

Employment in the public sector: two recessions' impact on jobs

Government employment surged during the 2001 recession, only to fall victim to prolonged budget shortfalls afterwards; compared with the 1990s recession and aftermath, the 2001 recession itself had less of an effect on government employment, but the postrecessionary period was more difficult

Julie Hatch

Since 1939, the public sector has increased its share of nonfarm employment by 3 percentage points.¹ Overall, 1 out of every 6 jobs in the nonfarm economy is now in government. The 2001 recession affected Federal, State, and local governments in various ways. The largest sector, local government, was influenced the least, although a reduced rate of employment growth was evident in both 2003 and the first half of 2004. State government employment, the most cyclical in nature, peaked months before Federal Government, but well after total private employment. The Federal Government created a new agency in the aftermath of the terrorist attacks on September 11, 2001, while the U.S. Postal Service felt the brunt of the recession and continued experiencing financial difficulties. Growth in employment during and after the latest recession contrasts sharply with employment growth in the 1990–91 recession and subsequent recovery.

Total private payroll employment peaked in December 2000, but job growth in government boosted total nonfarm employment. The tide turned, however, when construction and information employment peaked in March 2001. Strength in government and in a handful of private service-providing industries (financial activities, health services, and leisure and hospitality) was not enough. Coinciding with the U.S. business cycle peak declared by the National Bureau of Economic Research, total nonfarm employment peaked in March 2001 and then declined until August 2003.²

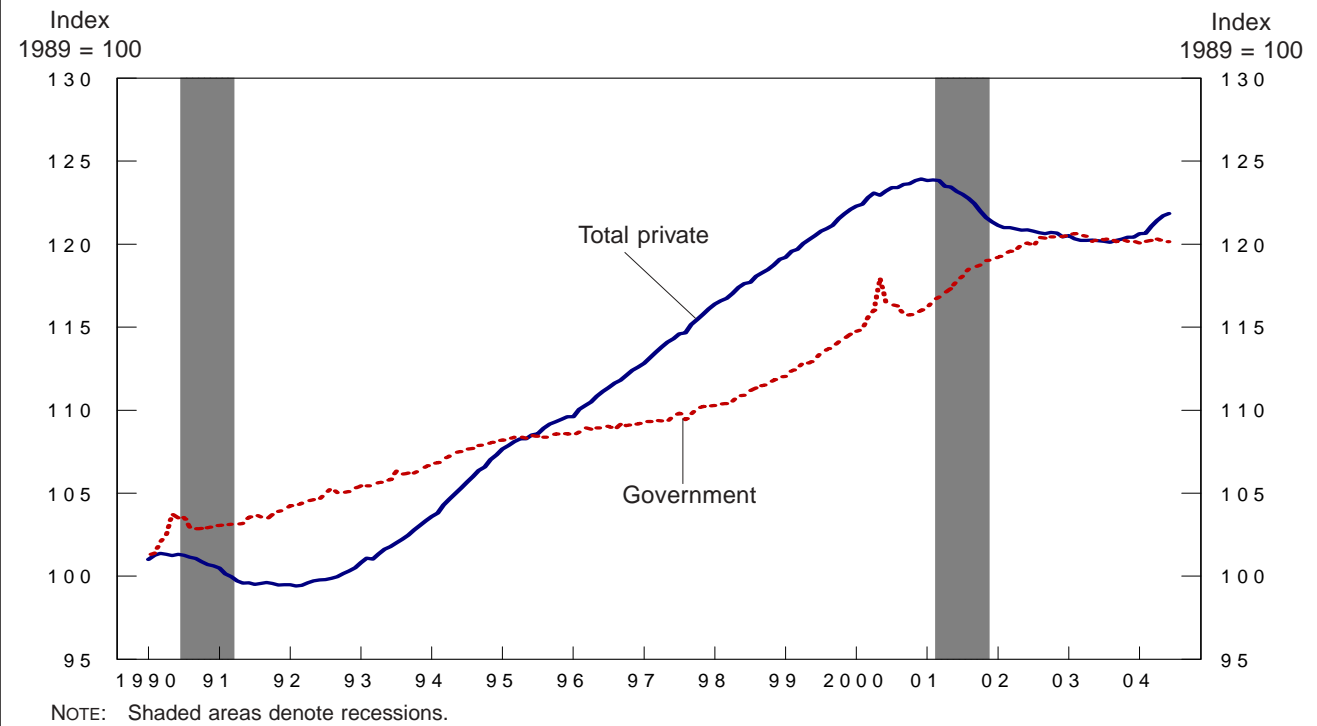
The so-called jobless recovery of the 1990

recession became the period of comparison. The labor market continued to remain weak after the recession ended in March 1991, even as other parts of the economy gained momentum.³ In fact, nonfarm employment remained relatively flat and did not recover until early 1993. Despite the “jobless” epithet, the labor market fared better following the 1990s recession than following the 2001 recession. (See chart 1.) Payrolls grew by 876,000 jobs 21 months after the end of the 1990s recession, compared with 1,082,000 jobs lost 21 months after the 2001 recession ended. Employment slowly started to recover in September 2003. Compared with employment in private industry, government employment fared better during the later recession, but faltered after it ended.

In order to get a better understanding of how the 2001 recession was different from the earlier one, this article examines employment in each component of government, along with total nonfarm employment, total private employment, and government employment as a whole. The latest recessionary period and recovery is compared with the 1990s recession and the subsequent recovery and expansion. Each level of government works with certain rules and agendas that can influence how a recession affects employment. The Federal Government does not work under a balanced-budget constraint, so it can incur deficits. Broad issues such as national security, infrastructure, international relations, and social welfare are the Federal Government’s primary concern. State governments represent the agendas of the 50

Julie Hatch is an economist in the Office of Employment and Unemployment Statistics, Bureau of Labor Statistics.
E-mail: hatch.julie@bls.gov

Chart 1. Employees on total private and government payrolls, 1990–2004



States and the District of Columbia. By law, States must have a balanced budget each fiscal year. Local governments, which include those of cities and counties, are often in charge of implementing directives issued from Federal and State governments. Like State governments, localities also must balance the budget each fiscal year.

