

A STATELINE.ORG REPORT

2004 State of the States



PREFACE

This is *Stateline.org*'s fourth annual *State of the States* report, and we think you'll find it a useful companion during this election year. In this publication, our writers not only highlight significant state policy developments in education, health care, tax and budget matters, social issues, energy and the environment and homeland security in 2003, but also identify trends likely to emerge in 2004. All this will hopefully help you sort through the campaign rhetoric as candidates for local, state and federal office, including the men and women competing for 11 gubernatorial posts as well as the presidency, gird for battle on November 2.

You'll also find profiles of several "new faces" — state leaders who assumed power in 2003 or who were elected to terms beginning this year. Arnold Schwarzenegger, of course, is the most famous of the new faces, but others in the group are equally interesting. They include two former military aviators, one was a prisoner of war in Vietnam; a grandmotherly latecomer to politics; the

first woman chosen to lead Louisiana; and a long-time national political powerbroker. Still another element of the book is a set of maps and charts that will show at a glance how the states divide politically.

State of the States exemplifies the timely, in-depth, non partisan information you'll find every weekday in the pages of *Stateline.org*. Our free online news site is funded by The Pew Charitable Trusts as part of its efforts to inform the public, policy makers and the press on key issues and trends. Make *Stateline.org* a bookmark. If you haven't done so already, I hope you'll also sign up for our free daily and weekly email newsletters. They're a convenient way to stay on top of important events in the 50 state capitals. To subscribe, simply visit *Stateline.org* and click on "E-mail Newsletter" under the Resources at the top of our homepage.



Managing Editor

Stateline.Org

Stateline.org is a non-partisan, non-profit online news publication that reports each weekday on state government. Funded by The Pew Charitable Trusts, *Stateline.org* was created in 1999 to strengthen and enrich U.S. political journalism by providing information about political activity in the 50 state capitols. In an era of declining news media presence in statehouses, *Stateline.org* helps fill the coverage gap.

Stateline.org features original stories by staff reporters who track policy trends and highlight the people and events that affect state politics. Our journalists sort through more than 140 online news sources each weekday to link readers to the best of state policy news from across the country. We also provide statistical data and daily and weekly e-mail newsletters.

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OVERVIEW

By Ed Fouhy, Executive Editor

In this year's *State of the States* report, *Stateline.org* staffers have attempted to sort out the key policy developments affecting the states in 2003 and look ahead to the 2004 elections.

As in the past three years, the story of the states is largely but not exclusively one of budget-induced pain. The National Governors Association characterized the situation faced by its members – the 42 men and eight women with the most on the line — as the greatest crisis for the states since World War II. “There’s been negative growth of state tax revenue for the full fiscal year – the first time since 1946,” noted NGA executive director Ray Scheppach.

Don Boyd of the Rockefeller Institute, another respected voice on such matters, reported, “Nearly every state faced budget gaps beginning in fiscal year 2002 and those gaps grew in fiscal 2003 and 2004.”

By year’s end, eight states had used their tobacco money, 13 had tapped into rainy day funds, 31 had cut spending and 23 had reduced their work force. There was a glimmer of hope late in the year as optimists pointed to slowly declining jobless rates and rising sales tax revenues in some states, evidence that the worst was over. Nonetheless, when governors present their new budgets in the months ahead, they will do so knowing there are no easy solutions left. The painless cuts have been made.

State government expenditures adjusted for inflation are level or declining but, like an increasingly ravenous man who came to dinner, Medicaid remains voracious. Its costs jumped 9.2 percent in 2003, several times faster than inflation. Medicaid now accounts for nearly 21 percent of state expenditures. Appropriations for K-12 education, a sacred cow for legislators and governors, are slimmer than in the recent past, but were largely spared the cuts inflicted on other programs.

M

ore than half the states raised taxes, in big ways (New York's \$1.4 billion) and small (Wisconsin's \$1.8 million.) Voters remain reluctant to tax themselves, as Alabama Gov. Bob Riley found last summer when he went to the electorate with a plan to make the wealthy

OVERVIEW

pay more and the needy less. Alabamians emphatically said, “No thanks.”

Behind the harsh statistics is the story of how the prolonged fiscal crisis has hurt real people. In Kentucky, for example, a cost-cutting governor released convicts from prison early. In Texas, 54,000 kids were dropped from CHIP, the program that provides health coverage for children from low income families. Medicaid cuts in Massachusetts left half a million seniors without needed eyeglasses. And in traffic-choked California, authorities said that lower gas-tax collections mean no new highway or transit programs are likely for the next five years. **Jason White** examines the wreckage as well as the signs that the worst is over.

Aside from the fiscal crisis, the most watched development in the states this year was the recall of California’s Democratic Governor Gray Davis and the election of Republican Arnold Schwarzenegger. It was an outcome few could have anticipated when GOP Congressman Darrell Issa financed the movement last spring to unseat the unpopular, second-term incumbent. For six weeks the eyes of the nation, indeed of many nations, focused on Schwarzenegger, one of the world’s biggest box office names, as the actor drove Davis from office and easily outdistanced more than 100 rivals for the job of governor.

Veteran political writer **Lou Cannon** recounts the tale of that bizarre campaign and the challenges ahead for the former Mr. Universe and Terminator.

In Texas another act of political theater played out as Democrats twice decamped from the Lone Star State to frustrate a Republican redistricting plan. The wandering solons became the butt of late night comics, eventually returned to Austin and lost their battle.

The Pew Center on the States is based in Washington, D.C., where it often appears that few in the White House and Congress understand the Constitution’s Tenth Amendment reserving most powers to the states. Notwithstanding that four of our last five presidents were once governors, states have had to fight relentless efforts by Congress and the White House to impinge on states’ Constitutional powers and impose unfunded federal spending mandates.

A

prime example is that centerpiece of the Bush Administration’s domestic program, the groundbreaking No Child Left Behind Act. The education reform law was increasingly seen by state officials as intrusive and underfunded. Nebraska Education Commissioner Doug Christensen went so far as to call it “mean spirited.” An all-Republican group of state legislators was rebuffed in an effort to get some of the more odious requirements scaled back.

Special education, where the feds began dictating onerous requirements three decades ago, remains one of the most egregious and expensive examples of Washington making promises that it fails to keep. Special ed alone is underfunded to the tune of \$11 billion.

While Congress was quick to order states to modernize their election equipment in the after-

math of the Florida voting debacle of 2000, it has been slow to come up with the promised resources. States complained they are \$2 billion short of what's needed to equip all voting booths with modern equipment.

The states didn't lose all their battles. Washington provided an extra \$20 billion, half for temporary aid to fund state services and half to deal with the voracious demands of Medicaid. States also got \$2.2 billion to help meet new Homeland Security requirements. The states kept control of their welfare reform programs, at least for now. And the streamlined sales tax project expanded to 41 states, a necessary first step if the states are to begin to collect the sales tax dollars now eluding them thanks to the congressional ban on Internet taxation. That ban, often cited as the most flagrant example of Washington's disregard for states' Tenth Amendment prerogatives, will be reconsidered by Congress in 2004. As much as \$45 billion is at stake by 2006, enough to begin to close the budget gap.

While these high profile events led to increased interest in state political developments, the real story in the states – of tight fisted budgets and lowered expectations of citizen services – played out in much the same manner as it has since the economic downturn began three years ago. The choices have been especially difficult in higher education and the health care arenas.

Stateline.org's **Pamela Prah** examines the states' effort to cope with tighter education budgets, while **Erin Madigan** analyzes the dismal picture of budget-busting health care costs.

A Massachusetts court's startling ruling on gay rights is scrutinized by **Kavan Peterson**; **Kathleen Murphy** looks at the increasing aggressiveness of states unhappy about Washington's

environmental enforcement; and **Eric Kelderman** finds a vat of federal money with many spigots for anti-terrorism measures.

This past year, like 2001 and 2002 before it, ended with zero growth in state taxes and revenues. The result is families' struggling to pay both higher state university tuitions and, in some places, higher state and local taxes; more kids without health insurance; more seniors in need of services. All this is in sobering contrast to the previous 20 years, when state spending grew by 6.5 percent annually. Who can blame voters, even those who abhor new taxes, if they approach the polls in November in a mulish frame of mind?



Outgoing California
Gov. Gray Davis talked
about the premature
end of his second term
with the Associated
Press in his Los
Angeles office in
November.



OP GAINS POWER, LOOKS FOR MORE IN 2004

Victorious in three out of four 2003 gubernatorial races, Republicans enter the presidential election year in command of 28 governorships and hoping to build on that momentum. Although the country remains narrowly split between the two major parties, GOP chief executives preside in states with 59 percent of the population and the biggest Electoral College prizes.

Americans will go to the polls in 2004 not only to elect a president, but also to choose governors in 11 states, legislators in 44 states, 34 U.S. senators and the entire 435-member U.S. House of Representatives.

The GOP went into Fall 2003 occupying 26 of 50 governor's mansions, their narrowest margin since the 1994 elections swept Republicans to majorities in both the U.S. Congress and state capitols.

They made their first gain in California, where more than 8 million voters went to the polls on the first Tuesday in October to turn Gov. Gray Davis, a Democrat, out of office and elect as his replacement Arnold Schwarzenegger, a Republican movie star who supports gay rights and a woman's right to choose an abortion. It was only the second recall of a sitting governor in U.S. history.

As political theater, the Davis recall was impossible to top. But November's three regular gubernatorial elections were not without drama. Republicans captured two governorships that had been in Democrat hands, in Kentucky and Mississippi, and the Democrats took away a GOP governorship in Louisiana.

While the GOP gained bragging rights and appeared to gain momentum heading into 2004, the outlook for both state and national elections is not so

clear. The electorate appears as deeply divided as in 2000, when George W. Bush captured the White House despite losing the popular vote and only after the U.S. Supreme Court intervened in the outcome in Florida.

Recent polls corroborate how closely Americans are split. Among registered voters, 34 percent are Democrats, 33 percent Republicans and 33 percent independent or other, according to a survey by The Pew Research Center for the People and the Press. The public split evenly when asked whether it prefers President Bush or a Democrat in 2004.

North Carolina, the 11th most populous state, is the largest choosing a governor in 2004. Three of the states choosing chief executives are among the smallest: Delaware, North Dakota and Vermont. The others are Indiana, Missouri, Montana, New Hampshire, Utah, Washington and West Virginia.

“We are America’s majority and we are a growing majority. We’re very hopeful that we can expand and grow our numbers from the 28 out of 50 states we now hold,” said Ohio Gov. Bob Taft, chairman of the Republican Governors Association.

The Republican gains in Kentucky and Mississippi were not surprising given that these states have evolved into GOP strongholds. The Davis recall, while a huge victory for the GOP, was a rare event. Bush lost California by more than 1.2 million votes to Al Gore in 2000, and few analysts give the president any chance of capturing the state’s 54 electoral votes next fall.

The California recall – a political extravaganza that attracted a pornography mogul, a former baseball commissioner and the Austrian-born bodybuilder-turned-action movie star among

many others – played out in a state with deep economic woes and a speedy mechanism for getting rid of unpopular elected officials.

Few states have a trap door that operates as quickly as California’s. Indeed, a few days after Schwarzenegger took the oath of office in Sacramento, an anti-tax group in Nevada threw in the towel on its attempt to recall Republican Gov. Kenny Guinn, admitting it could not gather enough signatures.

With the switch in Sacramento, the four most populous states — California, Texas, New York and Florida — all have GOP governors.

Democrats stemmed the political bleeding in Louisiana, where Kathleen Blanco, the state’s lieutenant governor, defeated Republican Bobby Jindal, a 32-year-old policy wonk and wunderkind backed by term-limited Republican Gov. Mike Foster.

While Democrats lost ground in the governors’ races, they gained in legislative races.

They claimed the New Jersey Senate by picking up two seats and breaking a 20-20 tie in Trenton. They also padded their Assembly majority by six seats. No other chambers changed hands in Louisiana, Mississippi and Virginia, the other three states that elected legislators in 2003.

Virginia Democrats gained three seats on Republicans in the House of Delegates, although Republicans maintained control by a comfortable 61-37 margin. Virginia Republicans added one seat to their Senate majority.

Republicans now control legislatures in 21 states, Democrats hold both chambers in 17 states, and 11 states have split control. The Nebraska Legislature is nonpartisan.

In Kentucky, U.S. Rep. Ernie Fletcher (R), a physician and former fighter pilot, defeated Attor-

ney General Ben Chandler (D) in a race that turned largely on misconduct by outgoing Gov. Paul Patton (D). The conservative Fletcher, the state's first Republican governor in 32 years, pledged to bring integrity back to Frankfort.

"It was a referendum on the good-old-boy Kentucky political system, the worn out politics of a bygone era," Fletcher told *Stateline.org*.

In Mississippi, Republican power broker Haley Barbour defeated incumbent Democratic Gov. Ronnie Musgrove. Barbour, former GOP

a change in their state's economy, a change in their state's schools and a change in leadership," said Washington Gov. Gary Locke, chairman of the Democratic Governors Association.

Five states with gubernatorial elections in 2004 have Republican governors: Montana, New Hampshire, North Dakota, Utah and Vermont. Democrats hold governorships in six: Delaware, Indiana, Missouri, North Carolina, Washington and West Virginia.

Incumbent governors are likely to run for reelection in six of these states. They are: Delaware Gov. Ruth Ann Minner (D), Missouri Gov. Bob Holden (D), New Hampshire Gov. Craig Benson (R), North Carolina Gov. Mike Easley (D), North Dakota Gov. John Hoeven (R) and Vermont Gov. Jim Douglas (R).

Indiana Gov. Joe Kernan (D), a former lieutenant governor who advanced to the office after the death of Gov. Frank O'Bannon (D) in September, is running for a full term.

Three incumbent governors – two Democrats and one Republican – chose not to run for reelection next year.

Montana Gov. Judy Martz (R) chose not to run again after a single term. Martz had a difficult tenure as the state's first woman governor and her popularity has plummeted, acknowledged Chuck Denowh, executive director of the Montana Republican Party. She had a 66 percent disapproval rating in a recent Montana State University-Billings poll.

Gary Locke (D), the son of Chinese immigrants and the first Asian-American governor in the continental states, is stepping down as Washington's governor after two terms, saying he wants to spend more time with his family. And West Virginia's Gov. Bob Wise (D) will not run again after

Future watch

Americans will go to the polls in 2004 not only to elect a president, but to choose governors in 11 states, legislators in 44 states, 34 U.S. senators, and all 435 members of the U.S. House of Representatives.

party chairman and head of a powerhouse lobbying firm in Washington, becomes Mississippi's second Republican governor since Reconstruction.

The Louisiana governor's race was the tightest of the four, with Blanco defeating Jindal, the Rhodes Scholar son of immigrants from India, by 52 percent to 48 percent. Blanco trailed heading into the campaign's final week, but she turned the tide with a barrage of ads accusing Jindal of cutting health benefits for poor Louisianans during his tenure as the state's health care chief.

"People in Louisiana were seeking a change –

admitting to an extramarital affair with a state employee.

Utah Gov. Olene S. Walker (R) has not decided whether to run. Walker, who was lieutenant governor, is finishing the final 15 months of the second term of Michael O. Leavitt (R), who vacated the post to join the Bush Cabinet as administrator of the Environmental Protection Agency.

“It’s great to be in a position where I don’t have to run to complete my political career,” Walker told *Stateline.org*.

While 2003 boasted many high-profile candidates, including Schwarzenegger and Barbour, few big names have emerged in state-level races in 2004.

Republican Mitch Daniels, who left his position as President Bush’s budget chief, is running for governor of Indiana.

Although most state races turn on local issues and personalities, some national themes are already emerging, including the economy, ongoing state budget problems and the high costs of health insurance and prescription drugs.

“Jobs have superseded education as the No. 1 priority across the country,” B.J. Thornberry, executive director of the Democratic Governors Association, said. She predicted strong Democratic showings in Montana, Utah and Vermont, all now in GOP hands.

Ohio’s Taft said Missouri, Washington and West Virginia, all now with Democratic governors, will be prime targets for Republicans.

The closeness of the two parties can be seen in the nation’s statehouses, where Republicans control 60 more seats than Democrats out of 7,382 state legislative seats, an advantage of less than 1 percent, according to the National Con-

ference of State Legislatures (NCSL).

Forty-four states elect new legislators in 2004. Even though redistricting has left many incumbents challenger-free, the narrow margins in many legislative chambers could lead to significant power shifts.

