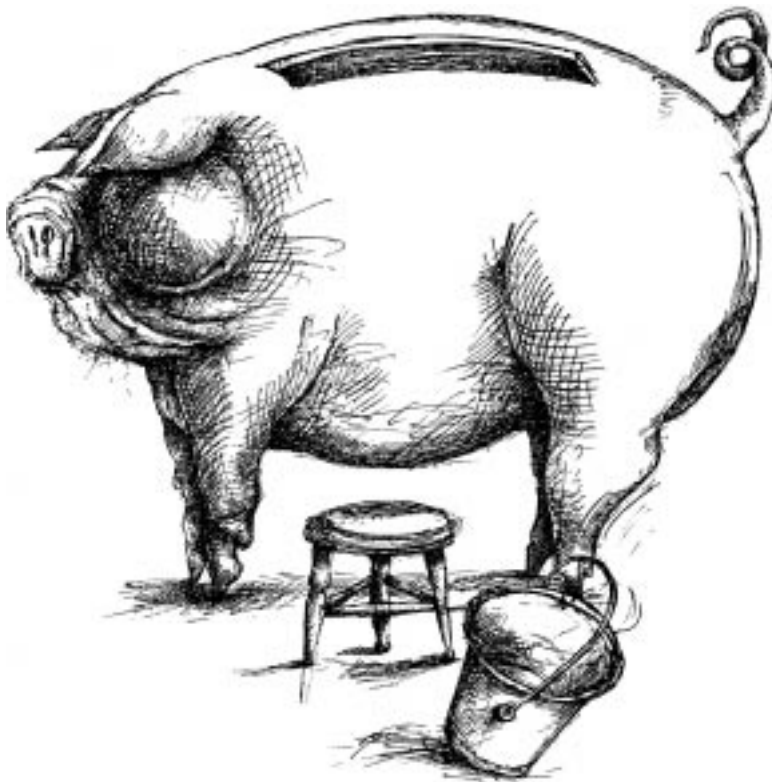


August 21, 2006

States saving up



| | |
|------------------------------------|----|
| Budget & taxes | |
| Partisan pension politics | 4 |
| Politics & leadership | |
| Secretary of state races | 6 |
| ones to watch in '06 | |
| Governors | |
| Murkowski fading fast | 7 |
| Bird's eye view | 3 |
| Hot issues | 10 |
| Once around the statehouse lightly | 12 |

Top Story

States got a whopping — and unexpected — boost this fiscal year, with coffers up nearly 25 percent from 2005. Many states have pumped the extra cash into their rainy day funds, and they may soon be glad they did.

SNCJ Spotlight

States' fiscal health even better than expected

Thanks largely to strong revenue growth, most states ended fiscal year 2005 with money in their coffers for a change. So, budgets for FY 2006 — which ended June 30, for all but a few states — were expected to be in reasonably good shape, even though revenue growth was projected to decline substantially. It didn't, however. In fact, the growth rate remained fairly steady, helping states to amass one of the largest cumulative year-end balances in decades.

That news came in a report released last week by the National Conference of State Legislatures, entitled “State Budget and Tax Actions 2006: Preliminary Report.” The report was based on budget data provided by 49 states (ILLINOIS was the sole holdout) and tax data from all but six states (ALASKA, HAWAII, IDAHO, MASSACHUSETTS, NEW YORK and NORTH CAROLINA).

According to that report, between FY 2004 and FY 2005, state revenues grew a robust 8.8 percent. But, ever the optimists, forecasters predicted that revenues would grow only 2.7 percent in FY 2006. The actual rate ended up being 7.7 percent.

States’ year-end balances — which the report states are “widely considered one of the best indicators of state fiscal health” — rose commensurately, from a combined total of \$45.8 billion in FY 2005 to \$57.1 billion in FY 2006, an increase of nearly 25 percent. That sum constitutes 10.2 percent of states’ total general fund spending, which, to put it more simply, means state governments managed to hold on to about \$1 for every \$10 they spent.

Even on closer examination, there doesn’t appear to have been any major budget ailments in FY 2006. Twenty-eight states finished the year with higher balances than they’d had in FY 2005. And in seven of those states, the balances increased by more than 5 percentage points. Year-end balances did decline in 19 states, but in five of them, the drop was less than a percentage point. What’s more, not a single state ended FY 2006 with a deficit, although ARKANSAS reported a zero balance.

NCSL President and ILLINOIS Sen. Steve Rauschenberger (R) pointed out that the positive results weren’t due to revenue growth alone. “Not only do we have the rebounding economy to thank for this, we also should applaud the diligent work of state legislators across America who have been smart managers of public money,” he said. “State legislators have learned from the budget crisis of the early part of the decade, as we can see by the prudent choices they’re making now.”

