States Best to Decide Where Growth Will be in Local Economy

Government can and should play a role in creating jobs, U.S. Labor Secretary Hilda Solis and South Dakota Gov. Mike Rounds agree. Each one shared their views on what role government should play during the session, The Prosperity Agenda: Insights on Job Creation, Friday morning.

Solis, a former state legislator and Congresswoman, said the Obama administration’s approach has been to provide incentives to get businesses, working with government and other entities, “to begin to look at where their growth is going to be in their local economy.”

She sees the federal government’s role is to provide resources to state and local governments and try to cut the red tape in programs. “I don’t see it as top down,” she said. “This approach we’re taking is from the bottom up. We can’t tell you what fits best with your region.”

State leaders know how to target that job creation, Solis said, and that’s just what Rounds has done as governor of South Dakota. As the 2010 CSG president, Rounds wanted to convene the first-ever Economic Summit of the States to give state leaders the opportunity to network and learn from the successes of other states.

He, too, believes government can provide incentives and the infrastructure for the economy to grow.

“As people get re-employed they start to spend money,” which helps states, he said. “It has to be the private sector that provides the job and creates the new wealth.”

He offered the space industry as one example of how government created the need for an industry, and private business created jobs. In recovering from the Great Recession, Rounds said it’s important for government to help retrain the work force and provide incentives for businesses to grow.

“When the private sector starts hiring again that’s when you see recession start to end,” he said.

—Mary Branham

World Trade Center Visit

If you have registered to attend the optional event at the World Trade Center Visitors Center at 10 a.m. Sunday and your plans have changed, please notify the registration desk. Those people on the waiting list should check the registration desk to see if there are any cancellations.
Leaders Say Long-Term Solutions are Key to Coming out of the Recession on Top

You’ve heard all the stats. States are cutting budgets and revenues are dwindling. Thirty-eight states increased taxes and fees to the tune of $24 billion, the largest net increase since 1979, according to Susan Urahn, managing director of the Pew Center on the States.

But you might not have heard the other side to the story—the behind-the-scenes look into legislative leaders and the budget crisis. Hawaii Rep. Cindy Evans, Kansas Senate President Stephen Morris, Oregon Rep. Arnie Roblan, and 2010 CSG Chair Kentucky Senate President David L. Williams shared that story at the 2 p.m. session Friday.

“All states have been guilty of using gimmicks to balance budgets,” Williams said. “We all knew that we had structural imbalances … you can go on all right for a while but they continue to mount over time.”

Kentucky’s budget is currently stalled. In Kansas, the budget was balanced, but the legislature passed a one-cent sales tax increase, something that Morris said is never easy.

“We will have a new economy after this recession,” said Roblan, “so we had best figure out some long-term solutions to control some of those costs.”

But that’s exactly the challenge. Thinking long-term isn’t easy when states are struggling to balance the budgets.

“We spend all the time and resources reacting to the fires at the time,” Morris said.

One of those long-term challenges is funding states’ pension obligations, a can that’s being kicked down the road as states skip out on fully paying for their employee retirement benefits.

Urahn said this is an issue that’s really bubbling to the surface as states are facing a trillion dollar gap in unfunded pension liabilities.

“We make some of these decisions without that long-term fiscal impact discussion,” Evans said. She’s seeing this in Hawaii’s public retirement system.

States not funding pensions is a national threat, Williams said, and one that needs to be pushed on a state-by-state basis.

Some states must fully fund pensions by law, and that’s led states such as Arizona to have healthy pensions even in a recession.

“All states have been guilty of using gimmicks to balance budgets.”

—Kentucky Senate President David L. Williams

States Benefit from Cross-Border Relationships

A North American Future: Promoting Growth through Cross-Border Cooperation

Saturday, May 22 / 12:30-2 p.m. / Julliard Complex, 5th floor

The current economic crisis has highlighted the importance of cross-border relations among the U.S., Canada and Mexico. This session will focus on the integrated nature of the North American economy and the increasing importance of trade and globalization to state decision-makers.