Government

During the 2001 recession, government gained nearly 400,000 jobs, a sharp contrast to the 72,000 jobs lost during the 1990s recession. (See table 1.) However, the job losses during the earlier recession were due mostly to the laying off of intermittent decennial census enumerators and not economic changes in the industry. Excluding Census effects, government employment continued to grow during the 1990s recession and subsequent recovery.⁴ The growth came from State and local payrolls. (See chart 2.) In 1993, the Federal Government began to reduce its civilian employment, while other industries added jobs. The only sector besides State and local government to gain jobs at such a rapid pace throughout both recessions was private education and health services.

Even though government employment continued to grow during the 2001 recession, the momentum gained during the 1990s boom

began to wear off. The public sector continued to add jobs, but at a reduced pace, until employment peaked in February 2003. Government reduced payrolls by 97,000 between the peak and June 2004, reflecting job losses in Federal Government.

Federal Government. Opposing employment trends in Federal Government resulted in flatness during the 2001 recession. Small employment declines in the U.S. Postal Service offset small gains elsewhere in the Federal sector. Excluding the Postal Service, Federal Government gained an average 2,000 jobs per month during the recession. In 2002, the hiring of Transportation Security Administration workers outweighed job losses associated with the Postal Service. Federal employment peaked in March 2003 and then declined by 73,000 over the next 15 months.

The terrorist attack on September 11, 2001, affected life in the Nation in profound ways. The U.S. Government's response included the formation of the Department of Homeland Security, which combined a multitude of existing Federal agencies with a new agency, the Transportation Security Administration (TSA).⁵ The mission of the TSA is to protect U.S. transportation systems. Initially, the main mission of the agency was overseeing the federalization of airport security. Over the course of 2002, the TSA went from an agency with 13 employees to one with 64,000, most of whom were responsible

Table 1. Employment in selected industries during the 1990 and 2001 recessions, seasonally adjusted

[In thousands]

Industry	1991 recession				2001 recession			
	July 1990	March 1991	Change	Percent change	March 2001	November 2001	Change	Percent change
Total nonfarm	109,773	108,542	-1,231	-1.1	132,507	130,871	-1,636	-1.2
Total private	91,213	90,054	-1,159	-1.3	111,564	109,535	-2,029	-1.8
Construction	5,274	4,881	-393	-7.5	6,864	6,782	-82	-1.2
Manufacturing	17,704	17,141	-563	-3.2	16,931	15,821	-1,110	-6.6
Financial activities	6,628	6,602	-26	-.4	7,798	7,844	46	.6
Professional and business services	10,899	10,705	-194	-1.8	16,764	16,098	-666	-4.0
Education and health services	11,000	11,381	381	3.5	15,465	15,869	404	2.6
Government	18,560	18,488	-72	-.4	20,943	21,336	393	1.9
Federal	3,274	3,095	-179	-5.5	2,754	2,756	2	.1
Federal government, except U.S. Postal Service	2,448	2,277	-171	-7.0	1,876	1,893	17	.9
U.S. Postal Service	826	818	-8	-1.0	878	864	-14	-1.6
State	4,320	4,359	39	.9	4,851	4,977	126	2.6
State government education	1,732	1,761	29	1.7	2,061	2,174	113	5.5
State government, excluding education	2,588	2,598	10	.4	2,790	2,803	13	.5
Local	10,966	11,034	68	.6	13,338	13,603	265	2.0
Local government education	5,919	5,971	52	.9	7,430	7,561	131	1.8
Local government, excluding education	5,047	5,064	17	.3	5,908	6,042	134	2.3

for passenger and baggage screening.⁶ As a result, nonpostal Federal employment increased by 76,000 that year, but job losses started in 2003. (See table 2.) A year after reaching a peak in March 2003, the Federal Government, excluding the Postal Service, lost about 50,000 jobs.

The most recent decline in employment follows the post-recession pattern established during the decade of the 1990s, when Federal Government employment decreased by 11.5 percent. The end of the Cold War ushered in a new era, and between 1991 and 2000, the Department of Defense cut about 200,000 civilian jobs from its payroll. (See table 3.) The manufacturing portion of defense, shipbuilding and repairing, followed suit. Between 1991 and 1995, shipbuilding shed almost two-thirds of its workers, and employment flattened out during the last half of the decade.

Excluding the Postal Service, Department of Defense, hospitals, and shipbuilding, the industry titled "other Federal Government" lost jobs during the 1990s due to structural changes. Part of the decline may have been defense related, as establishments owned by the Department of Defense, such as military base commissionaires, are classified into that residual category.⁷ Equally noteworthy was the effort to reduce and outsource large portions of Federal Government operations throughout the 1990s.⁸ As a result, "other Federal Government" lost nearly 200,000 jobs during the period.

