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## STATEMENT BY NICHOLAS JOHNSON, DIRECTOR, STATE FISCAL PROJECT, ON NGA AND NASBO'S "FISCAL SURVEY OF THE STATES"

Today's "Fiscal Survey of States" from the National Governors Association (NGA) and the National Association of State Budget Officers (NASBO) underscores the urgent need for Congress to extend fiscal relief to states in the pending jobs legislation. Without further assistance, states will make additional deep cuts in education, health care, and other services. Such cuts would cost thousands of jobs and would weaken the economic recovery.

The survey's new data shows that the recession-induced decline in state revenues over the last two years has led to state spending cuts of historic proportions. Because of these cuts, states have fewer teachers, provide fewer services to seniors and the newly unemployed, provide less health care to the needy, and are charging higher tuition at colleges and universities.

Tax measures enacted by a majority of states have helped fill the budget gaps. But overall revenues remain significantly below pre-recession levels, according to a separate report also released today, from the Nelson A. Rockefeller Institute of Government. And as the NGA-NASBO report states, "Fiscal 2010 presented the most difficult challenge for states' financial management since the Great Depression and fiscal 2011 is expected to present states with similar challenges."

For fiscal year 2011, which in most states begins next month, reported budget gaps — both those still open and those already addressed — total \$112 billion or 17 percent of budgets in 46 states. That shortfall will likely hit \$180 billion by the end of the year.

The NGA-NASBO report shows that federal Recovery Act assistance has greatly helped states deal with their shortfalls in a responsible, balanced way. But that assistance will largely run out by the end of December, halfway through states' fiscal year and long before state budgets are expected to recover.

In the year ahead, state budget-closing actions could cost the economy up to 900,000 public- and private-sector jobs without more federal help. When states cut spending, they lay off teachers and police officers and cancel contracts with vendors. The impact then ripples through the wider economy as laid-off workers spend less at local stores, putting more jobs at risk.

The House and Senate have voted separately to extend one form of the Recovery Act's fiscal relief — additional Medicaid funding — so more than half of the states have included this funding in their 2011 budgets. The funding has not only helped states meet the rise in health care needs during the recession but also eased the pressure on states' overall budgets by freeing up funds for education and other priorities.

Unfortunately, last week the House unexpectedly dropped the Medicaid funding from the pending jobs bill. It is critical that the Senate include this funding in its version of the bill.

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