Vermont Gov. Jim Douglas, the 2006 president of CSG, and Canadian Ambassador to the U.S. Gary Doer will discuss the importance of the international relationship and invite participants to discuss strategies for economic recovery through international trade and cross-border cooperation. Panelists will also share their perspectives on the state of border relationships as well as present a North American vision for challenges and opportunities posed by the current economic climate.

“The scope and strength of our relationship is the envy of countries around the world. And the highly integrated nature of our economies is a fundamental driver for economic prosperity on both sides of the border,” Doer said.

Douglas knows that as governor of the Green Mountain State.

“Vermonters recognize the tremendous value and importance of our international relationships,” he said. “Our historic friendship with our Canadian neighbors to the north is a fine example of how international relationships not only enrich our people culturally, but strengthen our state economically as well. Cross-border trade and tourism is a driving force for jobs and opportunities for our people of Vermont.”

Doer said nearly $2 million worth of goods and services cross the Canada-U.S. border every minute of every day. The relationship has aided the two countries in enhancing North American security.

“Perhaps no other place in the world offers as striking an example of the need to get the balance right between trade and security as the Canada-U.S. border,” Doer said.

“Strengthening bonds that already exist and building new relationships with people around the world is an ongoing effort that is invaluable to the success and well-being of all Vermonters,” said Douglas.

—Mary Branham
Data is Key to Finding Ways to Control Medicaid Costs

Containing costs in Medicaid must start with data.

Marcia Nielsen, vice chancellor for public policy and planning at the University of Kansas Medical Center, said Friday that to cut costs in state Medicaid programs, states have to know what they’re doing right and what areas can be improved.

“Legislators were so focused on welfare moms on where to find savings and looking at potential misuse of pharmaceuticals,” she said. But the answer lay elsewhere.

The data from studies Kansas conducted showed that more than 50 percent of health care costs were related to care of the elderly and disabled.

So that’s where stakeholders directed their attention to cut costs. But it takes time, Nielsen said, and states have to find early successes.

“The challenges in Kansas and I’m guessing in lots of other states is patience,” she said. People want results now.

Nielsen suggested states look at areas that can provide quick success.

Pennsylvania is one state that has seen some success in cutting costs. Mike Nardone, deputy secretary of the state’s Office of Medical Assistance Programs, offered insights into Pennsylvania’s successes during the session.

Among the solutions: installing Medicaid managed care in Pennsylvania’s urban and suburban areas; improving primary care access in more rural areas where managed care wouldn’t easily work; and improving management of the Medicaid pharmacy programs, he said.

While those solutions worked in Pennsylvania, Nardone cautioned attendees at the session.

“One size does not fit all,” he said.

“Every state is different and so the targets of opportunity for you are going to be different depending on how you’ve structured your program.”

— Mary Branham

Economist Arthur Laffer Talks Taxes, Revenue and Spending

Sowing the Seeds of Prosperity in the States: Insights from Arthur Laffer

Sunday, May 23 / 8-9:30 a.m. / Westside Ballroom 1 & 2, 5th floor

Economist Arthur Laffer is perhaps best known for his “Laffer Curve,” which draws a correlation between tax rates and economic growth. Now you can hear from the creator of the curve himself at the Economic Summit of the States’ closing session, at 8 a.m. Sunday.

Just last month, Laffer co-authored a report about just how competitive the states are. Utah topped the list of the top five states with the highest economic outlook ratings with Colorado, Arizona, South Dakota and Florida behind it in the next four slots.

That April report, “Rich States, Poor States: ALEC-Laffer State Economic Competitiveness Index” from the American Legislative Exchange Council, an advocacy group representing conservative state legislators, said California, Illinois, New Jersey, Vermont and New York have the worst economic outlooks, with New York at the very bottom.