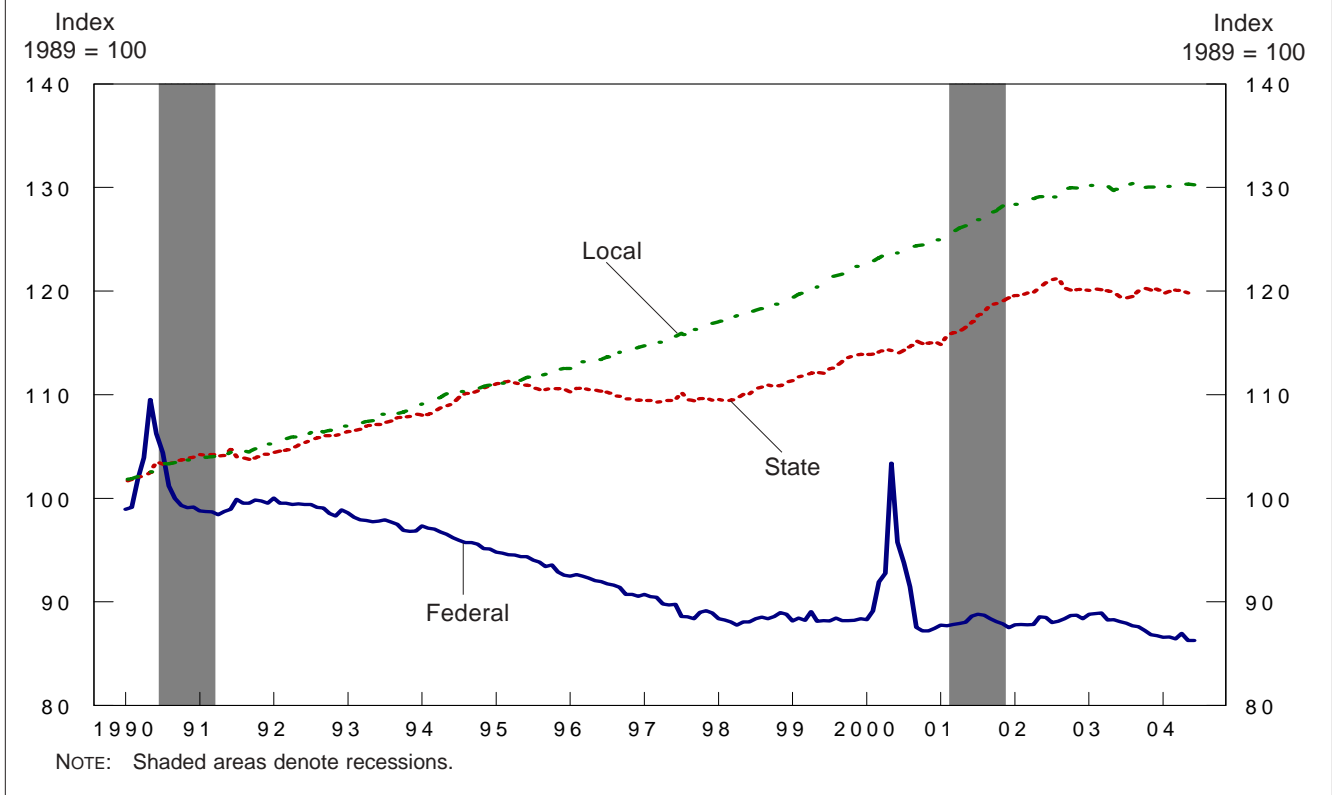
In sharp contrast, Postal Service employment behaved in a more cyclical manner. (See chart 3.) The U.S. Postal Service

faced difficult problems during fiscal year 1991 as overall mail volume declined for the first time in 15 years. Fiscal year 1992 was not much better, with mail volume barely increasing.⁹ Employment was adversely affected by the drop in mail volume, and after declining for several years, it reached a trough in November 1992. As demand for postal services grew, the agency expanded its workforce; however, productivity gains in the latter half of the decade led to slower growth and, eventually, small workforce reductions that continued into the new decade. Overall, the Postal Service had a net gain of 78,000 jobs throughout the 1990s.

Many factors converged to keep employment in the Postal Service on its downward trend. The events of September 11 had an impact on mail delivery in the short term as the Federal Aviation Administration suspended commercial aircraft flights, forcing the Postal Service to switch the delivery of mail from air to surface transportation.¹⁰ While the terrorist attacks and later concerns regarding the mailing of biological agents altered the normal day-to-day operations of the Postal Service, they did not influence the trend of small employment declines through attrition. The agency's finances were affected by the lackluster economy as mail volume fell. Even though the Postal Rate Commission's recommendation of a 3-cent increase for a first-class stamp was approved and went into effect on June 30, 2002, job losses did not abate.¹¹ The Postal Service also continued its quest for efficient automation in its mail-sorting plants.

Technology, too, plays a role in communication. E-mail is

Chart 2. Employees on Federal, State, and local government payrolls, 1990–2004



not the only alternative to conventional mail service that is chipping away at the Postal Service's traditional customer base: an estimated 35 million people now pay their bills online, further reducing the need to utilize the U.S. mail system.¹² In fact, other Federal agencies have actively encouraged electronic correspondence. The Internal Revenue Service, for example, has vigorously promoted its E-filing system to taxpayers, and 12 percent more returns were filed through E-file in 2004 than in 2003.¹³ As e-commerce has expanded across the U.S. economy, employment in the Postal Service has declined. On average, 2,000 jobs per month have been lost since April 1999.

State government. Not only did employment in State government continue to grow during the latest recession, but it did so at a faster pace: from December 1999 until March 2001, States added 6,000 jobs to payrolls each month, but during the recession, they added 16,000 jobs per month. Education accounted for 90 percent of State employment growth during the recession, similar to the 70 percent that it fueled from 1997 through the end of the decade. During that period, enrollment in public degree-granting institutions increased after several years of declines.¹⁴

Employment in State government, like that of the Postal Service, is more cyclical in nature. State government's revenue

growth tends to lag the national economic cycles by several months, due to delays in tax collections and withholdings. In fiscal year 1991, monetary shortfalls forced 28 States to cut budgets, and even following the official end of the recession in March 1991, 35 States cut their fiscal-year 1992 budgets after they had been passed.¹⁵ Similarly, State employment trends lagged the overall national employment cycle. For example, total nonfarm employment reached a trough in May 1991, whereas State government employment did not slow down significantly until the third quarter of 1991, when 41,000 jobs were lost. The lag was even more pronounced during the most recent downturn: State government employment peaked 17 months after total nonfarm employment, and 80,000 State jobs were lost during the next 11 months.

Due mainly to strength in education, State Government employment continued to grow for several months after the 2001 recession ended. There are several reasons that State education employment grew so fast during that recession. First, colleges and universities still had a substantial amount of money from donations and endowments that resulted from capital gains related to the stock market. Second, people have a tendency to turn to education instead of entering the labor market when hiring is sluggish. Finally, another temporary boom to the

Table 2. Employment in selected industries, December 2001 to June 2004, seasonally adjusted

[In thousands]

