

SNCJ Q & A

January 9, 2006



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Top Story

In our latest in-depth, one-on-one interview, we sat down with WASHINGTON Gov. Christine Gregoire (D) to discuss, among other things, taxes, international trade and the growing push to elect celebrity governors.

SNCJ Spotlight

In depth with: WASHINGTON Gov. Christine Gregoire

SNCJ: What is your top policy priority for 2006?

Gregoire: I think the budget truly is the number one issue because we are very fortunate to sit on a \$1.4 billion surplus. The challenge for me is to make sure that by the end of that session, we've put a good amount of that away for savings rather than spending it. I think we need to look out for the potential slowing down of the economy, or even an emergency. I should make some very strategic investments. Education will be the num-

ber one investment, but I'm also going to be asking for us to put away a large portion of this surplus and save it for the day when we really need it, rather than being confronted with potentially Draconian budget cuts or taxes in a year with the new biennial budget due.

SNCJ: You mentioned a possible emergency. Clearly in 2005 we saw potential for that. Katrina exposed a lot of serious flaws in disaster preparedness at all levels of government. Where do you stand in preparation for a disaster of that magnitude?

Gregoire: I think it would be hard for anybody to say, 'We're prepared for something of that magnitude.' But, this year we have really stepped up to make sure that we've got the best coordination we can between cities, counties and the state. I am also going to strategically invest in some key areas this year, such as tsunami warnings, and we're going to invest in our seismic equipment to make sure it's absolutely in top form. We're going to make sure our communications system is interoperable, with communication centers in both the western and eastern parts of the state. Most importantly, our voters last November really took a major step forward by turning back an initiative that would've repealed a 9.5-cent-per-gallon gas tax increase that the legislature and I put in place for investing in our basic infrastructure so that we could withstand a devastating earthquake. We believe the levees of New Orleans are basically our bridges and the hurricane is our earthquake, and we're getting ready for it.

SNCJ: Not only did voters in your state okay that tax hike, COLORADO voters agreed to accept a five-year TABOR moratorium. Does this signal to you that the public is changing its view on taxation?

Gregoire: Well, I'm very pleased. Katrina was a wake up call to us that we had to invest in our basic highway bridge infrastructure if we were going to withstand a natural disaster like what took place in the Gulf. I think it was an indication that the public is willing to invest if they're going to see a return on that investment. If they're absolutely certain that the money is going to go for the purpose it's being promised, and that there's accountability.

The Week in Session

States in Regular Session:

AK, AL, AZ, CA, CO, DC, DE, GA, IA, ID, IL, IN, KS, KY, MA, MD, ME, MI, MO, MS, NE, NH, NJ, NY, OH, PA, RI, SC, SD, TN, VA, VT, WA, WI, WV

States in Special Session: CA "a"

States in Recess: PA

Special Sessions in Recess:

OK "a", PA "a"

States in Special Session

Projected to Adjourn: DE "a", DE "b"

Letters indicate special/extraordinary sessions

Source: State Net, 01/06/06

SNCJ: Western states' governors defied normal partisan politics by joining together on numerous issues in 2005 — roadless rules, potential ESA changes, new emissions laws, a regional primary, immigration, etc. Do you expect more of these “partnerships” in 2006 and, if so, what issues are the most likely candidates?

Gregoire: I really do. A specific example is a new federal requirement for people to have passports to get across the border into Canada. In states like Washington, IDAHO and MONTANA, we know that requirement will have a dramatically negative impact on our relationship with our Canadian friends, and do very little to enhance our own security. Both Republican and Democratic governors are also coming together to send a clear message that Medicaid cuts are a very short sided way for the federal government to go because states cannot just absorb that extra cost. By failing to fund basic health-care needs, you're simply costing

taxpayers more money by shoving people into emergency rooms when they could have gotten preventive care appropriately elsewhere. So I see us as continuing to work much, much more forcefully together because these are not partisan issues, these are issues that every citizen in our respective states care very much about.

SNCJ: Along those lines, the rift between states and the federal government seems to have grown to crisis level, with significant disagreements on everything from homeland security & Real ID to Medicaid & immigration. Given that this is

Bird's eye view



Western states most physically active

States are struggling in their efforts to meet the federal government's goal to get at least 50 percent of U.S. adults to participate in some kind of physical activity each week. According to statistics from the Centers for Disease Control (CDC), only 22 states – totaling just 46 percent of Americans — perform such moderate activities as brisk walking or gardening for 30 minutes five times a week, or more strenuous tasks, like running, for 20 minutes three times a week. Based on the CDC survey of physical participation for 2003, the latest year for which results are available, MONTANA is the most active state, with an activity rate of 58.6 percent. KENTUCKY is the least active at just 33.8 percent. The accompanying map shows the five most and least active states.



The full report can be viewed at <http://www.cdc.gov/>.

Budget & taxes

S TATE BUDGET FORECAST STILL MOSTLY SUNNY: Last month, the National Conference of State Legislatures released its State Budget Update for the first quarter of fiscal year 2006. The good news is that revenue collections in most states are above forecast — in some states, significantly above. The bad news is that demands on spending have led to overruns in many states, and the report says that problem is only going to get worse in the future. So, once again budget-related issues will dominate state legislative sessions in 2006.

