



# THE FISCAL SURVEY OF STATES

SPRING 2011

AN UPDATE OF STATE FISCAL CONDITIONS

A REPORT BY THE NATIONAL GOVERNORS ASSOCIATION AND  
THE NATIONAL ASSOCIATION OF STATE BUDGET OFFICERS

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# PREFACE

*The Fiscal Survey of States* is published twice annually by the National Association of State Budget Officers (NASBO) and the National Governors Association (NGA). The series was started in 1979. The survey presents aggregate and individual data on the states' general fund receipts, expenditures, and balances. Although not the totality of state spending, these funds are used to finance most broad-based state services and are the most important elements in determining the fiscal health of the states. A separate survey that includes total state spending, NASBO's *State Expenditure Report*, also is conducted annually.

The field survey on which this report is based was conducted by NASBO from March through May 2011. The surveys were completed by Governors' state budget officers in all 50 states. This survey also includes Puerto Rico; however, their data is not included in the 50 state totals.

Fiscal 2010 data represent actual figures, fiscal 2011 figures are estimated, and fiscal 2012 data reflect governors' recommended budgets.

Forty-six states begin their fiscal years in July and end them in June. The exceptions are Alabama and Michigan, with October to September fiscal years; New York, with an April to March fiscal year; and Texas, with a September to August fiscal year. Additionally, 20 states operate on a biennial budget cycle.

NASBO staff member Ben Husch compiled the data and prepared the text for the report.





# EXECUTIVE SUMMARY

State fiscal conditions in fiscal 2011 are somewhat improved when compared to the difficult fiscal environment that states faced in fiscal 2009 and fiscal 2010. This coincides with the economic recovery occurring nationally. However, states face numerous fiscal challenges as they enter fiscal 2012 including the withdrawal of significant funding that was provided through the *American Recovery and Reinvestment Act of 2009* (ARRA). As unemployment remains elevated and consumer spending remains soft, state revenue collections continue to be affected by the economic downturn while at the same time pressure for state spending in areas such as healthcare and education continues to grow. Even though states are experiencing an improvement over one of the worst time periods in state fiscal conditions since the Great Depression, fiscal 2012 will still present states with difficult choices as they manage their budgets.

The severe national recession which ended in the second half of calendar year 2009 drastically reduced state tax revenues from every revenue source. Additionally, increases in state revenue collections historically lag behind any national economic recovery, which itself has been slow to develop. As such, total state revenues remain below their 2008 levels. State general fund expenditures were so negatively affected by the recent recession that both fiscal 2009 and fiscal 2010 saw unprecedented actual declines in state spending. These back-to-back declines, only the second and third time that state general fund spending has declined in the history of this report, also marks the first time in which states have had consecutive years of lower general fund spending. The slowly improving economy is estimated to result in an increase in state general fund spending during fiscal 2011. Governors recommended levels of state spending for fiscal 2012 show a second consecutive annual increase in general fund spending, however, the rate of growth proposed is lower than in fiscal 2011, highlighting the fragility of the economic recovery.

The improvement in state finances in fiscal 2011 is highlighted by the fact that 38 states estimate that they will have higher general fund spending in fiscal 2011 compared to fiscal 2010. Additionally, 40 governors recommended higher general fund spending in fiscal 2012 compared to fiscal 2011. Specifically, the \$668.6 billion in fiscal 2012 recommended general fund expenditures represents a 2.6 percent increase compared to \$651.5 billion in general fund spending in fiscal 2011. Additionally, this \$651.5 billion in estimated general fund spending in

fiscal 2011 represents a 5.2 percent increase over the \$619.3 billion spent in fiscal 2010. Highlighting the continuing fiscal pressure that states face, total recommended general fund spending in fiscal 2012 is \$668.6 billion, \$18.7 billion less than the pre-recession high of \$687.3 billion in fiscal 2008. In total, 29 states still forecast lower general fund spending in fiscal 2012 compared to fiscal 2008.

Governors' proposals forecasted total general fund tax revenues of \$655.6 billion in fiscal 2012, 2.1 percent above the \$642.0 billion collected in fiscal 2011. Additionally, states estimate that total general fund revenues increased \$35.9 billion, in fiscal 2011 or 5.9 percent, compared to fiscal 2010. Although state general fund revenues are expected to increase in both fiscal 2011 and fiscal 2012, the drastic declines in revenue collections experienced in fiscal 2009 and fiscal 2010 means that total general fund revenues in fiscal 2012 will still be \$24.6 billion below their fiscal 2008 level.

The significant reduction of state revenue collections along with increased demand for state services during the national recession is reflected in the fact that states have solved nearly \$230 billion in budget gaps between fiscal year 2009 and fiscal year 2011. However, the slow recovery of state revenues continues to result in significant gaps between spending and revenue collections. As such, 10 states reported nearly \$12.1 billion in budget gaps that must be closed by the end of fiscal 2011. Likewise, the slow recovery of general fund revenues and the withdrawal of funding support provided by ARRA has resulted in significant budget gaps for both fiscal 2012 and fiscal 2013. Although not all state budget offices have completed official forecasts, 33 states are reporting \$75.1 billion in budget gaps for fiscal 2012 and 21 states are reporting \$61.8 billion in budget gaps for fiscal 2013.

State budget gaps that arise during the fiscal year are primarily solved through a reduction in previously appropriated spending and enacted revenue increases. In fiscal 2011, 23 states enacted mid-year budget cuts totaling \$7.8 billion. Although these actions represent nearly half of the states, this figure still represents a decline from previous years. In fiscal 2010, 39 states made \$18.3 billion in mid-year budget cuts and in fiscal 2009 43 states made mid-year cuts totaling \$31.3 billion. In addition to the \$7.8 billion in mid-year budget cuts in fiscal 2011, six states enacted \$3.6 billion in mid-year tax and fee increases.

Facing the loss of billions of dollars in support from ARRA and the slow national economic recovery, governors have proposed \$13.8 billion in new net taxes and fees for fiscal 2012. The tax and fee increases in Minnesota, Connecticut, and the extension of expiring rates in California account for a significant amount of the increase. Governors have also proposed increases of \$2.8 billion in new revenue measures. In response to the significant loss of revenue during the recession states enacted \$23.9 billion in increased taxes and fees along with an additional increase of \$7.5 billion in revenue measures in fiscal 2010 as well as \$6.2 billion in new tax taxes and fees and \$2.9 billion revenue measures in fiscal 2011.

States have also relied on balances, including budget stabilization funds, which had been built up during the middle of the decade in order to help offset decreased revenues. Balances reflect the funds that states may use to respond to unforeseen circumstances after budget obligations have been met. After reaching a peak of \$69 billion or 11.5 percent of general fund expenditures in fiscal 2006, total balance levels fell to \$31.5 billion or 5.1 percent of expenditures at the end of fiscal 2010. States' balances remained at a similar level in fiscal 2011 at \$31.9 billion, 4.9 percent of general fund expenditures. For fiscal 2012, governors' recommended total balance levels of \$32.6 billion, 4.9 percent of expenditures. It is important to note that the balance levels of Texas and Alaska make up 48.3 percent of total state balance levels in fiscal 2011 and 51.7 percent in fiscal 2012. Without these two states, the remaining 48 states have balance levels that represent only 2.7 percent of general fund expenditures for fiscal 2011 and 2.5 percent for fiscal 2012.

Over the past three years, states were able to make use of \$135 billion in flexible emergency funding that was provided through ARRA. Spending from these funds peaked in fiscal 2010 at \$60.7 billion and then fell slightly to \$51.0 billion in fiscal 2011. However, fiscal 2012 will see states make use of only \$2.8 billion due to the wind down of funds that were distributed through increases in state FMAP rates as well as the State Fiscal Stabilization Fund. The reduction of this funding stream for states, when combined with a slow recovery in state revenue collections, will continue the tight resource environment for states in fiscal 2012.

## State Spending

Governors recommended general funding spending of \$668.6 billion in fiscal 2012 is 2.6 percent above the \$651.5 billion estimated in fiscal 2011. The \$651.5 billion in general fund expenditures in fiscal 2011 is 5.2 percent above the \$619.3 billion spent in fiscal 2010.

Forty states recommended budgets with increasing general fund expenditures for fiscal 2012 compared to fiscal 2011. However, even with these proposed increases, 29 states would still have lower general fund spending in fiscal 2012 compared to the pre-recession levels of fiscal 2008.

Twenty-three states made budget cuts to their fiscal 2011 budgets totaling \$7.8 billion. Thirty-nine states made mid-year budget cuts of \$18.3 billion in fiscal 2010, while 43 states made \$31.3 billion in mid-year cuts in fiscal 2009.

## State Revenue Actions

Governors' fiscal 2012 budget proposals recommended tax and fee changes that will increase general fund revenue collections by a cumulative \$13.8 billion. Twelve states recommended net increases while 12 states proposed net decreases. Governors also proposed \$2.8 billion in additional revenue measure increases. The increases in new taxes and fees in fiscal 2012 are above the \$6.2 billion in tax and fee increases that were enacted by states in fiscal 2011. However, the changes proposed for fiscal 2012 are considerably less than the changes adopted in fiscal 2010, during the height of the recession, when states enacted \$23.9 billion in tax and fee increases.

In fiscal 2011, revenues from all sources which include sales, personal income, corporate income and all other taxes and fees are exceeding original forecasts in 22 states, are on target in 11 states, and are below forecasts in 17 states. When comparing current revenue collections to more updated forecasts, 13 states are above projections, while 31 states are on target and 3 states are below. This suggests that some states could finish fiscal 2011 with slight surpluses. While any surplus is a positive sign, such surpluses are more likely the result of cuts in spending from previous fiscal years as well as conservative revenue forecasts.



The significant number of states reporting revenue collections above projections for fiscal 2011 is reflected by current estimates of sales, personal income, and corporate income taxes increasing by 6.4 percent above the amounts collected in the fiscal 2010 budgets. Specifically, states estimate sales taxes rose 4.9 percent, personal income taxes rose 6.6 percent and corporate income taxes rose 12.8 percent.

Compared to fiscal 2011 collections, governors recommended fiscal 2012 budgets reflect a 0.3 percent increase in sales tax revenue, 6.8 percent increase in personal income tax revenue, and a 4.3 percent increase in corporate income tax revenue. Even with the recent improvement in state revenue collections, based on governors' recommended budgets, fiscal 2012 revenue collections will still be below fiscal 2008 levels.

Within state budgets, about 40 percent of general fund revenue is from personal income tax, 33 percent is from sales tax, and seven percent is from corporate tax, with the rest from various other sources.

## Year-End Balances

Total balances—ending balances and the amounts in budget stabilization “rainy day” funds—are a crucial tool that states heavily rely on during fiscal downturns and budget shortfalls.

After reaching a peak in fiscal 2006 at \$69 billion or 11.5 percent of general fund expenditures, the severe deterioration in state fiscal conditions resulted in balance levels falling to \$31.5 billion by fiscal 2010, representing 5.1 percent of expenditures. Balance levels increased slightly in fiscal 2011 with states reporting total balance levels of \$31.9 billion, 4.9 percent of general fund expenditures. Fiscal 2012 also shows a slight uptick in overall balance levels, as governors recommended raising total levels to \$32.6 billion, or 4.9 percent of general fund expenditures. While these levels may appear adequate, it is important to note that 20 states have rainy day funds below \$10 million. Addi-

tionally, when Alaska and Texas are removed from the 50 state totals, the average of the remaining 48 states is much lower. From a high of 10.6 percent in fiscal 2006, balances for these 48 states equal 2.7 percent of general fund expenditures for fiscal 2011 and 2.5 percent for fiscal 2012.

## Medicaid Costs and Enrollment

Medicaid is estimated to account for about 22 percent of total spending in fiscal 2010, the last year for which data is available, and represents the single largest portion of total state spending. Overall, governors' proposed budgets for fiscal 2012 included a decline in Medicaid spending of 2.9 percent. However, this decline hides the dramatic increase in state funds, which are forecasted to increase by 18.6 percent while federal funds would decrease by 13.0 percent. These substantial changes are due to the withdrawal of higher FMAP support provided through the Recovery Act.

Total Medicaid spending increased by 7.9 percent in fiscal 2010 and is estimated to increase by 11.2 percent in fiscal 2011. Increases in total spending growth are primarily as a result of the rise in enrollment due to the economic downturn. Medicaid enrollment increased by 8.1 percent during fiscal 2010 and is estimated to increase by 5.4 percent in fiscal 2011. Additionally, in governors' recommended budgets for fiscal 2012, Medicaid enrollment would rise by an additional 3.8 percent. States have also undertaken numerous actions to contain Medicaid costs, including reducing provider rates, freezing provider rates, enhancing program integrity, limiting spending on prescription drugs, instituting new or higher copayments, and expanding managed care.

This edition of *The Fiscal Survey of States* reflects actual fiscal 2010, estimated fiscal 2011, and recommended 2012 figures. The data were collected during spring 2011.



# STATE EXPENDITURE DEVELOPMENTS

## CHAPTER ONE

### Overview

Fiscal 2011 represented the beginning of a turning point in state fiscal conditions following two of the most difficult years for state finances since the Great Depression. While general fund spending has risen during fiscal 2011 and governors forecast spending to rise again in fiscal 2012, the combination of a loss of Recovery Act funds and a national economy that is recovering slowly are likely to result in the continuation of challenging fiscal conditions for fiscal 2012 and beyond.

### State Spending from All Sources

This report captures only state general fund spending. General fund spending represents the primary component of discretionary expenditures of revenue derived from general sources which have not been earmarked for specific items. According to the most recent edition of NASBO's *State Expenditure Report*, estimated fiscal 2010 spending from all sources (general funds, federal funds, other state funds and bonds) is approximately \$1.6 trillion with the general fund representing 38.1 percent of the total. However, as recently as fiscal 2008, general fund spending accounted for 45.9 percent of total state spending. This decrease in the general fund's impact on total state spending is evidence of the gap that ARRA funds filled. Federal funds went from representing 26.3 percent of total state spending in fiscal 2008 to an estimated 34.7 percent in fiscal 2010 due primarily to Recovery Act funds. The components of total state spending for estimated fiscal 2010 are: Medicaid, 21.8 percent; elementary and secondary education, 20.8 percent; higher education, 10.1 percent; transportation, 8.1 percent; corrections, 3.1 percent; public assistance, 1.7 percent; and all other expenditures, 34.4 percent.

For estimated fiscal 2010, components of general fund spending are elementary and secondary education, 35.7 percent; Medicaid, 15.4 percent; higher education, 12.1 percent; corrections, 7.2 percent; public assistance, 1.9 percent; transportation, 0.8 percent; and all other expenditures, 27.0 percent.

### State General Fund Spending

State general fund spending is forecast to be \$668.6 billion based on governors proposed budgets for fiscal 2012. This represents an increase of 2.6 percent above the \$651.5 billion spent in fiscal 2011. This spending increase will be the second consecutive year-over-year increase in general fund expenditures following back-to-back declines in general fund spending in fiscal 2009 and fiscal 2010, at 3.8 percent and 6.3 percent respectively. However even the 2.6 percent increase in fiscal 2012 will still leave state general fund expenditures \$18.7 billion, 2.7 percent, below the \$687.3 billion spent in fiscal 2008. The slight increase in state general fund spending in fiscal 2012, as compared to fiscal 2011, is evident in the 40 states which proposed a fiscal 2012 budget with general fund spending levels above those of fiscal 2011. However, there are still 29 states which proposed a fiscal 2012 budget with general fund spending levels below fiscal 2008. These 29 states highlight that a significant number of states still face an uphill path to full recovery. (See Table 1, Figure 1, and Tables 3 - 5.)