Industry	Level				Change				2004 (number)
	December 2001	December 2002	December 2003	June 2004	2002		2003		
					Number	Percent	Number	Percent	
Total nonfarm	130,659	130,096	130,035	131,258	-563	-0.4	-61	0.0	1,223
Total private	109,312	108,501	108,491	109,730	-811	-.7	-10	.0	1,239
Construction	6,787	6,695	6,774	6,911	-92	-1.4	79	1.2	137
Manufacturing	15,702	14,899	14,324	14,393	-803	-5.1	-575	-3.9	69
Financial activities	7,833	7,904	7,981	8,049	71	.9	77	1.0	68
Professional and business services	16,087	15,881	16,159	16,457	-206	-1.3	278	1.8	298
Education and health services ..	15,920	16,401	16,731	16,897	481	3.0	330	2.0	166
Government	21,347	21,595	21,544	21,528	248	1.2	-51	-.2	-16
Federal	2,744	2,771	2,720	2,716	27	1.0	-51	-1.8	-4
Federal Government, except U.S. Postal Service	1,886	1,962	1,929	1,931	76	4.0	-33	-1.7	2
U.S. Postal Service	858	809	791	785	-49	-5.8	-17	-2.1	-6
State	4,992	5,026	5,027	5,004	34	.7	1	.0	-23
State government education	2,186	2,250	2,286	2,258	63	2.9	36	1.6	-28
State government, excluding education	2,806	2,776	2,741	2,746	-30	-1.1	-35	-1.3	5
Local	13,611	13,798	13,797	13,808	187	1.4	-1	.0	11
Local government education	7,577	7,696	7,687	7,695	118	1.6	-9	-.1	8
Local government, excluding education	6,033	6,103	6,110	6,113	70	1.2	7	.1	3

industry was the fact that aid received from States was based on budgets passed before the recession.

The weakening economy eventually caught up with State colleges and universities. State schools receive fiscal assistance from a variety of sources that were affected by the lackluster economy. School endowments shrank as the stock market lost ground. Donors who were once willing to give generous amounts either withdrew their donations from higher education or limited them to lower amounts.¹⁶ Even as fundraising became more difficult for colleges and universities, State legislatures voted to reduce aid; funding for higher education is usually one of the first budget items cut when the economy turns downward.¹⁷ In response, State colleges and universities raised tuition to make up some of the difference. Several State schools raised tuition in mid-2002 for the spring semester, something that had not happened since the early 1990s.¹⁸ During the 2003–04 school year, 49 States increased tuition after several of them already had done so the previous year.¹⁹ Schools also used several other measures to make ends meet, such as limiting or curtailing enrollment, adding more students per class, reducing course options, cutting back on library hours and services, and accepting more out-of-State students, who pay higher tuition rates than in-State students.²⁰

During all this time, employment in State education responded to the outside stimulus. Even though the recession ended during the 2001–02 school year, education employment continued to grow at a healthy pace, as it did during the 1990s recession.

However, when colleges and universities started back up in the fall of 2002, they did so with 35,000 fewer jobs (seasonally adjusted).²¹ When the school year came to a close in July 2003, employment was little changed from the September level. It appears that the measures taken by the public colleges and universities to strengthen their financial pictures shored up employment. The June 2004 employment level was about equal to that of June 2002. In contrast, after the 1990 recession, education employment continued to grow until March 1995, when it declined for 2 years and 38,300 jobs were lost. This mid-decade slump was felt elsewhere in State government also.

Employment in State government, excluding education, responded to the 2001 recession the fastest of any government sector. The recession did not affect State tax collections immediately. Changes in income are usually felt at least 6 months before personal and corporate taxes are collected. In addition, nonwithholding income tax revenues, which result from items such as capital gains, are collected by States on a lagged basis.²² The faltering economy did eventually have an impact on State tax revenues. Adjusted for the effects of legislation and inflation, revenues collected during the third quarter of 2001 declined by 4.6 percent, compared with revenues collected the year before. A similar decline was evident in the first quarter of 1991, when the year-over-year change in quarterly State tax revenue was 5.0 percent.²³

Employment in State government, excluding education, was not immediately affected by the 2001 recession. Initially, States relied on several standard budget adjustment tools, such as

Table 3. Post-1990-recession employment in selected industries and annual rates of change, seasonally adjusted

[In thousands]

Industry	Fourth-quarter averages		Change	
	1991	1999	Level	Percent
Total nonfarm	108,263	130,242	21,979	20.3
Total private	89,643	109,744	20,101	22.4
Construction	4,662	6,679	2,017	43.3
Manufacturing	16,958	17,278	320	1.9
Financial activities	6,524	7,671	1,147	17.6
Professional and business services	10,743	16,292	5,549	51.7
Education and health services	11,679	14,910	3,231	27.7
Government	18,620	20,498	1,878	10.1
Federal	3,127	2,768	-359	-11.5
Federal, except U.S. Postal Service	2,319	1,882	-437	-18.8
Federal ship building and repairing ¹	60	23	-37	-61.7
Federal hospitals ¹	235	219	-16	-6.8
Department of Defense ¹	699	516	-183	-26.2
U.S. Postal Service	808	886	78	9.7
Other Federal government ¹	1,314	1,122	-192	-14.6
State	4,354	4,757	403	9.3
State government education	1,774	2,018	244	13.8
State government, excluding education	2,580	2,739	159	6.2
State hospitals ¹	417	345	-72	-17.3
State government general administration ¹	1,670	1,862	192	11.5
Other State government ¹	474	515	41	8.6
Local	11,139	12,972	1,833	16.5
Local government education	6,008	7,212	1,204	20.0
Local government, excluding education	5,132	5,760	628	12.2
Local government utilities ¹	232	224	-8	-3.4
Local government transportation ¹	199	228	29	14.6
Local hospitals ¹	656	624	-32	-4.9
Local government general administration ¹	3,281	3,756	475	14.5
Other local government ¹	695	861	166	23.9

¹ Data are not seasonally adjusted.

across-the-board cuts, rainy-day funds, and the reorganization of programs to shore up their budgets and, therefore, employment.²⁴ But these solutions were not enough to overcome tax revenues that continued to fall. State noneducation employment peaked in December 2001, a month after the recession officially ended. Similarly, excluding education, State employment had peaked 1 month before the 1991 recession ended.

The current picture contrasts sharply with the 1990s postrecession period. At the end of 1991, State employment, excluding education, started to recover and continued to grow, until peaking in January 1995. (See chart 4.) The 2001 recession affected this sector the fastest and hardest of any government sector.²⁵ Once the recession ended, the problems for States only got worse. By the second quarter of 2004, employment had fallen to the levels of early 2000, although employment had been relatively unchanged since July 2003. The budget problems that became apparent in fiscal year 2001 eventually developed into the worst financial situation in 60 years. Thirty-seven States cut their budgets by the cumulative sums of \$12.6 billion and \$14.5 billion in fiscal years 2002 and 2003, respectively. Additional methods used

to balance budgets included employee layoffs, early retirements, reduced aid for higher education and localities, and other measures.²⁶ Budgets had started to improve slightly by the third quarter of 2003, coinciding with the improved labor market picture.²⁷ Even though fiscal conditions improved for fiscal year 2004, they fell short of prerecession levels, as did employment for the same period.

