

AFSCME

Legislative Fact Sheet

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SAVE MAIN STREET JOBS

By Stabilizing State and Locally Administered Public Services

"Finally, we won't just create jobs, we'll also provide help for those who've lost theirs, and for states and families who've been hardest-hit by this recession. That means bi-partisan extensions of unemployment insurance and health care coverage; a \$1,000 tax cut for 95% of working families; **and assistance to help states avoid harmful budget cuts in essential services like police, fire, education and health care.**" (President-Elect Barack Obama, *Weekly Address*, January 10, 2009)

State and Local Governments Still Need Relief

- Cumulative state budget shortfalls for FY 2010 have now reached approximately \$190 billion or 28% of states' general fund budgets, the largest gaps on record. This follows FY 2009 when states were forced to close cumulative budget gaps of \$110 billion. **The Center on Budget and Policy Priorities reports that 48 states are experiencing budget shortfalls in FY 2010.**
- A recent U.S. Conference of Mayors (USCM) survey states that over two-thirds of mayors surveyed project that their cities will experience a budget shortfall in the current FY. **More than 4 in 5 mayors responding anticipate a budget shortfall in their next FY.**
- According to Mark Zandi, Chief Economist for Moody's Economy.com: **"Tax revenues plunged an astounding 9% during the just-ended FY 2009, by far the largest decline since just after World War II.** Revenues from personal and corporate income, capital gains, sales and property taxes are all off sharply. Adding to the budgetary pressure, rainy-day funds in most states are depleted, and it has become much more difficult for municipalities to issue bonds not supported in some way by the federal government." (*Fiscal Policy Roadmap*, October 2009)
- The National Governors Association (NGA) and the National Association of State Budget Officers (NASBO) report that the severe national recession drastically reduced tax receipts from every revenue source during FY 2009 and revenue collections are forecast to continue their decline in FY 2010. **As state revenue collections historically lag behind any national economic recovery, state revenues will remain depressed throughout FY 2010 and likely into FYs 2011 and 2012.** (Preliminary review of biannual report, *The Fiscal Survey of States*, November 2009)

American Federation of State, County and Municipal Employees, AFL-CIO

1625 L Street, NW • Washington, DC 20036

Gerald W. McEntee, *International President* • William Lucy, *International Secretary-Treasurer*

- NASBO Executive Director Scott Pattison noted: "These are the worst numbers we've ever seen in the decades of putting together this report. **States have been forced to lay off and furlough employees, raise taxes, drain rainy-day funds and sharply cut state spending in ways that impact every part of state government.**"
- National League of Cities (NLC) President Kathleen Novak and mayor of Northglenn, CO says: "**The current economic situation is wreaking havoc on city budgets.**" In releasing its annual report on fiscal conditions, NLC states; "city finance officers are pessimistic about cities' abilities to meet their financial needs. **Nine in 10 (88%) say this year will be difficult in meeting fiscal needs, while 89% expect the same in 2010. This is the worst outlook the report has detailed in 24 years.**"
- The American Recovery and Reinvestment Act (ARRA) has been credited with boosting the Gross Domestic Product (GDP) by 2.7% in the last quarter. It is estimated to have created or saved 1.1 to 1.5 million jobs. The program is serving its purpose, but is not enough to offset the drop off in private activity caused by the recession.
- ARRA funds reduced state deficits by \$31 billion in FY 2009, another \$68 billion in FY 2010 and are expected to offset FY 2011 and 2012 deficits by about \$40 billion.

Potential for Public Sector Job Loss is Growing

- According to the Economic Policy Institute (EPI) "With budget gaps expected to exceed \$160 billion in the year ahead, the states need federal revenue sharing as never before. Goldman-Sachs has estimated that state adjustments to their budgets will slow the national GDP growth by 0.6% to 0.7% over the next 12 months. **This alone would cost the nation roughly 700,000 jobs and erode needed public services.**"
- The Center on Budget and Policy Priorities (CBPP) reports that **over 42 states have already cut employees**, 35 have cut funding to colleges & universities, 26 reduced funding for K-12 education and 28 cut health programs.
- **62% of mayors surveyed by the USCM believe that conditions in their cities are serious enough that a program of targeted fiscal assistance is warranted** to help prevent further drastic city budget reductions.

The Country Needs the Work of Teachers, Police, Firemen, Librarians...

- James Galbraith, Professor at the LBJ School of Public Affairs declared: "First, **there is no excuse for a single layoff in the state and local public sector.** The people want – the country needs – the work of teachers, police, firemen, librarians, street sweepers and park rangers. The fact that federal tax revenues collapsed did not force the government to fire members of Congress. The fact that local tax revenues have collapsed should not lead to cuts

in music and arts in public schools. Enough already: the federal government should support state and local budgets, in full, until the crisis is over."

- Mark Zandi states in his October 2009 *Fiscal Policy Roadmap*: "Unless municipalities receive more help from the federal government, they will be under intense pressure to cut jobs and programs and to raise taxes and fees, placing a serious drag on the economy at just the wrong time."

Relief is Necessary to Spur Private Sector Job Creation and Long-Term Economic Recovery

- According to the EPI: "Helping state and local governments avoid job and service cuts is as effective as creating new jobs. **Nothing is more clearly an obstacle to recovery than another round of public employee job losses** and cutbacks in state spending on goods and services contracted out to the private sector."
- While the ARRA is helping to stabilize the economy and is funding programs that are preserving and creating jobs and providing long-term economic benefits, **half of mayors surveyed by the USCM report that their current budget situation has affected their ability to engage in job-creating projects.**

To achieve a healthy economy that generates sustainable jobs, we must reinvest in domestic priorities like education, health care, child care, job creation and more. This includes stabilizing state and local government jobs, and protecting public employees' wages and benefits. The most efficient way to do this is by:

- Extending and expanding the increase in the federal contribution to Medicaid;
- Providing additional funds for state and local staff to process the high level of applications for unemployment insurance (UI), the supplemental nutrition assistance program (SNAP), Medicaid, Temporary Assistance for Needy Families (TANF) and other safety net programs; and
- Providing flexible, counter-cyclical assistance directly to state and local governments for urgent needs and vital services.

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