Of the 49 states from which NCSL collected information on revenue performance (that information was not available for TEXAS), 42 reported overall revenue collections above projections. Only RHODE ISLAND took in less revenue than expected. That continues a positive trend that began after 2003, when revenue was above forecast in only eight states and below in 33.

Virtually all revenue sources performed well in the first quarter, with corporate and personal income tax collections particularly strong, along with severance, real estate and utility taxes. Several states also reported high estate tax collections, but those taxes can be difficult to predict. The one significant underperformer was sales tax revenue, with seven states — CONNECTICUT, INDIANA, MASSACHUSETTS, MISSOURI, NEW JERSEY, OHIO and Rhode Island — reporting collections below forecast. Officials in those states attribute the lackluster receipts to the chilling effect the spike in automobile fuel and home heating costs had on consumer spending on other goods and services. But the robust performance of other revenue sources was enough to offset the sales tax dip.

And state officials believe that overall positive revenue trend is going to continue the rest of the year. Twenty-six projected their revenue performance would remain stable, while 22 actually expected it to improve. Only officials in Rhode Island and hurricane-ravaged LOUISIANA were concerned or pessimistic about their revenue outlook. Once again, that's a big change from FY 2003, when 38 states expressed doubts about their immediate fiscal future.

The good feelings most state officials have about their revenues, however, are counterbalanced by the bad ones many of them have about the ever-increasing demands on those dollars. Nineteen states reported spending overruns in the first quarter of FY 2006. As in previous years, Medicaid was the main culprit, outgrowing the budget in 12 states. Corrections was another problem area, cited by seven states. Several states also reported overages in home heating assistance and education spending.



According to the survey, those issues are going to figure prominently in this year's legislative sessions. Medicaid, in particular, as the fastest-growing category of state spending (rising from 12 percent of general fund budgets in FY 1995 to 17 percent last year) will receive plenty of attention from lawmakers. Among the issues expected to be addressed are enrollment and utilization growth, waivers, the reduction of the Federal Medical Assistance Percentage in a number of states, the effects of the federal prescription drug program and the rising cost of healthcare in general.

Officials in 15 states said education would be a top priority in 2006. The dominant issues will be class size reduction, changing funding formulas and teacher salaries. Enrollment increases will also be on the agenda in several states. GEORGIA, for example, is expecting 10,000 new students from Louisiana and MISSISSIPPI.

Taxes will be a top priority in 14 states. At least seven will consider property tax reform. And in the wake of last year's passage of Referendum C in COLORADO, suspending that state's Taxpayers Bill of Rights (TABOR) law, six states will take up tax and spending limits. One of those states is actually Colorado, where lawmakers will address the implementation of Referendum C. Connecticut will weigh whether to relax its own spending cap, while at least four other states — PENNSYLVANIA, Rhode Island, SOUTH CAROLINA and WISCONSIN — will decide whether to impose TABOR-like restrictions.

At least 11 states will deal with general budget issues, such as lingering concerns about the use of one-time revenue sources and structural budget deficits. Lawmakers in a few states, including VIRGINIA and WYOMING, will be fortunate enough to be able to decide what to do with large revenue surpluses.

Other notable session topics include transportation and infrastructure (10 states), corrections (five states), pensions and retirement (ALASKA, WASHINGTON and WEST VIRGINIA), gambling expansion (INDIANA and Rhode Island), hurricane recovery (Louisiana and MISSISSIPPI), a new gas pipeline in Alaska, housing in HAWAII and new sports stadiums in MINNESOTA.

Finally, with fuel prices frequently in the headlines in the wake of Hurricanes Katrina and Rita, NCSL also asked state officials to address the impact of higher energy costs on their budgets. Seventeen indicated that their states were considering or had already decided to make supplemental energy appropriations. A few

Upcoming Stories

Here are some of the topics you will see covered in upcoming issues of the State Net Capitol Journal:

Disaster Mitigation — Are states prepared for the next Katrina?

Data privacy — What are states doing to protect citizens against identity theft?

Higher education funding — Budgets are better; will states end or roll back higher ed tuition hikes?

Medicaid — How will states respond to oncoming federal cuts?

And much more...



also said their states were undertaking conservation measures. Georgia, for example, has implemented alternative work schedules and telecommuting programs for public employees.