The Week in Session

States in Regular Session:
CA, MI, NJ, US

States in Informal Session: MA

States in Skeleton Session: OH

States in Special Session:
CA "a", CA "b"

States in Recess: DC, NY, PA

Special Sessions in Recess:
PA "a", VA "a"

States Adjourned in 2006:
AK, AL, AZ, CT, CO, DE, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MN, MO, MS, NC, NE, NH, NM, OK, RI, SC, SD, TN, UT, VA, VT, WA, WI, WV, WY

States in Special Session
Adjourned in 2006: AK "b", AK "c", AR "a", AZ "a", CO "a", IA "a", KY "a", LA "a", MD "a", OK "a", OK "b", OR "a", OK "b", TN "a", TX "c", UT "a", WV "a", WI "b", WI "c"

Letters indicate special/extraordinary sessions

Source: State Net, 08/18/06

Rauschenberger was undoubtedly referring to the states' efforts to boost their cash reserves in FY 2007. According to the information gathered by NCSL, MARYLAND, for instance, added \$593 million to its rainy day fund, CONNECTICUT sacked away \$440 million and GEORGIA was planning to bank \$430 million. In all, twenty-five states budgeted increases in their reserve funds, the report stated.

But many states are also planning to spend money, primarily on education. And that came as somewhat of a surprise to Corina Eckl, one of the authors of the report. For the past several years, she said, "Medicaid has been the fastest-growing category of state spending, often growing at double-digit rates. This year, total fixed spending in FY 2007 appropriations is only 4.9 percent above FY 2006 spending." Eckl thinks the dip is just "an aberration" and that next year, Medicaid spending "will probably be back where it has been in prior years."

Less of a surprise was the fact that states are planning fewer revenue-generating measures. States raised \$3.4 billion through tax increases in FY 2006. But that figure is expected to fall to \$1.4 billion in FY 2007. Spurred by their improved financial situation, states cut personal income taxes by nearly \$600 million and corporate and business taxes by \$124 million. A number of states also provided their residents some relief from property taxes.

The longer-term prognosis for the states isn't quite so rosy, however. Fiscal officers in many states maintain that with the rising costs of education, Medicaid,

Bird's eye view



Source: National Conference of State Legislatures

Design-build provisions

Transportation for the long haul

Our nation's highways are seeing more use now than at any time in history, making improved transportation infrastructure a growing need in virtually every state. To help states meet the demand, and also help keep costs in check, they have turned to design-build contracts, an arrangement whereby a single bid is accepted for both the design and construction of a project, thus accelerating completion by eliminating lag time between bids. Last year, LOUISIANA became the 32nd state to adopt this policy, which state officials hope will help speed up the rebuilding of the roads, bridges and highways devastated by Hurricane Katrina. It is a proven method — UTAH used a similar system to accelerate the completion of many highway projects prior to the 2002 winter Olympics. The accompanying map shows all 32 states with single bid design-build provisions.



Politics & Leadership

SECRETARY OF STATE RACES ONES TO WATCH IN '06: The office of secretary of state is not one that has attracted a great deal of attention, historically. With duties that include licensing businesses, registering corporations and serving as the state's chief notary, that isn't too much of a surprise.

The profile of the post was elevated significantly in 2000, however, when then-FLORIDA Secretary of State Katherine Harris (R) made a series of critical decisions regarding the recount of the closest presidential race in U.S. history. The office garnered the national spotlight again during the 2004 presidential election, as a result of controversial decisions regarding voter challenges made by J. Kenneth Blackwell (R), the secretary of state in the key swing state of OHIO. Partisan clashes in various states over voter ID laws, the counting of absentee ballots and electronic voting machines have kept the position in the public eye. "Secretaries of state are on the political radar in a way they have never been before," said Doug Chapin, director of the nonpartisan, non-advocacy election news and analysis Web site, Electionline.

Not only is the post garnering more headlines, it is also drawing more attention from ambitious politicians. "It's becoming a position sought after by young hopefuls who are looking to see the secretary of state job as a steppingstone," said Kay Stimson, a spokeswoman for the National Association of Secretaries of State. Current governors Matt Blunt (R) of MISSOURI, Bob Taft (R) of OHIO, Jim Douglas (R) of VERMONT and Joe Manchin (D) of WEST VIRGINIA all previously served as secretary of state.

