

States brace for shutdowns

Time is running out for the legislatures in Arizona, California, Indiana, Mississippi and Pennsylvania to solve budget gaps.

By P.J. Huffstutter and Nicholas Riccardi
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Reporting from Indianapolis and Denver -- The last time Indiana missed its deadline for passing a budget and had to shut down the government was during the Civil War.

But on Monday, as lawmakers raced to hammer out an agreement over school funding, state agencies began preparing 31,000 workers to be temporarily out of a job. Republican Gov. Mitch Daniels has warned residents that most of the state's services -- including its parks, the Bureau of Motor Vehicles and state-regulated casinos -- would be shuttered unless a budget is passed today. Indiana is one of five states -- along with Arizona, California, Mississippi and Pennsylvania -- bracing for possible shutdowns this week as time runs out for lawmakers to close billion-dollar gaps in their fiscal 2010 budgets.

Of the 46 states whose fiscal year ends today, 32 did not have budgets passed and approved by their governors as of Monday afternoon, according to the National Conference of State Legislatures.

Although the majority of those are expected to pass eleventh-hour budgets, the fiscal futures of a handful remain uncertain, said Todd Haggerty, an NCSL research analyst.

"It's a lot of states that are coming down to the wire," Haggerty said. "It's far more than we've seen in the past, and it's because of the state of the economy."

Since 2002, only five states have been forced to shut down their governments. Some of the closures were brief: In 2007, Michigan's doors were closed for four hours before lawmakers passed emergency measures that bought them time to close a \$1.75-billion deficit.

"What's different now is that the recession has eroded tax revenues across the country," Haggerty said. Collectively, he said, states are wrestling with budget deficits totaling \$121 billion.

In California, state finance officials will begin issuing IOUs on Thursday if lawmakers and the governor cannot agree on a way to close a \$24-billion shortfall. The IOUs would go to local governments, vendors, taxpayers and college students receiving state financial aid. California has issued such IOUs only one other time -- in 1992 -- since the Great Depression.

In Arizona, which has never missed its constitutional budget deadline, officials are battling over how to resolve a \$3-billion gap.

Republican lawmakers and the state's GOP governor, Jan Brewer, fought for months over her proposal for a temporary sales tax hike to preserve some government services. In a compromise unveiled Friday, legislators agreed to ask voters to approve the tax in November. But when a key committee was unable to muster a majority Monday for the compromise bill, lawmakers began drafting resolutions that would let the government function for at least a week.

Some services would go dark right away. Over time, the number of agencies still able to operate would shrink.

In Indiana, the budget fight revolves around how to allocate the state's shrinking revenues and how much of its \$1.3-billion surplus fund to tap.

Democrats in the state House and Senate are pushing for more spending on schools, particularly in economically troubled and urban areas. GOP legislators, on the other hand, are advocating that extra funds be directed toward charter schools and that scholarship donors to private schools be given a tax credit.

Another key sticking point is whether to help bail out the Marion County Capital Improvement Board, which manages the sports and convention venues in the state's capital. Lawmakers from outside the Indianapolis area are furious over the idea of state money being used to bridge the board's \$47-million budget deficit, rather than spent in a way that would benefit more Hoosiers.

By late Monday evening, after months of debate and several budget drafts, legislators left the Statehouse with glimmers of hope that they could avoid a shutdown.

"No matter what, we're going to vote on something" today, said a visibly weary House Speaker B. Patrick Bauer, a Democrat from South Bend. "Will it pass? I don't know."

<http://www.latimes.com/news/nationworld/nation/la-na-shutdown30-2009jun30,0,1912245.story?track=rss>