Tim Story, an NCSL staff analyst, said races to watch include battles to control the state senates in Colorado, Illinois, Maine and Oregon, the state houses in Indiana, Montana, North Carolina, Oklahoma and Vermont, and both chambers in Washington.

With a strong anti-tax sentiment still coursing through the country, lawmakers are unlikely to pass major tax increases, even if budget problems persist in 2004. Two of 2003’s most closely watched referenda pointed that way.

In September, Alabama voters rejected by a 2-1 margin a plan to make the state tax code less regressive by raising taxes on wealthy residents and cutting taxes for the poor. Alabama Gov. Bob Riley (R) had championed the change, arguing the state needed to spend more on schools and health care.

In January, Oregon voters rejected a 5 percent increase in state income taxes. Lawmakers had placed the proposal on the ballot, giving voters a stark choice: Raise your taxes or lose services. Voters chose the latter by a 55-45 margin.

But Oregon lawmakers later bucked voters’ wishes and passed an \$800 million tax increase, leading to another statewide referendum this Feb. 3 on whether to overturn that hike.

CALIFORNIA'S POLITICAL EARTHQUAKE: A LESSON IN DIRECT DEMOCRACY

By Lou Cannon, *Special to Stateline.org*

California is an American dreamland periodically ravaged by natural disasters, but it was a political earthquake that made headlines in 2003 as Californians recalled their sitting governor and replaced him with a political novice from the state's most famous industry, Hollywood.

The tumultuous recall of Democrat Gray Davis 10 months into his second term was only the second recall of a governor in U.S. history. Davis goes into the history books alongside North Dakota Gov. Lynn J. Frazier, a socialist-leaning politician who was derailed in 1921 after the post-war collapse of the farm economy.

Now the task of cleaning California's Augean stables falls to Arnold Schwarzenegger, the Austrian-born actor who made his name as a bodybuilder and is best known for the movies in which he plays an intimidating, baritone robot called The Terminator.

No writer could have fashioned a more dramatic script.

In a manner reminiscent of Ronald Reagan's successful campaign for governor in 1966, Schwarzenegger campaigned against "politics as usual" and appealed to voters of all political persuasions to join him. One asset was his wife, Maria Shriver, a television journalist and member of the Kennedy dynasty who helped her husband weather stories in the *Los Angeles Times* late in the campaign in which women alleged that Schwarzenegger had fondled them.

Schwarzenegger, a Republican, won a smashing victory in a state that has increasingly trended Democratic. Fifty-five percent of those who went to the polls in the October 7 special election — including a fourth of the Democrats — voted to recall Davis. Schwarzenegger won nearly half the vote in the crowded field of replacement candidates. The election attracted worldwide media attention and produced a 61 percent turnout of registered voters, compared to 50 percent when Davis was re-elected in 2002. Schwarzenegger received more votes this time than Davis did back then.

Californians have been taking matters into their own hands at the ballot box for decades. Key policy decisions on tax limitation, education spending, affirmative action, Indian gaming, and medical use of marijuana — which the Legislature and various governors had dodged or were unable to resolve — were decided by ballot initiatives.

Even the recall, the ultimate weapon of direct democracy, has been used successfully in local and judicial elections, although 31 previous attempts against California governors had failed. Never before had recall proponents gathered the requisite signatures — 12 percent of the number that voted in the last election.

Davis was not accused of crimes or malfeasance in office, the usual rationale for recalling a public official. But he was widely regarded as an ineffectual governor who, beginning with the energy crisis of 2000 and through the budget battles of the last two years, had fallen short in times

of crisis. Davis may also have been damaged by his questionable involvement in the 2002 Republican primary, in which the governor's operatives spent heavily on television commercials aimed at demonizing former Los Angeles Mayor Richard Riordan, a moderate. Riordan was considered Davis' most formidable potential opponent. Republicans instead nominated an untried conservative, Bill Simon, who came within 5 percentage points of winning despite a lackluster campaign.

Davis' weak showing in victory foreshadowed his subsequent defeat. A petition campaign bankrolled by Rep. Darrell Issa, a Republican congressman from San Diego who had made a fortune selling car alarms, easily gathered enough signatures to qualify the recall election. Schwarzenegger, whose support of abortion rights and gay rights might have made it difficult for him to win a Republican primary, jumped in as a candidate at the last moment. Issa dropped out, and Schwarzenegger routed his principal remaining opponents, State Sen. Tom McClintock, a conservative Republican, and Lt. Gov. Cruz Bustamante, a liberal Democrat.

Schwarzenegger won a majority of women's votes, did better among Latinos than any Republican since Reagan, and better among African Americans than any Republican since the legendary Earl Warren. He gave a resonant speech when he was inaugurated on the State Capitol steps on November 17, comparing himself to President John F. Kennedy as an "idealist without illusions." Later in the day he carried out a campaign promise to rescind a 300 percent increase in the state's vehicle registration fee.

But this very action underscored the magnitude of the challenge facing the new governor, despite his celebrity appeal. Rolling back the car

tax added \$4 billion to a state budget deficit already estimated at \$10 billion. That \$4 billion was intended to help local governments pay police and firefighting costs. Schwarzenegger offered no immediate substitute for this lost revenue.

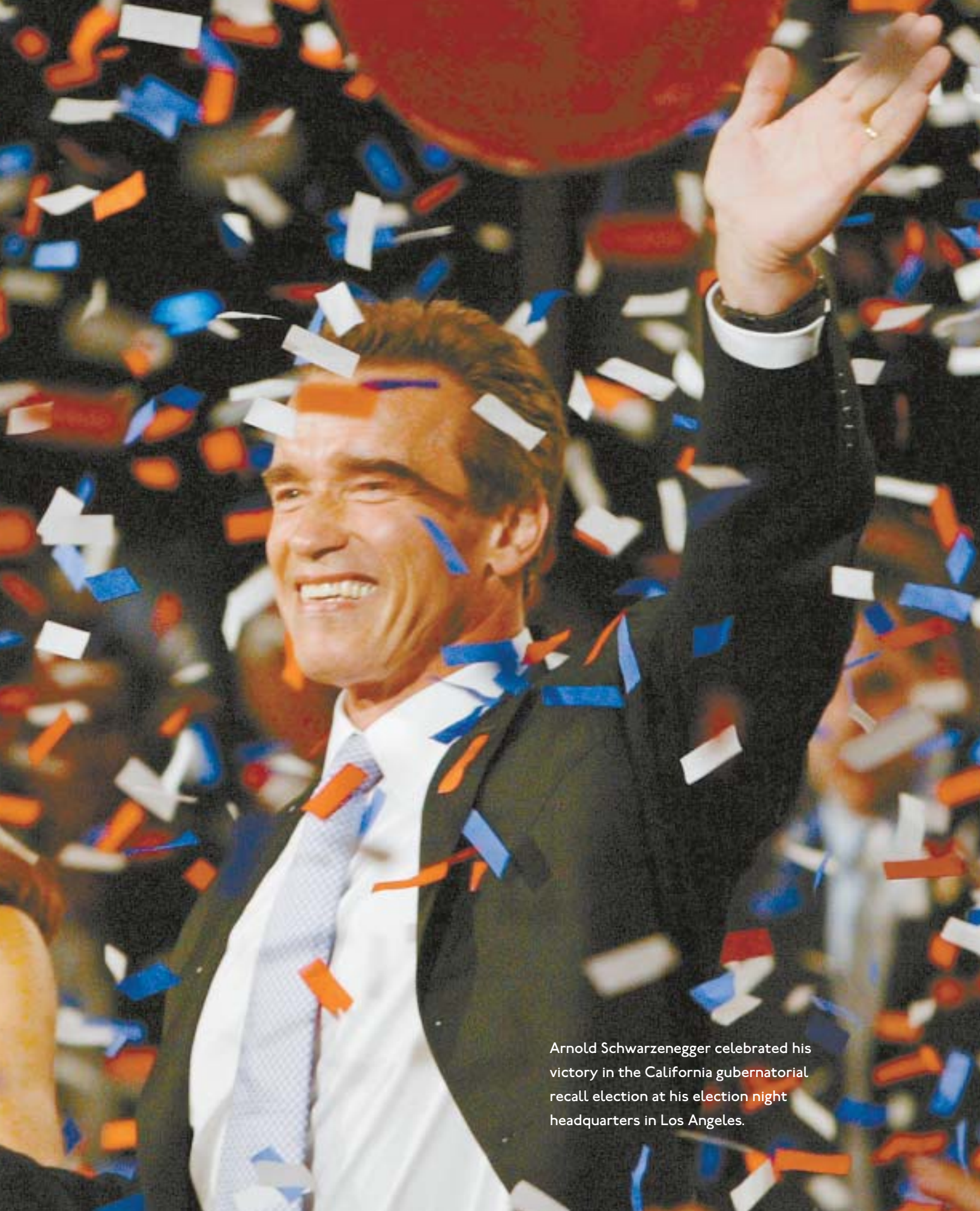
Before the cheers for his inaugural speech had died, Schwarzenegger ran into some of the same legislative hurdles that had tripped his predecessor and was forced to acknowledge that there is no painless answer to California's budget mess. Democrats, who control the Legislature, expressed concerns about prospective cuts in state spending. Republicans warned they would oppose any tax increases. Schwarzenegger, who says he opposes both tax hikes and deep budget cuts, proposed a \$15 billion bond issue for the March ballot to eliminate the deficit. The legislature rejected the bond issue proposal but restored it as part of a compromise fiscal package whose fate remained uncertain at year's end.

With California's credit rating at rock bottom, Wall Street analysts warned that the state could run out of money by June and be unable to repay past borrowings unless it raises new revenues. Whatever the solution, it will almost certainly produce another round of direct democracy in the form of an initiative requiring voter approval.

That's how California has learned to govern itself.

As for Gray Davis, he might take heart at what happened to Lynn Frazier after the ignominy of his recall in 1921. Frazier turned Republican, ran for the U.S. Senate in 1922 and represented North Dakotans in Washington for the next 18 years.

Lou Cannon, a former Washington Post White House Correspondent, is an expert on California politics.



Arnold Schwarzenegger celebrated his victory in the California gubernatorial recall election at his election night headquarters in Los Angeles.

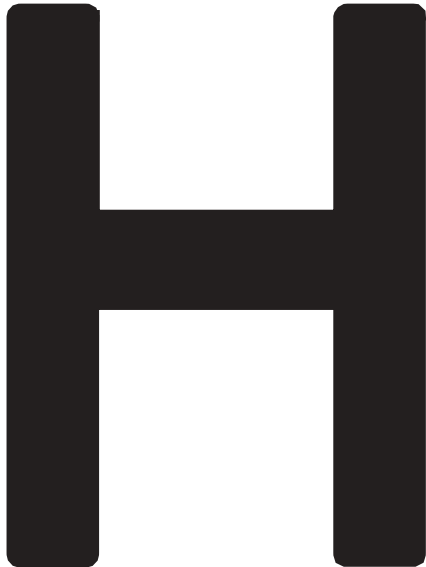
At a rally on the Capitol steps in Harrisburg, Pa., Beth Ziegler, a pediatric intensive care nurse, and Richard Ziegler, M.D., an orthopedic surgeon from West Chester, Pa., demonstrated for caps on medical malpractice lawsuits.

A woman with blonde hair and glasses is shouting with her mouth wide open. She is holding a wooden signpost. At the top of the signpost is a brown dog figurine with a blue collar and a yellow tag. The signpost is attached to a white sign with black text. The background is a blurred green landscape.

Healthcare
has really
gone to
THE DOGS

A man with glasses and a white lab coat is looking to the left. He is wearing a blue and white cap with the text "DOGS NEED CAPS". He is holding a wooden signpost. The signpost is attached to a white sign with black text. The background is a blurred green landscape.

TORT
REFORM
NOW



HIGH-COST DRUGS, PROBLEMS OF UNINSURED VEX STATES

America's nagging health care problems – soaring premiums, tens of millions of uninsured, prescription refills that cost hundreds of dollars – are giving governors and state health officials a major migraine.

State officials say the cost of patching the nation's frayed health safety net is busting state budgets. And while Congress added a drug benefit to Medicare, it did not stop the Food and Drug Administration from trying to shut down imports of cheaper medicines from Canada.

Iowa Gov. Tom Vilsack, a Democrat whose state maneuvered to keep the Canadian pipeline open, told *Stateline.org*, "If the folks in Washington, D.C., don't think people are angry about this, they're obviously not listening to the citizens of this country."

States now spend more than one-fifth of their budgets on Medicaid, which provides coverage for more than 40 million people, half of them children. "There isn't a state that isn't worried about (Medicaid) and isn't concerned," said Sandra Shewry, director of health policy at the National Governors' Association.

These problems, building for years, reached alarming proportions in 2003.

The U.S. Census Bureau reported that almost 44 million Americans – 15.2 percent of the populace — went without health insurance in 2002. That was 2.4 million more than the previous year. Back in 1987, it was considered worrisome when 31 million Americans – 13 percent – lacked health insurance.

After years of signing more people up for Medicaid, difficult times forced states to scale back eligibility and trim optional benefits such as dental, vision and mental health care.

Michigan and Oklahoma eliminated adult dental care for Medicaid recipients. Texas reduced services for mentally ill and medically needy populations and also cut coverage for 7,800 low-income pregnant women. Georgia was weighing cuts that would affect nursing home residents, pregnant women and children. And in Connecticut, the state was considering imposing premiums that could drive 86,000 people out of the program.

The outlook for 2004 is no rosier. A Novem-

ber report by the National Conference of State Legislatures found that Medicaid was already running over budget for fiscal 2004 in more than a dozen states, including Alaska, Georgia, Maryland, Michigan, New Mexico and New York.

“States will have an exceptionally difficult set of choices to make going into their next legislative session,” said Trudi Matthews, chief health policy analyst at The Council of State Governments.

Five states – Alabama, Colorado, Florida, Montana and Utah – froze enrollment in their Children’s Health Insurance Programs, which insures children in families that make too much for Medicaid but still can’t afford private insurance. CHIP fared better than Medicaid in terms of cuts in part because kids are less expensive to cover.

Growth in Medicaid spending actually slowed for the first time in seven years, but is still expected to climb at least 8 percent a year for the rest of the decade. “We are by no means out of the woods,” said Victoria Wachino, associate director of The Kaiser Commission on Medicaid and the Uninsured. The Commission, a project of The Henry J. Kaiser Family Foundation, surveyed states and found:

- 49 states planned to reduce or freeze payments to physicians, hospitals and other providers for fiscal 2004.

- 44 would likely restrict which drugs Medicaid patients can buy.

- 20 planned to pare dental and vision coverage, doctor visits and home care.

- 18 were eyeing tighter eligibility standards for Medicaid and long-term care. Medicaid pays most nursing home bills.

“A lot of governors and legislatures tried very hard to preserve the gains they had made during more robust economic times, but they’ve got more folks clamoring at the door,” said Alwyn Cassil, spokeswoman for the Center for Studying Health System Change, a Washington think tank funded by The Robert Wood Johnson Foundation.

Despite the dismal picture, state officials agreed there is one bright spot – the \$20 billion Congress provided states

under the Bush tax cut package, including \$10 billion for Medicaid. That helped stave off even deeper cuts, state Medicaid directors said.

Minnesota avoided chopping 68,000 single adults from Medicaid. Colorado Gov. Bill Owens (R) rescinded a plan to cap enrollment in CHIP. Oklahoma used its share to give Medicaid providers a rate increase – a welcome measure in the largely rural state that’s had problems with provider participation. And Alaska and Ohio averted significant reductions in eligibility.

But the fiscal relief was only a temporary boon.

“If I was a governor and knew the fiscal relief was going to expire at the beginning of fiscal year 2005, I would have to do some hard thinking about my priorities and ... (how) to fill the hole,” Kaiser’s Wachino said.

“Lots of states did their best to hold the line,” said Cindy Mann, a research professor at Georgetown University’s Health Policy Institute, but now that they’ve picked “the low-hanging fruit,” the choices become tougher.

State officials also fretted over the rising cost of prescription drugs for those with skimpy drug benefits or none.