Local government. Like State government, local government added jobs at a faster pace during the recession. In 2001, local government employment grew by 2.9 percent, compared with an average of 2.1 percent for the previous 5 years. During the recession itself, localities gained 33,000 jobs per month, split equally between the education and noneducation components. Growth during the 1990s recession had not been as robust, but strength in education allowed local government to expand employment by 68,000.

Education continued to fuel job growth in local government throughout the 1990s, with approximately 2 out of every 3 new jobs created in education. Enrollment in public elementary and secondary schools grew 14 percent from the fall of 1990 to the fall of 1999.²⁸ Local education is the largest component industry

Chart 3. Employees on Federal (except U.S. Postal Service) and U.S. Postal Service payrolls, 1990–2004, seasonally adjusted

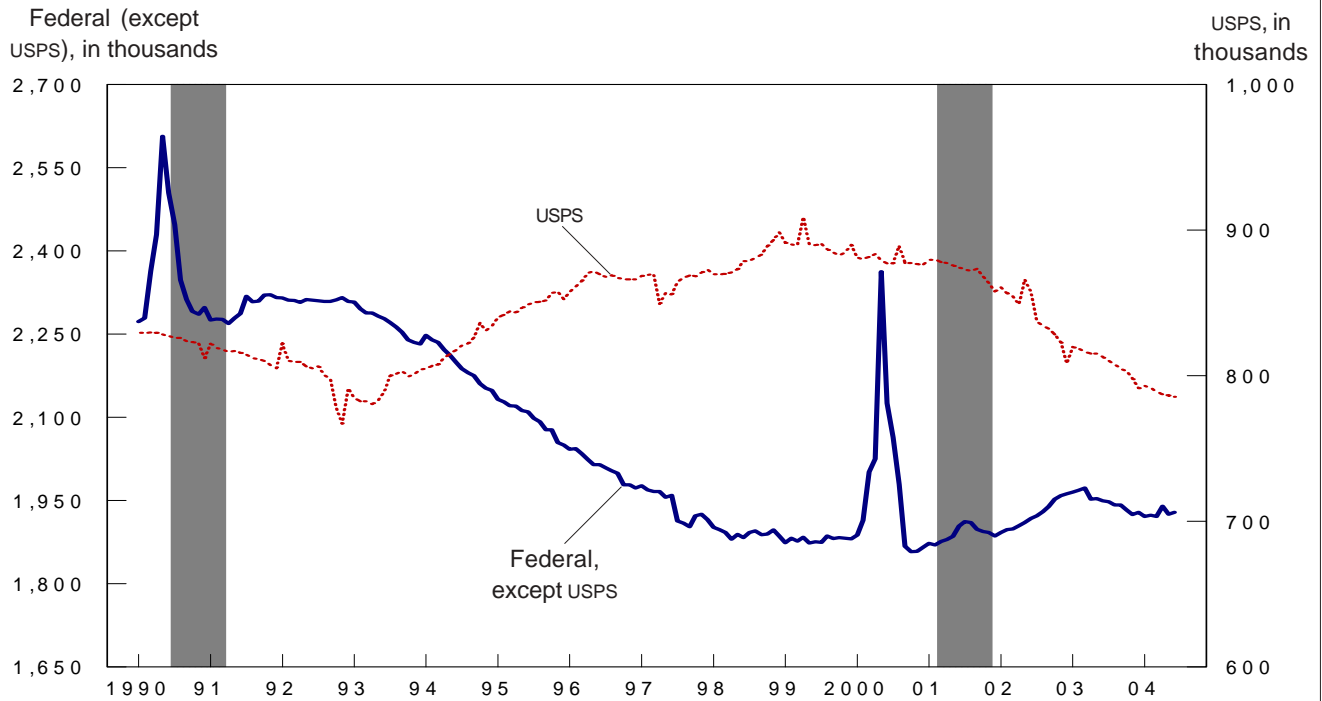
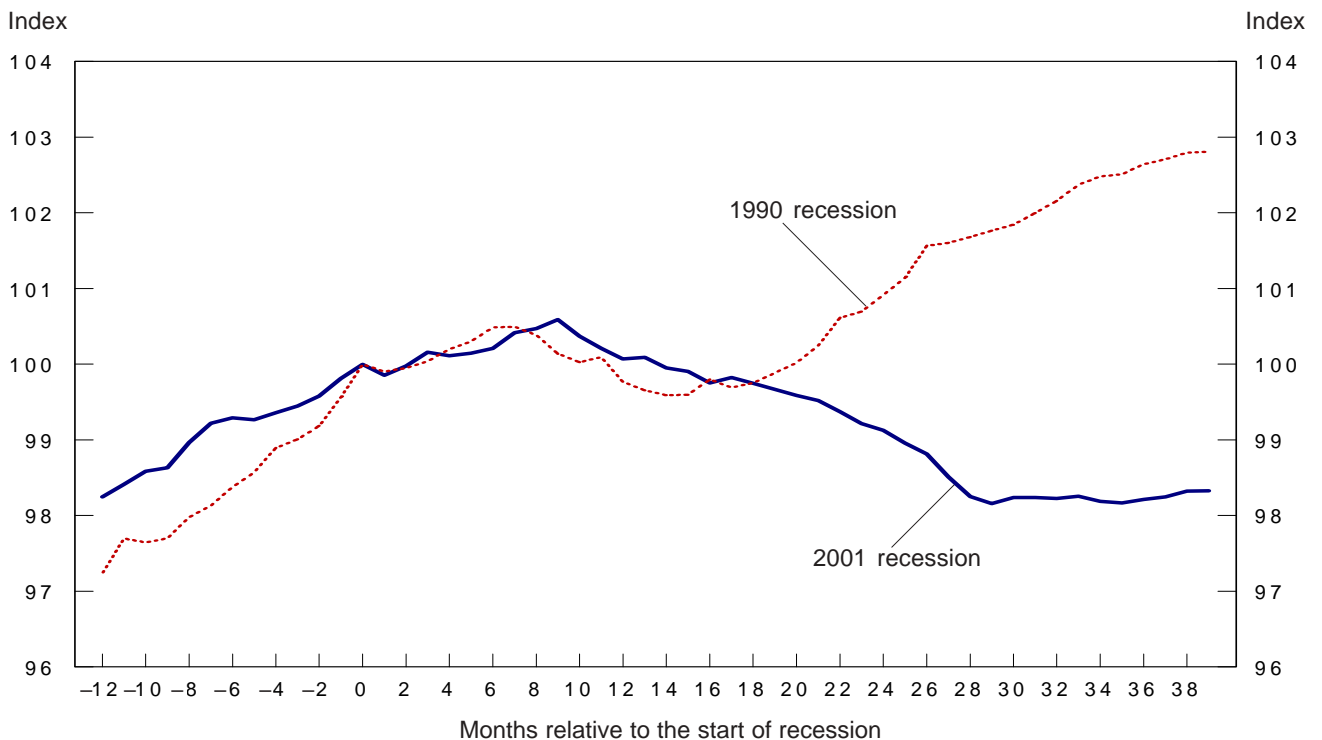