“Tax and economic policies are essential to the competitiveness of our states. Most actions being taken in state capitals today — and practically all actions from Washington, D.C. today — are flat-out wrong,” Laffer said in a press release.

— Mikel Chavers

Tough Budget Decisions: Are they Legal?

The Budget and the Bench: Constitutions, Courts and the Budget

Saturday, May 22 / 2-3:30 p.m. / Lyceum Complex, 5th floor

In this fiscal crisis, states have to figure out how to balance their budgets using controversial tax increases and program cuts — leading sometimes to legal challenges.

Here’s a recent case of emergency budget-cutting measures that were halted by the courts: New York Gov. David Paterson planned to save $30 million a week by furloughing 100,000 state workers, according to BusinessWeek, but that plan ran into a legal roadblock May 12.

Judge Lawrence Kahn of the U.S. District Court for Northern New York in Albany ruled Paterson can’t implement the plan and he’s temporarily and immediately forbidden from furloughing any workers, BusinessWeek reports.

The judge gave Paterson until May 19 to respond to the ruling and set a hearing for May 26.

And this isn’t the first time a court has ruled about a state’s budget cuts — and probably won’t be the last. A breakout session Saturday at 2 p.m., features Richard Briffault, Joseph P. Chamberlain Professor of Legislation at Columbia Law School, and Idaho Senate Majority Leader Bart Davis, the immediate past chair of The Council of State Governments, who will talk about the issue.

— Mikel Chavers
Clockwise from top left: New Mexico Rep. Sheryl Williams-Stapleton enjoys a breakout session Friday afternoon. Hawaii Rep. Blake Oshiro chats with April Grant, senior manager for state government affairs for Forest Laboratories, a CSG Associate member. U.S. Virgin Islands Sen. Nereida O’Reilly takes notes during a session Friday alongside Oregon Rep. Arnie Roblan. Marge Kilkelly (left) of the CSG Eastern office and Valerie Meunier (right), national assembly adviser of the National Assembly of Quebec, take a quick break to discuss a session Friday. Photos by Suzanne Feliciano.
**Want to Grow the Economy? Make Sure You Take Care of Education**

Everyone has seen and analyzed the unemployment numbers: 9.8 percent nationwide.

But if you dig deeper, the picture is far worse, said Johanna Duncan-Poitier, deputy chancellor for Education Pipeline, The State University of New York.

In the population of people with just a high school degree, she said, the unemployment rate is 15 percent. On the other hand, unemployment for those with at least a bachelor’s degree stands at 4.9 percent.

That illustrates the importance of “the knowledge economy and how much of a difference our education system makes to our economy,” she said.

In fact, the topic of the session at which Duncan-Poitier spoke was “Seeding the Knowledge Economy: Education and Economic Development.” Speakers stressed the need for states to link education with economic development—and that’s more than just getting the traditional students in higher education, said Jim Applegate, senior vice president for program development at the Lumina Foundation for Education.

States must also go back and retrain workers who have been displaced in the Great Recession and also reach back for those “stop-outs” who left college without a degree, he said.

“A high school diploma no longer gets people anywhere,” Applegate said. “Higher education has become a prerequisite for middle class life.”

Watson Scott Swail, president/CEO of the Educational Policy Institute, however, said the U.S. doesn’t necessarily need to get more people to higher education, but “we have to do better with the students that are there.”

He said the U.S. higher education system also must have better alignment with K-12 education, as well as across all the colleges and universities in the country.

That can only help states in the long run, said Duncan-Poitier.

“We all know that a better educated work force means a higher tax base, more opportunities,” she said. “It means people can make more money.”

—Mary Branham

**Leadership Styles of Men and Women: ‘The Rooster Crows, but the Hen Delivers’**

Men and women have different leadership styles.

CSG explored that difference for the first time at a national meeting Friday afternoon at a session addressing women in state government. Women representing all three branches of state government shared their insights on the differences in leadership styles and their own experiences in politics.

