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Ebb of stimulus funding could hit Texas workers hard

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WASHINGTON – The federal stimulus payments that helped thousands of Texas workers ride out the recession will ebb next year, just as state legislators are likely to enact cuts that could hurt government workers and others who rely on public spending.

The Recovery Act has sent about \$16.5 billion to Texas state agencies since 2009. The biggest impact has been on public education, where more than 27,000 jobs were supported by stimulus funds between July and September 2010, according to the Texas Education Agency.

Some employers are warning that a new burst of layoffs is coming because states can't, or won't, make up for the stimulus. Texas highway contractors are already cutting workers as new contract bids decline. And the state would cut 550 child-protective workers if the Legislature doesn't replace \$23 million in stimulus funds that has paid their wages and other expenses.

With \$38 billion less in stimulus funds in 2012 than in 2011, states and local governments face tough choices to balance their budgets. Texas, which has endured the recession better than others, faces a projected deficit as high as \$25 billion for the next two budget years.

"The stimulus worked. It worked in terms of – not necessarily providing new jobs – but it saved a lot of peoples' jobs for a period of time," said Jim Andoga, president of Irving-based Austin Bridge and Road. "Once that funding level has run out and that work is over, there has been nothing to replace it."

Despite working on 15 stimulus-funded projects worth \$72 million, Austin Bridge and Road has cut 27 percent of its workforce since March 2009, Andoga said. The firm cut more than 100 employees between June and November.

Andoga and other highway contractors will be pressing the Texas Legislature early next year to authorize \$1 billion in bonds that would be repaid with general revenue. Otherwise, new contract lettings are set to fall from \$4.7 billion to \$2.4 billion.

"The funding levels are declining, especially at the state levels," said Andoga, whose firm works in Texas and several southern states. "The state of Texas may not have enough money to maintain the current system, let alone expand it."

Worse shape

Other states are in worse shape. Illinois' fiscal shortfall in 2011 is \$13 billion – 47 percent of its general fund budget, according to the National Conference of State Legislatures. California's projected deficit for 2012 is \$19 billion, or 19 percent of its general fund budget.

"Many states and local governments face downsizing," said Gary Burtless, a labor economist with the Brookings Institution, a nonpartisan think tank in Washington. "They will have to trim their payrolls and other kinds of spending."

With less money to spend in many states, some of the firms from other states that rely on government largesse are bidding aggressively for highway projects in Texas, according to several Texas construction companies.

"They're telling me there is just nothing where they're coming from," said Steve Bowman, president of Ark Contracting Services in Kennedale. "Some of these guys are two- and three-generation companies getting ready to close the doors."

But not all of the jobs created by transportation stimulus are going away. DART said it will add about 350 permanent employees to work on its expanded light rail system projects, some of which received stimulus funds. And the North Central Texas Council of Governments said its use of stimulus funds to improve an interchange in southwest Fort Worth persuaded the North Texas Tollway Authority to build a \$1.8 billion parkway between Cleburne and Fort Worth.

"We're going to have 10 times the number of employees in construction as a result of us developing this early partnership," said Michael Morris, director of transportation for the council. "If we didn't use our stimulus on this project, they may not be able to do the project."

But some stimulus critics say good riddance to the \$814 billion measure, arguing that it failed to create enough jobs and allowed states to delay much-needed budget reforms. Many states, for instance, have expensive Medicaid programs that would have devastated their budgets during the recession without an additional \$104 billion from the stimulus.

Election issue

Many voters believe the stimulus didn't work, and Republicans rode an anti-spending sentiment back into power in November. Some contractors are worried that state lawmakers will now look skeptically at new investments in transportation and other services.

The stimulus "helped the industry in the short term," said Art Daniel, whose Cedar Hill-based construction firm worked on six stimulus projects. "My concern is that in the long term, there may be some damage to the idea that we need more funding than we have now."

Talmadge Heflin, director of fiscal policy for the conservative Texas Public Policy Foundation, said new spending on highway projects would probably be a second-tier priority for legislators.

"If they have some spots where they really need to enhance the mobility, they will probably be able to figure out a way to prioritize that," said Heflin, a former chairman of the Texas House Appropriations Committee. "I don't expect them to be able to pull any new general revenue in to supplement that."

The Texas Department of Family and Protective Services also is seeking additional funds to replace stimulus funding that will disappear in mid-2011. The money is needed to fund 565 Child Protective Services employees, including 378 caseworkers, the department said.

"If funding is not provided to avoid this reduction, caseloads per worker would increase, causing quality to suffer," the department wrote in its fiscal 2012 budget request.

School districts also face tough decisions next year. Many fast-growing districts were accustomed to living off the growth in property tax revenue, which has disappeared. One of the biggest sources of stimulus aid for schools – the state fiscal stabilization fund – will be running low by the end of 2011. The stimulus spent about \$4.14 billion on Texas public education in 2010, according to the Texas comptroller's office.

"As a result of not having that, there may be a need to have to cut back on some personnel," Heflin said. "I haven't heard of any dramatic cutbacks because of that funding stream not being there, but you hear anecdotal stories about a number of districts that will have less money to spend than they currently have."