For fiscal 2011, 12 states have general fund expenditures below fiscal 2010 levels, while 18 states had general fund expenditure growth between 0 and 4.9 percent, and 20 states had general fund spending growth greater than 5 percent. Fiscal 2011 general fund spending, increased by 5.2 percent, the largest increase in state spending since 2007. (See Table 2 and Table 6)

**TABLE 1**  
**State Nominal and Real Annual Budget Increases,**  
**Fiscal 1979 to Fiscal 2012**

Fiscal Year	State General Fund	
	Nominal Increase	Real Increase
2012	2.6%	1.0
2011	5.2	3.2
2010	-6.3	-6.9
2009	-3.8	-6.3
2008	4.9	-1.0
2007	9.4	4.4
2006	8.7	2.5
2005	6.5	0.9
2004	3.0	-0.4
2003	0.6	-3.1
2002	1.3	-0.6
2001	8.3	4.3
2000	7.2	2.9
1999	7.7	5.4
1998	5.7	4.1
1997	5.0	3.0
1996	4.5	2.2
1995	6.3	3.3
1994	5.0	2.7
1993	3.3	0.8
1992	5.1	2.9
1991	4.5	0.0
1990	6.4	2.5
1989	8.7	5.6
1988	7.0	3.2
1987	6.3	2.7
1986	8.9	5.6
1985	10.2	6.1
1984	8.0	3.8
1983	-0.7	-6.3
1982	6.4	-1.1
1981	16.3	5.1
1980	10.0	-0.8
1979	10.1	3.2
<b>1979-2011 average</b>	<b>5.7%</b>	<b>1.6%</b>

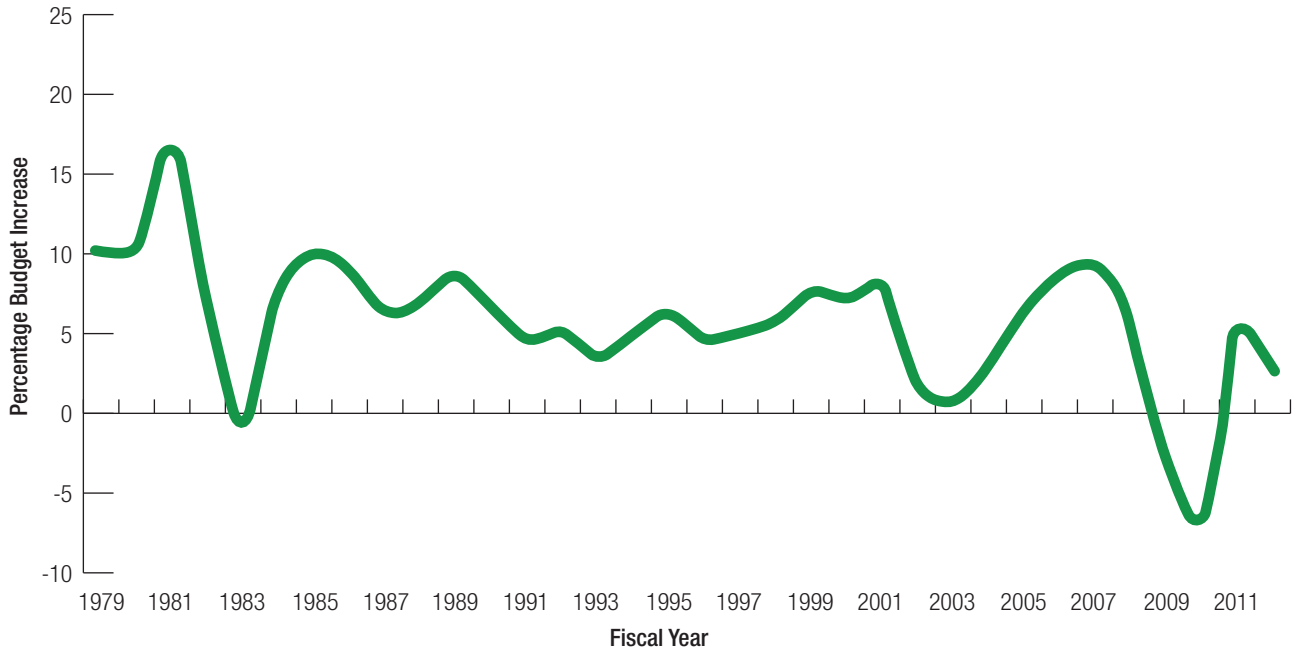
*Notes: \*The state and local government implicit price deflator cited by the Bureau of Economic Analysis in May 2011 is used for state expenditures in determining real changes. The CPI projections included in the Presidents FY 2012 budget proposal were used to forecast the real increase for 2011 and 2012. Fiscal 2010 figures are based on the change from fiscal 2009 actuals to fiscal 2010 actuals. Fiscal 2011 figures are based on the change from fiscal 2010 actuals to fiscal 2011 estimated. Fiscal 2012 figures are based on the change from fiscal 2011 estimated figures to fiscal 2012 recommended.*

*SOURCE: National Association of State Budget Officers.*



**FIGURE 1:**

**Annual Percentage Budget Increases, Fiscal 1979 to Fiscal 2012**



SOURCE: National Association of State Budget Officers.

**TABLE 2**

**State General Fund Expenditure Growth, Fiscal 2011 and 2012**

Spending Growth	Number of States	
	Fiscal 2011 (Estimated)	Fiscal 2012 (Recommended)
Negative growth	12	10
0.0% to 4.9%	18	19
5.0% to 9.9%	12	16
10% or more	8	5

NOTE: Average spending growth for fiscal 2011 (estimated) is 5.2 percent; average spending growth for fiscal 2012 (recommended) is 2.6 percent. See Table 6 for state-by-state data.

SOURCE: National Association of State Budget Officers.

**TABLE 3**  
**Fiscal 2010 General Fund, Actual (Millions)**

Region/State	Beginning Balance	Revenues	Adjustments	Total Resources	Expenditures	Adjustments	Ending Balance	Rainy Day Fund Balance
Alabama**	105	6,484	162	6,751	7,457	-778	72	0
Alaska**	0	5,618	18	5,636	6,603	461	-1,429	10,364
Arizona**	-481	6,460	1,866	7,846	7,852	0	-6	0
Arkansas	0	4,323	0	4,323	4,323	0	0	0
California* **	-5,375	87,041	228	81,894	87,237	0	-5,342	-6,113
Colorado* **	443	6,458	-48	6,853	6,775	-59	137	133
Connecticut*	0	17,689	0	17,689	17,239	0	450	0
Delaware*	379	3,235	0	3,614	3,077	0	537	186
Florida	631	22,165	0	22,796	21,223	0	1,573	275
Georgia* **	1,738	15,216	156	17,110	15,971	0	1,138	116
Hawaii	-37	4,852	0	4,816	4,838	0	-22	63
Idaho**	0	2,265	71	2,336	2,336	0	0	31
Illinois* **	2,094	25,254	5,261	32,609	25,165	6,991	453	0
Indiana**	964	12,321	371	13,656	12,877	-52	831	0
Iowa**	0	5,634	0	5,634	5,298	48	287	422
Kansas	50	5,191	0	5,241	5,268	0	-27	0
Kentucky**	40	8,331	234	8,604	8,452	72	80	0
Louisiana**	0	7,174	1,401	8,575	8,683	0	-108	644
Maine**	26	2,693	202	2,921	2,849	71	0	0
Maryland**	87	12,891	795	13,773	13,429	0	344	612
Massachusetts* **	1,017	30,310	0	31,327	30,424	0	903	670
Michigan**	177	6,506	1,209	7,892	7,705	0	187	2
Minnesota**	447	14,620	0	15,067	14,627	0	440	0
Mississippi**	8	4,491	0	4,499	4,320	175	5	257
Missouri**	263	6,774	670	7,707	7,546	0	161	260
Montana**	393	1,627	7	2,027	1,717	0	310	0
Nebraska**	424	3,207	-21	3,610	3,313	0	297	467
Nevada	212	3,152	0	3,364	3,050	0	313	0
New Hampshire* **	9	1,938	28	1,436	1,405	-45	75	9
New Jersey* **	614	28,144	526	29,284	28,480	0	804	0
New Mexico* **	389	4,799	484	5,671	5,451	-62	282	282
New York* **	1,948	52,556	0	54,504	52,202	0	2,302	1,206
North Carolina	92	18,657	0	18,749	18,513	0	236	150
North Dakota**	362	1,241	295	1,898	1,585	0	313	325
Ohio	735	24,950	0	25,685	25,174	0	510	0
Oklahoma**	26	5,166	-30	5,163	5,119	2	42	373
Oregon	0	6,005	0	6,005	6,373	0	-368	100
Pennsylvania**	-2,030	26,523	2,854	27,346	27,641	0	-294	1
Rhode Island**	-61	3,017	-71	2,885	2,864	0	21	112
South Carolina*	121	5,242	0	5,362	5,117	0	245	111
South Dakota**	0	1,110	22	1,132	1,132	0	0	107
Tennessee**	77	9,732	195	10,004	9,451	314	240	453
Texas**	2,427	34,409	-369	36,467	35,550	0	917	7,693
Utah**	22	4,193	263	4,477	4,462	0	15	210
Vermont	0	1,038	52	1,090	1,087	2	0	57
Virginia	161	14,758	0	14,919	14,787	0	132	295
Washington**	189	13,571	715	14,475	15,036	0	-561	95
West Virginia**	481	3,758	1	4,240	3,677	11	552	556
Wisconsin**	90	12,132	742	12,963	12,824	68	71	0
Wyoming**	5	1,745	0	1,750	1,750	0	0	398
<b>TERRITORIES</b>								
Puerto Rico**	0	7,670	2,500	10,170	10,170	0	0	0
<b>Total***</b>	<b>\$9,260</b>	<b>\$606,124</b>		<b>\$633,670</b>	<b>\$619,330</b>		<b>\$7,121</b>	<b>\$20,922</b>

NOTES: NA Indicates data are not available. \*In these states, the ending balance includes the balance in the budget stabilization fund. \*\*See Notes to Table 3.  
SOURCE: National Association of State Budget Officers.



TABLE 4

## Fiscal 2011 State General Fund, Estimated (Millions)

Region/State	Beginning Balance	Revenues	Adjustments	Resources	Expenditures	Adjustments	Ending Balance	Rainy Day Fund Balance
Alabama**	72	6,846	0	6,918	7,329	-411	0	0
Alaska**	0	5,350	21	5,372	6,028	17	-673	11,065
Arizona**	-6	6,830	1,078	7,903	8,666	0	-764	0
Arkansas	0	4,479	0	4,479	4,479	0	0	0
California*	-5,343	94,194	0	88,851	92,209	0	-3,357	-4,127
Colorado**	137	7,062	145	7,344	6,940	-1	405	157
Connecticut	0	18,112	0	18,112	17,996	0	116	0
Delaware**	537	3,501	0	4,038	3,371	0	667	186
Florida	1,573	22,775	0	24,348	24,018	0	330	277
Georgia**	1,138	16,507	152	17,798	16,660	0	1,138	116
Hawaii**	-22	5,090	0	5,068	5,021	0	47	6
Idaho**	0	2,359	82	2,442	2,392	0	50	0
Illinois**	453	28,305	7,238	35,996	28,233	5,433	2,330	276
Indiana**	831	13,165	0	13,995	13,202	1	793	1
Iowa**	0	5,792	-41	5,750	5,277	40	433	437
Kansas	-27	5,790	0	5,763	5,727	0	36	0
Kentucky**	50	8,682	148	8,880	8,554	45	281	0
Louisiana**	-107	7,719	17	7,629	7,735	-107	0	644
Maine**	7	2,884	42	2,933	2,837	97	0	25
Maryland**	344	13,223	342	13,909	13,262	0	647	623
Massachusetts**	903	32,350	0	33,253	32,346	0	907	773
Michigan**	187	6,843	1,525	8,555	8,252	0	304	2
Minnesota**	440	15,816	0	16,255	15,548	0	707	9
Mississippi	5	4,530	0	4,535	4,535	0	0	176
Missouri**	161	7,017	723	7,901	7,613	0	288	252
Montana**	310	1,732	24	2,066	1,795	0	271	0
Nebraska**	297	3,364	33	3,694	3,382	192	120	313
Nevada	313	3,265	0	3,579	3,410	0	169	0
New Hampshire**	75	1,407	2	1,483	1,358	109	16	9
New Jersey*	804	27,938	0	28,742	28,394	0	349	0
New Mexico**	282	5,323	-159	5,447	5,231	-159	375	270
New York**	2,302	54,104	0	56,406	55,049	0	1,357	1,206
North Carolina	236	19,134	0	19,370	19,047	0	323	150
North Dakota**	313	1,345	140	1,798	1,671	5	122	330
Ohio	510	27,287	0	27,797	27,673	0	125	0
Oklahoma**	42	5,442	-57	5,427	5,406	0	22	0
Oregon	-368	6,416	116	6,164	6,138	0	26	112
Pennsylvania**	-294	25,665	3,235	28,606	28,198	-178	586	0
Rhode Island**	21	3,040	-80	2,982	2,965	0	16	128
South Carolina*	245	5,456	0	5,701	5,283	0	419	277
South Dakota**	0	1,153	-4	1,149	1,149	0	0	107
Tennessee**	240	10,504	404	11,148	10,518	310	321	284
Texas**	917	40,515	-407	41,025	41,025	0	0	5,041
Utah**	15	4,537	176	4,728	4,728	0	0	110
Vermont	0	1,118	66	1,183	1,152	31	0	54
Virginia	132	15,582	0	15,714	15,464	0	250	298
Washington**	-561	14,477	713	14,629	14,707	0	-79	0
West Virginia**	552	3,742	0	4,294	3,823	51	420	654
Wisconsin**	26	12,691	805	13,522	14,109	-671	84	0
Wyoming**	0	1,567	0	1,567	1,562	0	5	572
TERRITORIES								
Puerto Rico**	0	8,134	1,016	9,150	9,150	0	0	0
<b>Total</b>	<b>\$7,745</b>	<b>\$642,025</b>		<b>\$666,248</b>	<b>\$651,465</b>		<b>\$9,979</b>	<b>\$20,813</b>

NOTES: NA Indicates data are not available. \*In these states, the ending balance includes the balance in the budget stabilization fund. \*\*See Notes to Table 4.

SOURCE: National Association of State Budget Officers.

**TABLE 5**  
**Fiscal 2012 State General Fund, Recommended (Millions)**

Region/State	Beginning Balance	Revenues	Adjustments	Resources	Expenditures	Adjustments	Ending Balance	Rainy Day Fund Balance
Alabama**	0	6,967	349	7,316	7,316	0	0	0
Alaska**	0	5,744	0	5,744	6,414	16	-687	11,981
Arizona**	50	7,416	1,459	8,925	8,885	0	40	0
Arkansas	0	4,604	0	4,604	4,604	0	0	0
California*	-3,357	89,696	0	86,339	84,614	0	1,725	955
Colorado**	188	7,089	252	7,529	7,246	0	283	283
Connecticut	0	16,511	0	16,511	19,699	0	-3,188	0
Delaware***	667	3,638	0	4,305	3,584	0	710	186
Florida**	330	23,926	8,510	32,766	32,113	0	653	492
Georgia*	1,138	17,155	0	18,293	17,155	0	1,138	116
Hawaii**	47	5,655	0	5,701	5,538	0	163	6
Idaho**	50	2,522	-3	2,568	2,568	0	0	0
Illinois**	2,330	32,122	1,810	36,262	30,525	4,857	880	276
Indiana**	793	13,805	27	14,626	13,801	0	824	4
Iowa**	0	6,031	378	6,409	6,160	0	249	616
Kansas	36	6,045	0	6,080	6,073	0	8	0
Kentucky**	281	8,974	152	9,407	9,367	30	11	0
Louisiana**	0	8,264	0	8,264	8,264	0	0	644
Maine**	0	3,011	54	3,066	3,065	1	1	25
Maryland**	647	13,901	249	14,797	14,749	0	48	682
Massachusetts***	907	31,835	0	32,741	32,027	0	715	572
Michigan**	0	7,108	1,183	8,290	8,131	0	160	2
Minnesota**	707	18,148	0	18,855	18,463	0	392	9
Mississippi	0	4,587	0	4,587	4,587	0	0	88
Missouri**	288	7,295	456	8,040	7,940	0	100	266
Montana**	271	1,796	43	2,111	1,877	0	234	0
Nebraska**	120	3,438	21	3,578	3,441	5	132	183
Nevada	169	3,055	0	3,224	3,072	0	152	0
New Hampshire***	16	1,459	0	1,475	1,361	103	11	9
New Jersey*	349	29,069	0	29,418	29,116	0	302	0
New Mexico*	270	5,433	0	5,702	5,431	0	272	272
New York***	1,357	57,018	0	58,375	56,766	0	1,609	1,206
North Carolina	323	19,579	0	19,902	19,902	0	0	300
North Dakota**	122	1,368	232	1,722	1,615	0	107	330
Ohio	125	26,978	0	27,102	26,959	0	143	0
Oklahoma**	22	5,817	0	5,839	5,557	0	282	0
Oregon	26	6,689	0	6,715	6,673	0	42	271
Pennsylvania**	586	26,750	0	27,336	27,331	1	4	1
Rhode Island**	16	3,246	-91	3,171	3,170	0	1	150
South Carolina*	419	5,387	0	5,805	5,480	0	325	184
South Dakota**	0	1,165	-13	1,153	1,150	0	3	107
Tennessee**	321	10,943	-43	11,221	11,158	63	0	327
Texas**	0	37,935	-393	37,542	37,542	0	0	5,582
Utah**	0	4,629	264	4,893	4,887	0	6	110
Vermont	0	1,184	25	1,209	1,229	-20	0	58
Virginia	250	16,083	0	16,332	16,329	0	4	353
Washington**	-79	15,811	342	16,074	16,046	0	28	0
West Virginia**	420	4,016	0	4,435	4,047	0	389	814
Wisconsin**	84	13,139	622	13,845	13,987	-260	118	0
Wyoming**	5	1,567	0	1,572	1,572	0	0	571
<b>TERRITORIES</b>								
Puerto Rico**	0	8,650	610	9,260	9,260	0	0	0
<b>Total</b>	<b>\$10,290</b>	<b>\$655,602</b>		<b>\$681,779</b>	<b>\$668,585</b>		<b>\$8,388</b>	<b>\$28,030</b>

NOTES: NA Indicates data are not available. \*In these states, the ending balance includes the balance in the budget stabilization fund. \*\*See Notes to Table 5.  
 SOURCE: National Association of State Budget Officers.