Alabama Supreme Court Chief Justice Sue Bell Cobb acknowledged the importance of having more women involved in government at all levels, especially during times of fiscal crisis. Noting that women are generally more collaborative and driven to find consensus, she concluded: “The rooster crows, but the hen delivers.”

Former Massachusetts Gov. Jane Swift warned there is a danger for women who fail to step outside their comfort zones.

“Sometimes you need to take credit and trot your own horn,” she said. “If you fail to do so, you may miss opportunities for leadership and career advancement.”

All three panelists agreed with Idaho Rep. Maxine Bell, who encouraged other women to step forward to take advantage of the opportunities to serve, whether it is at the local, state or national level.

The panelists also acknowledged the tension between family life and political life exists for both men and women, although it seems to be harder for women, especially those with young children.

Swift admitted that as governor, she neglected the important informal activities like networking after hours that are necessary to advance yourself and form important relationships.

“These activities may look social, but you really can’t get ahead without doing them,” she said. “However, it is incredibly difficult to do with small children at home.”

All agreed that when it comes to governing, gender is not a defining factor.

—Jennifer Boyter

**Budget Drivers Health Care, Public Education Costs Will Continue to Grow**

The two biggest drivers impacting state budgets are health care and public education costs—and those costs are likely to increase, state budget officers and analysts said Friday morning.

The session, “Closing the Gap: Options for Deficit Mitigation,” provided a forum for legislators and fiscal analysts to discuss how states can best close their expanding budget gaps.

New York state has a $9 billion budget gap for this fiscal year, and projects a $15 billion gap next fiscal year, for example, said Robert Ward, deputy director of the Nelson A. Rockefeller Institute. “We have a very significant problem that is largely of our own making,” Ward said.

The session included Scott Pattison, executive director of the National Association of State Budget Officers, and Paul Priest, assistant director of Legislative Budget Board in Texas. Maryland Treasurer Nancy Kopp moderated the session.

Public education, health care and retirement benefit costs will continue to be a significant cost driver for states, Pattison said. Both he and Ward suggested states will likely have to require public employees to contribute more to their health care benefits.

In addition, Pattison said states will have to cut some services, manage their rainy day funds carefully and use their market power to keep their costs down.

The “impact has been staggering and will linger after state economies have ticked up,” Kopp said. “States still have months, years, to go.”

—Mike Jackson
The era of cheap oil is over, change needed in how we produce energy

**States Try to Energize Growth with Opportunities in New Energy Economy**

Tom Kenworthy has solar panels on his roof and ended up paying a third of the cost of the system because of Colorado’s incentives. Now the panels supply power to his entire house. He wants state policymakers to take a lesson from the Rocky Mountain state, in that it’s made lots of progress over the last few years in the clean energy economy.

“Renewable energy and clean energy is just part of the political DNA in Colorado,” said Kenworthy, senior fellow at the Center for American Progress.

The state has one of the most ambitious requirements for renewable energy, mandating 30 percent of power come from renewable electricity sources such as wind and solar, for example, by 2020. Its mandate is second only to California.

Kenworthy and other experts at the session, “Energizing Growth: Opportunities in the New Energy Economy,” say Colorado is on to something: Investments in the new green economy mean jobs.

“These are construction jobs; they’re jobs for contractors. They are blue collar-type jobs,” said Lisa Wood, executive director of the Institute for Electric Efficiency.

It also means energy savings.

“At a time when we’re in a recession and everyone wants to save a few dollars, enabling some of these (energy efficiency projects) could help our constituents save some money,” said Pennsylvania Rep. Chris Ross, chair of the CSG Energy & Environment Task Force.

It means changing out old light bulbs in favor of compact fluorescent lights.

Huge potential for the future of commercial energy efficiency projects is still lighting, Woods said.

It means making loans available for energy efficient building upgrades possible through the energy savings from the projects.

Paul Kaplan runs the Green Bank of Kentucky that does just that. “The result of a green bank loan is the owner gets a more energy efficient building,” he said.