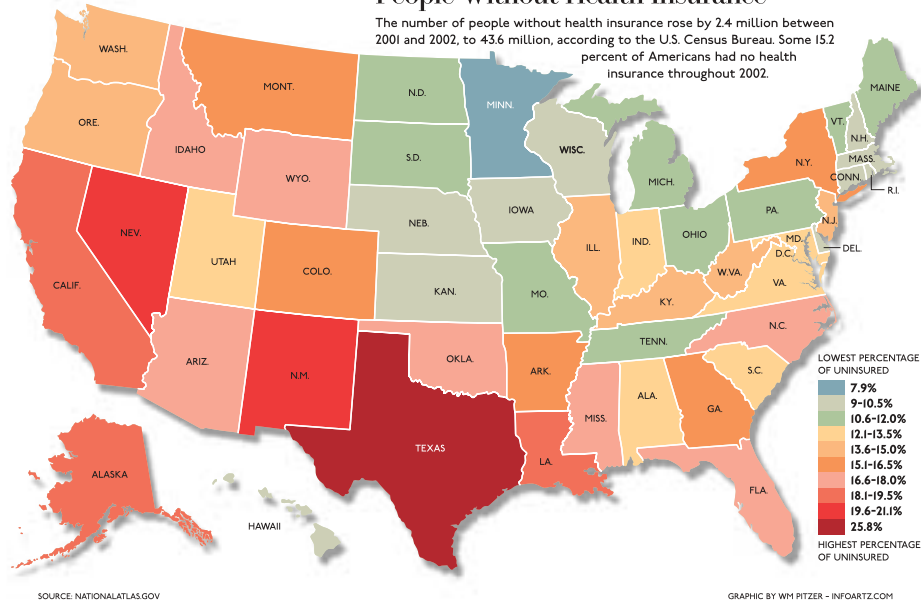
Governors and legislators pushed the prescription drug issue across borders, pressing the federal government to remove legal hurdles to re-importing lower-priced drugs from Canada.

Governors from Iowa, Illinois, Minnesota, Michigan and Wisconsin also expressed interest in the issue, some launching Internet petitions or lobbying Congress. In addition, legislators in Illinois, Florida, Maine, Massachusetts, New Jersey, Rhode Island and Vermont considered measures to promote imports, although none became law.

Minnesota Gov. Tim Pawlenty (R) told a U.S. Senate panel in November that the FDA should let the Gopher State help residents buy less-expensive prescription drugs from Canada. “If they sue me, I am willing to be sued,” he said. As for FDA concerns that re-importation is unsafe, Pawlenty said: “Show me the dead Canadians. Where are the dead Canadians?”

People Without Health Insurance

The number of people without health insurance rose by 2.4 million between 2001 and 2002, to 43.6 million, according to the U.S. Census Bureau. Some 15.2 percent of Americans had no health insurance throughout 2002.



States “are definitely on the prowl for any new ideas to contain costs,” said Matthews of The Council of State Governments. “That’s why you see the re-importation idea emerging.”

Maine got a green light from the U.S. Supreme Court to implement Maine Rx, a program to help the working poor and elderly by forcing drug makers to grant the same discounts that they give to Medicaid.

Other strategies to control drug costs include forming bulk-buying pools, increasing copays, prior authorization rules and preferred-drug lists for state employees and Medicaid patients.

Before California Gov. Gray Davis (D) was recalled, he signed legislation requiring California businesses with more than 200 employees to provide health insurance and pick up 80 percent of the premiums. The mandate will likely face a legal challenge.

In Maine, freshman Gov. John Baldacci (D) signed into law a so-called “universal” health plan that will provide subsidies on a sliding scale to help individuals and families buy private coverage starting in July 2004. He planned to use the state’s federal fiscal relief to jump-start the program.

The Bush administration proposed giving states the option of taking two-thirds of their payments for Medicaid, CHIP and hospital “disproportionate share” funds in block grants. Despite sweeteners, governors balked, fearing they would be left with less over the long term. A bipartisan task force failed to come up with an alternative. In the end, however, the Bush proposal gained no traction in Congress.

Governors then turned concern to the nearly 6 million elderly or disabled Americans on the Medicaid rolls who also qualify for Medicare. They unanimously called on the administration to

pick up the prescription drug tab for this group and not to saddle already strained state Medicaid programs with the bill. States spend about \$7 billion annually on prescription drugs for “dual-eligibles,” and the Kaiser Commission estimated they could spend \$100 billion over the next 10 years.

The states’ call was answered just before Thanksgiving as the U.S. House and Senate approved a Medicare bill that grants all senior citizens – including the dual-eligibles – a prescription drug benefit from the federal government. However, states didn’t break out the champagne and toast cost savings.

They’ll save money in the long term, but the Medicare drug coverage won’t begin in earnest

until 2006 and policy analysts said a “clawback” provision requires states to return to the federal government most of the savings gained from including dual-eligibles in Medicare. In addition, states will no longer be able to use Medicaid matching funds to supplement drug coverage to fill gaps in the federal plan – meaning senior citizens who live in states with comprehensive benefits could actually see less coverage than they have now.

“In some states that’s not a big deal because they probably will think the Medicare benefit is perfectly adequate,” said the Kaiser Commission’s Jocelyn Guyer. But in other states, some dual-eligibles may wind up with bigger out-of-pocket drug bills “and the state can’t step in and help them with Medicaid dollars.”

MEDICAL MALPRACTICE LIABILITY REMAINS ON THE CRITICAL LIST

By Erin Madigan, *Staff Writer*

Under tremendous pressure from doctors groups and insurance companies, 34 states considered measures to reform their medical liability system in 2003.

At least 10 states – Arkansas, Florida, Idaho, Montana, Nevada, New Hampshire, Ohio, Texas, Utah and West Virginia – enacted laws, according to the National Conference of State Legislatures.

The issue generated a torrent of headlines

and intense debate among interest groups. Policy analysts say it’s a debate that’s here to stay.

“There are very entrenched ideological positions” that make it difficult for state legislatures and politicians to pass comprehensive reforms, said Alwyn Cassil, spokeswoman for the Center for Studying Health System Change.

The most common and controversial measure considered was limiting the amount of money for “pain and suffering” that juries can award victims of medical malpractice.

Physicians and insurers blame excessive jury awards for soaring insurance premiums. They say capping the amount paid for so-called non-economic damages in cases of medical negligence could decrease risk and lower premiums. A \$250,000 cap enacted in California in 1975 is often credited with stabilizing the insurance market there.

Trial lawyers and other opponents say caps undermine victims' ability to gain just compensation. They contend the recent spike in premiums was attributable not to large jury awards but to poor investments made by the insurance industry.

Florida held three special legislative sessions before pushing a medical malpractice bill through its Legislature. The law, signed by Gov. Jeb Bush (R) in August, capped at \$500,000 the amount a victim can win for non-economic damages. Legislators in Ohio capped non-economic damages at \$350,000, while Idaho capped both non-economic and punitive damages at \$250,000.

In Texas, the Legislature limited non-economic awards to \$250,000 per defendant, with a \$750,000 maximum. And in what the American Medical Association called a "stunning victory," Texas voters on Sept. 13 approved Proposition 12,

which amended the state constitution to authorize the Legislature to set similar caps on other types of civil lawsuits after Jan. 1, 2005.

The issue also surfaced in the off-year gubernatorial elections. In Kentucky, Ernie Fletcher (R), a physician-congressman, urged a similar constitutional amendment to allow caps on jury awards in malpractice suits. A measure to do just that failed in the Kentucky Legislature earlier in the year. Fletcher won the governor's race.

Although caps were the most popular remedy considered, states also turned to alternative reforms in hopes of finding a path out of the malpractice liability thicket.

West Virginia, a state that's been grappling with the malpractice crisis for more than two years, established tax credits to help doctors cover their insurance premiums.

And Massachusetts Gov. Mitt Romney (R) proposed moving malpractice claims out of state courts into tribunals where administrative law judges, not juries, would decide both guilt and damages.

■ *States that considered medical malpractice liability measures in 2003: Alabama; Arizona; Arkansas; Colorado; Connecticut; Florida; Hawaii; Idaho; Illinois; Indiana; Kentucky; Maine; Massachusetts; Minnesota; Mississippi; Missouri; Montana; Nevada; New Hampshire; New Jersey; North Dakota; Ohio; Oklahoma; Oregon; Pennsylvania; Rhode Island; South Carolina; Tennessee; Texas; Utah; Virginia; Washington; West Virginia, and Wyoming.*

Source: National Conference of State Legislatures



A child who is one of 18,000 New Hampshire children who benefit from remedial education heads home after a summer school class at Boscawen Elementary School. Some lawmakers are wondering whether the new help from the federal *No Child Left Behind Act* is worth the mandates.



CHOOLHOUSES, STATEHOUSES REEL FROM FEDERAL MANDATES

States are accustomed to hearing Washington complain loudly about deficiencies in the country's public schools. With the No Child Left Behind Act, the federal government now has a bigger role – and a bigger stick.

The sweeping federal law left cash-strapped states battered and confused in 2003. More nationwide provisions will take effect in 2004, along with the threat of losing millions of dollars for states that don't pass muster.

Budget strains also led many states to impose record tuition increases at public colleges and universities. While colleges are beyond the scope of NCLB, there were murmurings in Washington that higher education institutions should be held more accountable for the quality of education they deliver.

Education reforms and money problems are not new for the nation's schools, but they converged with a vengeance in 2003.

The timing could not have been worse, said Michael Cohen, president of Achieve, a Washington, D.C., nonprofit that helps states raise academic standards. The demands "came at a time when the federal budget deficit is skyrocketing and state budgets are in terrible shape," Cohen said.

Thirteen states cut K-12 funding for fiscal 2003-2004, according to the National Conference of State Legislatures (NCSL).

No one knows how much NCLB will ultimately cost, but the requirements gave states another reason to complain.

"This is the most important national education law in 25 years," said Jack Jennings, director of the Center on Education Policy, a Washington think tank. "It's just starting to have an effect," as suburban parents discover their schools aren't measuring up, teachers worry about meeting new qualification standards and politicians wonder how to pay for it and what the political fallout may be, Jennings added.

The General Accounting Office estimated that it would cost states a minimum of \$1.9 billion and possibly as much as \$5.3 billion to conduct the required tests in reading, math and science over six years. The lower estimate is for simple multiple-choice exams, the higher for complex tests that

yield more diagnostic information. Congress has promised \$2.7 billion in aid. Children in grades 3-8 must be tested annually and high school students once by 2005-2006.

Four states – Hawaii, New Hampshire, Utah and Vermont – seriously considered giving up their federal aid and bailing out of NCLB in 2003, but none did so.

The White House and Republicans in Congress insist Washington is forking over plenty of money. Federal spending on schools has jumped 40 percent since President Bush took office, including \$1 billion extra for NCLB's mandates in 2003. "Every state is pinched for dollars," U.S. Education Secretary Rod Paige told *Stateline.org*. "If state coffers were flush with dollars, there wouldn't be quite as much whining going on about this."

Two states were penalized in 2003 for test foul-ups. Georgia lost \$783,000 in federal aid and Minnesota lost \$113,000. Michigan and Ohio were threatened with sanctions, but both averted them. While the penalties were not steep, they sent the message that Washington is keeping a close eye on how well states carry out their end of the bargain.

The bar will be raised higher in 2004. Faltering schools that land on the "needs improvement" list two years in a row must pick up the tab for students who want to transfer to better public schools. States will also be busy trying to ensure all their teachers are "highly qualified" by the end of 2005-2006.

The U.S. Department of Education does not keep a tally of how many schools are failing. "We've made it very clear that this is not our list; it's a list that states put together and a number that they should keep track of," said Nina S. Rees,

deputy undersecretary for innovation and improvement.

The National Education Association estimated that 23,000 schools in 44 states got failing marks — one-fourth of the nation's public schools. The National Conference of State Legislatures said half the schools in 25 states were not meeting state benchmarks. At the bottom were Florida, where 87 percent of schools did not measure up; South Carolina (77 percent); and Idaho (73 percent). Minnesota was at the front of the class, with just 8 percent of schools in trouble.

Many schools falter because of low scores from special education students or students from families that don't speak English. NCLB requires schools to show that all students are making academic progress, including minorities, the disabled and the needy.

"It's disheartening for a state to show improvement and still be called a failure," said Charlotte Postlewaite of the Council of State Governments.

But don't look for Congress to overhaul NCLB soon. "We have no intention to reopen the law prior to its reauthorization in 2007," said Josh Holly, a spokesman for the House Committee on Education and the Workforce. Testing requirements for severely disabled children, however, may be eased. The Department of Education is considering allowing 1 percent to take alternative tests.

Ross Weiner, policy analyst for The Education Trust, a nonprofit that supports the act's accountability provisions, said this is the first time that many states have revealed student results by race, ethnicity and disability. "It's clear now that closing achievement gaps is a nationwide priority," Weiner said.

NCLB also requires states to identify “persistently dangerous” schools, yet states reported fewer than 50 such schools in 2003. Only six reported any at all, and two — Nevada and Texas — later changed their minds.

“No school administrator wants to be slapped with the label of operating a persistently dangerous school. That label is the kiss of death to the school administrator’s career,” said Kenneth S.

Future watch

Faltering schools that land on the “needs improvement” list two years in a row must pick up the tab for students who want to transfer to better public schools. States also will be busy trying to ensure all their teachers are “highly qualified” by the end of 2005-2006.

Trump, president of National School Safety and Security Services, a Cleveland consulting company.

Former Michigan Gov. John Engler predicted some heads may roll as NCLB exposes schools to more scrutiny and accountability. “I think you’re going to see some governors get beat in a few years based on education stories,” Engler told a Grantmakers for Education conference.

Education also could become an issue in the presidential election. One of the Democratic hopefuls, Howard Dean, opposed NCLB as gov-

ernor of Vermont and wanted to walk away from the federal cash to avoid complying.

Confusion may have been the watchword for K-12 schools in 2003, but anxiety reigned at colleges and universities. Twenty states cut higher education funding, according to NCSL. Tuition climbed 14 percent on average at four-year public institutions in 2003, according to the College Board.

The University of Arizona and Northern Arizona University both increased tuition 39 percent, and University of California regents raised tuition and fees 30 percent. The sticker shock was little better at community colleges. Tuition climbed nearly 12 percent at two-year colleges in Connecticut and 7.5 percent in Florida.

Congress is watching tuition hikes carefully as it prepares to revamp the *Higher Education Act* in 2004. Rep. Howard P. McKeon (R-Calif.), who chairs the House panel that oversees higher education, wants to cut student aid for colleges that increase tuition too steeply.

College affirmative action programs survived a second look by the U.S. Supreme Court. Many universities are adjusting how they cast their nets for minorities and disadvantaged students in light of the University of Michigan cases, in which the high court ruled that campuses may consider race but may not automatically bestow extra points to minority candidates.

In Texas, where an appeals court previously had ruled out use of race, the flagship University of Texas at Austin now is developing a plan to use race and ethnicity as factors in undergraduate, graduate and law school admissions, although not before 2005.

Florida’s high court ruled that the NAACP could challenge Gov. Jeb Bush’s One Florida plan

guaranteeing students in the top 20 percent of their class admission to a state university. Bush, a Republican, devised the plan in 1999 as an alternative to affirmative action.

Activists are trying to put a ban on affirmative action on the Michigan ballot. In Colorado, Republican Gov. Bill Owens called on lawmakers

to prohibit state colleges from considering race in admissions.

That “should serve as clear notice to state policymakers that affirmative action will remain a hot-button political issue,” said Dale DeCesare, an analyst with the Education Commission of the States.

HOW TO PAY FOR SCHOOLS? COURTS, VOTERS HAVE A SAY

By Pamela M. Prah, *Staff Writer*

Battles over public school funding were fought in courtrooms and inside voting booths throughout 2003, and analysts see no end to the bickering in 2004.

Eighteen states are mired in legal challenges over the way they fund education, including new lawsuits against Nebraska and Kentucky. Court challenges are expected soon in Missouri and North Dakota.

Deciding how to pay the nation’s \$400 billion-plus public school bill is always a hot topic, especially since education claims the biggest chunk of a state budget. Increasingly states are being hauled into court by advocacy groups with a powerful new argument: They cite schools’ and students’ shortcomings on the tests and performance measures that most states have adopted in efforts

to force improvements in their systems.

The argument is that if states establish performance measures, then states should provide enough money for all schools to meet those measures. The legal actions are dubbed “adequacy” education lawsuits. That’s a shift from the 1970s and ’80s, when the focus of education funding lawsuits was on “equity” or the way the state divvied up money among rich and poor districts.

The spate of adequacy lawsuits is “one of the unintended consequences of standard-based reform, from a state policymaker’s perspective,” said Steve Smith, a senior policy specialist at the National Conference of State Legislatures. The NCSL predicts states could face even more adequacy lawsuits because of the new federal *No Child Left Behind Act*, which adds extensive new testing and reporting requirements.