**TABLE 6**  
**General Fund Nominal Percentage Expenditure**  
**Change, Fiscal 2011 and Fiscal 2012\*\***

Region/State	Fiscal 2011	Fiscal 2012
Alabama	-1.7%	-0.2%
Alaska	-8.7	6.4
Arizona	10.4	2.5
Arkansas	3.6	2.8
California	5.7	-8.2
Colorado	2.4	4.4
Connecticut	4.4	9.5
Delaware	9.6	6.3
Florida	13.2	33.7
Georgia	4.3	3.0
Hawaii	3.8	10.3
Idaho	2.4	7.4
Illinois	12.2	8.1
Indiana	2.5	4.5
Iowa	-0.4	16.7
Kansas	8.7	6.0
Kentucky	1.2	9.5
Louisiana	-10.9	6.8
Maine	-0.4	8.0
Maryland	-1.2	11.2
Massachusetts	6.3	-1.0
Michigan	7.1	-1.5
Minnesota	6.3	18.7
Mississippi	5.0	1.2
Missouri	0.9	4.3
Montana	4.6	4.6
Nebraska	2.1	1.7
Nevada	11.8	-9.9
New Hampshire	-3.4	0.2
New Jersey	-0.3	2.5
New Mexico	-4.0	3.8
New York	5.5	3.1
North Carolina	2.9	4.5
North Dakota	5.5	-3.4
Ohio	9.9	-2.6
Oklahoma	5.6	2.8
Oregon	-3.7	8.7
Pennsylvania	2.0	-3.1
Rhode Island	3.6	6.9
South Carolina	3.2	3.7
South Dakota	1.5	0.1
Tennessee	11.3	6.1
Texas	15.4	-8.5
Utah	6.0	3.4
Vermont	5.9	6.7
Virginia	4.6	5.6
Washington	-2.2	9.1
West Virginia	4.0	5.9
Wisconsin	10.0	-0.9
Wyoming	-10.7	0.6
<b>TERRITORIES</b>		
Puerto Rico	-10.0	1.2
<b>Average</b>	<b>5.2%</b>	<b>2.6%</b>

*\*See Notes to Table 6. \*\*Fiscal 2011 reflects changes from fiscal 2010 expenditures (actual) to fiscal 2011 expenditures (estimated). Fiscal 2012 reflects changes from fiscal 2011 expenditures (estimated) to fiscal 2012 expenditures (recommended).*

## Budget Cuts, Budget Gaps, and the Recovery Act

One of the clearest signs of state fiscal stress is mid-year budget cuts, as it is evidence that states will not be able to meet previously set revenue collections forecasts. Through the first 10 months of fiscal 2011, 23 states have made \$7.8 billion in cuts. (See Table 7). In fiscal 2010, 39 states made mid-year budget cuts totaling \$18.3 billion. In 2009, 43 states made mid-year budget cuts, further exemplifying how difficult fiscal 2009 and fiscal 2010 were for states. At the depth of the previous state fiscal crisis, more than a year after the official end of the national recession, 37 states in both fiscal 2002 and fiscal 2003 made mid-year budget cuts totaling nearly \$15 billion and \$12 billion, respectively.

In fiscal 2011, the program areas where many states made mid-year general fund expenditure cuts were K-12 and higher education. Out of the 23 states that made mid-year cuts, 18 states reduced K-12 education, and 18 states cut higher education. Medicaid and corrections were other program areas that were cut by a number of those states making mid-year cuts. Transportation spending drew the smallest number of mid-year cuts from states.

Another method for solving budget gaps, are legislatively approved increases in taxes and fees. In fiscal 2011, 7 states approved \$3.6 billion in mid-year cumulative tax and fee changes. Changes in personal income taxes accounted for nearly all of the cumulative changes in tax and fee collections.

The use of mid-year budget cuts are almost always in response to budget gaps, differences between enacted levels of spending and anticipated revenue collections. Highlighting the degree to which state revenue collections fell, states have already solved nearly \$230 billion in budget gaps between fiscal year

2009 and fiscal year 2011. However, the slow recovery of state revenues continues to result in significant gaps between spending and revenue collections. Ten states are reporting nearly \$12.1 billion in budget gaps that must be closed by the end of fiscal 2011. Fiscal 2012 and fiscal 2013 also represent significant challenges for states as revenues remain below their 2008 levels and emergency funding provided by the Recovery Act will no longer be available. Although not all state budget offices have completed forecasts, thus far 33 states are reporting \$75.1 billion in budget gaps for fiscal 2012 and 21 states are reporting \$61.8 billion in budget gaps for fiscal 2013.

In order to eliminate budget gaps states engaged in a number of actions in fiscal 2011 and for fiscal 2012 and fiscal 2013. In fiscal 2011, the actions taken most consistently were targeted cuts, which were put in place by 34 states, as well as across the board cuts, which were utilized by 20 states. Also, 9 states addressed their budget gap by making use of their “rainy day” fund. States also reduced their workforce in order to help solve their budget gaps as 20 states employed layoffs and 19 states instituted furlough programs. To eliminate fiscal 2012 budget gaps, 38 states are using specific, targeted cuts, while 18 states have employed across the board cuts. Another method being used by 18 states is to reduce aid to localities while 9 states made use of their “rainy day” funds. Additionally, a number of states continue to look to their workforce to help reduce their budget gaps as 15 states recommended layoffs while 9 implemented furlough programs. As a number of governors proposed two-year biennial budgets that included fiscal 2013, one proposal that was recommended by 12 states in fiscal 2013 were cuts to employee benefits, the second most common tactic behind target cuts, which 19 states proposed. (See Tables 13, 14, and 15).



**TABLE 7**  
**Budget Cuts Made After the Fiscal 2011 Budgets Passed\*\***

State	FY 2011 Size of Cuts (\$ in Millions)	Programs or Expenditures Exempted from Cuts
Alabama	\$410.5	Debt Service and Federal Court Ordered Payments
Arizona*	107.0	
California	576.1	
Colorado*	135.0	
Connecticut	27.2	
Hawaii	14.7	Non-discretionary and Non-general fund programs.
Illinois	647.3	Federally mandated and those with revenue matching.
Indiana	709.7	Student Financial Aid, Public Assistance, Transportation
Kansas	38.0	
Louisiana	106.7	State Aid to Local School Districts— Minimum Foundation Program (MFP)— was exempt.
Michigan*		
Missouri*	254.4	K-12 Foundation Formula, Public Assistance, Corrections Institutions
Montana	28.4	Exempt from reductions are payment of interest and principal on state debt the legislative branch the judicial branch the school BASE funding program, including special education salaries of elected officials during their terms of office and the Montana school for the deaf and blind.
Nebraska*		
Nevada	248.0	
New Jersey	605.0	
New Mexico	159.0	Medicaid & Developmental Disabled Programs
North Carolina	400.0	K-12 Education, Higher Education Financial Aid
Oregon	915.3	Non-executive branch and debt service
Pennsylvania	167.8	After budget enactment, the Governor does not have the authority to reduce appropriations to the Attorney General, Auditor General, Treasurer (which are independently elected) the legislature and judiciary.
Rhode Island	23.2	
South Dakota	15.7	
Texas	1512.0	Medicaid entitlement, CHIP, foster care, human service eligibility workers, Foundation School Program, contributions to retirement programs, Higher Education Fund, debt service on existing debt
Vermont	6.0	
Washington	722.0	Basic Education, Debt Service, Retirement Contributions
Wisconsin*		
<b>Total</b>	<b>\$7,829.0</b>	—

Notes: \*See Notes Table 7. \*\*Budget Cuts for Fiscal 2011 are currently ongoing. See Table 10 for state-by-state data.  
 SOURCE: National Association of State Budget Officers.

**TABLE 8**

**Fiscal 2011 Mid-Year Program Area Cuts**

State	K-12 Education	Higher Education	Public Assistance	Medicaid	Corrections	Transportation	Other
Alabama	x	x		x	x		x
Alaska							
Arizona*			x	x			
Arkansas							
California		x	x	x		x	x
Colorado	x						x
Connecticut	x				x		
Delaware							
Florida							
Georgia		x			x		x
Hawaii	x	x			x		x
Idaho							
Illinois	x	x	x			x	x
Indiana	x	x			x		x
Iowa							
Kansas	x	x					x
Kentucky							
Louisiana	x	x	x	x	x		x
Maine	x		x	x	x		x
Maryland							
Massachusetts							
Michigan							
Minnesota							
Mississippi							
Missouri	x	x		x		x	x
Montana	x	x		x	x		x
Nebraska							
Nevada	x	x			x		x
New Hampshire							
New Jersey							x
New Mexico	x	x	x		x		x
New York							
North Carolina		x			x		x
North Dakota							
Ohio							
Oklahoma							
Oregon	x	x	x	x	x	x	x
Pennsylvania	x	x	x	x	x		x
Rhode Island	x	x					
South Carolina							
South Dakota			x	x	x		
Tennessee							
Texas		x	x		x	x	x
Utah							
Vermont	x			x	x		x
Virginia							
Washington	x	x	x	x	x	x	x
West Virginia							
Wisconsin							
Wyoming							
TERRITORIES							
Puerto Rico							
<b>Total</b>	<b>18</b>	<b>18</b>	<b>11</b>	<b>12</b>	<b>17</b>	<b>6</b>	<b>21</b>

NOTE: \*See Notes to Table 8. See Table 10 for state-by-state values  
 SOURCE: National Association of State Budget Officers.

**TABLE 9**

**Fiscal 2012 Recommended Program Area Cuts**

State	K-12 Education	Higher Education	Public Assistance	Medicaid	Corrections	Transportation	Other
Alabama		x					x
Alaska							
Arizona	x	x	x	x	x		x
Arkansas							
California		x	x	x		x	
Colorado	x	x			x		
Connecticut		x	x				
Delaware*							x
Florida	x	x			x		
Georgia	x	x	x				x
Hawaii				x			
Idaho		x					
Illinois			x			x	
Indiana*	x	x			x		x
Iowa							
Kansas	x	x					
Kentucky							x
Louisiana					x		
Maine			x			x	
Maryland							
Massachusetts			x			x	
Michigan		x					x
Minnesota					x		
Mississippi				x			x
Missouri		x				x	x
Montana						x	x
Nebraska	x	x	x				x
Nevada	x	x			x		x
New Hampshire		x					
New Jersey		x	x		x		x
New Mexico		x	x		x		x
New York	x	x			x	x	
North Carolina							
North Dakota							
Ohio	x	x	x		x	x	x
Oklahoma	x	x			x	x	x
Oregon						x	
Pennsylvania	x	x	x				
Rhode Island							
South Carolina		x					x
South Dakota	x	x	x			x	x
Tennessee							
Texas	x	x	x	x	x	x	x
Utah							
Vermont							x
Virginia	x						
Washington			x				
West Virginia			x			x	
Wisconsin	x	x	x		x	x	x
Wyoming							
TERRITORIES							
Puerto Rico				x			
<b>Total</b>	<b>16</b>	<b>25</b>	<b>17</b>	<b>5</b>	<b>14</b>	<b>14</b>	<b>21</b>

NOTE: \*See Notes to Table 9. See Table 11 for state-by-state values  
 SOURCE: National Association of State Budget Officers.

**TABLE 10**

**Fiscal 2011 Mid-Year Program Area Cuts By Value**

State	K-12 Education	Higher Education	Public Assistance	Medicaid	Corrections	Transportation	Other
Alabama	\$115.0	\$43.8	\$0.0	\$11.6	\$3.0	\$0.0	\$237.1
Alaska	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Arizona*	0.0	0.0	91.0	17.0	0.0	0.0	0.0
Arkansas	0.0	0.0	0.0	0.0	0.0	0.0	0.0
California*	0.0	75.0	37.5	100.0	0.0	262.4	101.2
Colorado*	213.1		0.0			0.0	21.6
Connecticut	5.2		0.0	0.0	23.3	0.0	0.0
Delaware	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Florida	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Georgia*	0.0	109.7	0.0	0.0	7.8	0.0	52.5
Hawaii	4.2	1.5	0.0	0.0	0.2	0.0	8.8
Idaho	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Illinois	65.8	2.5	15.0	0.0	0.0	0.6	563.3
Indiana	311.0	13.7	0.0	0.0	35.0	0.0	350.0
Iowa	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Kansas	86.0	2.0	0.0	0.0	0.0	0.0	12.0
Kentucky	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Louisiana*	6.3	27.5	11.7	4.9	9.8	0.0	46.4
Maine	9.1	0.0		13.8	2.2		30.8
Maryland	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Massachusetts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Michigan	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minnesota	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mississippi	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Missouri	76.8	61.5	0.0	27.6	0.0	6.0	82.5
Montana	2.6	5.4	0.0	4.8	4.2	0.0	11.4
Nebraska	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nevada	121.4	34.6	0.0	0.0	72.2	0.0	19.8
New Hampshire	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New Jersey	0.0	0.0	0.0	0.0	0.0	0.0	605.0
New Mexico	77.4	23.4	0.2	0.0	8.8	0.0	49.2
New York	0.0	0.0	0.0	0.0	0.0	0.0	0.0
North Carolina	0.0	89.0	0.0	0.0	16.0	0.0	295.0
North Dakota	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ohio	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Oklahoma	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Oregon	385.0	100.5	54.2	188.2	63.7	0.8	122.9
Pennsylvania	10.2	0.2	13.7	16.5	32.2	0.0	95.0
Rhode Island	8.7	1.0	0.0	0.0		0.0	
South Carolina	0.0	0.0	0.0	0.0	0.0	0.0	0.0
South Dakota			1.7	29.7	0.8		
Tennessee	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Texas		555.1	234.2	0.0	82.2	84.4	463.5
Utah	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Vermont	0.2	0.0		3.2	3.6	0.0	0.7
Virginia	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Washington	311.0	77.0	41.0	52.7	49.0	3.0	188.0
West Virginia	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Wisconsin	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Wyoming	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>TERRITORIES</b>							
Puerto Rico	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>\$1,809.1</b>	<b>\$1,223.4</b>	<b>\$500.2</b>	<b>\$470.0</b>	<b>\$414.0</b>	<b>\$357.2</b>	<b>\$3,356.8</b>

NOTE: \*See Notes to Table 10. Dollar values are in millions.  
 SOURCE: National Association of State Budget Officers.

