase in valid ballots from Americans voting from abroad.

STATES TO WATCH

PEW CENTER ON THE STATES: INVESTING IN HUMAN CAPITAL—CHILDREN

■ **PEW'S PRE-K NOW CAMPAIGN** collaborates with advocates and policy makers to lead a movement toward high-quality, voluntary pre-kindergarten for all 3- and 4-year-olds.

Despite competing needs in the state budget, **Rhode Island** approved a pre-kindergarten demonstration project. Other states might draw lessons from Rhode Island's program, especially the 10 states that lack publicly funded pre-kindergarten programs. **New Jersey** lawmakers and Governor Jon Corzine (D) backed the largest increase in pre-k spending among the states, but with Corzine's defeat in November, the growth of the state's initiative could be in jeopardy.

■ **THE PEW CHILDREN'S DENTAL CAMPAIGN** is helping states adopt pragmatic, cost-effective strategies proven to prevent tooth decay and get more children the dental care they need.

In early 2010, the campaign released its first 50-state assessment of states' policy responses to the crisis in children's dental health. Among the highlights: **Iowa's** innovative I-Smile dental home initiative is using regional hubs to connect all young children to systems of dental care. **Maryland** responded to the death of a 12-year-old, Medicaid-eligible boy from an untreated dental infection with a range of improvements to its dental programs. And **Minnesota** became the first state to authorize a new type of dental provider, the dental therapist, which may signal a new era of workforce innovation in other states.

■ **THE PEW HOME VISITING CAMPAIGN** has launched public education and advocacy efforts in four states where key leaders are determined to increase voluntary access to evidence-based home visiting programs for new and expectant families from a child's birth to age three.

Washington is a national innovator in funding home visitation based on a program's demonstrated effectiveness. The state's Council on Children and Families prioritizes state home visiting funding for programs that meet one of three levels of evidence: best, good or promising. In **Louisiana**, a state advisory council recommended expanding one evidence-based home visiting program—the Nurse-Family Partnership—over five years to increase the number of families being served from 15 percent to 50 percent of all eligible families in the state. The council's recommendations were in response to a 2008 study ordered by the legislature.

■ **THE PARTNERSHIP FOR AMERICA'S ECONOMIC SUCCESS** is a national coalition of business executives, economists, funders and civic leaders mobilizing business to improve tomorrow's economy through smart policy investments in young children today. It is managed by The Pew Charitable Trusts and funded by six organizations and individuals.

The Partnership has built a body of evidence showing the economic benefits to proven early childhood programs, in areas such as education, health, parenting, nutrition and housing. With this evidence, business leaders are making the case for early childhood investments as a means of economic growth. The CEO-led Early Investment Commission in **Pennsylvania** was a key advocate in winning early childhood funding victories in that state. The **Vermont** Business Roundtable is managing the state's pre-k campaign. Chamber of commerce leaders in many states, among them **Alabama, Maine, Tennessee and Virginia**, support expanding pre-k, even in these tight budget times.

STATES TO WATCH

PEW CENTER ON THE STATES: ENSURING STATES' FISCAL HEALTH

■ **PEW'S STATES' FISCAL HEALTH PROJECT** has sought to track and analyze issues affecting states' fiscal health and economic competitiveness. Here are a few examples of our research:

■ **FISCAL STRESS** A Pew report released in November 2009, "Beyond California: States in Fiscal Peril," showed that some of the same pressures that have pushed **California** toward economic disaster are wreaking havoc in a number of other states, with potentially damaging consequences for the entire country. **Arizona, Florida, Illinois, Michigan, Nevada, New Jersey, Oregon, Rhode Island** and **Wisconsin** joined California as the 10 most troubled states, according to Pew's analysis of data as of July 31, 2009. This snapshot captured an important juncture: the first and second quarters of 2009, and the pressure point for governors and legislatures in the throes of crafting their budgets for fiscal year 2010 (which began July 1, 2009, in all but four states).

New York did not make the top 10 list, though it came very close and its fiscal future looks ominous. It had one of the steepest revenue declines in the country, and, despite \$6 billion worth of new taxes and fees, is running dangerously low on cash.

■ **CLEAN ENERGY** Pew's Clean Energy Economy study in June 2009 found that jobs for all levels of workers in the new clean energy economy grew at nearly two-and-a-half times the rate of U.S. jobs overall between 1998 and 2007. It also found that a growing number of states have enacted policies, such as renewable portfolio standards, aimed at spurring new businesses and jobs in the "green" sector and protecting the environment.

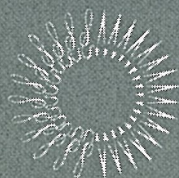
Tennessee outgoing Governor Phil Bredesen (D) announced plans last summer to create the Tennessee Solar Institute on a former dairy farm in Knoxville. The governor said he would spend federal economic stimulus money to help finance the institute and a solar farm generating electricity near Brownsville. Bredesen's initiative is one of several that bear watching in 2010 as states reposition themselves during the economic recovery. Tennessee is a leader in trying to produce renewable energy jobs, and several states want to follow what happens there.

■ **PUBLIC SECTOR RETIREMENT BENEFITS** Pew's report, "Promises with a Price," released in December 2007, found that states had promised at least \$2.73 trillion in pension, health care and other retirement benefits for public employees over the next three decades. It concluded that states had saved enough to cover about 85 percent of their long-term pension costs, but only 3 percent of the funds needed for promised retiree health care and other non-pension benefits. Pew expects to release an update of this report in February 2010.

Louisiana could provide a test of how states will restructure their public pension systems to reduce costs. Lawmakers are considering a proposal to scrap the current system, which provides lifelong defined benefits for state police, state employees, public school teachers and other education personnel. In its place would be a defined contribution system similar to 401(k) plans common in the private sector.

■ **TAX REFORM** In collaboration with *Governing* magazine, Pew released "Growth & Taxes," a report on how states' tax structures impede economic vitality, in January 2008.

The **Maine** tax structure would be reformed by voters' approval of a 2010 referendum after lawmakers passed the measure in 2009. **Nevada** is trying to sort out how to reform its antiquated tax structure, which is at the center of its fiscal problems. The state is dependent on sales and gambling taxes to finance its government, and some lawmakers want to broaden the base to include a new business tax. A panel of business, civic and political leaders is scheduled to make recommendations before the legislature is next in session in January 2011. **Arizona** has a year-long planning effort, broader than Nevada's, aimed at sketching a new direction for the state on the eve of its 2012 centennial.



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