Here's a roundup of major developments in 2003 in education financing litigation:

ARKANSAS Gov. Mike Huckabee (R) and lawmakers scrambled to come up with a plan to meet a Jan. 1, 2004 court deadline to ensure that schools provide all students with an equal opportunity for an adequate education. A special legislative session was held in December to work out details.

NEW YORK In a decade-old lawsuit, New York's highest court ruled in June that Albany was not providing enough support for New York City schools. It ordered the state to implement by July 30, 2004, a plan to provide "a sound basic education" for the 1.1 million children and youth in New York City's nearly 1,200 schools.

NEW JERSEY The state's highest court in July allowed the state, for the second year in row, to freeze extra funding for the so-called Abbott schools in its 30 poorest districts. The state argued it was short of money. The districts had sought an extra \$430 million to comply with an earlier New Jersey Supreme Court ruling that they were entitled to resources equal to those available in the wealthiest districts.

MASSACHUSETTS, KANSAS & SOUTH CAROLINA. Lawsuits over these states' methods of school funding reached the trial stage. Cases go to trial in 2004 in **Arizona** and **California**.

A newer trend hitting states is to simply let voters decide how their states should finance education.

ALABAMA Voters overwhelmingly rejected Republican Gov. Bob Riley's tax reform plan that

would have raised taxes to pay for education programs. But in **New Mexico**, voters approved ballot measures to increase the money that goes to classrooms. In **Maine**, two initiatives to force the state to pay more of the costs of public education didn't make the ballot in 2003, but the question will return in 2004.



Sarah Thomas of Portland, Ore., joined hundreds at a rally at the Capitol in Salem, Ore., urging lawmakers to leave the Oregon Health Plan intact.

TAXES & BUDGET

By Jason White, Staff Writer

IGHT AT THE END OF THE TUNNEL? SOME STATES SEE FISCAL CRISIS LIFTING

Many states finished 2003 on solid financial ground for the first time in more than two years, with revenues meeting expectations and the economy perking up.

That is good news for states, many of which have been forced to cut programs and raise taxes to cope with what the National Governors Association last winter termed the worst state fiscal crisis since World War II. While it may be too soon to drive nails in the “State Budget Crisis” coffin, some state officials are readying their hammers.

“We feel like we’ve bottomed out and are coming back up,” said Kansas Budget Director Duane Goossen, who expects his state’s revenues to grow 3 percent in both 2003 and 2004. “It’s a big change from even a year ago. Our budget is completely sufficient to get us through this fiscal year. We are planning no midyear cutbacks. We do not have a deficit.”

Kansas’ situation is by no means the norm. California and Michigan are still expecting large deficits in 2004, and nearly every state is coping with the fiscal equivalent of a hangover — meaning that even modest revenue growth will not be enough to meet pent-up demand.

But Kansas is among a growing number whose budget situation stabilized over the course of 2003. And the new year is looking even better.

“I’m certainly more optimistic. A year ago,

everyone was talking doom and gloom. Now some of the smaller and medium states are saying, ‘Well, maybe it’s not that bad,’” said Scott Pattison, executive director of the National Association of State Budget Officers.

Pattison said exceptions include the states of the Upper Midwest, especially Michigan and Illinois, whose manufacturing-based economies show little sign of turning around; and larger states, such as California and New York, which depend heavily on progressive income tax structures. But Pattison said even California could turn quickly if hiring picks up, as recent economic reports suggest is happening. (Californians also fired their governor and turned to new Gov. Arnold Schwarzenegger to straighten out the state’s financial mess.)

The nation’s economy gained 286,000 jobs from August through October, according to U.S. Department of Labor. This was the strongest job growth since the close of the 2001 recession. And the economy’s 8.2 percent annual growth rate during the third quarter was the strongest in two decades.

Many experts and officials, including Federal Reserve Chairman Alan Greenspan, expect this growth to continue in 2004, albeit at a slower pace.

That would be a huge turnaround after three years of harrowing deficits. States have had to close a cumulative budget gap of \$200 billion since fiscal 2001, including nearly \$80 billion for fiscal 2004 alone. Taking inflation into account, states today are

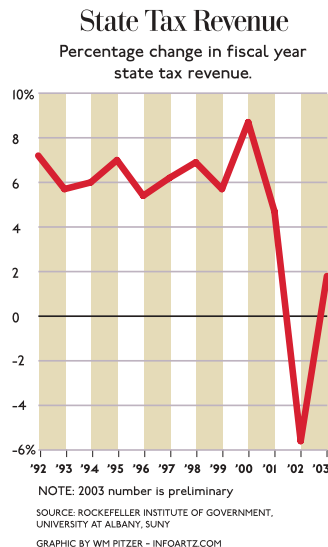
spending 5 percent less per capita than three years ago, according to the Center on Budget and Policy Priorities.

In practice, this means that there is less state government today than there was in 2001 — less money for universities, fewer health care services for the poor, longer lines at departments of motor vehicles, and laxer environmental enforcement. This shrinkage occurred even as many states tried to buffer their programs and services by raising taxes.

According to the National Conference of State Legislatures, 20 states raised taxes by more than 1 percent in 2003. They were: Arkansas, California, Delaware, Idaho, Illinois, Maine, Montana, Nebraska, Nevada, New Jersey, New Mexico, New York, Ohio, Oklahoma, Oregon, Rhode Island, Vermont, Washington, West Virginia and Wyoming.

In a strange twist on traditional political themes, many of these tax increases came from Republican governors. Nevada Gov. Kenny Guinn, for example, was the leading proponent of the state's \$836 million tax increase; he weathered a recall attempt. In neighboring Idaho, fellow Republican Gov. Dirk Kempthorne fought for a \$186 million tax increase, saying the difficult step was necessary as a "last resort" to preserve such basic services as education and healthcare.

"I believe in limited government. I believe in lean government. But I also believe in providing for the essential functions of government," Kempthorne told Idaho lawmakers in his 2003 State of the State Speech.



Few of the tax increases were large, however, and few hit sales and income taxes, the most broad-based and controversial state tax categories. Instead, lawmakers frequently turned to sin taxes that target smokers, drinkers and gamblers.

Voter resistance to tax increases remains strong. The year's two farthest-reaching and most ambitious tax overhauls were routed when put before the voters in referenda in Alabama and Oregon.

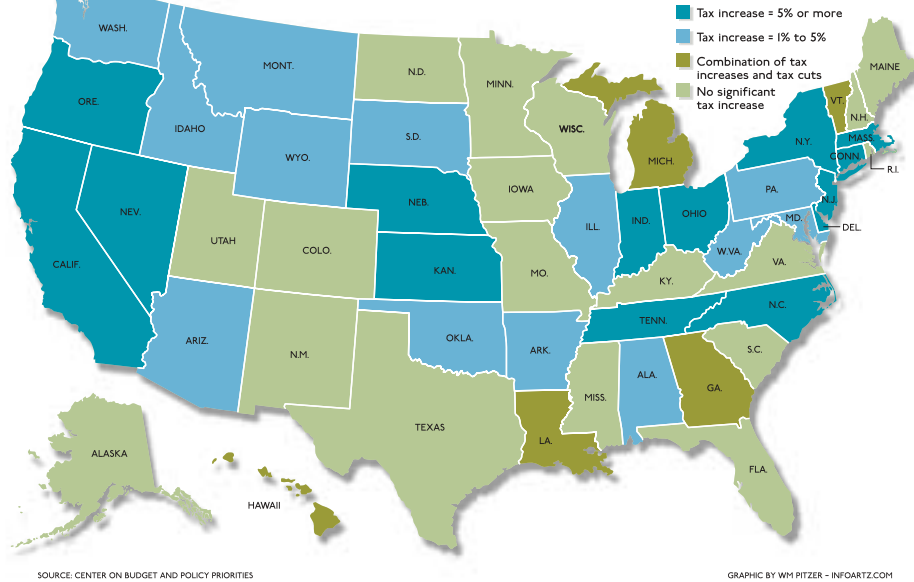
In September, Alabama voters rejected by a 2-1 margin a plan to make the state tax code less regressive by raising taxes on the wealthy and cutting them for the poor. Alabama Gov. Bob Riley (R), a fiscal conservative who was named public official of the year by *Governing* magazine a week before the September vote, told the legislature afterwards: "The people have spoken. While I had hoped for a different outcome, it was the people's choice to make, for it is their government, not ours. ... They want a government that is smaller and more efficient."

Last January, Oregon voters rejected a proposal to raise state income taxes by 5 percent for three years. Lawmakers had placed the tax proposal on the ballot, giving voters a stark choice: Raise your taxes or lose services. Voters overwhelmingly chose the latter, rejecting the increase, 55-45.

But later in the year, Oregon lawmakers bucked voters' wishes and passed an \$800 million tax increase. Voters will get the final say in a special referendum in February.

"We have the highest unemployment and the

State Tax Increases 2001 to 2003



worst job creation in the nation. Most people know it is bad policy to raise taxes in that kind of environment,” said Russ Walker, spokesman for Taxpayer Defense Fund, the organization leading the anti-tax campaign.

Leaving aside the question of whether tax increases are good or bad policy, one thing is clear: Legislated tax increases have played a major role in the current stabilization and growth of state revenues, helping to ease the financial blow on cash-strapped state programs.

“Quite a bit of the revenue growth we’re seeing now is due to tax increases, at least if you look across all the states. It’s a major contributing factor,” said Nick Jenny, a fiscal analyst with the nonpartisan Rockefeller Institute of Government at the University at Albany, State University of New York.

One state not considering tax increases is Cal-

ifornia. Gov. Arnold Schwarzenegger, a Republican who replaced recalled Democratic Gov. Gray Davis, promised during the campaign to close the nation’s biggest budget deficit without raising taxes or cutting spending on K-12 education, the largest component of the state budget.

But this is nearly impossible without new money, so Schwarzenegger immediately proposed issuing \$15 billion in bonds. He also proposed \$3.8 billion in spending cuts over 18 months, and a lid on future state spending. State Treasurer Phil Angelides, a Democrat, spearheaded opposition to the plan, saying it would “saddle our children with debt.”

The Democrat-controlled legislature initially rejected Schwarzenegger’s blueprint, but both sides later worked out a compromise under which voters will decide in March whether to issue the bonds.



Julie Goodridge, left, and Hillary Goodridge, walk from their attorney's office after learning of the Massachusetts Supreme Judicial Court's ruling that same sex couples are entitled to wed under the state constitution.



FROM GAY MARRIAGE TO CAPITAL PUNISHMENT, STATES CONFRONT CHANGING MORES

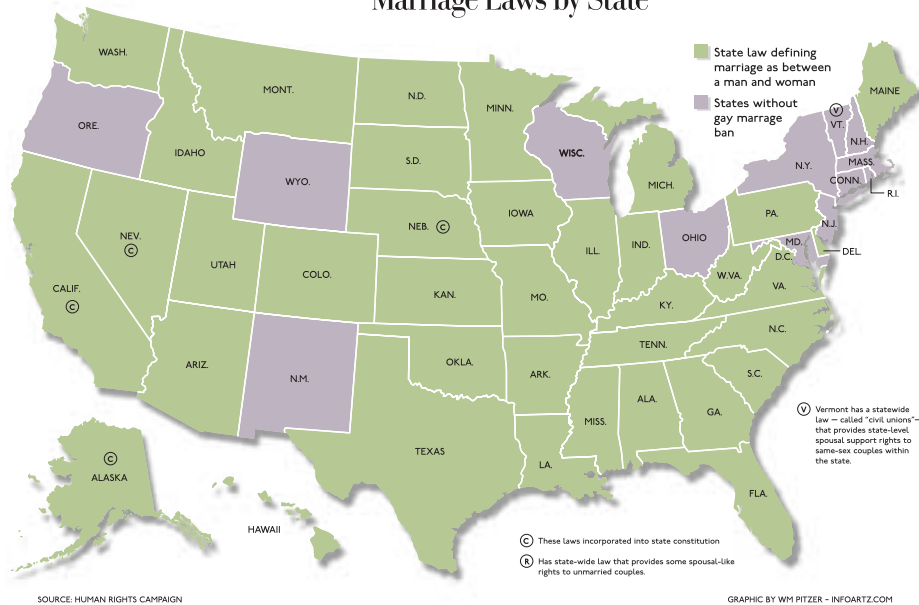
Americans traditionally turn to the courts to settle battles over divisive social issues, from segregation and civil rights to abortion and assisted suicide. But debates over changing social mores almost always bubble up from state capitals, where even today governors and legislators are confronting such difficult questions as whether to sanction gay marriage and what to do about capital punishment.

The U.S. Supreme Court in June overturned a Texas anti-sodomy law under which two men had been convicted for having sex in their home. In overturning its own 1986 precedent, the high court held that, as Justice Anthony Kennedy wrote, homosexuals “are entitled to respect for their private lives. The state cannot demean their existence or control their destiny by making their private sexual conduct a crime.”

But anti-sodomy laws were already a thing of the past in most states. It was the Massachusetts Supreme Judicial Court that appeared on the cutting edge of change when it ruled on November 18 that the state must open the institution of civil marriage to same-sex couples. The high court’s 4-3 ruling gave the Massachusetts legislature 180 days to rewrite the state’s marriage laws.

Never before has a state court ruled so conclusively on marriage between members of the same sex. The Massachusetts ruling took a significant step beyond a 1993 Hawaii Supreme Court ruling that marriage laws were discriminatory, and exceeded the 1999 action by Vermont’s high court that required marriage-like benefits for same-sex couples.

Marriage Laws by State



Unlike Canada, where a midyear decision by the provinces of British Columbia and Ontario to legalize gay marriage quickly led Ottawa to adopt that as national policy, the Massachusetts case will not become U.S. policy quickly. Indeed, it could spur Congress and states to pass a new raft of “defense of marriage” statutes, like those already on the books in 37 states.

But it could also prod more states to provide some avenue for same-sex couples to receive legal protections that a marriage license affords a husband and wife. Vermont has had a civil union system since 2000. California has had a domestic registry since 1999 and it expanded protections for domestic partners in September.

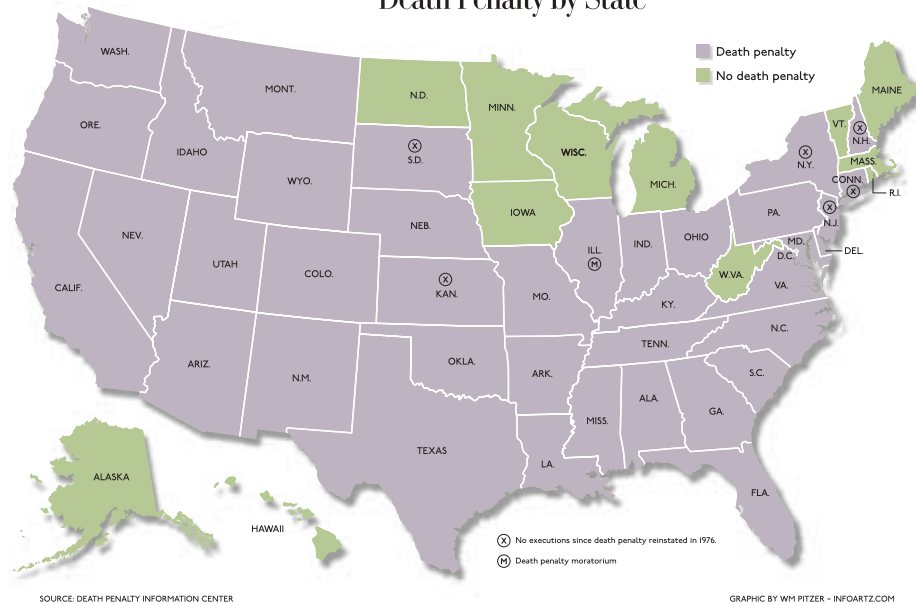
If and when the first marriage license is issued to a same-sex couple in Massachusetts, legal experts say advocates will be able to argue that

such marriages must be recognized by all 50 states, based on the Constitution’s equal protection and “full faith and credit” clauses. Those require states to apply laws equally and to honor the “public acts, record, and judicial proceedings of every other state.”

The lead defendants in the Massachusetts case, Julie and Hillary Goodridge, have been together 16 years and are raising an eight-year-old daughter. “We’ve done all the legal work we can to protect our rights and the rights of our daughter, but we still have absolutely no legal relationship with each other,” Julie Goodridge said.

“We still can’t transfer assets to our spouse [or] benefit from each other’s Social Security should one of us die, and we worry about emergencies when we travel, even with all the proper documentation.”

