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NEWS RELEASE

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GOVERNORS' 2011 BUDGETS PROPOSE NEW ROUND OF CUTS Continued Cutbacks Would Slow Recovery, Increase Hardship

As states begin preparing for the third year of a fiscal crisis brought on by the recession, governors' new budget proposals contain cuts to core services — like education and health care — and state workforces well beyond those they have already made, according to a new report from the Center on Budget and Policy Priorities. The proposals threaten to increase hardship and unemployment and weaken the economy by reducing overall demand.

Nearly half the governors have now submitted their budget proposals for the upcoming 2011 fiscal year, which begins on July 1, 2010 in most states. Due to the recession, states are already projecting a combined budget gap of \$102 billion for the upcoming fiscal year, and that figure is likely to reach \$180 billion.

“It will be harder than ever this year for states to balance their budgets without inflicting serious harm on vulnerable residents and the state economy,” said Nicholas Johnson, the Center’s Director of State Fiscal Policy and co-author of the report. “States will need to take a balanced approach that includes revenues, because these shortfalls are too big to close with cuts alone.”

Education, Health Care, Help for Poor and Disabled Among Proposed Cuts

While state legislatures must approve (and may significantly change) the governors' proposed cuts, the new budgets demonstrate the scale of cuts that are likely to be needed, the report notes. They include:

- Arizona: cancellation of health coverage for 310,000 low-income childless adults and 47,000 low-income children, elimination of cash assistance for 10,000 poor families, and elimination of the Department of Juvenile Corrections.
- California: a \$1.5 billion cut in K-12 and community college education funding, elimination of the state’s welfare reform program, and large Medicaid cuts.
- Hawaii: elimination of a program that provides financial assistance to poor seniors and people with disabilities, and layoffs for 1,200 state workers.
- New York: a \$1.1 billion cut in K-12 education and \$1 billion in cuts to payments for health care providers.
- Mississippi: a 9 percent cut in K-12 funding and a 12 percent cut to most agencies’ budgets.

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Continued Recovery Act Assistance Needed to Avert Even Deeper Cuts

At least eight governors' budget proposals assume that Congress will extend the increased federal funding for Medicaid enacted in last year's Recovery Act, the report explains. That funding is scheduled to expire at the end of December 2010, midway through states' 2011 fiscal year. If Congress doesn't extend it, those states likely will make deeper and broader cuts than their governors are now proposing.

Without further federal aid, the actions states will have to take to close their budget gaps could cost the economy 900,000 jobs.

"One of the most effective ways Congress can boost the economy and protect jobs is by making sure that Recovery Act assistance for states' doesn't dry up halfway through the coming year, which would force states into even bigger budget cuts that could stall the fragile economic recovery," Johnson explained.

The Recovery Act gave states roughly \$140 billion over two and a half years to help fund ongoing programs, including K-12 education, higher education, and health care. Without these funds — which closed about 30 percent to 40 percent of states' 2009 and 2010 budget shortfalls — states' cuts in health care, education, human services, public safety, and other areas would have been much deeper.

Even with the federal fiscal relief, at least 43 states plus the District of Columbia have cut services to help balance their budgets, including health care (29 states), services to the elderly and disabled (24 states and the District of Columbia), K-12 education (28 states and the District of Columbia), higher education (37 states), and other areas. The Center's report details those cuts. About 30 states have also raised taxes, which can be a less economically damaging way to balance a state's budget; further tax increases also have been proposed by governors.

The Center's report on state budget cuts is available here:
<http://www.cbpp.org/cms/index.cfm?fa=view&id=1214>.

The Center's report on state budget shortfalls is available here:
<http://www.cbpp.org/cms/index.cfm?fa=view&id=711>.

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