Chart 4. Employment in State government, excluding education, seasonally adjusted data, indexed to the start of the recession



within government (see chart 5) and typically adds a noteworthy number of jobs each year.

Education was not the only growth industry in local government. More than half a million jobs were created in local administration during the 1990s. The residual industry, other local government, which includes components such as libraries, recreation and park authorities, cemeteries, and housing authorities, was the fastest-growing industry. Overall, local government gained almost 2 million jobs during the decade.

The delayed impact of the 2001 recession on local government resulted in job gains. Local governments have a wealth of revenue sources, some more dependent on economic conditions than others. Revenue sources such as sales and income taxes and fees for services are more likely to be affected by both positive and negative changes in economic activity. Property tax, in contrast, weathers economic storms better, creating a short-term safe harbor for localities.²⁹ During the 2001 recession, the healthy housing market raised the value of residential real estate. Localities in turn reassessed properties, boosting their property tax bases without actually raising tax rates. In addition, cities receive funding from State governments. Because recessionary effects did not have an impact on State budgets immediately, local governments were affected on a lagged basis.

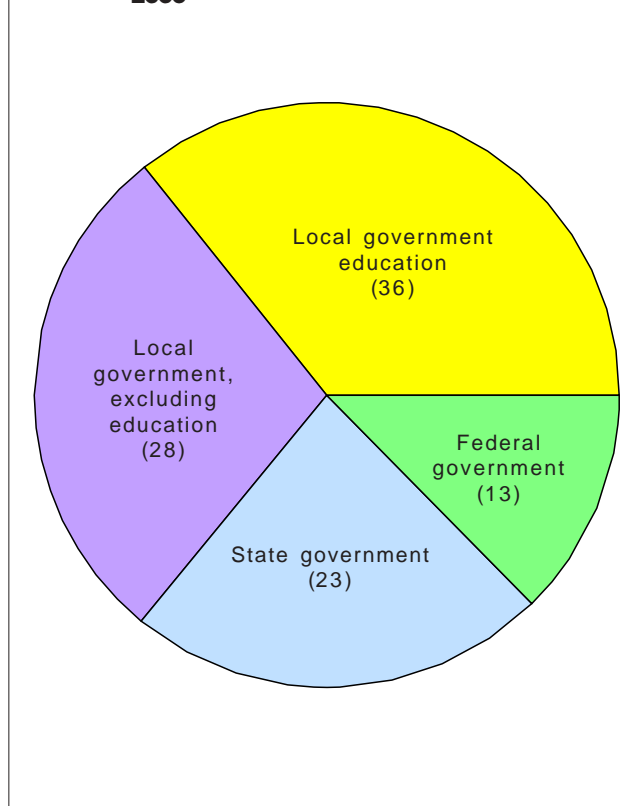
Cities operate on balanced-budget requirements, so they usually try to end the fiscal year with a surplus, which can then be used as revenue for the next year or can be set aside in anticipation of an upcoming economic downturn. According to a survey administered by the National League of Cities, the ending balance as a percentage of expenditures in 2001 was at the highest point, 19.1 percent, since the series began in 1985.³⁰ It is important to remember that many cities end their fiscal year on June 30 or September 30. Thus, the financial impact of the terrorist attacks on September 11, 2001, would likely be more apparent in fiscal year 2002. The strength in the ending balances is mirrored in the positive employment situation for local government during 2001.

The trickle-down effect slowed the impact of the recession on local governments, but eventually, the weak economy took its toll on budgets and payrolls. From 1977 to 2004, Federal aid to cities declined from 15 percent to 5 percent of total city revenues. In addition, aid from States was reduced \$2.3 billion in fiscal year 2004 from fiscal year 2003, a sharp contrast to the past, when downturns were marked by a slowing rate of revenue growth, not an actual reduction in revenue.³¹ Localities took various measures in response to reduced funding. For example, according to the National League of Cities, nearly half of the 328 cities surveyed in 2003 increased fee rates, 30 percent reduced city employment, 29 percent imposed new fees or charges on services, 21 percent reduced actual levels of capital spending, and 11 percent reduced city service levels.³² The deteriorating fiscal conditions eventually affected employment. During 2002, half as many jobs were added in local government as were added in 2001, and by 2003 growth had come to a standstill.