TABLE 11

## Fiscal 2012 Recommended Program Area Adjustments By Value

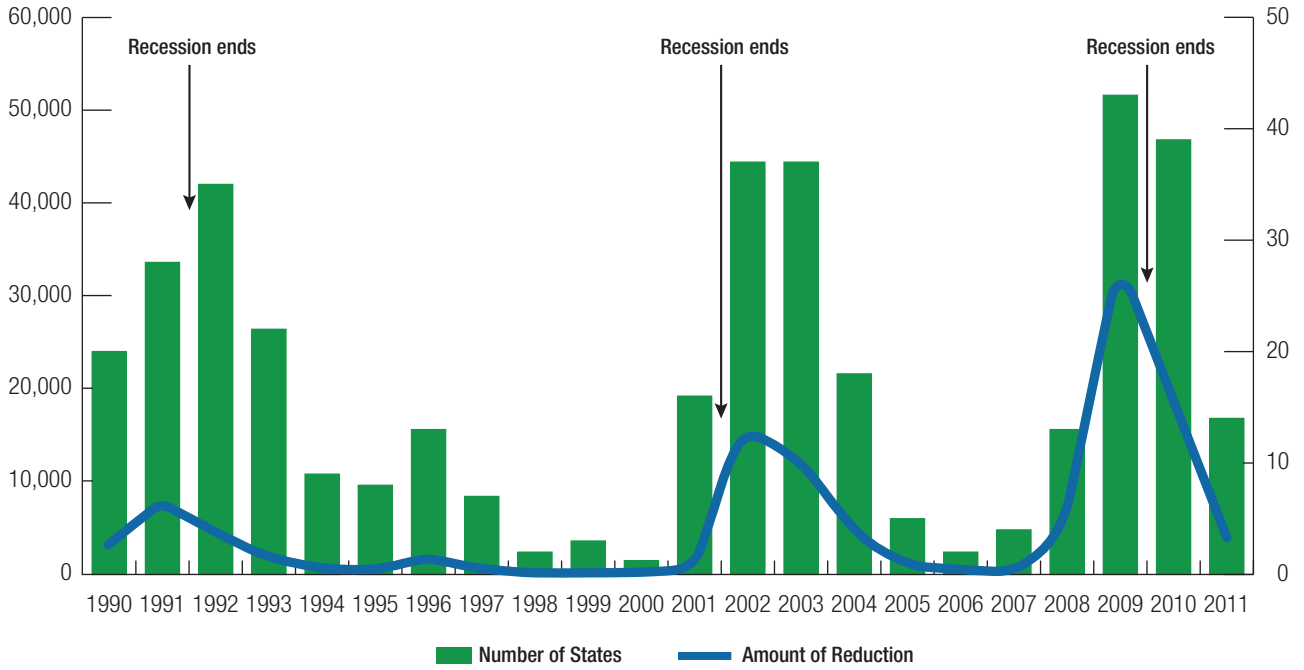
State	K-12 Education	Higher Education	Public Assistance	Medicaid	Corrections	Transportation	Other
Alabama	\$69.5	-\$12.6	\$0.0	\$302.4	\$12.7	\$0.0	-\$77.5
Alaska	22.1	18.7	5.5	51.6	12.0	1.0	113.4
Arizona*	-83.7	-242.9	-91.0	-630.5	-7.2	0.0	-36.8
Arkansas	56.1	6.9	5.9	0.0	10.5	0.0	30.4
California*	132.0	-1,676.0	-1,696.3	-1,692.0	234.0	-214.0	2,974.3
Colorado*	-208.1	-20.3	0.0	386.1	-5.8	0.0	18.2
Connecticut*	69.4	-28.9	-9.3	647.1	65.0	77.2	0.0
Delaware	54.1	1.1	13.2	55.2	11.1	0.0	-7.5
Florida	-224.5	-118.2	0.0	1,151.9	-138.1	27.1	7,396.8
Georgia	-4.8	-172.0	-3.6	677.5	64.6	29.5	-16.2
Hawaii	137.0	51.1	52.7	-25.0	10.1	0.0	530.4
Idaho	21.6	-3.2	0.0	147.3	7.0	0.0	11.5
Illinois	225.0	25.0	-19.8	627.7	70.3	-67.6	240.5
Indiana*	-330.0	-79.4	0.0	294.0	-30.7	0.0	-153.6
Iowa	154.7	52.9	0.3	607.5	25.7	0.0	146.7
Kansas	-8.0	-5.0	0.0	239.0	45.0	0.0	75.0
Kentucky	171.0	39.0	0.0	659.0	13.0	0.0	-65.0
Louisiana*	24.1	9.6	0.0	676.1	-49.6	0.0	0.0
Maine	22.6	3.9	-4.6	159.1	15.9	-7.0	38.1
Maryland*	548.1	2.0	14.5	826.7	81.9	0.0	21.2
Massachusetts	224.9	2.8	-9.9	686.1	88.5	-6.8	115.4
Michigan*	0.0	-215.9	108.7	694.1	12.0	0.0	-15.3
Minnesota*	920.2	14.5	17.5	1,588.3	-19.4	20.5	372.7
Mississippi	3.4	24.8	0.0	-47.1		0.0	-24.2
Missouri	7.0	-90.1	0.0	234.6	2.9	-6.0	-76.1
Montana*	25.5	38.9	0.2	62.6	9.8	-2.2	-13.9
Nebraska	-2.5	-4.0	-9.0	92.6	13.7	0.0	-54.5
Nevada	-43.2	-152.0	2.3	69.2	-9.7	0.0	-179.1
New Hampshire	0.0	-35.4	0.0	0.0	5.5	0.0	0.0
New Jersey*	249.3	-117.8	-106.7	441.6	-20.8	139.4	-487.2
New Mexico	57.0	-28.0	-2.0	286.3	-5.0	0.0	-39.8
New York	-2,163.0	-122.0	-217.0	3,120.0	-151.0	-144.0	416.0
North Carolina	0.0	0.0	0.0	0.0	0.0	0.0	0.0
North Dakota	Increase	Increase	0.0	Increase	Increase	Increase	Increase
Ohio	-395.4	-281.5	-50.9	1,334.3	-50.4	-3.9	-271.1
Oklahoma	-68.6	-30.1	0.0	0.0	-20.7	-6.3	-87.6
Oregon	214.5	0.0	104.6	330.2	18.3	-1.4	135.3
Pennsylvania*	-813.6	-715.9	-27.6	669.5	13.6	0.0	7.6
Rhode Island	12.9	9.8	0.0	0.0	9.8	0.0	195.2
South Carolina	37.2	-62.7	34.7	309.6	45.1	0.0	-74.8
South Dakota	-41.0	-16.6	-6.0	30.4	2.7	-0.1	-10.7
Tennessee	107.6	9.1	0.0	93.2	36.2	0.0	23.9
Texas	-1,579.0	-1,004.0	-1,935.0	-574.0	-401.0	-19.0	-1,231.0
Utah	40.2	25.6	0.0	111.2	2.7	0.0	99.7
Vermont*	42.9	0.0	4.3	31.2	5.6	0.0	-6.7
Virginia	-35.0	17.3	2.4	30.9	3.7	0.0	284.7
Washington	125.0	34.0	-99.0	449.0	27.0	5.0	75.0
West Virginia	164.2	44.9	-5.6	3.2	6.5	-1.0	42.2
Wisconsin	-398.0	-231.6	-8.6	654.4	-62.7	-33.3	-230.4
Wyoming	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TERRITORIES							
Puerto Rico*	134.5	15.0	0.0	-255.0	17.6	0.0	124.5
<b>Total</b>	<b>-\$2,459.3</b>	<b>-\$5,034.1</b>	<b>-\$3,501.0</b>	<b>\$15,862.1</b>	<b>\$10.3</b>	<b>-\$212.8</b>	<b>\$10,205.2</b>

NOTE: \*See Notes to Table 11. Dollar values are in millions.

SOURCE: National Association of State Budget Officers.



**FIGURE 2:**  
**Budget Cuts Made After the Budget Passed, Fiscal 1990 to Fiscal 2011 (\$ Millions)**



SOURCE: National Association of State Budget Officers June 2011 Fiscal Survey of States



TABLE 12

**Enacted Mid-year Fiscal 2011 Revenue Actions by Type of Revenue and Net Increase or Decrease\*  
(Millions)**

Region/State	Sales	Personal Income	Corporate Income	Cigarettes/ Tobacco	Motor Fuels	Alcohol	Other Taxes	Fees	Total
Alabama									0.0
Alaska									0.0
Arizona									0.0
Arkansas									0.0
California									0.0
Colorado									0.0
Connecticut									0.0
Delaware									0.0
Florida									0.0
Georgia									0.0
Hawaii	15.0			26.0	13.2		13.2		67.4
Idaho									0.0
Illinois		2,884.0	180.0						3,064.0
Indiana									0.0
Iowa									0.0
Kansas									0.0
Kentucky									0.0
Louisiana									0.0
Maine			-1.7				4.7		3.0
Maryland									0.0
Massachusetts									0.0
Michigan									0.0
Minnesota		-16.8	-6.4						-23.2
Mississippi									0.0
Missouri									0.0
Montana									0.0
Nebraska									0.0
Nevada								52.7	52.7
New Hampshire									0.0
New Jersey									0.0
New Mexico									0.0
New York									0.0
North Carolina									0.0
North Dakota									0.0
Ohio		426.0							426.0
Oklahoma									0.0
Oregon									0.0
Pennsylvania									0.0
Rhode Island									0.0
South Carolina									0.0
South Dakota									0.0
Tennessee									0.0
Texas									0.0
Utah									0.0
Vermont									0.0
Virginia	45.8	-9.9	-2.3					14.4	48.0
Washington									0.0
West Virginia									0.0
Wisconsin									0.0
Wyoming									0.0
TERRITORIES									
Puerto Rico		-414.0	-91.0				505.0		0.0
<b>Total</b>	<b>\$60.8</b>	<b>\$3,283.3</b>	<b>\$169.6</b>	<b>\$26.0</b>	<b>\$13.2</b>	<b>\$0.0</b>	<b>\$17.9</b>	<b>\$67.1</b>	<b>\$3,637.9</b>

NOTE: \*See Appendix Table A-1 for details on specific revenue changes.

NOTE: \*\*See Notes to Table 12.

SOURCE: National Association of State Budget Officers.

**TABLE 13**

**Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 2011**

Region/State	User Fees	Higher Education Related Fees	Court Related Fees	Transportation/ Motor Vehicle Related Fees	Business Related Fees	Layoffs	Furloughs	Early Retirement	Salary Reductions
Alabama									
Alaska									
Arizona*	x	x	x	x	x		x		x
Arkansas									
California*	x	x		x	x	x	x		x
Colorado*						x			x
Connecticut*	x			x			x		
Delaware									
Florida			x	x					
Georgia*	x	x	x	x	x	x	x		
Hawaii*							x		
Idaho	x		x			x	x		
Illinois*			x	x		x	x	x	
Indiana									
Iowa									
Kansas			x						
Kentucky*						x	x		
Louisiana						x		x	
Maine*	x					x	x	x	x
Maryland*						x	x		x
Massachusetts						x	x		
Michigan*	x				x	x		x	
Minnesota									
Mississippi									
Missouri						x			
Montana									
Nebraska*						x	x		
Nevada						x	x		x
New Hampshire						x	x		
New Jersey*	x	x		x		x			
New Mexico		x	x						
New York*	x		x		x			x	
North Carolina									
North Dakota									
Ohio							x		
Oklahoma	x							x	
Oregon	x	x	x	x	x	x	x		x
Pennsylvania*						x			
Rhode Island*		x							x
South Carolina						x	x		
South Dakota	x								
Tennessee*									
Texas									
Utah									
Vermont	x						x		x
Virginia	x								
Washington						x	x		
West Virginia*									
Wisconsin*									
Wyoming									
TERRITORIES									
Puerto Rico*								x	
<b>Total</b>	<b>14</b>	<b>7</b>	<b>9</b>	<b>8</b>	<b>6</b>	<b>20</b>	<b>19</b>	<b>6</b>	<b>9</b>

NOTE: \*See Notes to Table 13.  
SOURCE: National Association of State Budget Officers.

Table 13 continues on next page.

TABLE 13 (CONTINUED)

## Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 2011

Region/State	Cuts to State Employee Benefits	Across-the-Board Percent Cuts	Targeted Cuts	Reduce Local Aid	Reorganize Agencies	Privatization	Rainy Day Fund	Lottery Expansion	Gaming/Gambling Expansion	Other (Specify)
Alabama		x								
Alaska										
Arizona*			x	x				x		x
Arkansas										
California*	x	x	x	x						x
Colorado*		x	x	x						
Connecticut*		x	x				x			x
Delaware			x		x				x	
Florida	x		x						x	
Georgia*	x	x	x							
Hawaii*			x				x			x
Idaho							x			
Illinois*			x	x		x			x	x
Indiana	x	x	x		x	x				
Iowa										
Kansas		x	x							
Kentucky*		x	x							x
Louisiana			x	x	x	x				
Maine*	x		x	x						x
Maryland*	x	x	x	x	x					x
Massachusetts	x	x	x	x	x	x				
Michigan*	x	x	x		x			x		x
Minnesota										
Mississippi										
Missouri		x	x		x					
Montana										
Nebraska*		x	x	x			x			x
Nevada	x	x	x							
New Hampshire										
New Jersey*			x	x	x	x		x		x
New Mexico	x	x	x		x		x			
New York*		x	x	x	x			x		x
North Carolina			x							
North Dakota										
Ohio	x			x						
Oklahoma			x				x			
Oregon		x	x	x			x			
Pennsylvania*		x	x						x	
Rhode Island*	x	x	x							
South Carolina			x	x	x					
South Dakota			x							
Tennessee*										x
Texas			x				x			
Utah										
Vermont			x							
Virginia				x						
Washington			x	x			x			
West Virginia*		x	x							x
Wisconsin*	x				x					x
Wyoming										
TERRITORIES										
Puerto Rico*					x		x			x
<b>Total</b>	<b>13</b>	<b>20</b>	<b>34</b>	<b>16</b>	<b>12</b>	<b>5</b>	<b>9</b>	<b>4</b>	<b>4</b>	<b>15</b>

NOTE: \*See Notes to Table 13.

SOURCE: National Association of State Budget Officers.

**TABLE 14**

**Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 2012 Proposed**

Region/State	User Fees	Higher Education Related Fees	Court Related Fees	Transportation/ Motor Vehicle Related Fees	Business Related Fees	Layoffs	Furloughs	Early Retirement	Salary Reductions
Alabama						X	X		X
Alaska									
Arizona*	X	X	X	X	X				
Arkansas									
California*	X	X		X	X	X	X		X
Colorado*						X			X
Connecticut	X			X	X				
Delaware									
Florida						X			
Georgia									
Hawaii*				X					X
Idaho*									
Illinois*							X	X	
Indiana									
Iowa									
Kansas			X						
Kentucky									
Louisiana						X		X	
Maine*								X	X
Maryland*				X		X			X
Massachusetts						X	X		
Michigan*	X								
Minnesota*									
Mississippi									
Missouri						X			
Montana									
Nebraska						X			
Nevada						X	X		X
New Hampshire						X	X		
New Jersey									
New Mexico*		X	X						
New York*	X				X				
North Carolina									
North Dakota									
Ohio									
Oklahoma									
Oregon	X	X	X		X	X	X		X
Pennsylvania*									
Rhode Island*	X			X	X				
South Carolina						X	X		
South Dakota		X				X			X
Tennessee*									
Texas*									
Utah									
Vermont	X						X		X
Virginia	X								
Washington		X				X			X
West Virginia*									
Wisconsin*									
Wyoming									
TERRITORIES									
Puerto Rico*									
<b>Total</b>	<b>9</b>	<b>6</b>	<b>4</b>	<b>6</b>	<b>6</b>	<b>15</b>	<b>9</b>	<b>3</b>	<b>11</b>

NOTE: \*See Notes to Table 14.

SOURCE: National Association of State Budget Officers.

Table 14 continues on next page.



**TABLE 14 (CONTINUED)**

**Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 2012 Proposed**

Region/State	Cuts to State Employee Benefits	Across-the-Board Percent Cuts	Targeted Cuts	Reduce Local Aid	Reorganize Agencies	Privatization	Rainy Day Fund	Lottery Expansion	Gaming/Gambling Expansion	Other (Specify)
Alabama	x	x	x		x					
Alaska										
Arizona*			x	x	x			x		x
Arkansas										
California*	x	x	x	x						x
Colorado*		x	x	x						
Connecticut			x		x					
Delaware			x		x					
Florida	x	x	x	x	x	x				
Georgia		x	x							
Hawaii*			x	x						x
Idaho*			x							x
Illinois*			x		x	x		x	x	x
Indiana			x							
Iowa										
Kansas		x	x		x	x				
Kentucky		x	x							
Louisiana	x		x		x	x				
Maine*			x					x		x
Maryland*	x	x	x	x	x					x
Massachusetts	x	x	x	x	x	x	x			
Michigan*			x	x		x				x
Minnesota*		x	x							x
Mississippi										
Missouri		x	x							
Montana										
Nebraska			x	x		x	x			
Nevada	x	x	x	x	x					
New Hampshire	x		x	x	x			x		
New Jersey										
New Mexico*	x		x		x		x			x
New York*		x	x	x	x			x		x
North Carolina			x		x					
North Dakota										
Ohio	x		x	x	x	x				
Oklahoma			x		x					
Oregon	x	x	x	x	x	x				
Pennsylvania*			x							x
Rhode Island*		x	x							
South Carolina			x	x	x					
South Dakota		x	x	x						
Tennessee*										x
Texas*	x		x		x					x
Utah										
Vermont	x		x							
Virginia				x						
Washington	x		x		x		x			
West Virginia*										x
Wisconsin*	x	x	x	x	x					x
Wyoming										
TERRITORIES										
Puerto Rico*					x		x			x
<b>Total</b>	<b>17</b>	<b>17</b>	<b>38</b>	<b>18</b>	<b>22</b>	<b>9</b>	<b>4</b>	<b>5</b>	<b>1</b>	<b>16</b>

NOTE: \*See Notes to Table 14.