Death Penalty by State



Gay marriage looms as a major issue in the upcoming elections. President Bush said at a news conference in October, “I believe marriage is between a man and a woman, and I think we ought to codify that one way or another. And we’ve got lawyers looking at the best way to do that.” The leading Democrats seeking the presidential nomination favor civil union protections, but not full marriage rights for homosexuals. Only the Rev. Al Sharpton, Carol Moseley Braun and Rep. Dennis Kucinich of Ohio favor same-sex marriage rights.

Tony Perkins, president of the Family Research Council, a Washington-based group that opposes gay marriage, said, “Homosexual activists are cloaking their agenda with non-threatening arguments that focus on financial benefits and hospital visitation rights, privileges they are already afforded via a will, power of attorney or contract.”

Conservative lawmakers have already proposed adding a Federal Marriage Amendment to the Constitution to define marriage as being between one man and one woman. It would forbid states from legalizing gay marriage or recognizing same-sex marriages performed abroad, while allowing them to grant civil union-type benefits.

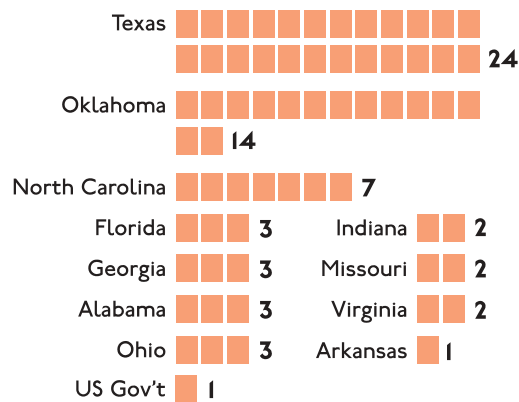
“With an uncertain economy and threats to our national security, politicians should be strengthening families, not seeking to permanently deny them critical protections,” said Elizabeth Birch, executive director of the Human Rights Campaign, the nation’s largest gay rights advocacy group.

On another front, former Illinois Gov. George Ryan (R) ignited a nationwide debate on capital punishment when he emptied the state’s death row before leaving office in January 2003.

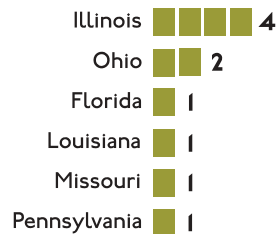
Executions & Exonerations

Since the Supreme Court reinstated the death penalty in 1976, some 885 death row inmates have been executed, including 65 in 2003. Nine death row inmates were exonerated in 2003, bringing that total over three decades to 112.

EXECUTIONS IN 2003



EXONERATIONS IN 2003



SOURCE: DEATH PENALTY INFORMATION CENTER
GRAPHIC BY WM PITZER - INFOARTZ.COM

EXONERATIONS 1973-2003

One hundred twelve condemned inmates have been found innocent and freed from death row since 1973, including 10 in 2003. Exonerations have occurred in the following 25 states:

- | | |
|----------------|------------------|
| Florida 23 | North Carolina 3 |
| Illinois 17 | South Carolina 3 |
| Oklahoma 7 | Indiana 2 |
| Texas 7 | Massachusetts 2 |
| Arizona 6 | Idaho 1 |
| Georgia 6 | Kentucky 1 |
| Louisiana 6 | Maryland 1 |
| Pennsylvania 5 | Mississippi 1 |
| New Mexico 4 | Nebraska 1 |
| Ohio 4 | Nevada 1 |
| Alabama 3 | Washington 1 |
| California 3 | Virginia 1 |
| Missouri 3 | |

Ryan pardoned four men whose confessions were allegedly obtained through police coercion, and he commuted to life in prison the sentences of all 167 Illinois inmates on death row. Ryan said a study that uncovered police corruption and racial bias in the state's capital punishment system left him no choice. (Ryan recently was indicted on federal corruption charges).

No other governor followed Ryan's example, and several publicly criticized him. Thirty-eight

Future watch

The Massachusetts case will not become U.S. policy quickly. Indeed, it could spur Congress and states to pass a new raft of 'defense of marriage' statutes, like those already on the books in 37 states.

states still authorize the death penalty. But the events in Springfield refocused attention on the moral and legal questions surrounding capital punishment.

The Supreme Court in 1972 overturned all death penalty laws, ruling the punishment was cruel and unusual because it was imposed so arbitrarily. But in 1976 it allowed executions to resume and 885 prisoners have been executed since then.

Some 112 innocent people have been freed from death rows in 25 states over the past three decades, including 10 in 2003. They join 102 others exonerated over the past three decades while awaiting execution, according to the Death Penalty Information Center.

"With these most recent exonerations ... the death penalty is falling apart at the seams. There is no question that additional cases of innocence remain uncovered on America's death rows," said Richard Dieter, director of the Death Penalty Information Center.

Sixty-five prisoners were executed in 11 states in 2003, down from 71 in 13 states in 2002. The nation's death row population declined for only the second time in 27 years, to just over 3,500.

Death penalty critics contend the penalty is often racially biased. Maryland Gov. Robert Ehrlich (R) lifted a one-year moratorium on the death penalty after taking office in January, despite a state-sponsored study that found blacks convicted of murder are much more likely to receive the death penalty than are whites.

Twelve states ban capital punishment: Alaska, Hawaii, Iowa, Maine, Massachusetts, Michigan, Minnesota, North Dakota, Rhode Island, Vermont, West Virginia, and Wisconsin. Massachusetts Gov. Mitt Romney has pledged to reinstate the death penalty there. Romney has asked a task force of forensic and legal specialists to craft a statute that will only execute killers whose guilt is not in doubt.

Welfare also ranked among controversial state issues in 2003, with hard times and tight budgets straining social programs even as poverty and unemployment rates climbed.

Nationwide, welfare rolls dropped slightly from 2002 to 2003, but the number of food stamp recipients increased for the third year.

Welfare rolls contracted dramatically after Congress in 1996 ordered most recipients to work or get job training. Although the overall number fell, however, the National Conference of State

Legislatures said the rolls swelled by more than 20 percent in 15 states in 2003: Arizona, Colorado, Idaho, Indiana, Kansas, Maine, Mississippi, Montana, Nebraska, Nevada, South Carolina, Tennessee, Utah, West Virginia and Wisconsin.

Many states reduced benefits, said NCSL welfare analyst Jack Tweedy.

The deepest cuts were in Montana, where the monthly welfare check for a family of three dropped from \$507 to \$375. More families now depend on food banks to eat, and they share housing because they cannot afford rent, said Hank Hudson, administrator for the Montana Human and Community Services Division. “Whenever someone’s income is cut like that there are going to be hardships,” Hudson said.

Providing child care poses a major problem for states trying to help mothers get into the work force. Nearly half of states had waiting lists, according to the Center for Law and Social Policy (CLASP), an advocacy and research group.

While Maryland cut child care assistance by 19 percent, its waiting list grew from 900 to over 8,000. Waiting lists also got longer in Arkansas, Maine, Massachusetts, Mississippi, Montana,

North Carolina, Texas and Virginia, according to the U.S. Administration for Children and Families.

Child care has become a sticking point in reauthorization of the landmark 1996 *Welfare Reform Act*, which expired in October 2002. Congress has been unable to agree on revisions to the law, often hailed as one of the most successful social policy changes in the past half century. President Bush wants to double the work requirements to 40 hours per week.

“Child care is the single biggest obstacle to reauthorization. There’s a sharp dispute in how much child care is needed to meet work requirements,” said Mark H. Greenberg, policy director for CLASP.

The House approved an increase of \$1 billion for child care funding over five years, but Senate Democrats are pushing for \$5.5 billion.

“The federal government has very substantially increased money for child care over the last six years, and some lawmakers believe it’s time for state and local governments and parents to pay the rest,” said Ron Haskins, senior fellow at the Brookings Institute and former welfare advisor to Bush.

HORROR STORIES EXPOSE FAILINGS OF FOSTER CARE

By Kavan Peterson, *Staff Writer*

More than a half million children live in foster care in the United States. A child typically spends 32 months in the system, in a group home or moving from family to family. Half are reunited

with parents as the family’s circumstances improve. Behind the statistics are many sad stories.

Many children never make it out of foster care, and a few do not survive at all. Horror stories from New Jersey and Florida made headlines in 2003 and refocused national attention on the inad-

equacies of America's child welfare system.

New Jersey's embattled Division of Youth and Family Services came under new criticism when a 7-year-old was found dead and two brothers starving in a Newark home; child abuse complaints against the addicted mother dated back 10 years. She was in jail at the time of the discovery and had left her sons in a relative's care.

Then four boys were found severely malnourished in their foster parents' Camden, N.J., home. Ten state welfare workers were fired in that case.

Over a year after Florida's child welfare agency acknowledged that caseworkers had lost track of still-missing Rilya Wilson, the department has been dogged by more reports of neglect and botched investigations into child abuse.

While these cases made the news, child advocates say problems in the nation's child welfare system are endemic and extend to every state.

The federal government examined 32 state foster care programs and found all of them seriously lacking. The auditors found that state agencies failed to adequately protect children from abuse and did a poor job of finding permanent homes for foster kids.

In addition to the nearly 550,000 children in foster care, an estimated half-million children live at home in troubled families that are under state supervision.

No easy solutions are foreseen. Some advocates say states need to improve working conditions for caseworkers and support for foster parents, and to bolster accountability. Others say states must address social problems that spawn child abuse and neglect, and concentrate more resources on keeping families together instead of breaking them up.

"The myth is that family preservation and child safety are at odds. That is not true," said Richard Wexler, director of the National Coalition for Child Protection Reform.

Wexler said states are plagued by a financing structure that makes federal dollars available to help pay for children in foster care, but not for keeping families together.

"Huge numbers of children are needlessly taken from homes that are safe or could be made safe with the right kinds of services," said Wexler. "Foster care becomes the first resort instead of the last resort."

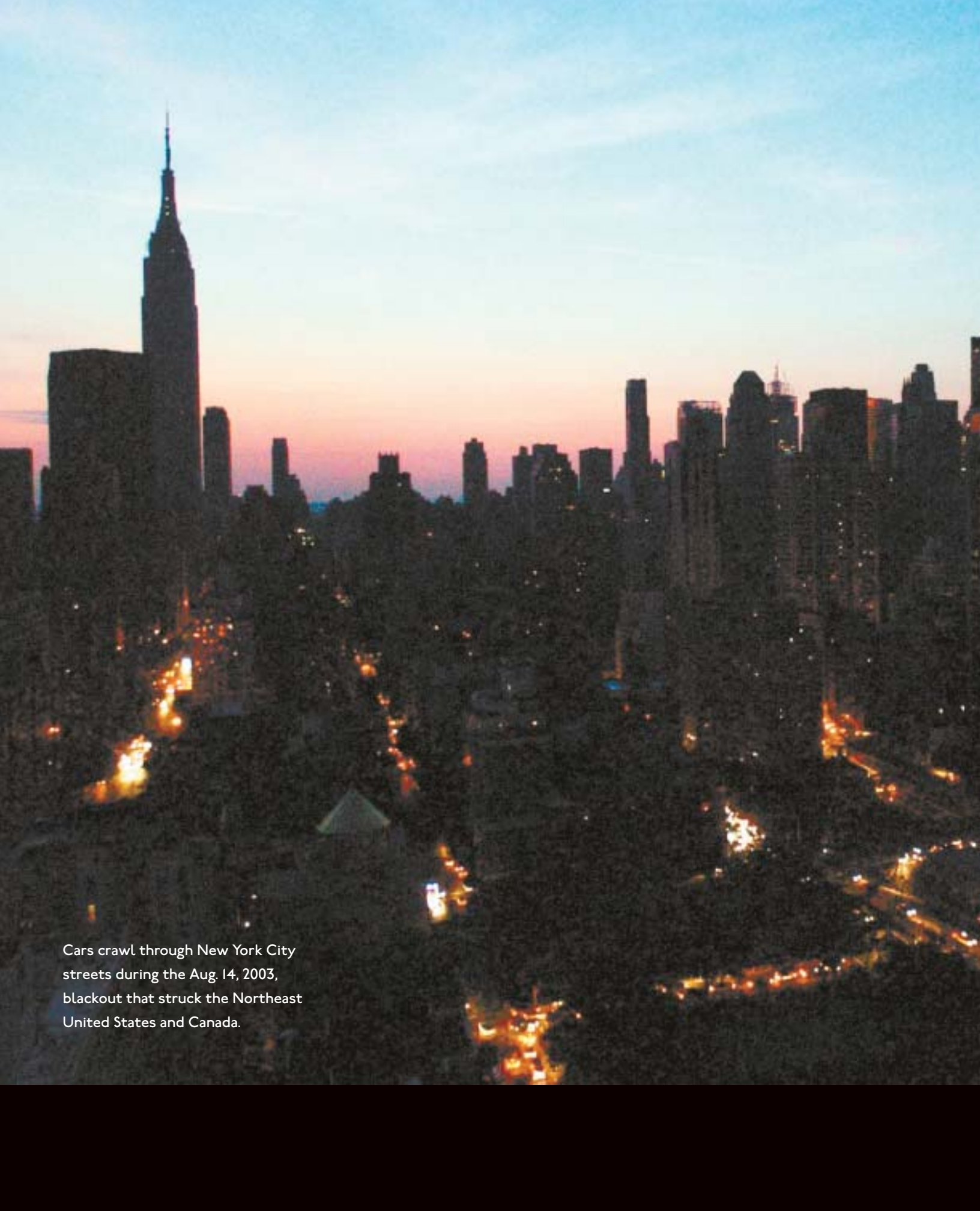
A new commission developing recommendations to reform the nation's child welfare system also finds that federal financing gives states incentives to keep children in foster care.

Decisions by state agencies and judges who place children in foster care are heavily influenced by which services the federal government will pay for, said Bill Frenzel, a former Minnesota congressman who chairs the Pew Commission on Children in Foster Care.

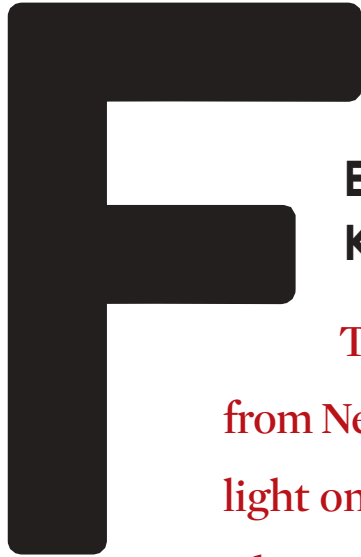
The average child is placed in three or more foster homes during his or her years in foster care, Frenzel said.

"While foster care is necessary to protect some children from serious harm, lengthy stays in multiple (homes) are a cruel form of protection that has lasting negative effects on children," Frenzel said.

The commission expects to release a final report and recommendations by summer 2004 (*Stateline.org* is also funded by The Pew Charitable Trusts).



Cars crawl through New York City streets during the Aug. 14, 2003, blackout that struck the Northeast United States and Canada.



EDS URGED TO REGULATE ENVIRONMENT, KEEP HANDS OFF ENERGY

The midsummer power outage that turned off lights from New York to Toronto to Cleveland also turned a spotlight on the nation's electric power transmission system. The picture it revealed was troubling.

It was by far the largest blackout in U.S. and Canadian history, leaving upwards of 50 million people without power on a hot summer afternoon and stranding tens of thousands in downtown streets and skyscrapers. It took two days to restore power in some parts of the Northeast, and parts of Ontario suffered rolling blackouts for more than a week after the Aug. 14 breakdown.

It was a vivid reminder that, as Energy Secretary Spencer Abraham put it, "We have yet to get our energy house in order."

But it was not the only such reminder during 2003. Americans also suffered through price spikes for gasoline, home heating oil and natural gas; and Californians – who know all about rolling blackouts – became accustomed to paying \$2 a gallon at local pumps.

The Great Northeast Blackout of 2003 lacked the romance of the Northeast blackout of

1965 and the New York City blackout of 1977. There was nothing funny about learning that modern society could be brought to a standstill by overgrown trees snagging transmission lines around Cleveland and Akron, Ohio. (Trees are a problem for power lines everywhere; they were also blamed for plunging almost all of Italy into darkness the following month.) And the revelations of power-grid vulnerability in particular were grim.

The U.S. electric transmission grid consists of nearly 160,000 miles of high voltage transmission lines. The Edison Electric Institute, an industry group, said electric utilities spent \$3 billion maintaining and operating these links in 1999 – yet the transmission investments were less than half what they had been in 1979.