Excluding education, growth in local employment slowed from 2.5 percent in 2001 to 0.1 percent in 2003. During the first half of 2004, employment was essentially unchanged. In addition to budget woes, localities faced new challenges as a result of the terrorist events of September 11. When the terrorism alert becomes elevated, police and other security personnel are stationed at crucial or vulnerable locations. According to the U.S. Conference of Mayors, the total cost of Code Orange to all localities combined is around \$70 million per week.³³ In response, Congress added to the Department of Homeland Security funding bill a provision to help fund first-responder programs.³⁴

Another Federal mandate also challenged local governments. The Federal role in education has been limited by the Tenth Amendment to the U.S. Constitution, and most education policy is decided at the State and local levels. However, on January 8, 2002, the No Child Left Behind Act of 2001 was signed into law. The Act redefines the Federal role in primary education and is grounded on four basic principles: stronger accountability for results, increased flexibility and local control, expanded options for parents, and an emphasis on teaching methods that have been proven to work.³⁵ Funding for the new law has become an

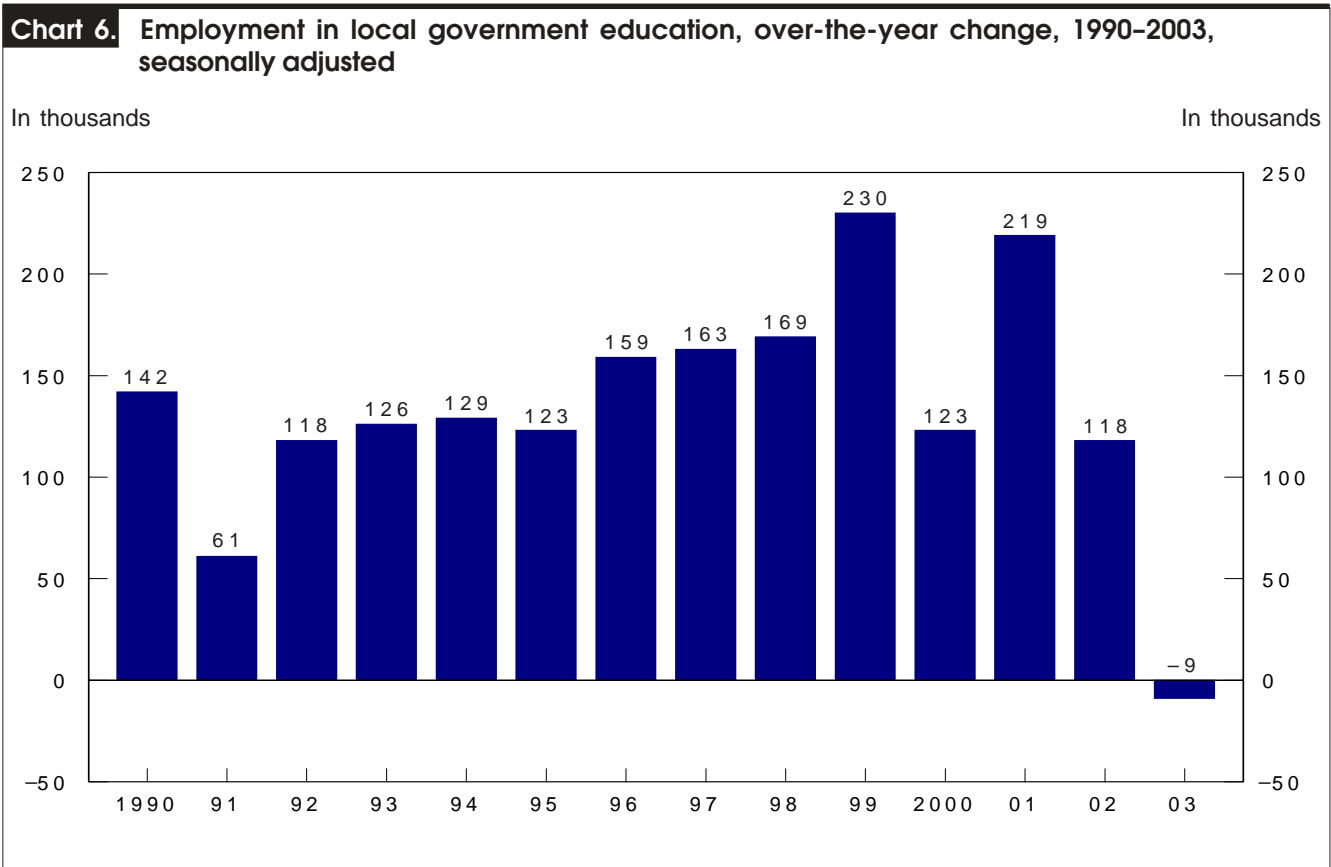
Chart 5. Percent of government employment, 2003



important issue. According to a study performed by the National Conference of State Legislatures, there was a shortfall of almost \$10 billion in fiscal year 2004 between the amount Congress was authorized to give and the amount that was appropriated.³⁶ Besides the added costs of implementing the Act, the States' budget crises had a detrimental effect on local education employment. From 1990 until 2001, local education averaged an employment increase of 147,000 a year. But during 2002, schools added 118,200 jobs, and by 2003, growth in local education came to an abrupt halt. (See chart 6.) Local education employment has remained relatively flat since the start of the 2003–04 academic year and has not been this weak since the early 1980s, coincidentally with two recessionary periods.

RECESSION, with most components performing much better than in the 1990s recession. Several factors made the latest post-recession period different from any other. The terrorist attacks of September 11 led to the creation of the TSA within the Federal government, but, at the same time, strained the budgets of States and localities. The worst State fiscal crisis in decades affected not only State government employment, but local employment as well. Unfunded Federal mandates for additional security and education put further burdens on State and local governments. Technological improvements in mail sorting and a shift in how Americans communicate forced the U.S. Postal Service to reduce employment. Offsetting higher costs of doing business and reduced funding, the strong housing market boosted property values and enabled localities to collect more property tax revenue without raising rates. □

GOVERNMENT EMPLOYMENT GREW DURING THE 2001



Notes

¹ Data on employment used in this article are from the Current Employment Statistics (CES) program, which surveys 160,000 nonfarm businesses representing about 400,000 establishments monthly. For more information on the program's concepts and methodology, see *BLS Handbook of Methods* (Bureau of Labor Statistics, 1997). CES data are available on the Internet at <http://www.bls.gov/ces/>. Data used in this article are seasonally adjusted unless otherwise noted.

² For information on recessions, recoveries, the National Bureau of Economic Research Business Cycle Dating Committee, and related topics, see <http://www.nber.org/cycles/main.html>.

³ Gross domestic product grew 2.6 percent in the second quarter of 1991 and increased every quarter until the third quarter of 2000. The U.S. Department of Commerce's Bureau of Economic Analysis pro-

duces estimates of gross domestic product; for more information, visit the agency's website at <http://www.bea.gov/bea/dn/home/gdp.htm>.

