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September 5, 2009

States Cut Back and Layoffs Hit Even Recipients of Stimulus Aid

By [MICHAEL COOPER](#)

ST. CLOUD, Minn. — It was just five months ago that Vice President [Joseph R. Biden Jr.](#) made the New Flyer bus factory here a symbol of the stimulus. With several cabinet secretaries in tow, he held a [town-hall-style meeting](#) at the factory, where he praised the company as “an example of the future” and said that it stood to get more orders for its hybrid electric buses thanks to the \$8.4 billion that the stimulus law devotes to mass transit.

But last month, the company that administration officials had pictured as a stimulus success story began laying off 320 people, or 13 percent of its work force, having discovered how cutbacks at the state level can dampen the boost provided by the federal stimulus money. The Chicago Transit Authority did use some of its stimulus money to buy [58 new hybrid buses](#) from New Flyer. But Chicago had to shelve plans to order another 140 buses from them after the state money that it had hoped to use to pay for them failed to materialize. The delayed order [scrambled New Flyer’s production schedule](#) for the rest of the year, and led to the layoffs.

One of those laid off was David Wahl, 52, who had worked there for a decade and who sat behind the vice president at the town-hall-style meeting, soaking up the optimism of the moment. “With mass transit being pushed so hard,” Mr. Wahl recalled, “I figured I’d be able to work until I was 75.”

The layoffs at New Flyer are a vivid illustration of the way that some of the economic impact of the \$787 billion federal stimulus law is being diluted by the actions state and local governments are taking to weather the recession.

While the stimulus law cut federal taxes to inject money into the economy quickly, at least 30 states have raised taxes since January, according to the [Center on Budget and Policy Priorities](#), a liberal fiscal policy group. The stimulus will spend \$27.5 billion in federal money on highway projects, but at least 19 states are planning to cut their highway spending this year, according to the American Road & Transportation Builders Association, a

trade group. And as the stimulus devotes \$8.4 billion to mass transit, transit systems across the nation have been forced to [cut service, raise fares and delay capital spending](#).

Dean Baker, an economist who was an author of a paper called [“The State and Local Drag on the Stimulus,”](#) said that while the stimulus had undoubtedly helped states, the cutbacks and tax increases at the state and local level threaten to offset much of its economic impact.

“The economy doesn’t care whether the dollars are coming from the federal or the state and local level,” said Mr. Baker, a co-director of the [Center for Economic and Policy Research](#).

Mr. Biden did not respond directly to news of the layoffs at New Flyer, but another administration official said the stimulus money was expected to help transit agencies buy almost 8,000 new buses, which would help New Flyer and its competitors. Sasha Johnson, a spokeswoman for the Department of Transportation, said stimulus dollars had helped bus companies survive the economic downturn, and would have an increasing effect through the year.

“Without the boost provided by Recovery Act orders, bus companies like New Flyer would be even harder hit than they have been,” Ms. Johnson said.

In St. Cloud, though, all that red ink from the states dimmed the hopes for more federally financed green jobs, for now. Chicago transit officials — who noted recently that their older buses had enough miles on them to have gone to the moon and back — estimated that they needed \$7 billion for capital improvements. But the State of Illinois, facing budget pressure, agreed to spend only \$2.7 billion, and not all of that will go to Chicago. The city’s hopes for another 140 buses from here were put off.

New Flyer Industries, which is based in Winnipeg, Manitoba, said over the summer that it still had a large backlog of bus orders, including some from California, Milwaukee, Philadelphia and Rochester, that would use stimulus money. But because its buses are engineered to order for each customer, the company said in a statement, it cannot easily switch its production schedule to fill the gaps left by the delayed order.

So the company plans to cut 320 jobs, to reduce its production schedule to 36 units a week from 50, and to close its plants during the last two weeks of the year. Glenn Asham, New Flyer’s chief financial officer, declined

to comment further.

Even before New Flyer announced its layoffs, St. Cloud's mayor, David Kleis, was critical of the stimulus law. He said the two small road projects that were approved by the state were low on the city's list of priorities, while the city's top priority — widening a busy, accident-prone intersection in a commercial area — did not make the grade. Neither did his applications for money to pay for more police officers, or for the city's wastewater treatment plant. "The expectations were just very high here after that town hall meeting," Mr. Kleis said.

Mr. Wahl said the loss of his job was still sinking in. He joined New Flyer soon after it opened the St. Cloud plant in 1999 — he was the 118th employee, he said — and worked on everything from power steering to putting on side panels to installing engines. When the work force unionized, he became president of the local. Last November, he moved to a nonunion job working with transit systems as they prepared to take delivery of the buses.

"It was a lot easier on the body," he said. But the switch to a nonunion job also made it easier for him to be in the first round of layoffs, despite his 10 years with the company.

"First it's shock, and then you get angry," Mr. Wahl said. "And then you wonder, What am I going to do?"

So far he has filed for unemployment benefits, and a couple of days after his 52nd birthday, he drove to the Workforce Center in Crow Wing County to see if he might qualify for help getting a driver's license allowing him to become a long-haul truck driver.

The stimulus law may have failed to save Mr. Wahl's job, but it is helping him out in a way that he hoped he would never need: thanks to [a provision in the law that pays 65 percent of the cost of continuing health insurance for the unemployed under the Cobra law](#), Mr. Wahl's health insurance bills will now be closer to \$400 a month instead of the \$1,200 they would have been otherwise.

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