BUDGETS IN BRIEF: Over the holidays, **LOUISIANA** received a \$155.7 million bill from FEMA for its share of the agency’s hurricane recovery efforts. State officials said they don’t know how they’re going to pay it — or the other \$3 billion they’re expected to be charged in the coming months — but they are working with federal officials on a payment plan (ASSOCIATED PRESS, ADVOCATE [BATON ROUGE]). **CALIFORNIA** Gov. Arnold Schwarzenegger (R) announced a plan last week to begin repaying money the state borrowed from schools in recent years to balance the budget. The governor’s initial pledge of \$1.7 billion comes just two months after he waged an abortive special election battle against teachers and other public employees, and less than a year before he faces another fight to hold on to his office (LOS ANGELES TIMES). • Officials from **COLORADO’s** Department of Corrections stated in a briefing last Tuesday to the Legislature’s Joint Budget Committee that as a result of budget cuts in recent years, the state has run out of prison space for its highest-security prisoners and will run out of room for any new prisoners later this year (ROCKY MOUNTAIN NEWS [DENVER]). • A new study by the Health Policy Institute of **OHIO** projected that the \$745 million in cuts the Buckeye State made to Medicaid this year will end up eliminating 24,000 jobs over the next two years. Researchers said that with federal matching funds, each \$1 million Ohio spends on Medicaid provides about 32 jobs in the state (DAYTON DAILY NEWS). • **MISSISSIPPI** Lt. Gov. Amy Tuck (R) said she has put Senate leaders to work on a cigarette tax increase offset by a reduction in the tax on groceries so it is “revenue neutral.” A straight 50-cent-per-pack cigarette tax increase died in the Senate last year, in part because Tuck opposed it. Her reversal places her at odds with Gov. Haley Barbour (R), who opposes “raising anybody’s taxes, period,” according to a spokesman (SUN HERALD [BILOXI], CLARION-LEDGER [JACKSON]). • **NEW YORK** Gov. George E. Pataki (R) said last Tuesday the state is now expecting a budget surplus of \$2 billion, twice earlier estimates and a “dramatic turnaround” from last year’s projected \$4 billion shortfall (NEW YORK TIMES). • The head of **WISCONSIN’s** department of consumer protection asked the five major oil companies operating in the state to voluntarily contribute a portion of their recent record profits to assist poor residents with their winter energy bills. The companies unanimously declined, maintaining that is the state and federal government’s job, through the Low-Income Home Energy Assistance Program (CAPITAL TIMES [MADISON]).



state’s voters in November (BOSTON GLOBE, ASSOCIATED PRESS). • Last week, Dana Seum Stephenson gave up her yearlong fight for **KENTUCKY’s** 37th District Senate seat, resigning from the post without ever serving. In a written statement, Stephenson said she was taking the action to avoid letting the ongoing legal dispute over her residency status upset the legislative session. A special election to fill the seat may be held next month (COURIER-JOURNAL [LOUISVILLE]). • **ILLINOIS** Senate President Emil Jones (D) underwent balloon angioplasty last Tuesday to clear a minor blockage in his right coronary artery. But the 70-year-old Jones — the state’s second black Senate president — is expected to be ready for work when the General Assembly convenes this week (ASSOCIATED PRESS, DAILY HERALD [ARLINGTON HEIGHTS], STATE JOURNAL-REGISTER [SPRINGFIELD]).

Quoteable

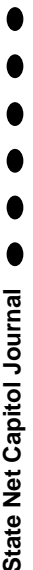
“It didn’t seem to bother Ronald Reagan.”
 — *Newly minted PENNSYLVANIA gubernatorial candidate Lynn Swann’s reaction to questions about his lack of political experience.*
 (OTTAWA SUN)

— *Compiled by KOREY CLARK*

Governors

S WANN MAKES RUN FOR PA GOV JOB: Former Pittsburgh Steelers great Lynn Swann ended months of speculation last week by formally announcing he will seek the GOP nomination for PENNSYLVANIA governor this fall. Although a recent Keystone Poll shoes incumbent Ed Rendell (D) with only a 39 percent approval rating, history is not on Swann’s side: No Pennsylvania governor seeking re-election has lost since 1974, and Pennsylvania has also elected only white males to its top statewide offices. There has in fact been only one African-American governor in any state, former VIRGINIA Gov. L. Douglas Wilder, who served from 1990-1994. The same Keystone Poll last November, however, showed Swann is running neck-and-neck with former lieutenant governor Bill Scranton, his chief rival in May’s Republican primary. The state GOP will give an official endorsement to one candidate on Feb 11. (USA TODAY)

RILEY WANTS EMINENT DOMAIN AMENDMENT: ALABAMA Gov. Bob Riley (R) said last week he supports making the state’s new eminent domain law a constitutional amendment. Last July, Riley called the Legislature into special session and won enactment of a law preventing city and county governments from condemning property to use for private development, such as a shopping center or





wolves have been extinct in this part of the West for decades. Which seems a fairly sound argument for keeping wolves on the list. After all, you can't get much more endangered than to have been hunted to extinction.

NOW BATTING FOR YAKIMA: He may not have been Hall of Fame material, but former Seattle Mariners third baseman Dave Edler has been elected mayor of Yakima, WASHINGTON. A Yakima native, the 49-year-old Edler toiled for the Mariners from 1980 to 1983, scratching out a .216 batting average with six home runs. Mostly a reserve, he batted over 100 times only once in his brief career (1982). Edler, named to the mayor's job by the City Council, won his Council seat in 2003, reports the Associated Press. His term ends in December 2007.

— *By A.G. BLOCK*

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State Net Capitol Journal is published 40 times annually and delivered over the Web or e-mail.

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