⁴ Intermittent decennial census workers are excluded from the analysis because their large, infrequent buildup and subsequent layoff skews the underlying employment trend. For more information about the 2000 Decennial Census and its impact on CES employment, see Laura Kelter, "Counting the counters: effects of Census 2000 on employment," *Monthly Labor Review*, February 2000, pp. 24–29; on the Internet at <http://www.bls.gov/opub/mlr/2000/02/art2full.pdf>.

⁵ For more information on the Department of Homeland Security, see www.dhs.gov.

⁶ For more information on the Transportation Security Administration, see www.tsa.gov.

⁷ Department of Defense operations that operate under non-appropriated funding are excluded from the agency's job numbers, but are included in the "other Federal Government" category. Non-appropriated funds are funds generated by Department of Defense military and civilian personnel and their dependents and are used to augment funds appropriated by the Congress "to provide a comprehensive, morale-building welfare, religious, educational, and recreational program designed to improve the well-being of military and civilian personnel and their dependents" (quote cited on the Internet at <http://usmilitary.about.com/library/glossary/n/bglossary.htm>).

⁸ The National Partnership for Reinventing Government, formerly the Government Performance and Results Act, focused on performance and funding in the Federal Government. According to one source, "This effort has streamlined the Government work force, eliminated obsolete programs and agencies, empowered its employees to cut red tape, and used partnerships to get results" (*FY2002 Economic Outlook, Highlights from FY 1994 to FY 2001*, FY 2002 Baseline Projects, Office of Management and Budget, Executive Office of the President of the United States, January 2001), available on the Internet at <http://w3.access.gpo.gov/usbudget/>.

⁹ The Federal Government's fiscal year runs from October 1 to September 31. (See "History of the U.S. Postal Service"; on the Internet at http://www.usps.com/history/his3_5.htm#CHANGE).

¹⁰ *United States Postal Service Annual Report 2001*; available on the Internet at <http://www.usps.com/history/anrpt01/>.

¹¹ "Sluggish Economy and Reduced Mail Volumes Continue to Impact Postal Service Finances," *Postal News*, Apr. 9, 2002, release no. 02–024; on the Internet at www.usps.gov.

¹² Jefferson Graham, "The check is not in the mail," *USA Today*, Mar. 25, 2004; on the Internet at http://www.usatoday.com/money/perfi/general/2004-03-25-billpay_x.htm.

¹³ For more information, visit the website www.irs.gov.

¹⁴ *Digest of Education Statistics 2002* (U.S. Department of Education, National Center for Education Statistics, Nov. 24, 2003), Chapter 3, "Postsecondary Education." A copy of the report is available on the Internet at http://nces.ed.gov/programs/digest/d02/ch_3.asp.

¹⁵ National Association of State Budget Officers, *Fact Sheet: Quick Rebound? State Fiscal Recovery Could Be Gradual, Lag National Economy 12–18 Months*, Mar. 12, 2002. Forty-six states begin their fiscal years in July and end them in June. The exceptions are Alabama and Michigan, with an October-to-September fiscal year; New York, with an April-to-March fiscal year; and Texas, with a September-to-August fiscal year. For more information, visit the association's website, www.nasbo.org.

¹⁶ Greg Winter, "Charitable Giving Falls for First Time in Years," *The New York Times*, Oct. 27, 2003.

¹⁷ National Association of State Budget Officers, *2002 State expenditure report*; on the Internet at www.nasbo.org.

¹⁸ Liz Sidoti, "Yikes! Mid-Year Tuition Hikes," Jan. 8, 2002; on the Internet at CBSNEWS.com.

¹⁹ "Tuition up in 49 states as schools, students struggle in tough times," *USA Today*, Aug. 25, 2003.

²⁰ For more information about public colleges' and universities' decisions, see Shaun Bishop, "Cuts may force uc to accept more out-of-State students," *The Daily Bruin Online*, Sept. 26, 2003; Amy Argetsinger, "Colleges' Chief Suggests Enrollment Cap," *Washington Post*, June 11, 2003; and Mary Beth Marklein, "Colleges brace for bigger classes and less bang for more bucks," *USA Today*, Aug. 27, 2003.

²¹ State education unadjusted fall buildup begins in August and ends in November.

²² National Association of State Budget Officers, *Fact Sheet: Quick Rebound?*

²³ Data are from Nelson A. Rockefeller Institute of Government Revenue Report Database; on the Internet at <http://rockinst.org>.

²⁴ National Association of State Budget Officers, *Budget Shortfalls: Strategies for Closing Spending and Revenue Gaps*, 3d ed., December 2002.

²⁵ Although U.S. Postal Service employment declined by 1.6 percent during the recession, job losses were mostly the result of technological improvements and not the recession.

²⁶ National Association of State Budget Officers and the National Governors Association, *The Fiscal Survey of States: June 2003*; on the Internet at www.nasbo.org.

²⁷ "State Tax Revenue Continues Slow Improvement," *The Rockefeller Institute State Fiscal News*, vol. 4, no. 1.

²⁸ *Digest of Education Statistics 2002* (Department of Education, National Center for Education Statistics, Nov. 24, 2003), Chapter 2, "Primary and Secondary Education"; a copy of the report is available on the Internet at http://nces.ed.gov/programs/digest/d02/ch_2.asp.

²⁹ Chris Hoene, "History, voters not kind to property tax," *The Weekly*; posted on the Internet on May 14, 2001, at www.nlc.org.

³⁰ Michael A. Pagano and Christopher Hoene, "Survey Summary: City Fiscal Conditions Decline for First Time in a Decade"; on the Internet at National League of Cities website, www.nlc.org.

³¹ Chris Hoene and Michael Pagano, "States Cut \$2.3 Billion in Aid to Cities and Towns"; on the Internet at the National League of Cities website, www.nlc.org.

³² "Cities Cut Services, Increase Fees to Confront Worsening Fiscal Squeeze," press release, the National League of Cities, Nov. 30, 2003.

³³ Richard S. Dunham, ed., "America's Cities are Seeing Red over Code Orange," *Business Week*, June 9, 2003, p. 55.

³⁴ For more information, visit the Department of Homeland Security website at www.dhs.gov.

³⁵ For more information, visit the Department of Education website at www.ed.gov.

³⁶ National Conference of State Legislatures, *Task Force Formed to Examine Federal No Child Left Behind Act*, Mar. 30, 2004; on the internet at www.ncsl.org.