SOURCE: National Association of State Budget Officers.

**TABLE 15**

**Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 2013 Proposed**

Region/State	User Fees	Higher Education Related Fees	Court Related Fees	Transportation/ Motor Vehicle Related Fees	Business Related Fees	Layoffs	Furloughs	Early Retirement	Salary Reductions
Alabama									
Alaska									
Arizona									
Arkansas									
California				X		X			X
Colorado									
Connecticut	X			X	X				
Delaware*									
Florida						X			
Georgia									
Hawaii*									X
Idaho									
Illinois									
Indiana									
Iowa									
Kansas									
Kentucky									
Louisiana									
Maine*								X	X
Maryland*				X					X
Massachusetts									
Michigan*	X								
Minnesota*									
Mississippi									
Missouri									
Montana									
Nebraska						X			
Nevada						X	X		X
New Hampshire						X	X		
New Jersey									
New Mexico									
New York									
North Carolina									
North Dakota									
Ohio									
Oklahoma									
Oregon	X	X	X		X	X	X		X
Pennsylvania									
Rhode Island									
South Carolina									
South Dakota									
Tennessee*									
Texas*									
Utah									
Vermont									
Virginia									
Washington		X				X			X
West Virginia*									
Wisconsin									
Wyoming									
TERRITORIES									
Puerto Rico									
<b>Total</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>2</b>	<b>7</b>	<b>3</b>	<b>1</b>	<b>7</b>

NOTE: \*See Notes to Table 15.  
SOURCE: National Association of State Budget Officers.

Table 15 continues on next page.

**TABLE 15 (CONTINUED)**

**Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 2013 Proposed**

Region/State	Cuts to State Employee Benefits	Across-the-Board Percent Cuts	Targeted Cuts	Reduce Local Aid	Reorganize Agencies	Privatization	Rainy Day Fund	Lottery Expansion	Gaming/Gambling Expansion	Other (Specify)
Alabama										
Alaska										
Arizona										
Arkansas										
California	x	x	x	x						x
Colorado										
Connecticut			x		x					
Delaware*										
Florida	x	x	x	x	x	x				
Georgia										
Hawaii*			x	x						
Idah*										
Illinois										
Indiana			x							
Iowa										
Kansas										
Kentucky										
Louisiana										
Maine*	x		x							x
Maryland*	x		x	x						x
Massachusetts										
Michigan*	x		x	x		x				x
Minnesota*		x	x							x
Mississippi										
Missouri										
Montana										
Nebraska			x	x		x	x			
Nevada	x	x	x	x	x					
New Hampshire	x		x	x	x			x		
New Jersey										
New Mexico										
New York										
North Carolina			x		x					
North Dakota										
Ohio	x		x	x	x	x				
Oklahoma										
Oregon	x	x	x	x	x	x				
Pennsylvania			x							
Rhode Island										
South Carolina										
South Dakota										
Tennessee*										x
Texas*	x		x		x					x
Utah										
Vermont										
Virginia										
Washington	x		x		x		x			
West Virginia*										x
Wisconsin	x	x	x	x						
Wyoming										
TERRITORIES										
Puerto Rico										
<b>Total</b>	<b>12</b>	<b>6</b>	<b>19</b>	<b>11</b>	<b>9</b>	<b>5</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>9</b>

NOTE: \*See Notes to Table 15.

SOURCE: National Association of State Budget Officers.

# CHAPTER 1 NOTES

## Notes to Table 3: Fiscal 2010 General Fund, Actual

For all states, unless otherwise noted, transfers into budget stabilization funds are counted as expenditures, and transfers from budget stabilization funds are counted as revenues.

<b>Alabama</b>	Revenue Adjustments include an increase for a transfer from the General Fund Rainy Day Account of \$161.6 million. Expenditure adjustments include a reduction due to across the board percentage cuts of \$695.8 million, and a reduction of \$81.9 million for reversions and other adjustments.
<b>Alaska</b>	Revenue adjustments: \$17.8 million reappropriation and carry forward. Expenditure adjustments: \$401.6 million Constitutional Budget Reserve savings deposit plus net of (\$1,057.4 million) Public Education Fund draw and \$1,117.0 million Public Education Fund forward funding. Rainy Day = \$9,166.1 million CBR + \$1,197.5 million SBR.
<b>Arizona</b>	Adjustments to revenue include fund transfers, county transfer, proceeds from asset sales lease back and lottery revenue bonds.
<b>California</b>	Represents adjustment to the Beginning Fund Balance. This consists primarily of adjustments to major taxes and K-12 spending.
<b>Colorado</b>	As reflected in the March 18, 2011 OSPB March 2011 forecast. Rainy day reserve is the State's GF reserve, a percentage of GF appropriations.
<b>Georgia</b>	Agency Surplus Returned.
<b>Idaho</b>	\$54,993,300 from the Budget Stabilization Fund; \$1,680,000 from Div. of Human Resources cash on hand; \$1,000,000 from the Dept. of Agriculture; \$446,900 from Dept. of Labor—Rural Broadband; \$661,900 from dedicated agencies for Attorney General; \$1,172,100 transfer ARRA to Professional Technical Education; \$10 million from Permanent Building Fund; Eli Lily and Company lawsuit \$7,000,800; Public Utilities Civil Penalties Fund \$781,600; and \$20 million from Economic Recovery Reserve Fund. Net transfer in and out of Public Education Stabilization Fund \$10,848,800. Miscellaneous adjustments include cash from unspent prior year encumbrances.
<b>Illinois</b>	Revenue adjustment accounted for by the sum of transfers in plus pension obligation note proceeds. Expenditure adjustments are accounted for by the sum of the statutory transfers out plus repayment of the pension obligation notes.
<b>Indiana</b>	Revenue Adjustments: Transfer from Rainy Day Fund to General Fund; Expenditure Adjustments: Local Option Income Tax Distributions, PTRF Adjust for Abstracts.
<b>Iowa</b>	Expenditure adjustments include \$48.3 million which was credited from the ending balance of the General Fund to the Senior Living Trust Fund. This completes all funding of the Senior Living Trust Fund.
<b>Kentucky</b>	Revenue includes \$105.5 million in Tobacco Settlement funds. Adjustment for Revenues includes \$66.2 million that represents appropriation balances carried over from the prior fiscal year, and \$167.4 million from fund transfers into the General Fund. Adjustment to Expenditures represents appropriation balances forwarded to the next fiscal year.
<b>Louisiana</b>	Revenues—Includes Transfers from Budget Stabilization Fund “Rainy Day Fund” \$284.6 million; FY 2007-2008 Surplus \$782.3 million; Transfer from various Statutory Dedication Funds \$83.4 million; Transfer from Rapid Response Fund \$13.5 million; Transfer from Insure Louisiana Program Fund \$75.6 million; Transfer from Incentive Fund \$3.9 million; Carryforward from FY 2008–2009 \$34.3 million; Carryforward of Interim Emergency Board appropriations \$1.8 million; Use of tax amnesty funds \$115.0 million; Re-Appropriation of Capital Outlay from various prior years \$6.7 million. Actual State General Fund collections were less than official projections adopted by the Revenue Estimating Conference (REC) on June, 2010 in the amount of (\$107,977,368).
<b>Maine</b>	Revenue and expenditure adjustments reflect legislatively authorized transfers.
<b>Maryland</b>	Revenue adjustments reflect a \$13.0 million reimbursement from the reserve for Heritage Tax Credits, \$6.0 million reimbursement from the reserve for Biotechnology Tax Credits, and transfers of \$775.6 million from other special funds.
<b>Massachusetts</b>	Includes balances in all budgeted funds included in the state's definition of fiscal balance.
<b>Michigan</b>	FY 2010 revenue adjustments include the impact of federal and state law changes (\$279.3 million); revenue sharing law changes (\$528.4 million); and deposits from state restricted revenues (\$401.6 million).



<b>Minnesota</b>	Ending balance includes cash flow account of \$266 million and appropriations carried forward of \$106.7 million.
<b>Mississippi</b>	The CAFR identifies transfers in of \$57,977,000 and transfers out of \$232,528,000 resulting in net transfers of (\$174,551,000).
<b>Missouri</b>	Revenue adjustments include transfers from other funds into the general revenue fund, including \$370.7 million from the enhanced FMAP authorized in the American Recovery and Reinvestment Act of 2009.
<b>Montana</b>	Adjustments to revenues are attributable to prior year revenue collected in FY 2010.
<b>Nebraska</b>	Revenue adjustments are transfers between the General Fund and other funds. Among others, this includes a \$112 million transfer from the General Fund to the Property Tax Credit Cash Fund as well as a \$105 million transfer to the General Fund from the Cash Reserve Fund (Rainy Day Fund).
<b>New Hampshire</b>	Revenue Adjustments: +25 million payments from the University System / Expenditure Adjustments +36.6 million transfer in from Education Trust fund: \$6.5 million transfers in from both Highway and Liquor funds.
<b>New Jersey</b>	Budget vs. GAAP entries, net transfers to other funds.
<b>New Mexico</b>	The FY 2010 operating budget brought in reserves, cash balance sweeps from department budgets and savings from furlough days.
<b>New York</b>	Total expenditures are not adjusted for the impact of delaying the end-of-year school aid payment (\$2.06 billion) from March 2010 to the statutory deadline of June 1, 2010, which was done to carry forward the 2009-2010 budget shortfall into 2010-2011. The ending balance includes \$1.2 billion in rainy day reserve funds, \$96 million in a community projects fund, \$73 million reserved for debt reduction and \$21 million reserved for litigation risks. The ending balance also includes a reserve of \$906 million for deferred payments, a result of deferring more payments than were needed to carry forward the 2009-2010 budget shortfall, which was used when the deferred payments were made during the first quarter of 2010-2011.
<b>North Dakota</b>	Revenue adjustments are a \$295.0 million transfer from the permanent oil tax trust fund to the general fund.
<b>Oklahoma</b>	Revenue adjustment for FY 2010 represents the difference in cash flow. Expenditure adjustment is \$1.6 million paid in interest on amounts borrowed for cash management until action was taken by the legislature on the budget shortfall. Cannot calculate Rainy Day Fund balance.
<b>Pennsylvania</b>	Revenues include \$755 million transferred from the Rainy Day fund. Revenue adjustments include a \$5.0 million adjustment to the beginning balance, \$150.4 million in prior year lapses, \$1,776.7 million in Enhanced Federal Medical Assistance Percentage and \$921.4 million in State Fiscal Stabilization Funds.
<b>Puerto Rico</b>	The General Fund Budget includes an allocation of \$1.0 million to facilitate the orderly implementation of certain expense reduction measures adopted by the Government of Puerto Rico pursuant to Act 7 of March 8, 2009. This allocation will cover the cost of transitioning public employees to non-government sectors by providing re-training vouchers, self employment opportunities, relocation and salary subsidies alternatives. On the other hand, the General Fund Budget also includes an allocation from the Local Stabilization Fund of \$1.5 billion to cover payroll and operating expenses that are expected to be reduced through fiscal year 2010, but whose savings will not be realized in such fiscal year. The Local Stabilization Fund is funded with proceeds from the bonds issued by the Sales Tax Financing Corporation.
<b>Rhode Island</b>	Opening balance includes a deficit of \$62.3 million and re-appropriations of \$1.0 million from the prior year. Adjustments to revenues reflect a transfer to the Budget Stabilization Fund.
<b>South Dakota</b>	Adjustments in Revenues: \$21.8 million was from one-time receipts.
<b>Tennessee</b>	Adjustments (Revenues) include 109.0 million transfer from debt service fund unexpended appropriations, \$103.4million transfer from Rainy Day Fund, -\$17.3 million transfer to dedicated revenue reserves. Adjustments (Expenditures) include \$69.9 million transfer to capital outlay projects fund, \$13.1 million transfer to state office buildings and support facilities fund, 230.8 million transfer to reserves for dedicated revenue appropriations.
<b>Texas</b>	Adjustment is transfer to Rainy Day Fund.

<b>Utah</b>	Revenue adjustments include: \$4.4 million Transfers from Econ. Dev. Tax Incentive Fund, \$1.5 million Transfers—From Nonlapsing balances, \$12.5 million Transfers—From Fund Balances, \$103 million Transfers—Growth in Student Population, \$10.8 million Transfers—Disaster Recovery Fund, \$2.5 million Transfers—School Bldg. Energy Efficiency, \$23.1 million Lapsing Balances, \$209.2 million Transfers to/from Rainy Day Fund , \$2.3 million Other, 113 million Reserve from Prior Fiscal Year, \$219.3 million Reserve for Following Fiscal Year.
<b>Washington</b>	Fund transfers between General Fund and other accounts, and balancing to the final audited ending balance. Transfers into the Budget Stabilization Account are counted as negative revenue for the General Fund, not an expenditure.
<b>West Virginia</b>	Fiscal Year 2010 Beginning balance includes \$432.6 million in Reappropriations, Unappropriated Surplus Balance of \$22.2 million, and FY 2009 13th month expenditures of \$26.0 million. Expenditures include Regular, Surplus and Reappropriated and \$26.0 million of 31 day prior year expenditures. Revenue adjustments are prior year redeposits. Expenditure adjustment represents the amount transferred to the Rainy Day Fund. The ending balance is mostly the historically carried forward reappropriation amounts that will remain and be reappropriated to the next fiscal year.
<b>Wisconsin</b>	Revenue adjustments include Transfers In General Fund, \$418.8 million; Other Revenue, \$297.7 million; Tribal Gaming, \$25.1 million. Expenditure adjustments include Designation for Continuing Balances, \$78.5 million; and Unreserved Designated Balance, -\$10.6 million.
<b>Wyoming</b>	WY budgets on a biennial basis. To arrive at annual figures assumptions and estimates were required.

## Notes to Table 4: Fiscal 2011 State General Fund, Estimated

For all states, unless otherwise noted, transfers into budget stabilization funds are counted as expenditures, and transfers from budget stabilization funds are counted as revenues.

<b>Alabama</b>	Expenditure adjustments are a reduction due to across the board percentage cuts.
<b>Alaska</b>	Revenue adjustments: \$21.4 million reappropriation and carry forward. Expenditure adjustments: Net of (\$1,114.3 million) Public Education Fund draw and \$1,131.0 million Public Education Fund forward funding. Rainy Day = \$10,016.8 million CBR + \$1,048.6 million SBR.
<b>Arizona</b>	Adjustments to revenue include fund transfers, VLT shift, county transfer, and temporary 1 percent sales tax increase.
<b>Colorado</b>	The FY 2010–2011 estimate shown here represents the General Assembly’s balancing as of March 18, 2011, as reflected in the OSPB March 2011 forecast for FY 2010–2011—further adjusted by \$75.5 million on 03/2/11. It also includes some placeholders for revenue adjustments and for expenditure increases which will be funded in “add-ons” to the FY 2011–2012 Long Bill for the FY 2010–2011 budget year. Rainy day reserve is the State’s GF reserve, a percentage of GF appropriations. Difference of FY 2010 to 2011 fund balances is rounding.
<b>Delaware</b>	Revenue and expenditure estimates are as of the April 18, 2011 meeting of the Delaware Economic and Financial Advisory Council.
<b>Georgia</b>	Mid Year Adjustment for education transferred from RSR.
<b>Hawaii</b>	The information is based on bills that were passed by the 2011 Legislature.
<b>Idaho</b>	Budget Stabilization Fund—\$30,134,600; Economic Recovery Reserve Fund—\$48,846,700; Division of Human Resources Fund—\$756,000, Attorney General—\$532,200, and \$500,000 from the Blind Commission.
<b>Illinois</b>	Revenue adjustment accounted for by the sum of transfers in plus pension obligation bond proceeds for FY 2011 plus tobacco revenue securitization (in FY 2011) proceeds. Tobacco revenues were one time and will be repaid in subsequent years. Adjustment expenditure is accounted for by total statutory transfers out.
<b>Indiana</b>	Expenditure Adjustments: PTRF Adjust for Abstracts.