A task force convened by U.S. and Canadian authorities concluded in November that human

and computer errors set off the chain of events. The panel warned: “With the shrinking margin in the current transmission system, it is likely to be more vulnerable to cascading outages than it was in the past, unless effective countermeasures are taken.”

A filibuster in the U.S. Senate held up passage of an energy bill that would have given the federal government more power to decide where high-voltage power lines should go in much the way it has long enjoyed authority to create rights-of-way for oil and natural gas pipelines. The energy bill – which passed the House but was held over for Senate action in 2004 — would mandate reliability standards for transmission lines and for the first time give Washington a say in decisions over where to locate power lines.

Those provisions were only a small part of the \$31 billion, 1,148-page energy bill – the first major overhaul of U.S. energy policy in more than a decade — but they were a controversial one.

The National Governors Association lobbied against the federal siting provisions, which would preempt state authority if a state failed to approve the siting request within one year, said Diane Shea, director of the NGA’s natural resources committee.

Marilyn Showalter, chairwoman of Washington’s Utilities and Transportation Commission, said federal review of power line locations would lengthen decision-making and fix something that isn’t broken.

“Before you entertain the idea of a federal role, you have to show the state siting process is not working,” Showalter said. “I don’t think you can show that in the West. Is transmission getting built? In the West, it is.”

State policymakers will continue to struggle

in the new year with how to pay for improvements to the century-old transmission grid.

The cost of upgrading the system and expanding power line capacity could fall on ratepayers. Some states want to look at regional solutions for funding power grid improvements while others prefer using traditional rate-based methods, said Robert Burns, senior research specialist at the National Regulatory Research Institute.

The federal energy bill also would offer new tax breaks for power generators and allow the federal government to audit power companies and system operators, a consequence of the vast August blackout that officials say started with failures at a single Ohio utility.

While states don’t want to relinquish authority over the placement of power lines, some sued the federal government in 2003 for what they regard as lax enforcement of federal clean air and water rules. A dozen sued the Environmental Protection Agency to stop what they contend is backsliding in the fight against pollution and smog.

Connecticut, Illinois, Maine, Massachusetts, New Jersey, New Mexico, New York, Oregon, Rhode Island, Vermont and Washington asked a federal judge to block the EPA from weakening regulations on greenhouse gas emissions. California sued separately.

Utah Gov. Mike Leavitt stepped down in November to take the helm of the federal Environmental Protection Agency. His predecessor was also a former governor, Christine Todd Whitman of New Jersey. In his farewell speech to the Utah legislature, Leavitt said, “We want resource-rich lands to provide livelihoods. But we also want our breathtaking landscapes preserved. More than anything else, we all can agree on the need for

clean air, and continuous supplies of pure water.”

Leavitt enjoyed a reputation as a strong and effective manager in Salt Lake City. In his first remarks as the nation’s 14th EPA administrator, Leavitt said, “We need to balance the needs of the environment and the needs of humanity ... (and to) balance the needs of this generation and the next.” He added, “Environmental protection needs to be more than just an agency. It needs to be an ethic.”

But some environmentalists feared that federal clean air and water regulations would be further weakened on his watch. As Utah’s governor, Leavitt championed a constitutional amendment to give states more power. Lawson LeGate, senior southwest regional representative for the Sierra Club, an environmental lobby, said, “I see this gap between states and the administration widening, not narrowing, after the governor’s appointment.”

A key issue in the multistate lawsuit is whether to consider carbon dioxide, which accounts for 32 percent of U.S. greenhouse gas emissions, as a pollutant under the Clean Air Act. States say yes; the Bush administration says no.

Barry Rabe, a University of Michigan professor of environmental policy and political science, said states, not the federal government, have become the pacesetters in combating climate change. New York, for example, has created a regional market in which power plants can buy and sell carbon dioxide credits.

Maine in 2003 became the first state to set specific goals and a timetable to reduce carbon dioxide pollution. Environmentalists blame carbon dioxide for triggering higher temperatures around the globe.

Eileen Claussen, president of the Pew Center on Global Climate Change, said the states are fill-

ing a void in the absence of leadership from Washington. “I don’t think the White House likes all the activity at the state level, but I’m not sure there’s anything they can do about it either,” said Claussen, a former EPA and State Department official. (*Stateline.org* is funded by the same philanthropy that supports the Pew Center on Global Climate Change.)

Other noteworthy developments in 2003 on the energy and environment fronts:

■ Nevada kept maneuvering in the courts to block a federal plan to store tons of radioactive waste at the Yucca Mountain site in 2010.

■ As gasoline prices surged to record highs in late summer, attorneys general in California and Connecticut opened investigations into possible price-gouging.

■ There was panic buying in Phoenix in August following the rupture of a gasoline pipeline in Tucson. The Arizona Department of Environmental Quality fined Kinder Morgan Energy Partners \$25,000 a day during the months-long cleanup of the 16,000-gallon spill.

■ Natural gas inventories rebounded in the fall as moderate weather eased demand.

■ More acts of eco-terrorism, including arson and animal releases by environmental extremists, were reported. The American Legislative Exchange Council, which promotes limited government, proposed model legislation to ban such acts, impose stiff penalties and allow victims to sue.

■ States, strapped by sluggish economies, curtailed spending on environmental protection. The Environmental Council on the States reported that states spent just 1.4 percent of their budgets on the environment in 2003, the lowest in 17 years of study.

FIRE, RAIN, DARKNESS SPELLED DISASTER

By Kathleen Murphy, *Staff writer*

California wildfires, Hurricane Isabel and the August blackout meant 2003 was a year of natural disasters and accidents that affected millions of people and piled huge financial burdens on the states.

California agencies were still tallying the losses from the October wildfires that killed 22 people and destroyed 3,600 homes, but the damage was expected to easily surpass the \$1.7 billion toll from a devastating 1991 fire in Oakland Hills.

The Federal Emergency Management Agency will reimburse state agencies at least 75 percent of the costs of cleanup and repairs from the wildfires, as well as the more than 50 other storms, hurricanes, floods, landslides and other calamities that resulted in federal disaster declarations.

Hurricane Isabel delivered a powerful punch to the East Coast in September, and President Bush declared parts of Delaware, the District of Columbia, Maryland, North Carolina, Virginia and West Virginia eligible for disaster assistance. Several Pennsylvania counties also became eligible after being hit by the remnants of Isabel and other storms.

Far out at sea, Isabel had been a ferocious

Category 5 storm with winds topping 150 miles per hour. It had slipped to a Category 2 with still-punishing winds up to 100 miles per hour by the time it hit North Carolina's Outer Banks on Sept. 18. The onslaught brought record storm surge flooding to the upper Chesapeake Bay, including the waterfronts in Annapolis, Md., Baltimore and Washington, D.C. States as far north as Ohio, Pennsylvania and New York got drenching rains. Isabel officially was blamed for 16 deaths and \$2.3 billion in damages.

Indiana and Ohio secured federal disaster funding for severe flooding in July. And Washington state will get federal disaster help for flooding in 15 counties in October.

Severe storms take as many as 1,500 lives and cause upwards of \$16 billion in damage a year in the United States. FEMA spends about \$3.5 billion in disaster relief and helping communities rebuild public infrastructure.

Some states were dissatisfied with the aid provided after the Aug. 14 blackout that left millions without power in eight states — Connecticut, Massachusetts, Michigan, New Jersey, New York, Ohio, Pennsylvania and Vermont — and Canada.

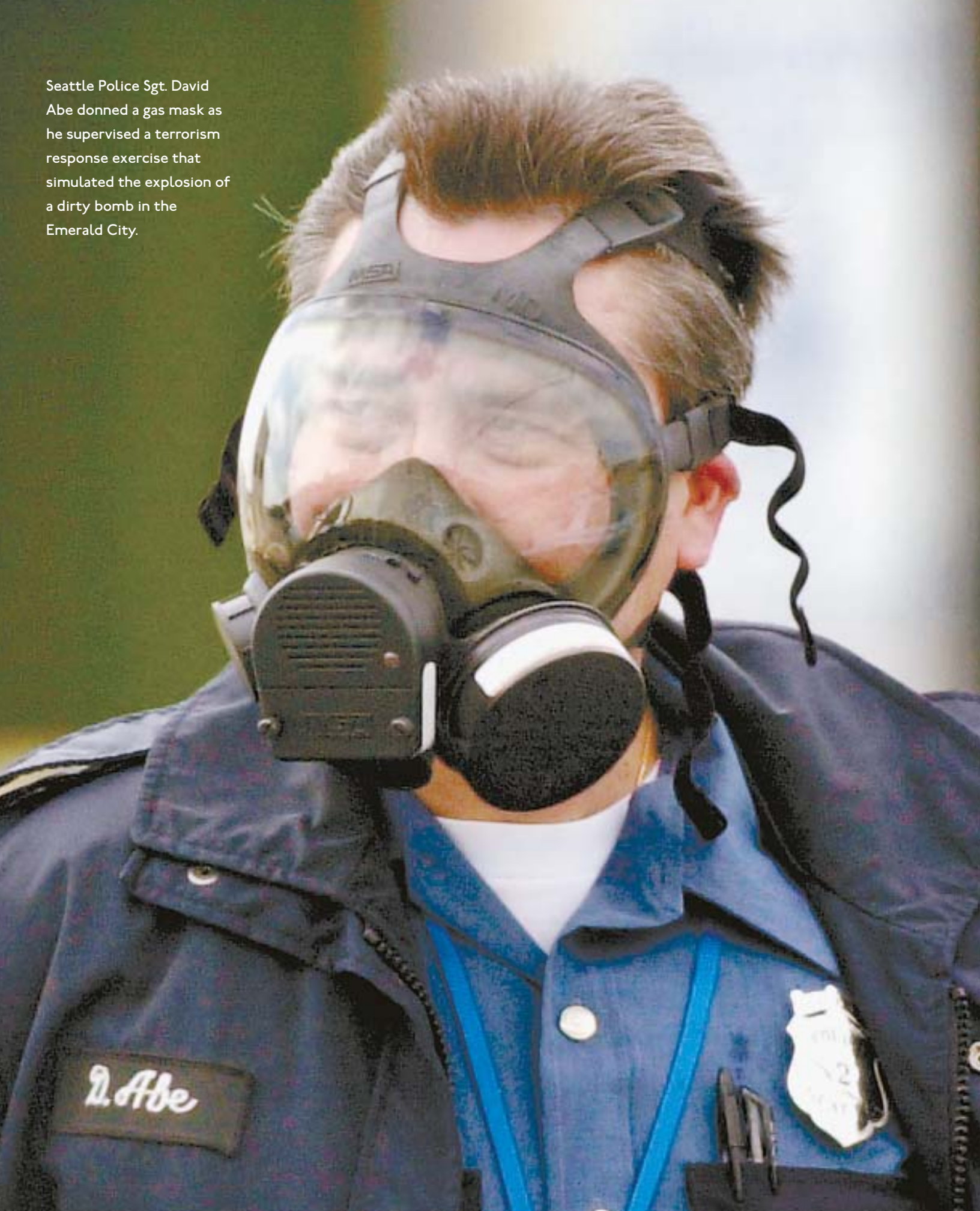
In November, the federal government rejected New York's request for another \$50 million on top of the \$5 million it did receive to help pay the costs of the blackout. Michigan officials said they incurred \$20 million in expenses, but also were held to the \$5 million cap.

FEMA denied Rhode Island Republican Gov. Donald Carcieri's request for relief in the wake of a manmade disaster: A nightclub fire that killed 96 people in February. That fire, caused by a band's indoor pyrotechnics, led Rhode Island, neighboring New England states and Minnesota to look at reforming fire codes and nightclub regulations.



Against the fury of Hurricane Isabel on Sept. 18, 2003, storm watchers are seen in silhouette on the Atlantic Beach, N.C., public fishing pier.

Seattle Police Sgt. David Abe donned a gas mask as he supervised a terrorism response exercise that simulated the explosion of a dirty bomb in the Emerald City.





TWO YEARS AFTER 9/11, HOW SAFE IS AMERICA?

Homeland security remains at the forefront of national concerns more than two years after terrorists wreaked their havoc on the World Trade Center and the Pentagon.

Security experts generally agree that the nation is better prepared now than it was before those attacks, but say the challenges ahead still are monumental.

The country endured three orange security alerts in four months last spring and a fourth during the Christmas holidays — meaning the Department of Homeland Security foresaw a “high risk” of terrorist attack. Meantime, states and cities began getting hundreds of millions of dollars to help first responders deal with any emergency.

On the positive side, state, regional and local governments are working closer than ever to coordinate and plan for the worst. Police, firefighters and health workers are being trained to prepare for the next national nightmare.

But a recent report from the nonpartisan Council on Foreign Relations concluded that the United States “remains dangerously ill-prepared to handle a catastrophic attack on American soil.”

“Fire departments across the country have only enough radios to equip half the firefighters on a shift, and breathing apparatuses for only one-third,” the Council reported. “Only 10 percent of fire departments in the United States have the personnel and equipment to respond to a building collapse.”

Analysts at the think tank estimated it would cost \$98 billion over five years to give first responders and public health agencies the training and equipment to detect weapons of mass destruction and respond to an attack.

Money is not always finding its way quickly to intended recipients. An investigative report by *The Washington Post* found that some of the \$324 million given to jurisdictions in the national capital region remained unused or misspent on “pet

projects” or contracts for political allies.

Overall, the Department of Homeland Security will spend more than \$29 billion in fiscal year 2004, including \$4.2 billion for the Office of Domestic Preparedness.

In November, Homeland Security Secretary Tom Ridge announced \$2.2 billion in federal grants including \$1.7 billion for statewide initiatives, \$500 million for law enforcement communications and prevention efforts, and \$40 million for public information and volunteer recruitment.

The federal Department of Health and Human Services also gave out \$3.5 billion to states in 2003 to bulk up public health resources and bioterrorism preparedness, which includes research of potential biological weapons and possible treatments and vaccines.

In addition, the Federal Emergency Management Agency has doled out \$380 million to more than 5,400 fire departments nationwide. They range from the tiny Reinerton Volunteer Fire Company, in Tower City, Pa., which got \$1,782, to the mighty Fire Department of New York. FDNY, which lost 343 firefighters on 9/11, got \$750,000.

But much of the money has been disbursed according to a formula based largely on a state’s population, not its risk of terrorist attack.

Wyoming, for example, has received \$35 per resident to pay for Homeland Security needs, while New York and California received about \$5 per person, according to the National Journal.

A key lawmaker, Rep. Christopher Cox (R-Calif.), has proposed requiring the Department of Homeland Security to award future grants based on its own assessments of risks, threats and vulnerability.

The Washington Post exposé indicated some

homeland security funds are being wasted.

“The District [of Columbia] funded a politically popular jobs program (and) outfitted police with leather jackets,” the *Post* found. “In Maryland, the money is buying Prince George’s County prosecutors an office security system. In Virginia, a small volunteer fire department spent \$350,000 on a custom-made fire boat. The Metropolitan Washington council of Governments used some of the money for janitorial services.”

Training and equipment is “absolutely” getting to the first responders, said Chris McIlroy, a homeland security expert at the National Governor’s Association. “But it takes time,” he added. “It’s a cautious process.”

“We just got started 10 years too late,” said Eric N. Bernard, president of the volunteer fire department in Rockville, Md., a Washington suburb. Part of the problem, Bernard said, is that there is no consensus on what equipment and training firefighters and other first responders need, because it is hard to prepare for the unimaginable.

John Hager, Virginia’s director of homeland security, said anti-terrorism funding pays for a broad spectrum of activities — from agribusiness security to safeguarding water reservoirs — and few yield instant results. “It’s a giant vat of money, with many spigots coming out of it,” he said.

Just defining who the first responders are and what they need is no easy task, Hager said. Virginia alone has 134 different jurisdictions ranging from Arlington, where the Pentagon is located just across the Potomac River from Washington, D.C., to the state capital of Richmond to the sprawling naval ports in the Hampton Roads area.

“We need a little more structured approach from the Department of Homeland Security,” said

Tim Daniels, Missouri's homeland security adviser. "We've got 50 states and everybody is doing it a little bit differently."

Daniels said more information about suspects or threats should be shared with local and state police. "Police feel that they're not being employed in the war on terrorism," he said. "And the federal government can't do it all."

Earlier this year, 10 Northeast states asked Ridge to establish information centers staffed by personnel with top security clearances who would maintain direct, secure lines of communication between state and local police and the federal gov-

authorities enough time to distribute medicines or antidotes to citizens in an area under attack.

But assessments from state officials and national studies point out shortcomings.

"People are starting to wake up to the fact that this is our greatest vulnerability," Daniels said. "We haven't done as much as we need to do."