One of this year's highest profile races will be in CALIFORNIA, where Democrat Debra Bowen is seeking to unseat Republican Bruce McPherson, who was appointed last year by Gov. Arnold Schwarzenegger (R) after Secretary of State Kevin Shelley (D) resigned over allegations that he used federal funds from the 2002 "Help America Vote Act" for partisan political purposes. (STATELINE.ORG)

POLITICS IN BRIEF: A circuit court judge in MARYLAND ruled last week that the General Assembly's plan to allow early voting violates the state constitution, which specifies that citizens may vote only on the Tuesday after the first Monday in November. The decision was a victory for Gov. Robert Ehrlich (R), who has made early voting a key issue in his fall re-election campaign (BALTIMORE SUN).

• State elections officials in ILLINOIS affirmed a little over a week ago that there were not enough valid signatures turned in to qualify a referendum to constitutionally ban gay marriage for the November ballot. Backers of the measure are seeking



wealth.” The primary questions now become whether Fletcher will seek a second term, and if he does, whether Bluegrass State residents will grant him another four years. One GOP heavy-weight, Lt. Gov. Steve Pence, has already called on Fletcher to consider foregoing such a campaign, saying the ongoing legal battle has damaged the governor’s standing within the Party. Republican Secretary of State Trey Grayson, who has said he is considering the possibility of running for governor, also chimed in, saying Fletcher should abandon his re-election bid for the good of the state and the party. “Most Republicans I talk to don’t think he can be re-elected and don’t think he should be re-elected,” Grayson said. (LOUISVILLE COURIER-JOURNAL, WASHINGTON POST)

GOVERNORS IN BRIEF: A federal judge rejected **LOUISIANA** Gov. Kathleen Blanco’s request last week to block the planned sale of federal oil and gas leases off the **LOUISIANA** and **TEXAS** coasts in the western Gulf of Mexico. The judge, however, strongly hinted that the state could eventually prevail when the case goes to trial on Nov. 13 (ADVOCATE [BATON ROUGE]). • **GEORGIA** Democratic Party officials called on state and federal officials to investigate Gov. Sonny Perdue’s (R) \$2 million purchase of **FLORIDA** land from a politically-connected developer only a year after he appointed the man to a seat on the Peach State’s economic development board. Dems say Perdue broke state ethics laws with the purchase and, in the words of state Party chairman Bobby Kahn, “has committed a crime and should be going to prison.” Perdue says he did nothing wrong and that the developer in question never asked for or received any favors in connection with the deal (ATLANTA JOURNAL-CONSTITUTION). • **CALIFORNIA** Gov. Arnold Schwarzenegger (R) said he believes full immersion is the best approach to teaching English and will not support a Senate bill that would force the state Board of Education to approve bilingual textbooks in California classrooms. In a letter to Senate Pro Tem Don Perata, Schwarzenegger said he “learned English by immersion, and believe in my heart that full immersion is the best method of teaching language that exists” (SAN DIEGO UNION TRIBUNE).

Upcoming Elections

(8/17/06- 09/07/06)

08/22/2006

Alaska Primary Election
House (All)
Senate B, D, F, H, J, L, N, P, R, S
Constitutional Officers:
Governor, Lieutenant Governor
US House (All)

08/22/2006

Wyoming Primary Election
House (All)
Senate (Odd)
Constitutional Officers:
Governor, Secretary of State,
Treasurer,
Superintendent of Public Instruction
US House (All)
US Senate (Thomas)

09/05/2006

Florida Primary Election
House (All)
Senate (Even)
Constitutional Officers:
Governor, Lieutenant Governor
US House (All)
US Senate (Nelson)



ENVIRONMENT: CALIFORNIA wildlife officials create a network of fish sanctuaries that will protect more than 200-square miles of marine life along the state’s coastline. Under the new rules, all recreational and commercial fishing and scuba diving will be banned in about 110 miles of the sanctuary, while fishing will be restricted in about another 94 square miles (SAN FRANCISCO CHRONICLE).

HEALTH & SCIENCE: NEW YORK Gov.

George Pataki (R) signs legislation that orders New York City to pay “line-of-duty” death benefits to relatives of city workers who took part in the rescue and cleanup efforts at the World Trade Center site and who later die from certain cancers or respiratory illnesses. The new law adds to another statute adopted last year that says those workers who do get certain illnesses would be presumed to have become sick while in the course of their official duties (NEW YORK TIMES).

HOMELAND SECURITY: A federal appeals court upholds a lower court ruling that allowed **NEW YORK** police to perform random searches of subway passengers’ bags. The court said the searches are constitutional because they help prevent terrorist attacks (NEW YORK TIMES).

SOCIAL POLICY: The **MISSOURI** attorney general says he will challenge a federal court ruling that determined a state corrections department policy against transporting pregnant inmates to an off-site clinic for an abortion is unconstitutional. Attorney General Jay Nixon cited a 1986 **MISSOURI** law prohibiting the use of public funds, facilities and employees to assist an abortion when it’s not necessary to save the life of the mother (WASHINGTON POST).