<b>Iowa</b>	Revenue adjustments include \$15.4 million increase due to the passage of the Tax Relief Act of 2010 which occurred after the Revenue Estimating Conference met on December 6, 2010. It also includes Governor's recommendation in regards to the Internal Revenue Code coupling bill, the Governor's recommended 6 percent flat tax for corporate income tax and excluding active duty military pay from personal income tax. Expenditure adjustments take into account the Governor's recommended supplemental appropriations for FY 2011.
<b>Kentucky</b>	Revenue includes \$111.3 million in Tobacco Settlement funds. Adjustment for Revenues includes \$44.7 million that represents appropriation balances carried over from the prior fiscal year, and \$102.8 million from fund transfers into the General Fund. Adjustment to Expenditures represents appropriation balances forwarded and to the next fiscal year and budgeted balances to be expended in the next fiscal year.
<b>Louisiana</b>	Revenues—Includes Carryforward balances \$12.8 million; Transfer of \$3.9 million from Incentive Fund. Per statute, the FY 2009–2010 deficit was presented to the Joint Legislative Committee Budget on January 21, 2011. Per R.S. 39:75, the Governor issued an Executive Order calling for an adjustment to appropriated SGF expenditures in FY 2010–2011 of (\$106.7 million).
<b>Maine</b>	Revenue & expenditure adjustments reflect legislatively authorized transfers. Beginning balance differs from FY 2010 ending balance due to controller's yearend adjustments.
<b>Maryland</b>	Revenue adjustments reflect a \$7.6 million reimbursement from the reserve for Heritage Tax Credits, \$8.0 million reimbursement from the reserve for Biotechnology Tax Credits, and transfers of \$326.4 million from other special funds.
<b>Massachusetts</b>	Includes balances in all budgeted funds included in the state's definition of fiscal balance.
<b>Michigan</b>	FY 2011 revenue adjustments include the impact of federal and state law changes (\$384.4 million); revenue sharing law changes (\$498.5 million); and deposits from state restricted revenues (\$641.7 million). The fiscal 2011 estimated ending balance of \$303.6 million is not the beginning balance for fiscal 2012 as this amount is reserved for over \$300 million in potential FY 2011 risks. Revenues and expenditures are being monitored and may warrant budgetary action in fiscal 2011 to revise spending plans.
<b>Minnesota</b>	Ending balance includes cash flow account of \$266 million.
<b>Missouri</b>	Revenue adjustments include transfers from other funds into the general revenue fund, including \$572.4 million from the enhanced FMAP authorized in the American Recovery and Reinvestment Act of 2009.
<b>Montana</b>	Adjustments to revenues are attributable to revenue measures and other one-time transfers to the general fund proposed in the executive budget as of December, 2010.
<b>Nebraska</b>	Revenue adjustments are transfers between the General Fund and other funds. Among others, this includes a \$112 million transfer from the General Fund to the Property Tax Credit Cash Fund as well as a \$154 million transfer to the General Fund from the Cash Reserve Fund (Rainy Day Fund). Expenditure adjustments are reappropriations (\$192.2 million) of unexpended balance of appropriations from the prior fiscal year.
<b>New Hampshire</b>	Revenue Adjustments: +1.5 million Community College system Payment / Expenditure Adjustments: -109.3 million transfer to the Education Trust Fund.
<b>New Mexico</b>	The FY 2011 operating budget had contingency language which permitted the Executive to lower allotments/appropriations if the consensus General Fund revenue estimates did not materialize.
<b>New York</b>	Total expenditures are not adjusted for the impact of delaying the end-of-year school aid payment (\$2.06 billion) from March 2010 to the statutory deadline of June 1, 2010, which was done to carry forward the 2009–2010 budget shortfall into 2010–2011. The ending balance includes \$1.2 billion in rainy day reserve funds, \$94 million in a community projects fund, \$36 million reserved for debt reduction and \$21 million reserved for litigation risks.
<b>North Dakota</b>	Revenue adjustments are a \$140.0 million transfer from the permanent oil tax trust fund to the general fund.
<b>Oklahoma</b>	The Revenue adjustment for FY 2011 reflects the estimated difference in cash flow based on estimates from the February meeting of the Board of Equalization. No expenditure adjustments are anticipated for FY 2011.

<b>Pennsylvania</b>	Revenue adjustments reflect \$180 million in prior year lapses, \$1,745.8 million in Enhanced Federal Medical Assistance Percentage, \$921.4 million in State Fiscal Stabilization Funds and \$387.8 million in Education Jobs Funds. Expenditure adjustment reflects \$177.8 million in current year lapses. The year-end transfer to the Rainy Day Fund (25 percent of the ending balance) is proposed to be suspended for FY 2011.
<b>Puerto Rico</b>	Includes \$1.0 billion from the Local Stabilization Fund to cover operational expenses expected to be reduced through the fiscal year 2011.
<b>Rhode Island</b>	Opening balance includes a surplus of \$17.7 million and re-appropriations of \$3.4 million from the prior year. Adjustments to revenues reflect a transfer to the Budget Stabilization Fund and the adjustments to expenditures are the appropriations from FY 2010.
<b>South Dakota</b>	Adjustments in Revenues: \$9.9 million addition to revenue is from one-time receipts; \$13.9 million decrease to revenue is a one-time refund of taxes.
<b>Tennessee</b>	Adjustments (Revenues) include \$81.2 million transfer from debt service fund unexpended appropriations, \$181.4 million transfer from TennCare Reserve, -\$28.1 million transfer to TennCare Trust Fund, \$169.5 million transfer from Rainy Day Fund. Adjustments (Expenditures) include \$291.7 million transfer to capital outlay projects fund, \$13.1 million transfer to state office buildings and support facilities fund, and \$4.7 million transfer to reserves for dedicated revenue appropriations.
<b>Texas</b>	Adjustment is net of transfer to Rainy Day Fund (-\$452 million) and Comptroller adjustment to general fund dedicated account balances (+\$45 million).
<b>Utah</b>	Revenue adjustments include: \$6.9 million Transfers to Econ. Dev. Tax Incentive Fund, \$4.7 million Transfers—From Fund Balances, \$100 million Transfers to/from Rainy Day Fund, \$219.3 million Reserve from Prior Fiscal Year, \$141.1 million Reserve for Following Fiscal Year.
<b>Washington</b>	Fund transfers between General Fund and other accounts. Transfers into the Budget Stabilization Account are counted as negative revenue for the General Fund, not an expenditure.
<b>West Virginia</b>	Fiscal Year 2011 Beginning balance includes \$418.7 million in Reappropriations, Unappropriated Surplus Balance of \$102.6 million, and FY 2010 13th month expenditures of \$30.6 million. Expenditures include regular, and surplus appropriations and \$30.6 million of 31 day prior year expenditures. Revenue adjustments are prior year redeposits. Expenditure adjustment represents the amount transferred to the Rainy Day Fund. The ending balance is mostly the historically carried forward reappropriation amounts that will remain and be reappropriated to the next fiscal year.
<b>Wisconsin</b>	Beginning Balance revised due to findings of Legislative Audit Bureau. Revenue adjustments include Tribal Gaming, \$22.3 million; and Other Revenue, \$861.6 million; as well as -\$79.0 million in other revenue included in 2011 Act 13. Expenditure adjustments include 2011 Act 10 Appropriation Reductions, -\$7.7 million; Compensation Reserves, \$96.0 million; Biennial Appropriation Adjustments, -\$242.7 million; Estimated Lapses, -\$391.0 million; Sum Sufficient Reestimates, -\$121.6 million; as well as \$196.0 million in additional appropriations, -\$37.0 million in sum sufficient reestimates and -\$163.0 million in additional lapses included in 2011 Act 13. Note that the 2011 Act 10 adjustments are currently on hold due to a legal challenge.
<b>Wyoming</b>	WY budgets on a biennial basis. To arrive at annual figures assumptions and estimates were required.

## Notes to Table 5: Fiscal 2012 State General Fund, Recommended

For all states, unless otherwise noted, transfers into budget stabilization funds are counted as expenditures, and transfers from budget stabilization funds are counted as revenues.

<b>Alabama</b>	Revenue Adjustments include an increase for a Tobacco Transfer of \$10.7 million and other one-time revenues of \$338.5 million.
<b>Alaska</b>	Revenue adjustments: none. Expenditure adjustments: Net of (\$1,124.7 million) Public Education Fund draw and \$1,141.0 million Public Education Fund forward funding. Rainy Day = \$10,589.0 million CBR + \$1,392.4 million SBR.

<b>Arizona</b>	Adjustments to revenue include fund transfers, VLT shift, county transfer, borrowing from First Thing First, and temporary 1 percent sales tax increase, offset by payment to Arizona Commerce Authority and Economic Development credits.
<b>Colorado</b>	The FY 2011–2012 recommendation shown here represents the Governor’s final budget submission as of February 15, 2011. Note that this FY 2011–2012 Executive submission is also based on the Executive FY 2010–2011 plan which contained a higher ending FY 2010–2011 reserve, which translated to a higher FY 2011–2012 beginning reserve. Given that the General Assembly has acted on FY 2010–2011 but not yet on FY 2011–2012, this explains the difference between the ending fund balance (“rainy day fund”) for FY 2010–2011 and the beginning fund balance for FY 2011–2012. Rainy day reserve is the State’s GF reserve, a percentage of GF appropriations. FY 2011–2012 reflects Feb 2011 Governor’s budget balancing plan submitted to the General Assembly, including the FY 2010–2011 plan’s impact on the FY 2011–2012 beginning fund balance.
<b>Delaware</b>	Revenue estimates are as of the April 18, 2011 meeting of the Delaware Economic and Financial Advisory Council as adjusted by Governor’s Recommended revenue adjustments. Expenditure estimates are based on Governor’s Recommended FY 2012 Budget appropriations.
<b>Florida</b>	Fund shifts and tax relief measures included in the Governor’s Budget Recommendations.
<b>Hawaii</b>	The information is based on bills that were passed by the 2011 Legislature.
<b>Idaho</b>	Non-endowed Millennium Fund—\$21,959,000, Liquor Division—\$8,000,000, Judicial Branch cash transfer—\$276,500, and Permanent Building Fund—\$10,000,000.
<b>Illinois</b>	Revenue adjustment accounted for by transfers in. Expenditure adjustment accounted for statutory transfers out.
<b>Indiana</b>	Revenue Adjustments: \$26.9 million of cigarette tax revenue directed to the general fund to reimburse for SEA 501 expenses.
<b>Iowa</b>	Revenue adjustments include \$119.3 million increase due to the passage of the Tax Relief Act of 2010 which occurred after the Revenue Estimating Conference met on December 6, 2010. It also includes the Governor’s recommendation in regards to the Internal Revenue Code coupling bill, the Governor’s recommended 6 percent flat tax on corporate income tax, the Governor’s recommended exclusion of active duty military pay from personal income tax and the Governor’s recommended increase in gaming tax to 36 percent of adjusted gross revenues. It also includes \$254.7 million that is the excess from the Reserve Funds. Increases in expenditures for FY2012 includes \$709 million shift back to the General Fund from one-time revenue sources and \$156 million from property taxes in the school aid formula.
<b>Kentucky</b>	Revenue includes \$102.7 million in Tobacco Settlement funds. Adjustment for Revenues includes \$29.8 million that represents appropriation balances carried over from the prior fiscal year, and \$122.6 million from fund transfers into the General Fund. Adjustment to Expenditures represents appropriation balances forwarded and to the next fiscal year and budgeted balances to be expended in the next fiscal year.
<b>Louisiana</b>	Revenues—State General Fund.
<b>Maine</b>	Revenue and expenditure adjustments reflect legislatively authorized transfers.
<b>Maryland</b>	Revenue adjustments reflect a \$13.3 million reimbursement from the reserve for Heritage Tax Credits, \$8.0 million reimbursement from the reserve for Biotechnology Tax Credits, and transfers of \$227.7 million from other special funds. Figures a preliminary accounting of the enacted budget.
<b>Massachusetts</b>	Includes balances in all budgeted funds included in the state’s definition of fiscal balance.
<b>Michigan</b>	FY 2012 revenue adjustments include the impact of federal and state law changes (\$186.5 million); revenue sharing law changes (\$491.8 million); deposits from state restricted revenues (\$404.1 million); and pending revenue options (\$100.4 million).
<b>Minnesota</b>	Ending balance includes cash flow account of \$95 million.
<b>Missouri</b>	Revenue adjustments include transfers from other funds into the general revenue fund, including \$68 million from the enhanced FMAP authorized in the American Recovery and Reinvestment Act of 2009 and \$209.3 million from the enhanced FMAP extension authorized in the Education Jobs and Medicaid Assistance Act. Also included is \$58.6 million from proposals that need legislative approval.

<b>Montana</b>	Adjustments to revenues are attributable to revenue measures and other one-time transfers to the general fund proposed in the executive budget as of December, 2010.
<b>Nebraska</b>	Revenue adjustments are transfers between the General Fund and other funds. Among others, this includes a \$110 million transfer from the General Fund to the Property Tax Credit Cash Fund as well as a \$130 million transfer to the General Fund from the Cash Reserve Fund (Rainy Day Fund). Revenue adjustments also include a \$25 million transfer from the General Fund for the University of Nebraska Innovation Campus to jump-start significant new investment in research infrastructure. Expenditure adjustments include a small amount (\$5 million) reserved for deficit/supplemental appropriations.
<b>New Hampshire</b>	Expenditure Adjustments: -102.9 million transfer to the Education Trust Fund.
<b>New York</b>	The ending balance includes \$1.2 billion in rainy day reserve funds, \$346 million reserved for the settlement of prior-year labor agreements, \$36 million reserved for debt reduction and \$21 million reserved for litigation risks.
<b>North Dakota</b>	Revenue adjustments are a \$232.0 million transfer from the permanent oil tax trust fund to the general fund.
<b>Oklahoma</b>	No FY 2012 expenditures have been approved by the legislature at this time. This estimate assumes that all available revenue will be appropriated.
<b>Pennsylvania</b>	Expenditure adjustments reflect a projected transfer of \$1.2 million (25 percent of the ending balance) to the Rainy Day Fund.
<b>Puerto Rico</b>	Includes \$610 million from the Local Stabilization Fund to cover operational expenses.
<b>Rhode Island</b>	Opening balance includes a free surplus of \$16.2 million. Adjustments to revenues reflect transfers to the Budget Stabilization Fund.
<b>South Dakota</b>	Adjustments in Revenues: \$1.0 million addition to revenue is from one-time receipts; \$13.6 million decrease to revenue is a one-time refund of taxes.
<b>Tennessee</b>	Adjustments (Revenues) include -\$43.0 million transfer to Rainy Day Fund. Adjustments (Expenditures) include \$45.0 million transfer to capital outlay projects fund, \$13.1 million transfer to state office buildings and support facilities fund, and \$4.6 million transfer to reserves for dedicated revenue appropriations.
<b>Texas</b>	Adjustment is transfer to Rainy Day Fund.
<b>Utah</b>	Revenue adjustments include: \$7.2 million Transfers to Econ. Dev. Tax Incentive Fund, \$130 million Mandatory Quarterly Estimated Payments, \$141.1 million Reserve from Prior Fiscal Year.
<b>Washington</b>	Fund transfers between General Fund and other accounts, plus an adjustment to reflect a higher beginning balance in the Governor's budget version compared with what is now currently enacted for FY 2011.
<b>West Virginia</b>	Revenues are FY 2012's Official General Revenue Estimate. Expenditures include FY 2012 Regular General Revenue and FY 2012 Surplus Appropriations (which are included in FY 2012's Budget Bill).
<b>Wisconsin</b>	The recommended revenue and appropriation figures are presented as part of 2011 AB 40/SB 27, the Executive Budget Bill currently in session. Revenue adjustments include Tribal Gaming, \$25.7 million; and Other Revenue, \$596.2 million. Expenditure adjustments include Compensation Reserves, \$26.8 million; Legal Settlements Reserve, \$25.0 million; and Estimated Lapses, -\$312.2 million. Transfers into the Budget Stabilization Account are counted as negative revenue for the General Fund, not an expenditure.
<b>Wyoming</b>	WY budgets on a biennial basis. To arrive at annual figures assumptions and estimates were required.