An effort to vaccinate hundreds of thousands of first responders against smallpox so they could better deal with any outbreak fell far short of its targets. The Centers for Disease Control distributed 291,000 doses of vaccine to state and local governments, but fewer than 40,000 shots were administered, including just 342 in New York, 105 in Washington and 71 in Chicago.

A study by the National Conference of State Legislatures concluded only 3 percent of public health departments are ready for a biological attack.

A separate analysis by the U.S. General Accounting Office found that some state and local governments had too few workers and too little equipment at public health departments, hospitals and laboratories to deal with a major catastrophe.

"Federal, state and local officials were concerned that hospitals might not have the capacity to accept and treat sudden, large increases in the number of patients," that report said.

The Centers for Disease Control will begin grading states in 2004 on how well prepared they are for a bioterrorist attack.

Another challenge facing the states is trying to ensure that police, fire and rescue workers can communicate with each other in an emergency. Their radios often are incompatible, which can lead to confusion at the scene of an emergency, as it did at the World Trade Center before the twin towers fell.

Future watch

The Centers for Disease Control will begin grading states in 2004 on how well prepared they are for a bioterrorist attack.

ernment. Ridge — himself a former governor of Pennsylvania — asked governors to designate five state officials who would get regular access to top-secret information about planned or suspected attacks.

The lack of preparation for a biological attack — the release and spread of a live viral or bacterial agent through the air, water, food or human contact — is a large remaining challenge.

In October 2003, the Department of Homeland Security announced it will spend \$38 million to continue the Biowatch program to detect biological threats using air-monitoring devices in 31 cities. Biowatch — which has placed air-sampling boxes in some public parks — is intended to give

Utah's Olene Walker

A late starter climbs to top of Utah Politics

By Erin Madigan, *Staff Writer*

Olene Walker was a Salt Lake City civic activist and part-time businesswoman with a Ph.D. in education when she first sought office at age 50. Once started, she quickly climbed the legislative ranks, won three terms as lieutenant governor and suddenly, at 73, became Utah's first female governor.

The Republican Walker, a mother of seven and grandmother of 25, inherited Utah's top job Nov. 5, 2003, when Republican Gov. Mike Leavitt stepped down to run the U.S. Environmental Protection Agency.

Walker, now America's oldest sitting governor, and newly elected Democrat Kathleen Blanco in Louisiana bring the total of women governors to eight, eclipsing the old record of six. Twenty-six women have served as U.S. state governors, starting with Nellie Taylor Ross in Wyoming in 1925.

Walker, who was also the state's first female lieutenant governor, said she hopes her tenure is so productive "that other women coming along in the legislative and political process (can) use my term as a stepping stone."

Her decision to get into politics was inspired largely by her parents' involvement in their hometown of Ogden. Her father, the superintendent of schools, and her mother, a school teacher, were both active in the community and the Mormon Church.

Married 49 years to J. Myron Walker, a Har-



OLENE WALKER

AGE: 73

PARTY: Republican

FAMILY: Married. Seven children, 25 grandchildren.

CAREER: Served in Utah legislature (1981-89).

Lieutenant governor (1993-2003).

HOME: Ogden, Utah

EDUCATION: Bachelor's degree in political science, Brigham Young University. Master's in political theory, Stanford University. Ph.D., higher education administration, University of Utah.

HOBBIES: Golfs, plays tennis, skis and reads books (John Grisham and historical novels, biographies).

QUOTE: "I wouldn't have gotten into politics if five or six people hadn't said, 'Why don't you run for the legislature?' And you think the world wants you at that point."

vard business school grad who headed Country Crisp Foods, Walker moved 13 times in 10 years because of his work – with stops ranging from Pacific Grove, Calif., to Boston and Denver.

But the governor's personal life and political career are firmly rooted in her home state, arguably one of the most conservative in the coun-

try. The GOP has dominated the Utah legislature for more than a quarter-century.

As second-in-command, Walker oversaw elections and helped Utah update antiquated punch-card voting machines. Before becoming lieutenant governor, she was majority whip in the legislature, founded and directed the Salt Lake Education Foundation and served as vice president of a family-owned chain of food stores.

While in the Statehouse, she helped develop Utah's insurance program for children and sponsored legislation in 1985 to form the state's "rainy

day" fund, which has helped Utah ride out a budget crisis.

Walker also pushed education and economic development issues. In her inaugural speech, she pledged to keep education atop the state's priorities.

Walker is serving the final 15 months of Leavitt's term. She has not decided whether to run for election in her own right. "Age would be a factor, but you have to always say, 'Well Bob Dole and President Reagan ran at this age,'" said Walker. "And I'm pretty healthy."

Kentucky's Ernie Fletcher

Man of many talents takes Kentucky's helm

By Eric Kelderman, Staff Writer

Ernie Fletcher has added a new line to a résumé already crowded with accomplishments: fighter pilot, physician, preacher, congressman and now governor of Kentucky.

The Blue Grass State's first Republican chief executive in 32 years easily bested the state's Democrat attorney general, Ben Chandler, by 55-45 percent in November's election. His victory path was made easier by sex scandals that engulfed the administration of outgoing, two-term governor Paul Patton.

Fletcher's triumph cemented GOP control of Kentucky politics and, coupled with Haley Barbour's victory in the Mississippi gubernatorial election, increased the party's prominence in the South.

Fletcher was in the middle of his third term in

the U.S. House of Representatives, representing the heart of Kentucky's Bluegrass country, famous for its tobacco, horseracing and bourbon. He had a coveted seat on the House Committee on Energy and Commerce.

He has pledged to "make Kentucky's tax code more business friendly" and to give top priority to providing a proper education for all Kentucky children. He is a fiscal and social conservative who opposes gun control and abortion rights and supports prayer in public schools and a Constitutional Amendment against burning the U.S. flag.

Fletcher, 51, was born on a dairy farm in Mount Sterling, Ky., 35 miles east of Lexington. He and wife Glenna were high school sweethearts who met at band camp – he played tenor sax and she played clarinet. The couple has two grown children and four grandchildren.

Fletcher earned a bachelor's degree in mechanical engineering from the University of Kentucky in 1974, then spent six years in the Air Force, where he completed flight school and flew F-4E interceptor jets from a base in Alaska.

After his military service, Fletcher earned a medical degree from the University of Kentucky, then gave up a dream of becoming an astronaut to open a family practice. He maintained that practice for a dozen years and also spent two years as CEO of the St. Joseph Medical Foundation, a company that manages medical practices.

Fletcher has been a lay minister for the fundamentalist Primitive Baptist Church, which he left in 1994 over doctrinal disagreements, according to *The Kentucky Post*.

He was elected to the Kentucky House in 1994 but was defeated in his first run for Congress in 1996. Two years later, however, Fletcher unseated U.S. Rep. Scot Baesler, and beat Baesler again in 2000 when the former University of Kentucky basketball star tried to reclaim his seat.



ERNEST FLETCHER

AGE: 51

PARTY: Republican

FAMILY: Married.
Two children,
four grandchildren

CAREER: Kentucky
State Representative

1995-1996, U.S. House of
Representatives 1999-2003

HOME: Lexington

EDUCATION: B.S. in mechanical
engineering and M.D. from the
University of Kentucky

HOBBIES: Golf, fly-fishing, swing dancing

QUOTE: *"Kentuckians are hungry for change in Frankfort. We need new leaders of rock-solid values in Frankfort to end wasteful spending and fiscal irresponsibility."*

Louisiana's Kathleen Blanco

The Cajun politician who charged from behind

By Jason White, Staff Writer

Kathleen Blanco is about as vanilla as politicians get, and that's big news in Louisiana, a state accustomed to more than its share of colorful characters.

Blanco, 61, a veteran of twenty years in political life, was elected Nov. 15 in a come-from-behind race against Republican wunderkind

Bobby Jindal. She assumes the mantle of leadership in a state once governed by Edwin Edwards, now in prison for taking kickbacks on casino deals, and the late Huey Long, a flamboyant populist who pilloried Wall Street and corporate interests in the Depression.

Blanco's term is likely to be a more sedate affair, although her warmth shouldn't be mistaken for a lack of toughness.

Entering the race's closing week, she trailed in most polls. She pulled ahead by unleashing a blistering wave of attacks against Jindal, accusing him of heartless cuts in health care when he ran the state health system.

Blanco honed her political skills during 20 years in public life, including a stint as a state representative in the 1980s. She became the first woman elected to the Public Service Commission and her state's first female lieutenant governor. She now presides as its first woman governor and only the 26th in U.S. history.

A pivotal moment in this year's campaign came in the final debate. Asked to name a defining moment in her life, Blanco spoke of the 1997 death of her 19-year-old son, Ben, in a construction accident on a summer job. Coping with his death brought her "inner peace and inner strength," Blanco said.

Political observers said Blanco's story humanized her in ways the 32-year-old Jindal couldn't match. Blanco was born in Iberia Parish in the heart of Cajun country and is part Cajun. She featured her middle name, Babineaux, prominently in campaign literature to attract voters of French descent, still an important demographic in Louisiana politics.



KATHLEEN BLANCO

AGE: 61

PARTY: Democrat

FAMILY: Married. Six children, five grandchildren.

CAREER: Twenty year public official: Louisiana House of

Representatives from 1984-1988; vice-chair and then chair of the state Public Service Commission from 1989-1995; and state lieutenant governor from 1996-2003.

HOME: Lafayette Parish, La.

EDUCATION: Bachelor's degree in business education from the University of Louisiana at Lafayette.

HOBBIES: Fishes, hunts, reads classic novels.

QUOTE: "I'll work on changing our image from a corrupt and funny place people love to laugh at to a state of proud people confident in our ability to move forward to a brand new future."

Indiana Gov. Joseph Kernan *Ex-POW Takes Up O'Bannon's Mantle*

By Erin Madigan, *Staff Writer*

Joseph E. Kernan didn't expect to be running for governor of Indiana in 2004. And he certainly didn't expect to be running for re-election. But the

popular Indiana Democrat changed his mind after taking over as the state's chief executive last Sept. 13, the day Gov. Frank O'Bannon (D) died of a stroke.

Kernan had stunned many Indiana Democrats in December 2002 when he ruled out seeking

NEW FACES

the top spot in 2004 at the end of two terms as O'Bannon's lieutenant governor. But seven weeks after tragedy thrust him into the office, Kernan threw his hat in the ring.

He now will likely face off in November against former White House budget director and ex-Eli Lilly executive Mitch Daniels, the Republican front-runner.

Kernan's popularity was evident in the immediate decision of Democratic State Sen. Vi Simpson to pull out of the gubernatorial race and help Kernan keep the state's top job.

Kernan, 57, is a Chicago native, the eldest of nine children and a product of parochial schools and the University of Notre Dame, where he majored in government and played catcher on the baseball team.

He entered the Navy in 1969 during the Vietnam War and was a Naval Flight Officer aboard the *USS Kitty Hawk*. His plane was shot down on a reconnaissance mission over North Vietnam in May 1972, and he spent nearly 11 months as a prisoner of war before Hanoi released the POWs the following spring.

Kernan went to work for Procter and Gamble in Cincinnati, before returning to South Bend, Ind., home of his alma mater, Notre Dame, as an executive for the Schwarz Paper Co. and the MacWilliams Corp. He was South Bend's controller from 1980-84, then was elected mayor three times from 1987 to 1995, making him the longest-serving mayor in the city's history. His wife, Maggie Kernan, is vice president of a bank.

In 1966, Kernan was elected lieutenant governor under O'Bannon. In that role he served as president of the Indiana Senate, director of the Indiana Department of Commerce and commissioner of agriculture. As lieutenant governor, he



JOSEPH KERNAN

AGE: 57

PARTY: Democrat

FAMILY: Married.
No children.

CAREER: Held as
POW for nearly 11
months after his
plane was shot down

in 1972 over North Vietnam. Elected mayor of South Bend, Ind., three times. In 1996, elected Indiana's lieutenant governor. Became governor on the death of Gov. Frank O'Bannon, Sept. 13, 2003.

HOME: South Bend, Ind.

EDUCATION: Bachelor's in government, University of Notre Dame. Also awarded an honorary doctorate in 1998 from alma mater.

HOBBIES: Enjoys sports, especially rowing. Notre Dame fan.

QUOTE: *"The challenges we face are too important for anyone in state government to view tomorrow as a day when we can take it easy."*

reached out to farmers struggling through hard times and launched a Veteran's Outreach Initiative to help vets secure all the state and federal benefits to which they were entitled.

As governor, Kernan appointed Kathy Davis, a state senator, as second in command – the first woman lieutenant governor in state history. He recently unveiled a new economic development plan – "Opportunity Indiana" – to improve the climate for businesses and help Indiana companies sell more goods and services to the state.

Mississippi's Haley Barbour

A consummate strategist who kept his roots

By Jason White, *Staff Writer*

When Haley Barbour tried to unseat Sen. John Stennis of Mississippi in 1982, the venerable 81-year-old Democrat easily bested the 35-year-old Republican challenger.

Barbour moved to Washington and soon became a mover and shaker inside the Beltway – by turns political director for the Reagan White House, powerful lobbyist and chairman of the Republican National Committee. Barbour even co-owned one of Washington's priciest restaurants and political watering holes, the Caucus Room.

He waited 21 years before running for office again, this time setting his sights on the governorship of his native state. Incumbent Democrat Gov. Ronnie Musgrove tried to portray Barbour as an outsider who had gotten rich in Washington representing big tobacco and pharmaceutical companies and foreign interests.

But voters didn't buy it. Barbour still talked like the seventh generation Mississippian he is, and he still lived in Yazoo City, flying back to spend weekends there with his wife Marsha during all those years he spent in Washington.

Barbour has 4 million frequent flyer miles to prove it.

And now, after a comfortable victory in a campaign that shattered state spending records, he is only the second Republican governor of the Magnolia State since Reconstruction.

Barbour, 56, was organizing Mississippi for Richard Nixon's 1968 presidential campaign as a



HALEY BARBOUR

AGE: 56

PARTY: Republican

FAMILY: Married.
Two children.

CAREER: White House political director in the Reagan

administration (1985-86). Chairman of the Republican National Committee (1993-97). Founder of Barbour, Griffith & Rogers Inc., a lobbying firm.

HOME: Yazoo City, Miss.

EDUCATION: Studied political science at the University of Mississippi, but did not graduate. Law degree from University of Mississippi.

HOBBIES: Hunts, fishes, watches sports.

QUOTE: *"The top priorities for the next four years must be job creation and statewide economic development, a coordinated crackdown on drug crime, and working with the legislature to resolve our budget problems within no more than two years, without raising taxes."*

20-year-old student at Ole Miss. He later combined a law practice with politics, and built the kind of lobbying career that in years past would have been anathema to electoral politics.

As RNC chairman, he helped orchestrate the

1994 Republican takeover of Congress that made life difficult for President Bill Clinton. He returned to his lobbying firm, Barbour, Griffith & Rogers, in 1997. He and his partners sold the firm to a public relations conglomerate in 1999, but he remained chairman and CEO.

In last fall's gubernatorial battle, Democrat Musgrove claimed his opponent represented many industries that have kept Mississippi down. But Barbour countered that his White House and Washington connections would stand the state in good stead, and, indeed, those connections helped him get elected.

President Bush visited the state twice in the campaign's closing days. At a rally in September, the president said, "Whether in Texas or Washington, D.C., he always talked about Yazoo City. It's safe to say he never forgot his roots." Vice President Dick Cheney presided over a Barbour fundraiser.

"Having been a lawyer, I didn't think being a lobbyist was any worse than what I was used to," Barbour told a reporter who profiled him for *The New York Times Magazine*. "Lobbying is just another form of advocacy. It's like trying a lawsuit."

Barbour and Musgrove shattered Mississippi spending records, with the Republican spending almost \$11 million and Musgrove nearly \$9 million. In the previous governor's race, Musgrove and his opponent spent \$6 million combined. The RNC and the Republican Governors Association spent heavily on Barbour's behalf.

Barbour's goals as governor include cracking down on crime and balancing the state's cash-strapped budget without raising taxes. He also hopes to spur on Mississippi's lagging economy. "Job creation is the No. 1 need for Mississippi," he said.

California's Arnold Schwarzenegger

Action movie star muscles onto the political stage

By Eric Kelderman, *Staff Writer*

Arnold Schwarzenegger traded super-celebrity status for votes and captured the governorship of California as a Republican in an unusual October election that riveted the world's attention.

