

# Bad economies in states to worsen: governors

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WASHINGTON (Reuters) - The already gloomy conditions of states' economies are set to worsen, according to preliminary survey findings from the National Governors Association released on Saturday.

[Barack Obama](#)

"The situation is fairly poor for a lot of states around the country. In fact, most states," Vermont Governor Jim Douglas, who is chairman of the association, said at a press conference at its annual meeting.

"What we're finding out from a fiscal standpoint is that the worst is yet to come," Douglas said.

In a survey conducted last week of 45 of the 50 states, the group found that states have \$18.8 billion of budget gaps yet to be closed in fiscal 2010. This comes after they have already imposed measures to eliminate budget imbalances totaling \$87 billion in the fiscal year, which for most started last summer.

In the budgets they are drafting for fiscal 2011, states foresee shortfalls of \$53.6 billion and for fiscal 2012 \$61.6 billion.

"Economists have declared the national recession over. But for those who are still unemployed, for those who have lost their homes, it's clear that as a nation we have a long way to go," said Douglas, who added that states' revenues have plummeted for four quarters in a row.

States' economic recoveries usually lag national recoveries because of state governments' increased spending on help for the unemployed and declines in tax payments.

All states except for one, Vermont, are required to balance their budgets, so during the recession they have drastically cut spending on basic programs, laid off workers and boosted revenue through raising taxes and fees.

The \$787 billion stimulus plan the U.S. Congress passed a year ago included the largest transfer of money from the federal government to states in the nation's history. But for many states, most of its funding will run out by December.

New Jersey Governor Chris Christie, also at the press conference, said the stimulus had delayed problems but not solved them.

Douglas said the governors will press President Barack Obama for more help when they visit the White House on Monday.

The survey also found that this fiscal year 38 states are bringing in far less revenue than what they had estimated at the beginning of the year and 21 states had to cut their budgets by more than 5 percent.

Just as states are gasping for money, they are confronting a crisis in healthcare, said Montana Governor Brian Schweitzer.

Over the weekend the governors will discuss how to reduce healthcare costs as the federal push to reform the country's health insurance and

medical treatment systems bogs down in Congress.

"I expected... we would be talking about implementing a new national health plan," Douglas said about preparing for the meeting. "Here we are. It hasn't happened."

The healthcare program for those with low incomes, Medicaid, is jointly administered by the states and the federal government and eats up large parts of most states' budgets. As people have lost their jobs and employee-sponsored health insurance during the longest and deepest recession since World War Two, they have turned to Medicaid and further strained the system.

(Reporting by [Lisa Lambert](#), editing by Vicki Allen)

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