## Notes to Table 7: Budget Cuts Made After Fiscal 2011 Budget Passed

<b>Arizona</b>	Mid-year cuts have yet to be enacted and are only executive recommendations.
<b>Colorado</b>	FY 2010–2011 figure is based on General Assembly's Balancing Package for FY 2010–2011 as of March 18, 2011. Includes JBC placeholders.

<b>Michigan</b>	Revenues and expenditures are being monitored and may warrant budgetary action in fiscal 2011 to revise spending plans.
<b>Missouri</b>	Expenditure restrictions effective July 1, 2010. \$17.5 million expenditure restrictions released in K-12 education in Jan/Feb 2011.
<b>Nebraska</b>	A November 2009 special session and 2010 regular session included cuts to the fiscal 2011 enacted budget. The reduction amounts resulting from the two sessions was included in the response to question 5a of this survey. The Governor's budget revisions recommended during the current legislative session are included in this response. Other than a reduction of state General Funds made due to the availability of the extended ARRA FMAP, no cuts were recommended so none are identified here.
<b>Wisconsin</b>	Wisconsin's shortfall was in appropriations for the state's Medicaid program (\$176.5 million) and Department of Corrections (\$21.5 million). To support the needed appropriation authority, the state restructured a portion of its debt, reduced an enterprise wide lapse requirement, and allocated an additional amount of TANF funds to the state's Earned Income Tax Credit. Increases to employee contributions for pension and health insurance costs were also enacted to reduce state costs. These contribution increases are on hold due to a legal challenge.

### Notes to Table 8: Fiscal 2011 Mid-Year Program Area Cuts

<b>Arizona</b>	Mid-year cuts have yet to be enacted and are only executive recommendations.
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### Notes to Table 9: Fiscal 2012 Recommended Program Area Cuts

<b>Delaware</b>	Transportation funding not included as this is not General Fund
<b>Indiana</b>	The figures reflect the differences between the FY 2011 budget as passed by the Indiana General Assembly and the Governor's recommended FY 2012 budget. More specifically, the FY 2011 figures are appropriations, not expenditures, and do not reflect mid-year actions ordered by Governor Daniels to reduce spending. These FY 2011 spending reductions were incorporated in FY 2012 recommended base appropriation levels. Additionally, the significant increase in Medicaid appropriations is largely attributable to the phase-down of enhanced FMAP levels from the American Recovery and Reinvestment Act.

### Notes to Table 10: Fiscal 2011 Mid-Year Program Area Cuts by Value

<b>Arizona</b>	Mid-year cuts have yet to be enacted and are only executive recommendations.
<b>California</b>	Transportation reductions reflects the reimbursement of the General Fund from weight fee revenues for debt service paid on general obligation transportation bonds.
<b>Colorado</b>	K-12 education includes an ARRA refinancing such that Federal Funds offset the amount of the GF reduction. Higher education funding in the GF was increased in order to refinance the ARRA funds which were used toward K-12. Medicaid funding is net of reductions and increases. All other is net of statewide totals for -\$135 million in GF including JBC placeholders for programs not yet adjusted in FY 2010–2011.
<b>Georgia</b>	Overall budget adjustments were positive, with increases in K-12 education, Public Assistance, Medicaid and transportation.
<b>Louisiana</b>	While funding for the K-12 was reduced, no funding for the Constitutional mandated Minimum Foundation Program was reduced. Mid-Year Cuts to HIED were due to Executive Order Reductions. Funding reduction in Title XIX was achieved through acceleration of transitioning citizens with developmental disabilities into private facilities. There was also a reduction in Clawback payments for dual eligibles due to the extension of enhanced FMAP. Funding was reduced in Corrections Services and the Office of Juvenile Justice in Professional Services, Supplies, Operating Services, Salaries, and Related Benefits. No mid-year reductions were made to Transportation.



## Notes to Table 11: Fiscal 2012 Recommended Program Area Adjustments by Value

<b>Arizona</b>	Higher education includes universities and community colleges. Transportation had no GF cuts because it only receives \$54,600 GF funding.
<b>California</b>	K-12 does not include Proposition 98 settle-up payments. Transportation reflects an increase in transportation and housing bond debt service.
<b>Colorado</b>	The Governor's March 29, 2011 letter seeks to use \$23.3M CF from the State Education Fund to offset this reduction in FY 2011–2012.
<b>Connecticut</b>	Spending for Corrections is skewed because the Reserve for Salary Adjustment amount is not accounted for in the FY 2011 appropriation.
<b>Indiana</b>	The figures reflect the differences between the FY 2011 budget as passed by the Indiana General Assembly and the Governor's recommended FY 2012 budget. More specifically, the FY 2011 figures are appropriations, not expenditures, and do not reflect mid-year actions ordered by Governor Daniels to reduce spending. These FY 2011 spending reductions were incorporated in FY 2012 recommended base appropriation levels. Additionally, the significant increase in Medicaid appropriations is largely attributable to the phase-down of enhanced FMAP levels from the American Recovery and Reinvestment Act.
<b>Louisiana</b>	K-12 change is primarily due to funding the Constitutional mandated Minimum Foundation Program. Higher education funding change is due to statewide mandated cost and non-formula funding with-in HIED. Medicaid funding change is due to ARRA replacement and other one-time federal funding reductions in Corrections Services, Office of Juvenile Justice, Local Housing of State Adult Offenders, and Local Housing of Juvenile Offenders due to reductions in personnel at correctional facilities, the privatization of two correctional facilities, the implementation of efficiencies and cost-savings measures, and a reduction of offenders housed in local correctional facilities due to the implementation of a law providing for credit for time served for good behavior while on parole. No State General Fund for Transportation and Development.
<b>Maryland</b>	Amount does not equal the change in expenditures listed in tables 4 and 5 because the table reflects a comparison to the FY 2011 enacted budget. Adjustments from deficiency appropriations and anticipated specific reversions are included that were not a part of the FY 2011 enacted budget. FY 2012 figures are from the proposed budget as program area detail for the enacted budget is not available.
<b>Michigan</b>	Budget adjustments for K-12 education are included in the restricted School Aid Fund, separate from the general fund. Therefore this survey does not reflect School Aid decreases of \$538.1 million. Additionally, fiscal 2012 recommended budget adjustments do not include shifts between general fund and restricted revenue sources of funding. Recommended general fund increases include nearly \$900 million in general fund revenues to replace one-time federal revenues not available for fiscal 2012.
<b>Minnesota</b>	FY 2011 includes \$827 million one-time school payment and shift savings. Additionally, FY 2011 includes \$802 million FMAP funding.
<b>Montana</b>	Adjustments (increase) to K-12 recommended funding is adjusted for Otter Creek coal bonus payment which was accepted in the 2011 biennium. This bonus payment reduced general fund for K-12 schools on a one-time-only basis during the 2011 biennium.
<b>New Jersey</b>	Medicaid changes are due mainly to the Recovery Act.
<b>New York</b>	Not reflected in the estimates used to calculate year-to-year spending changes is the deferral of the end-of-year school aid payment (\$2.06 billion) from March 2010 to the statutory deadline of June 1, 2010, which was done to carry-forward the 2009–10 budget shortfall into 2010-2011, and the phasing-out of extraordinary Federal aid from the American Recovery and Reinvestment Act (ARRA), which will shift approximately \$5 billion in Medicaid and Education costs back to the General Fund in 2011–2012.
<b>Pennsylvania</b>	Reflects the difference between the 2012 recommended budget and the 2011 enacted budget amount including Federal ARRA funds appropriated from the enhanced Federal Medical Assistance Percentage, State Fiscal Stabilization Fund and Education Jobs Fund.
<b>Puerto Rico</b>	All other includes police, municipalities, electoral activities, health, and justice.



**Vermont** This is General Fund to General Fund increase and does not reflect lost ARRA funds which were part of FY 2011 base. GF expenditures were reduced by \$83 million versus FY 2012 expected base.

## Notes to Table 13: Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 2011

<b>Arizona</b>	Other actions include payment deferral, temporary revenue increase, lottery revenue bonds, First Things First fund borrowing.
<b>California</b>	The University of California Board of Regents and the California State University Board of Trustees approved fee increases for 2010–11 and 2011–12, in part due to budgetary reductions. The 2011–12 Proposed Budget includes a fee increase for California Community Colleges beginning in the fall 2011. Layoffs could be used if departments determine to use as part of their Workforce Cap. For K-12 Education, both the 2010–11 Enacted and the 2011–12 Proposed Budgets included deferrals of general purpose funding for local education agencies and targeted cuts primarily in child care and development. The 2010–11 Enacted and the 2011–12 Proposed Budgets include deferrals of general purpose funding for community college districts. Other actions also include suspended mandates, fund shift and the realignment of mental health services to counties.
<b>Colorado</b>	Salary reductions includes PERA swap. Targeted cuts include personal services and operating reductions, mileage, and PERA swap, among others. Reductions in local aide includes severance tax reductions.
<b>Connecticut</b>	Other actions include a travel ban, rescissions, fund transfers
<b>Georgia</b>	Minimum furloughs at agency discretion with a maximum of six days.
<b>Hawaii</b>	Other actions include transfer of excess balances from non-general funds.
<b>Illinois</b>	Other actions include tax amnesty payments of \$266 million.
<b>Kentucky</b>	Other actions include Stimulus Funds—State Fiscal Stabilization Funds.
<b>Maine</b>	Other strategies include Hiring freeze, tax collection enhance, transfer from other funds.
<b>Maryland</b>	Other actions include transfer of balance and interest from special funds to the general fund and transfer of fund balance from public higher education institutions.
<b>Michigan</b>	Other fiscal 2011 strategies include retirement incentives for state and public school employees, a tax amnesty program, unclaimed property tax reforms (escheats), liquor reforms, debt restructuring, reductions in university operations, and an increased Federal Medical Assistance Percentage (FMAP) rate through June 2011.
<b>Nebraska</b>	The Governor and Legislature have previously closed a budget gap for the 2009–2011 biennium during a November 2009 special session and then further during the 2010 legislative session. The strategies used to reduce appropriations during these two sessions are included in this response for FY2011. The designation of “Other” represents transfers to the General Fund during FY2011 from agency cash funds.
<b>New Jersey</b>	Other actions include change in available tax credits.
<b>New York</b>	Early Retirement—FY 2011: The Enacted Budget included workforce savings of \$250 million, expected to be achieved in part through an optional time-limited early retirement incentive offered to employees that met certain age and service requirements, which was subject to DOB-approved agency plans. Reduce Local Aid—FY 2011: The 2010–11 Enacted Budget included, in addition to specifically allocated local assistance reductions, an FMAP Contingency Plan requiring a mid-year local assistance reduction, uniformly allocated across all State funded local assistance appropriations (excluding constitutional exemptions), in order to close the difference between the assumed value of the FMAP extension at the time the Budget was enacted, and the actual benefit received upon passage by the Federal government. Other—FY 2011: The State benefitted from a six-month FMAP extension authorized by Congress and signed into law by the President in August 2010; additional revenue actions which included modifications to personal income taxes and a reduced dormancy period for abandoned property; the option to amortize pension contribution costs in excess of the amortization threshold, to be paid over a ten-year period at an interest rate to be determined by the State Comptroller; audit and overpayment recoveries; additional sweeps to available fund balances.

<b>Pennsylvania</b>	Other strategies include \$2.7 billion in Federal ARRA funds, \$387.8 million in Federal Education Jobs funds and various one-time revenues.
<b>Puerto Rico</b>	Other actions include Alcohol, cigarettes, and temporary excise taxes.
<b>Rhode Island</b>	Salary cuts include four pay reduction days and a six month delay of the 3 percent cost of living increase achieved through labor negotiations. Benefit cuts include health insurance co-pay increased. Across the board cuts include a 0.5 percent reduction in personnel funding and a 0.5 percent reduction in operating expenditures.
<b>Tennessee</b>	Other actions include one-time revenue and reserves.
<b>West Virginia</b>	Use onetime surplus from General Revenue and Lottery Funds from previous fiscal years.
<b>Wisconsin</b>	Other actions include restructuring debt.

### **Notes to Table 14: Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 2012 Proposed**

<b>Arizona</b>	Other actions include payment deferral, temporary revenue increase, lottery revenue bonds, First Things First fund borrowing.
<b>California</b>	The University of California Board of Regents and the California State University Board of Trustees approved fee increases for 2010–11 and 2011–12, in part due to budgetary reductions. The 2011–12 Proposed Budget includes a fee increase for California Community Colleges beginning in the fall 2011. Layoffs could be used if departments determine to use as part of their Workforce Cap. For K-12 Education, both the 2010–11 Enacted and the 2011–12 Proposed Budgets included deferrals of general purpose funding for local education agencies and targeted cuts primarily in child care and development. The 2010–11 Enacted and the 2011–12 Proposed Budgets include deferrals of general purpose funding for community college districts. Other actions also include suspended mandates, fund shift and the realignment of mental health services to counties.
<b>Colorado</b>	Salary reductions includes PERA swap. Targeted cuts include personal services and operating reductions, mileage, and PERA swap, among others. Reductions in local aide includes severance tax reductions.
<b>Hawaii</b>	Other actions include diversion of special fund revenues to the general fund.
<b>Idaho</b>	Other actions includes transfers from other funds: Non-endowed Millennium Fund—\$21,959,000, Liquor Division—\$8,000,000, Judicial Branch cash transfer—\$276,500, and Permanent Building Fund—\$10,000,000. Delayed phase 4 of the Grocery Tax Credit for a saving of \$15 million.
<b>Illinois</b>	Other actions include debt restructuring proposal.
<b>Maine</b>	Other strategies include Hiring freeze, tax collection enhance, transfer from other funds.
<b>Maryland</b>	Other actions include transfer of balance and interest from special funds to the general fund.
<b>Michigan</b>	Other fiscal 2012 strategies include reducing university operations; shifting a portion of higher education spending from general fund to School Aid Fund revenue; closing state facilities including a prison, state police posts and dispatch facilities; establishing a 48-month time limit for Family Independent Program clients; reforming employee compensation (specifics to be negotiated); eliminating/reducing revenue sharing payments to local government units; establishing a health care insurance claims assessment in anticipation of federal action to phase-out the existing use tax on Medicaid health maintenance organizations.
<b>Minnesota</b>	Other actions include K-12 payment shift / cash flow account.
<b>New Mexico</b>	Other actions include reductions in force from restructuring/agency consolidation.

<b>New York</b>	Layoffs—FY 2012: The Executive Budget proposes to redesign Agency service delivery, which includes, but is not limited to, facility closures reflecting excess capacity conditions, operational efficiencies, and wage and benefit changes negotiated with the State’s employee unions. If the State is unsuccessful in negotiating changes, significant layoffs would be necessary to achieve the State agency savings expected in the Financial Plan. Salary Reductions—FY 2012: The Executive Budget proposes to redesign Agency service delivery through several means including, but not limited to, wage changes negotiated with the State’s employee unions. It is unclear if negotiated changes would result in salary reductions. Cuts to State Employee Benefits—FY 2012: The Executive Budget proposes to redesign Agency service delivery through several means including, but not limited to, benefit changes negotiated with the State’s employee unions. It is unclear if negotiated changes would result in cuts to State employee benefits. Other—FY 2012: Additional revenue actions including tax modernization initiatives and improving voluntary compliance, increasing the level of resources available from abandoned property and withholding tax debts from certain Lottery winnings; sweeping additional available fund balances from other State funds to the General Fund; other non-recurring measures.
<b>Pennsylvania</b>	Other strategies include \$140 million in Tobacco Settlement Funds.
<b>Puerto Rico</b>	Other actions include Alcohol, cigarettes, and temporary excise taxes.
<b>Rhode Island</b>	User fees increase Beach fees, reinstitute hospital licensing fees at 5.465 percent on 2009 Base Year, and institute fee for background checks for DCYF. Transportation fees include requiring Driving Record Abstracts every 3 years and charge a NSF check return fee. Business related fees include an increase of Security Sales Rep License fees, increase Federal Covered Advisor Fees, increase Fees for Fire Inspections, increase estate tax filing fee, increase letter of good standing fee, and impose a surcharge on Compassion Center Revenues. Across the board cuts include a 3 percent reduction in personnel funding for a all cabinet-level agencies and a 2 percent reduction in personnel funding for elected officials, the Judiciary and Legislature and a 1 percent reduction in operating expenditures was taken.
<b>Tennessee</b>	Other actions include Base Budget Reductions.
<b>Texas</b>	Other actions include state land sales; improve debt collections.
<b>West Virginia</b>	Use onetime surplus from General Revenue and Lottery Funds from previous fiscal years.
<b>Wisconsin</b>	Other actions include restructuring debt.