“Those energy efficiency projects are not paid for by the capital budget, but through operating costs — those energy efficiency savings are used to pay.”

— Mikel Chavers

‘The Era of Cheap Oil is Over,’ Change Needed in How We Produce Energy

More states are developing clean energy programs to save money and preserve the environment, energy and technology officials said at CSG’s “Driving Renewable Energy” session Friday.

The session explored the different programs that states can use to develop clean energy programs. The session included Anne Margolis, former director of the Vermont Clean Energy Development Fund, Janet Josephs, director of clean energy research for New York State Energy Research and Development Authority, Nick Chaset, manager of regulation affairs for Renewable Funding, and Maryland, San Francisco and Boulder, Colo., he said. The PACE program allows local governments to fund renewable energy projects on private property. Property owners can repay the debt service on those bonds as part of their property tax payments.

Additional incentives such as rebates and equity investments have also helped states support clean technologies, Margolis said.

“States are leading the clean energy transition,” she said. “States have really taken the bull by the horns.”

— Mike Jackson

**Hands On: See Two Exciting New CSG Web Tools in Action**

**CSG Knowledge Center**

CSG’s new Knowledge Center, an interactive policy Web site and clearinghouse available at www.csg.org/knowledgecenter, puts years of policy knowledge and resources at your fingertips. With the click of a mouse, you can view all the information on a particular topic from across CSG’s network of organizations and offices or simply browse through CSG’s extensive policy library. For the first time, the wide range of CSG publications, including policy briefs, news items, webinars, Capitol Ideas articles, charts and tables, Suggested State Legislation, resolutions and meeting presentations, will be arranged by topic.

See a brief demonstration of the Knowledge Center Web site from 9:30–10 a.m. and 2–2:30 p.m. Saturday in the prefunction area near registration.

**StatesPerform.org**

Measuring each state’s performance and using that data to strategically use resources is key to implementing the accountable, transparent and results-focused governance policies citizens expect — especially as states are expected to do more with less. To aid states in meeting this goal, CSG will launch www.StatesPerform.org in June.

**StatesPerform.org** provides the essential information you need to create informed, outcome-driven strategies, giving you access to interactive, customizable and up-to-date comparative performance measurement data from 50 states and across six key policy areas.

See a brief demonstration of StatesPerform.org Web site from noon–12:30 p.m. Saturday in the prefunction area near registration.
“A lot of states, and to a certain extent many of us, did not foresee this recession coming as hard as it did.”

—U.S. Secretary of Labor Hilda Solis, talking Friday about how hard the states’ unemployment insurance funds have been hit.

“Whenever I get to the point where I’m just passing legislation to get re-elected ... I’ve got to go.”

—Hawaii Rep. Cindy Evans on making sure your heart is in the right place as a legislator.

“Said at the Summit”

“It is these times that test us. We have to ask those questions that we didn’t ask when there was enough money not to ask the questions.”


“We at the state and, frankly, at the local level have to rethink how services are going to be delivered. States and policymakers are going to have to make some tough choices on how to go forward.”

—Scott Pattison, executive director of the National Association of State Budget Officers.

**Additional Resource Materials Available**

Resource materials are available at the attendee resource table located near registration on the 5th floor. Please help yourself to any materials needed. Materials are provided by:

- American Probation and Parole Association (APPA)
- Emergency Management Accreditation Program (EMAP)
- National Association of State Treasurers (NAST)
- National Emergency Management Association (NEMA)
- National Lieutenant Governors Association (NLGA)
- The Council of State Governments (CSG)

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**Tell Us What You Think and Win!**

The Council of State Governments values your opinions and insights. Give us your feedback about the summit by completing an evaluation and returning it to the designated drop boxes, the registration desk or any CSG staff member. For every daily evaluation received, attendees will be entered to win one of several prizes, including free registration for both the 2010 national conference and the 2010 regional conference of your choice.