

Bush tax cuts worry cash-strapped states

Tim Jones
Chicago Tribune (KRT)

WASHINGTON — Facing the bleakest financial conditions in more than a decade, state budget officials voiced alarm about the prospect of future fiscal woes after President Bush offered his economic stimulus package.

Analysts were studying the president's proposal late Tuesday, but the emerging response to the plan was alarming. Some experts said the elimination of the tax on stock dividends could cost deficit-troubled states an additional \$4 billion. The expected move to the stock market by investors will make it more expensive for states and local govern-

ments to borrow money on the bond market, they said.

The uncertainty over tax policy as Congress and the White House fight over the measure will make preparations for budgets difficult because states will not know what they can expect in revenue as they plan for the next budget year.

"We are walking into our legislative sessions with no certainty of funding for shared responsibilities, such as homeland security costs, election reform and children's health insurance money," said Michael Bird, federal affairs counsel for the National Association of State Legislatures.

"There is the potential for state financial conditions to be further ex-

acerbated," he said.

Changes in tax policy almost always have trickle-down effects for the states, which individually must deal with projected budget deficits that range from less than \$100 million to, in the case of California, \$34.8 billion. The National Governors Association recently characterized the states' overall financial condition as the most dire since World War II. Except for Vermont, all states have laws requiring a balanced budget.

The stumbling economy and the fall of the stock market have hit state budgets hard: first with a drop in income tax revenue as joblessness increased and tax revenue from capital gains plummeted, and second

with a decline in retail sales. Income taxes and sales taxes comprise about two-thirds of the revenue states collect every year.

Even after raising minor taxes and cutting many services to balance budgets last year, more than half of the states face budget shortfalls in the current cycle. The deficit in Illinois is forecast to be about \$1 billion for the current year, and \$3 billion for the budget year beginning in July.

The efforts by state legislatures scrambling to balance their budgets are likely to include cuts in payments to local governments, reductions in health-care services, additional college tuition increases and new tax hikes.

Among state and local officials, there is mounting anger toward the federal government as it has piled additional security requirements onto them without providing the funding. At the same time, state officials have complained that Washington has not provided money for new federal mandates, nor has it offered financial assistance to meet the states' mushrooming health-care costs, primarily Medicaid.

The tax changes proposed by Bush, if approved, will add to the financial pressure, they said.

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Hispanic leaders seek support of race-based policy

Maryanne George
Knight Ridder Newspapers (KRT)

ANN ARBOR, Mich. — A group of national Hispanic leaders will ask President George W. Bush on Wednesday to officially support the University of Michigan's admissions policies, which are being contested in two cases before the U.S. Supreme Court.

The high court is expected to hear arguments in the cases, challenging the use of race in law school and undergraduate admissions policies, in late March or early April.

The court is considering the issue for the first time since it ruled that colleges could consider race as a factor in admissions decisions in the landmark 1978 Bakke case. The court's ruling, expected this summer, is expected to influence admissions policies across the nation.

Twelve groups, including the Mexican American Legal Defense and Education Fund, the United States Hispanic Chamber of Commerce and the Hispanic Associations of Colleges, will unveil an open letter to Bush on Wednesday at a press con-

ference at the National Press Club. It will ask Bush to file legal briefs with the court supporting the University of Michigan.

White House officials reportedly are lobbying Bush on both sides of the issue, according to a recent Washington Post report. Solicitor General Ted Olson is said to be eager to file a brief opposing the university's policies, while White House counsel Alberto R. Gonzales is said to be urging Bush to support the policies.

Neither Olson nor Gonzales could

be reached for comment Tuesday. The question of whether to weigh in on the cases "remains under review," according to a statement released by the White House.

Pilar Avila, a spokeswoman for the coalition, said members of the group have discussed the case with Gonzales.

A high court decision against the University of Michigan would have an adverse effect on higher education for all students, not just minorities, Avila said.

"This is not a diversity or a Latino issue," Avila said. "This issue concerns the entire nation. ... A diverse student body increases the quality of education."

University spokeswoman Julie Peterson said officials are pleased with the support of the Hispanic

community.

"They have strongly articulated the reasons why access to higher education is so crucial for the Hispanic community, and their concerns about the impact on related programs, including financial aid."

Sheldon Steinbach, general counsel for the American Council on Education in Washington, D.C., said many people are contacting the White House and asking for support of the use of race in admissions.

The council, an umbrella organization for 1,800 colleges and universities, expects to file a brief supporting the university on behalf of several dozen educational groups, Steinbach said.

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