In only the second recall of a state governor in U.S. history, California voters had no trouble finding Schwarzenegger's name on a long list of candidates vying to replace the embattled Democrat

Gray Davis as leader of the financially troubled Golden State. On the campaign trail, the lackluster incumbent had taken a poke at the movie star's Austrian accent, which lingers more than three decades after Schwarzenegger made Hollywood his home. "You shouldn't be governor unless you can pronounce the name of the state," Davis cracked.

But Schwarzenegger laughed last, easily defeating main rivals Lt. Gov. Cruz Bustamante (D) and State Sen. Tom McClintock (R), as well as

132 other candidates after Californians voted to give Davis the heave-ho by a 55-45 margin. Political novice Schwarzenegger pulled in 4.2 million of more than 8.5 million votes cast.

While most politicians spend years climbing the political ladder, Schwarzenegger, 56, made the leap from action-film star to the hustings less than two months before the election.

It marked another breakthrough in an extraordinary life story.

He was born in 1947 in Thal, Austria, not far from the city of Graz. His father was a police officer and his mother a homemaker. In his early teens, Schwarzenegger took up the sport of weightlifting, and even went AWOL from the Austrian Army for a European bodybuilding competition.

He emigrated to the United States as a 21-year-old after winning his first Mr. Universe title, and he captured a dozen more titles including Mr. Olympia and Mr. World.

Schwarzenegger's success at sculpting muscles was his entrée into show business. He appeared first in the 1970 film "Hercules in New York" and was the focus of the 1977 documentary "Pumping Iron," then ascended to matinee idol status as the quintessential action hero of such films as "Conan the Barbarian," "Predator," "Total Recall," "True Lies" and, perhaps best-known of all, three "Terminator" movies.

Schwarzenegger's life, however, has not been without political connections and public service.

In 1986, he married Maria Kennedy Shriver, the daughter of Eunice Kennedy Shriver — sister of President John F. Kennedy and founder of the Special Olympics — and Sargent Shriver, a Kennedy aide and founder of the Peace Corps. In the Shriver family tradition, Schwarzenegger



ARNOLD
SCHWARZENEGGER

AGE: 56

PARTY: Republican

FAMILY: Married.
four children.

CAREER:
International

bodybuilding champion, film star, founder of the National Inner City Games Foundation.

HOME: Santa Monica, Calif.

EDUCATION: Bachelor of arts in business and international economics, 1979, University of Wisconsin-Superior

HOBBIES: Chess, working out and spending time with his children

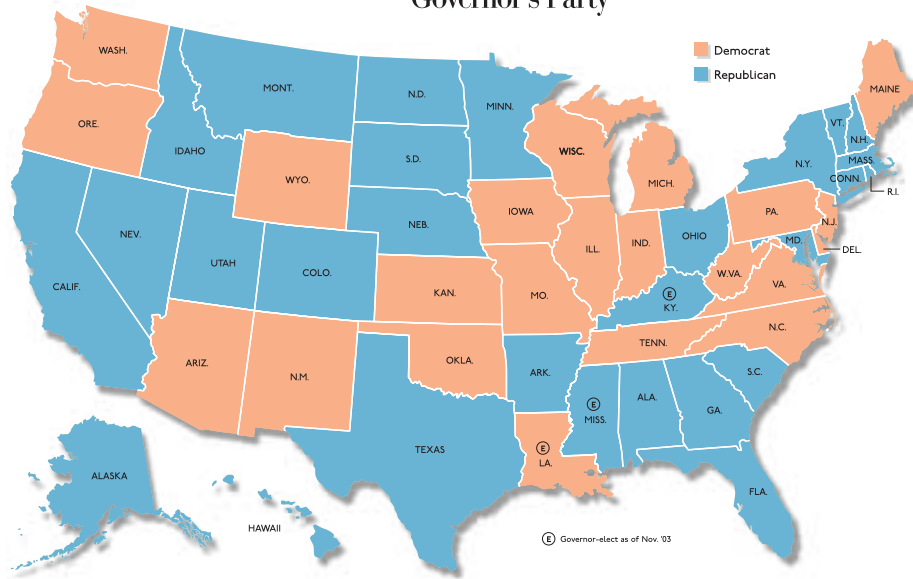
QUOTE: *"What we face may look insurmountable. But I learned something from all those years of training and competing. What I learned is that we are always stronger than we know. California is like that, too."*

served as a Special Olympics ambassador.

In 1995 he launched his own National Inner-City Games Foundation, a thriving nonprofit that provides year-round athletic, educational and cultural activities for urban youth.

Although his family ties were to pillars of the Democratic party, Schwarzenegger's personal political connections have been exclusively Republican. He served as chairman of the President's Council on Physical Fitness and Sports in the first Bush administration, and chaired the Governor's Council on Physical Fitness and Sports under a California Republican predecessor, Pete Wilson.

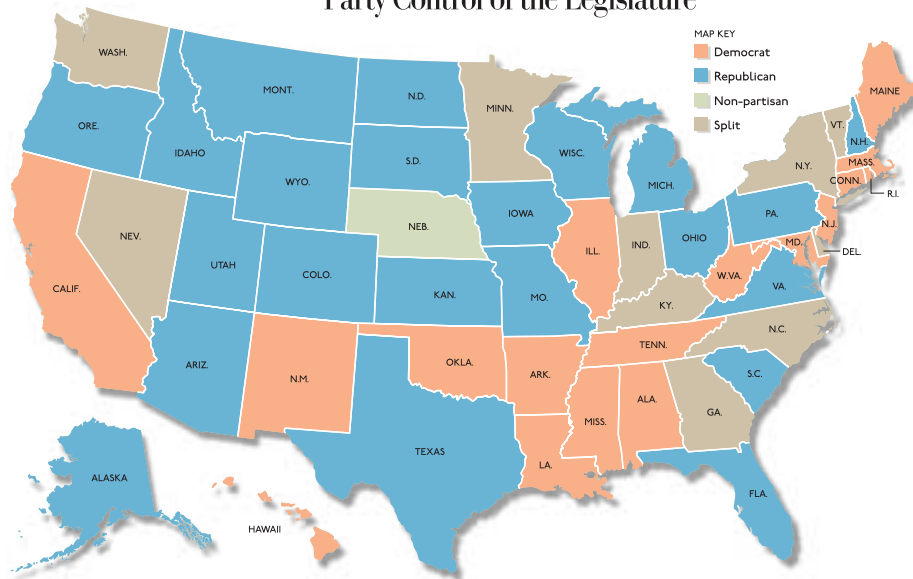
Governor's Party



SOURCE: COUNCIL OF STATE GOVERNMENTS

GRAPHIC BY WM FITZER - INFOARTZ.COM

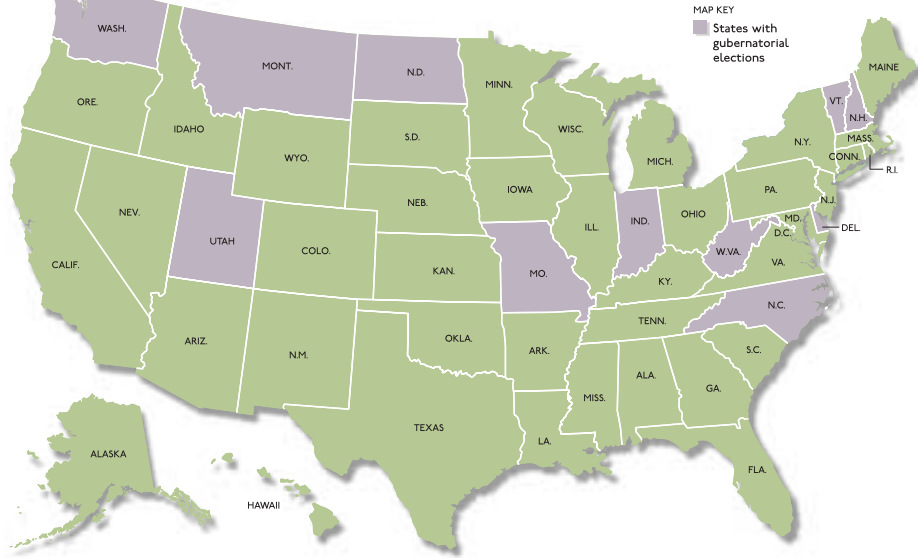
Party Control of the Legislature



SOURCE: COUNCIL OF STATE GOVERNMENTS

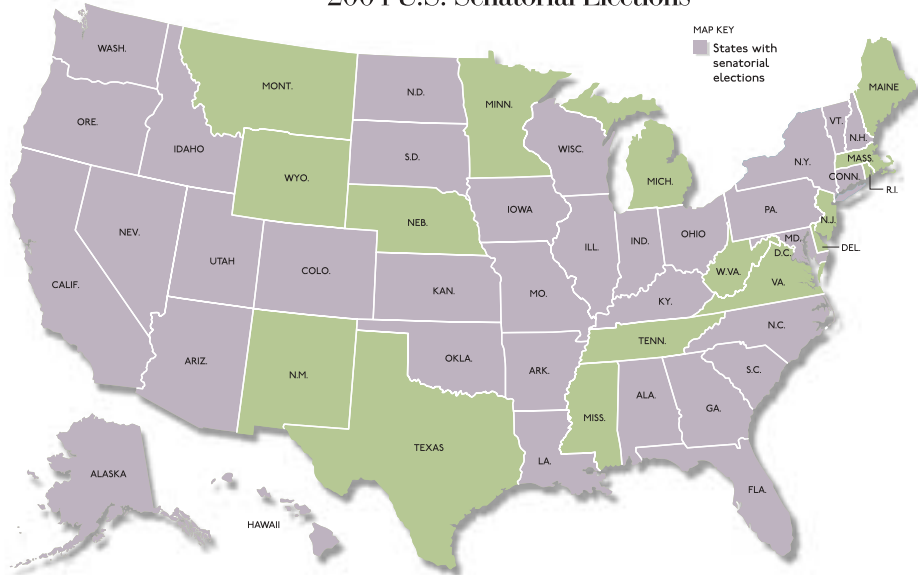
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2004 Gubernatorial Elections



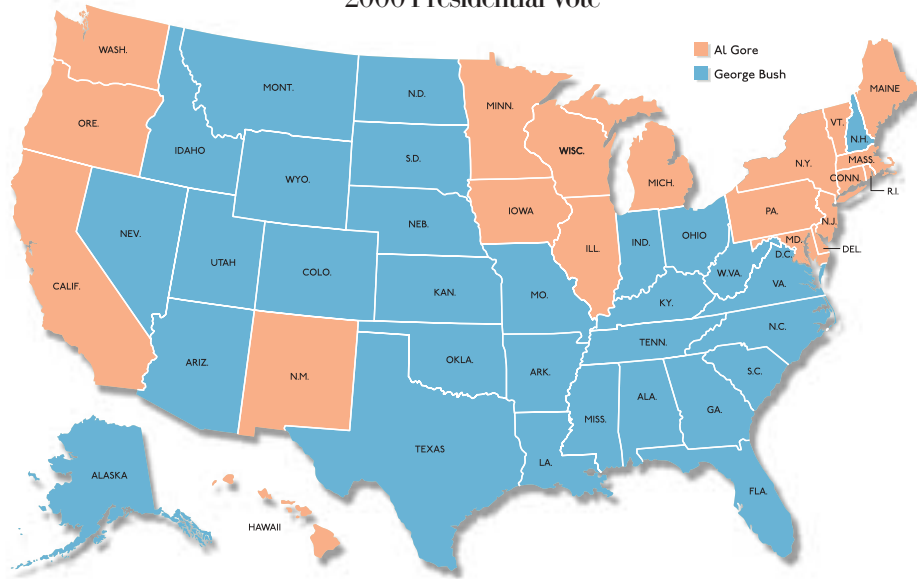
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2004 U.S. Senatorial Elections



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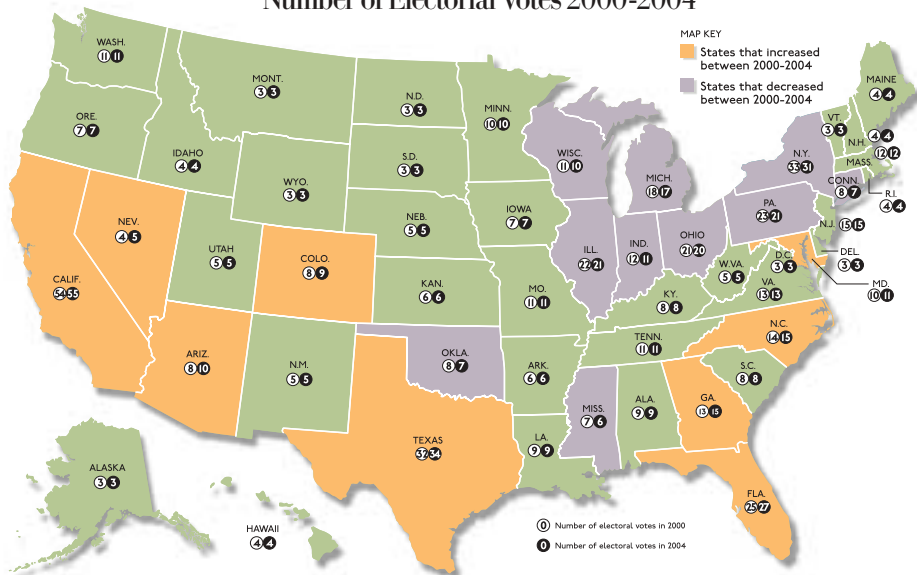
2000 Presidential Vote



SOURCE: NATIONALATLAS.GOV

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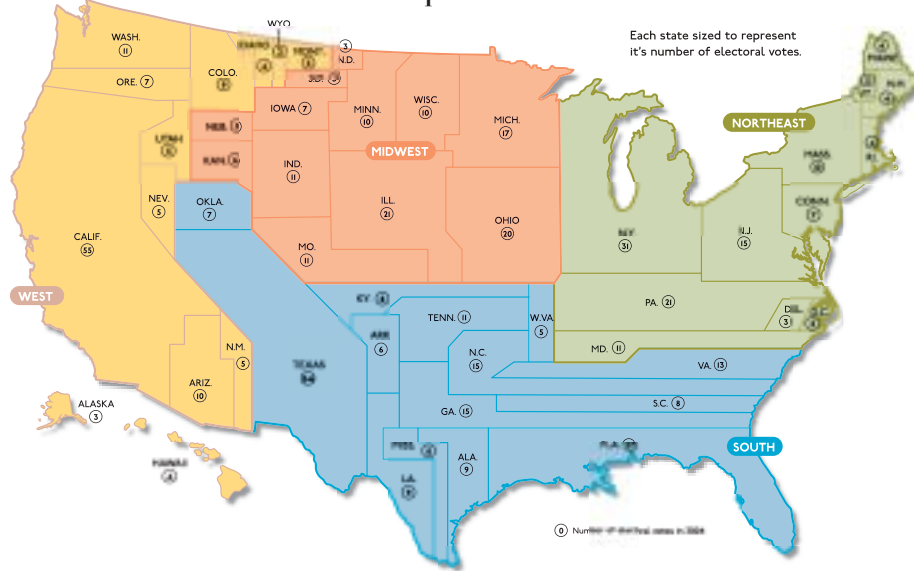
Number of Electoral Votes 2000-2004



SOURCE: UNIVERSITY OF VIRGINIA CENTER FOR POLITICS

GRAPHIC BY WM PITZER - INFOARTZ.COM

Political Map of the United States



Presidential Primary Calendar

JANUARY 19
Iowa

JANUARY 27
New Hampshire

FEBRUARY 3
Arizona
Delaware
Missouri
New Mexico
North Dakota
Oklahoma
South Carolina

FEBRUARY 7
Michigan
Washington

FEBRUARY 8
Maine

FEBRUARY 10
Tennessee
Virginia

FEBRUARY 14
Nevada

FEBRUARY 17
Wisconsin

FEBRUARY 24
Hawaii
Idaho
Utah

MARCH 2
California
Connecticut
Georgia
Maryland
Massachusetts
Minnesota
New York
Ohio
Rhode Island
Vermont

MARCH 9
Florida
Louisiana
Mississippi
Texas

MARCH 13
Kansas

MARCH 16
Illinois

MARCH 20
Alaska
Wyoming

APRIL 13
Colorado

APRIL 17
Virgin Islands

APRIL 27
Pennsylvania

MAY 4
Indiana
North Carolina

MAY 11
Nebraska
West Virginia

MAY 18
Arkansas
Kentucky
Oregon

JUNE 1
Alabama
South Dakota

JUNE 8
Montana
New Jersey

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