POTPOURRI: The **CALIFORNIA** Assembly approves SB 1806, a measure that would bar people from leaving their pets locked up in a car during extreme heat or other conditions that could be dangerous or cause the animals to suffer. Violators could face fines and possible jail time. The bill heads back to the Senate, where it has already passed, for a review of changes made in the Assembly (LOS ANGELES TIMES). • A federal appeals court rules that a **DELAWARE** law which limits Freedom of Information Act (FOIA) requests only to First State residents is unconstitutional. At least eight other states have similar laws on their books (NEWS JOURNAL [NEW CASTLE-WILMINGTON]). • FOIA is also news in **NEW YORK**, where Gov. George Pataki (R) announces he will sign legislation to

In case you missed it:

Immigration has become a flashpoint issue for the entire nation, with debate raging from statehouses and Congress to the streets of our cities. On July 10, the State Net Capitol Journal discussed this controversial issue with one of the most vocal players in this controversial issue, ARIZONA Gov. Janet Napolitano.

In case you missed it, the article can be found on our Web site at http://statenet.com/capitol_journal/07-10-2006.

instance, they could check with folks in SOUTH CAROLINA, where the *Anderson Independent-Mail* reports that a herd of cattle ripped out hundreds of dollars worth of fencing after being stampeded by a chicken.

CHECK-AND-BALANCE? We don't need no stinkin' check-and-balance. At least not in UTAH, and not where state Sen. Chris Butters is concerned. The West Jordan Republican, notes the *Salt Lake City Tribune*, has proposed allowing the Senate to fire a judge if lawmakers don't like the judge's rulings. He would accomplish this bit of constitutional mayhem by giving the Senate the power to re-confirm a judge when his or her term expires — a power currently bestowed on voters through a confirmation election. A spokesman for Gov. Jon Huntsman Jr. said the administration is "anxious" to maintain judicial independence. Christine Durham, chief justice of the Utah Supreme Court, feared legislative reprisal for unpopular but tough decisions. James Madison was unavailable for comment.

NO ON "NONE" It is now official. A TENNESSEE man who legally changed his middle name to "None of the Above" will not be able to use that name on the ballot when he runs for governor in November. According to the *Nashville Tennessean*, David Gatchell plans to appeal the decision, rendered last week by a local judge. The court sided with state officials, who argued that "David 'None of the Above' Gatchell" would be too confusing. Gatchell's middle name had been "Leroy."

A CIVICS LESSON was doled out recently to a CONNECTICUT teenager who tried to set up a small stand on his front lawn. As the *Hartford Courant* reports, 13-year-old Joe Cadieux wanted to sell night crawlers, so advertised his attempt with a hand-made lawn sign. Apparently, the sign violated local zoning regulations for his hometown of Cromwell, prompting the local planning and zon-

In the Hopper

State Net's database tracks tens of thousands of bills in all 50 states at any given time. Here's a snapshot of what's in the legislative works:

Number of 2006 prefiles last week: 25

Number of 2006 Intros last week: 126

Number of bills enacted/adopted last week: 302

Number of 2006 prefiles to date: 21,547

Number of 2006 Intros to date: 97,780

Number of enacted/adopted overall in 2006: 29,765

— Compiled By JAMES ROSS
(Measures current as of 08/17/06
Source: State Net)

ing commission to issue a “cease and desist” order. Cadieux’s family was not amused, given that the business was meant to teach their son the value of work. Thanks to Cromwell, young Joe will learn another lesson — that the letter of the law often outweighs common sense.

— By A.G. BLOCK

Editor: Rich Ehsen — capj@statenet.com

Associate Editor: Korey Clark — capj@statenet.com

Contributing Editor: A.G. Block — capj@statenet.com

Editorial Advisor: Lou Cannon

Correspondents: Jeff Kinnison (CA), Steve Karas (CA), Bruce McKeeman (CA), Linda Mendenhall (IL), Lauren King (MA) and Ben Livingood (PA)

Graphic Design: Richard Hansen

©2006 State Net ISSN: 1521-8449



You’ve just read State Net Capitol Journal, the insider’s source for political and legislative news in the 50 states.

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

For a FREE subscription, visit our Website at www.statenet.com and click on the "Register Now" icon. Or, call us at 916.444.0840.

A publication of State Net—*the leader in legislative and regulatory intelligence.*

Who relies on State Net?

- Five of the nation's ten largest companies
- Major information services including Lexis-Nexis and WestLaw
- Companies representing every major industry in the U.S.

State Net: the service you can trust when you need to be right. Learn more about our issue-based reporting solutions today: info@statenet.com ■ www.statenet.com ■ (800) 726-4566