### **Notes to Table 15: Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 2013 Proposed**

<b>Delaware</b>	Estimates on any potential FY 2013 budget gap have not been established.
<b>Hawaii</b>	Other actions include diversion of special fund revenues to the general fund.
<b>Maine</b>	Other strategies include Hiring freeze, tax collection enhance, transfer from other funds.
<b>Maryland</b>	Other actions include transfer of interest from special funds to the general fund.
<b>Michigan</b>	Other fiscal 2013 strategies include a recommended two-year budget plan with permanent fiscal 2012 solutions that generate an ending balance sufficient to offset the projected fiscal 2013 budget gap.
<b>Minnesota</b>	Other actions include K-12 payment shift / cash flow account.
<b>Tennessee</b>	Other actions include Base Budget Reductions.
<b>Texas</b>	Other actions include state land sales; improve debt collections.
<b>West Virginia</b>	Use onetime surplus from General Revenue and Lottery Funds from previous fiscal years.

# STATE REVENUE DEVELOPMENTS

## CHAPTER TWO

### Overview

State general fund revenue collections are forecast to increase in fiscal 2012, the second consecutive annual increase. However, state finances can take many years to fully recover from recessions, as was the case after the 2001 recession. Combining this typical lag time and the slow recovery of the national economy means that state general fund revenue collections remain below their 2008 highs, even after two consecutive annual increases.

### Revenues

According to the Rockefeller Institute of Government, total revenue collections increased in every quarter of calendar year (CY) 2010, at 2.6, 2.2, 4.9, and 7.8 percent respectively. These increases were preceded by five consecutive quarters of decline from 2008-2009, with the first, second and third quarters of 2009 showing double digit declines<sup>1</sup>. The extent of these earlier double digit declines is evident as CY 2010 revenue collections were \$60 billion or 7.8 percent below levels reported in CY 2008 even after the four consecutive quarterly increases.

General fund revenues are forecast to increase in fiscal 2012 based on governors' recommended budgets to \$655.6 billion, a 2.1 percent increase from fiscal 2011 levels. General fund revenue collections also increased 5.9 percent in fiscal 2011. Even after the 2012 and 2011 increases, general fund revenues will remain 3.6 percent below the \$680.2 billion collected in fiscal 2008.

Revenue collections of sales, personal income, and corporate income tax collections, which make up approximately 80 percent of general fund revenue, are estimated to be \$504.7 billion in fiscal 2011, 6.4 percent above 2010 levels. States' proposed budgets for fiscal 2012 show an increase in these revenues with collections of \$524.4 billion, a 3.9 percent rise compared to fiscal 2011. However, when compared to fiscal 2008 collections of sales, personal income, and corporate income taxes represent a 3.1 percent decline. (See Tables 18 and 19).

This positive revenue growth turnaround is also evident when analyzing how revenue collections from all sources, which include sales, personal income, corporate income and all other taxes and fees, compare to what states originally forecasted. In the spring of 2010, 46 states reported that their revenue collections were below their original forecast for fiscal 2010, while two states were on target and two states were above previous estimates. However, for fiscal 2011, 22 states are exceeding original forecasts, while 11 are on target, and 17 states are below forecasts. This suggests that some states could finish fiscal 2011 with slight surpluses. While any surplus is a positive sign, such surpluses are more likely the result of cuts in spending from previous fiscal years as well as conservative revenue forecasts (See Tables 16 and 17).

### Estimated Collections in Fiscal 2011

Collections of sales, personal income, and corporate income taxes during fiscal 2011 were 6.4 percent above fiscal 2010 collections. Specifically, sales tax collections were 4.9 percent higher and personal income tax collections were 6.6 percent higher than collections in fiscal 2010. Corporate income tax collections rose by 12.8 percent relative to actual fiscal 2010 collections. (See Table 20).

### Forecasted Collections in Fiscal 2012

Based on governors' recommended budgets for fiscal 2012, states are projecting a 3.9 percent increase in sales, personal income, and corporate income tax collections relative to fiscal 2011. Specifically, sales tax collections are expected to increase by 0.3 percent, while personal income tax collections are forecast to increase by 6.8 percent. Corporate income tax collections are projected to increase 4.3 percent.

<sup>1</sup>Dadayan, Lucy and Boyd, Donald J. State Revenue Report. The Nelson A. Rockefeller Institute of Government. April 2011. <http://bit.ly/jAOZxJ>

**TABLE 16**

**Number of States With Revenues Higher, Lower, and On Target with Projections\***

	Original Fiscal 2011	Most Recent Fiscal 2011
Lower	17	2
On Target	11	31
Higher	22	13

*\*Original Fiscal 2011 reflects whether revenues from all sources thus far have come in higher, lower, or on target with original projections. Most Recent Fiscal 2011 reflects whether revenues from all sources thus far have been coming in higher, lower, or on target with a state's most recent projection.*

TABLE 17

## Fiscal 2011 Tax Collections Compared With Projections Used in Adopting Fiscal 2011 Budgets (Millions)\*\*

Region/State	Sales Tax		Personal Income Tax		Corporate Income Tax		Revenue Collection***
	Original Estimate	Current Estimate	Original Estimate	Current Estimate	Original Estimate	Current Estimate	
Alabama	\$1,869	\$1,945	\$2,691	\$2,694	\$531	\$321	L
Alaska	NA	NA	NA	NA	669	525	H
Arizona	3,616	3,473	2,478	2,577	448	531	L
Arkansas	2,087	2,090	2,203	2,204	344	347	T
California	27,044	26,709	47,127	47,784	10,897	11,509	L
Colorado*	2,010	1,933	4,609	4,604	342	368	T
Connecticut	3,165	3,342	6,683	6,894	663	661	H
Delaware	NA	NA	849	972	79	175	H
Florida	16,789	16,513	NA	NA	1,881	1,908	T
Georgia	5,254	5,049	7,282	7,433	602	611	T
Hawaii	2,496	2,425	1,349	1,224	37	51	L
Idaho	989	965	1,171	1,127	133	123	H
Illinois	6,290	6,430	9,624	12,540	1,902	2,082	H
Indiana	6,438	6,214	4,547	4,390	819	673	L
Iowa	2,228	2,370	3,226	3,361	341	412	H
Kansas	2,242	2,280	2,577	2,577	255	260	T
Kentucky	2,919	2,919	3,300	3,300	235	235	T
Louisiana	2,402	2,583	2,466	2,621	372	200	H
Maine	963	963	1,316	1,370	156	196	L
Maryland	3,667	3,708	6,292	6,339	514	611	T
Massachusetts	4,897	4,905	10,704	10,927	1,397	1,829	H
Michigan	6,261	6,357	5,538	5,741	2,191	2,110	H
Minnesota	4,492	4,567	7,342	7,261	799	990	T
Mississippi	1,765	1,781	1,353	1,361	393	419	H
Missouri	1,746	1,770	4,522	4,572	310	310	L
Montana	59	65	853	758	121	114	L
Nebraska	1,365	1,350	1,630	1,600	185	176	L
Nevada	849	787	NA	NA	NA	NA	L
New Hampshire	NA	NA	NA	NA	261	256	L
New Jersey	8,353	8,225	9,855	10,076	2,455	2,591	T
New Mexico	1,809	1,740	1,123	1,055	216	220	L
New York	10,775	10,751	36,897	35,799	5,714	5,664	L
North Carolina	5,691	6,032	9,543	9,499	1,018	1,016	H
North Dakota	599	734	334	317	119	95	H
Ohio	7,267	7,520	7,568	7,900	132	175	H
Oklahoma	1,584	1,665	1,703	1,714	172	190	H
Oregon	NA	NA	6,050	5,515	508	488	L
Pennsylvania	8,337	8,504	10,125	10,134	1,847	1,854	H
Rhode Island	787	806	938	937	119	123	H
South Carolina	2,137	2,224	2,559	2,767	153	185	H
South Dakota	671	704	NA	NA	NA	NA	L
Tennessee	6,249	6,407	186	183	1,476	1,491	H
Texas*	23,989	21,508	NA	NA	NA	NA	L
Utah	1,575	1,558	2,247	2,201	253	307	H
Vermont	214	216	527	534	66	81	H
Virginia	2,881	3,015	9,588	9,662	793	782	T
Washington	7,768	7,136	NA	NA	NA	NA	T
West Virginia	1,125	1,125	1,491	1,491	210	210	H
Wisconsin	4,321	4,150	6,432	6,350	808	935	L
Wyoming	433	439	NA	NA	NA	NA	H
TERRITORIES							
Puerto Rico	604	555	2,812	2,348	1,667	1,566	T
<b>Total</b>	<b>\$210,467</b>	<b>\$207,949</b>	<b>\$248,894</b>	<b>\$252,361</b>	<b>\$42,934</b>	<b>\$44,407</b>	<b>-</b>

NOTES: NA indicates data are not available because, in most cases, these states do not have that type of tax. \*See Notes to Table 17. \*\*Unless otherwise noted, original estimates reflect the figures used when the fiscal 2011 budget was adopted, and current estimates reflect preliminary actual tax collections. \*\*\*Refers to whether preliminary actual fiscal 2011 collections of Sales, Personal Income and Corporate Taxes were higher than, lower than, or on target with original estimates. Key: L=Revenues lower than estimates. H=Revenues higher than estimates. T=Revenues on target. \*\*\*\*Totals include only those states with data for both original and current estimates for fiscal 2011

TABLE 18

## Comparison of Tax Collections in Fiscal 2010, Fiscal 2011, and Recommended Fiscal 2012\*\*

Region/State	Sales Tax			Personal Income Tax			Corporate Income Tax		
	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2010	Fiscal 2011	Fiscal 2012
Alabama	\$1,852	\$1,945	\$2,022	\$2,586	\$2,694	\$2,785	\$415	\$321	\$321
Alaska	NA	NA	NA	NA	NA	NA	528	525	640
Arizona	3,423	3,473	3,608	2,416	2,577	2,886	413	531	602
Arkansas	1,966	2,090	2,162	2,091	2,204	2,277	362	347	359
California*	26,741	26,709	24,050	44,848	47,784	49,741	9,115	11,509	10,966
Colorado	1,825	1,933	1,888	4,084	4,604	4,666	372	368	403
Connecticut	3,204	3,342	3,431	6,586	6,894	7,457	667	661	649
Delaware	NA	NA	NA	853	972	1,049	88	175	144
Florida	16,015	16,513	17,436	NA	NA	NA	1,790	1,908	2,112
Georgia	4,865	5,049	5,333	7,016	7,433	7,944	685	611	673
Hawaii	2,316	2,425	2,590	1,528	1,224	1,487	59	51	51
Idaho	956	965	1,044	1,062	1,127	1,205	97	123	136
Illinois	6,308	6,430	6,610	9,430	12,540	16,389	1,649	2,082	3,192
Indiana	5,915	6,214	6,518	3,876	4,390	4,774	592	673	687
Iowa	2,293	2,370	2,450	3,236	3,361	3,412	389	412	454
Kansas	1,858	2,280	2,385	2,418	2,577	2,705	225	260	275
Kentucky	2,794	2,919	3,031	3,154	3,300	3,470	238	235	237
Louisiana	2,363	2,583	2,672	2,212	2,621	2,815	175	200	255
Maine	954	963	1,005	1,298	1,370	1,475	175	196	210
Maryland*	3,523	3,708	3,863	6,178	6,339	6,674	689	611	622
Massachusetts	4,612	4,905	5,086	10,110	10,927	11,578	1,600	1,829	1,763
Michigan	6,177	6,357	6,542	5,381	5,741	5,761	1,854	2,110	2,170
Minnesota	4,177	4,567	4,511	6,531	7,261	7,819	664	990	772
Mississippi	1,781	1,781	1,817	1,340	1,361	1,389	403	419	432
Missouri	1,732	1,770	1,823	4,434	4,572	4,815	288	310	331
Montana	66	65	66	718	758	785	88	114	129
Nebraska	1,290	1,350	1,400	1,515	1,600	1,660	154	176	200
Nevada	784	787	796	NA	NA	NA	NA	NA	NA
New Hampshire	NA	NA	NA	NA	NA	NA	259	256	273
New Jersey	7,898	8,225	8,560	10,323	10,076	10,528	2,275	2,591	2,804
New Mexico	1,634	1,740	1,810	957	1,055	1,095	125	220	260
New York	9,871	10,751	11,208	34,752	35,799	38,659	5,371	5,664	6,101
North Carolina	5,565	6,032	5,270	9,048	9,499	9,921	1,198	1,016	988
North Dakota	610	734	737	302	317	301	88	95	97
Ohio	6,995	7,520	7,929	7,479	7,900	8,098	100	175	195
Oklahoma	1,516	1,665	1,735	1,655	1,714	1,830	168	190	204
Oregon	NA	NA	NA	4,943	5,515	5,848	354	488	424
Pennsylvania	8,029	8,504	8,659	9,969	10,134	10,812	1,791	1,854	2,031
Rhode Island	803	806	824	898	937	948	147	123	131
South Carolina	2,191	2,224	2,246	2,171	2,767	2,767	110	185	188
South Dakota	652	704	720	NA	NA	NA	NA	NA	NA
Tennessee*	6,158	6,407	6,633	173	183	201	1,400	1,491	1,544
Texas*	19,360	21,508	19,979	NA	NA	NA	NA	NA	NA
Utah	1,403	1,558	1,517	2,105	2,201	2,325	258	307	315
Vermont	207	216	225	498	534	595	63	81	78
Virginia	3,083	3,015	3,116	9,088	9,662	10,220	807	782	833
Washington	6,840	7,136	7,649	NA	NA	NA	NA	NA	NA
West Virginia	1,096	1,125	1,179	1,447	1,491	1,647	233	210	174
Wisconsin	3,944	4,150	4,350	6,089	6,350	6,634	835	935	891
Wyoming	413	439	455	NA	NA	NA	NA	NA	NA
TERRITORIES									
Puerto Rico	539	555	680	2,575	2,348	2,109	1,678	1,566	1,515
<b>Total***</b>	<b>\$198,327</b>	<b>\$207,949</b>	<b>\$208,676</b>	<b>\$236,796</b>	<b>\$252,361</b>	<b>\$269,444</b>	<b>\$39,353</b>	<b>\$44,407</b>	<b>\$46,315</b>

NOTES: NA indicates data are not available because, in most cases, these states do not have that type of tax. \*See Notes to Table 18. \*\* Unless otherwise noted, fiscal 2010 figures reflect actual tax collections, 2011 figures reflect estimated tax collections estimates, and fiscal 2012 figures reflect the estimates used in recommended budgets. \*\*\*Totals include only those states with data for all years.

TABLE 19

## Percentage Change Comparison of Tax Collections in Fiscal 2010, Fiscal 2011, and Recommended Fiscal 2012\*\*

State	Sales Tax			Personal Income Tax			Corporate Income Tax		
	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2010	Fiscal 2011	Fiscal 2012
Alabama	1.6%	5.0%	4.0%	-3.6%	4.2	3.4%	-7.3	-22.6%	0.0%
Alaska	NA	NA	NA	NA	NA	NA	-13.9	-0.6	21.9
Arizona	-8.9	1.5	3.9	-5.9	6.6	12.0	-30.2	28.6	13.3
Arkansas	-5.5	6.3	3.4	-6.6	5.4	3.3	12.0	-4.1	3.4
California	12.6	-0.1	-10.0	3.4	6.5	4.1	-4.4	26.3	-4.7
Colorado	-5.5	5.9	-2.3	-5.8	12.7	1.3	27.2	-1.0	9.3
Connecticut	-3.5	4.3	2.7	3.1	4.7	8.2	8.3	-1.0	-1.7
Delaware	NA	NA	NA	-6.3	13.9	7.9	-30.5	99.1	-17.7
Florida	-3.1	3.1	5.6	NA	NA	NA	-2.4	6.6	10.7
Georgia	-8.3	3.8	5.6	-10.2	5.9	6.9	-1.4	-10.8	10.2
Hawaii	4.2	4.7	6.8	14.1	-19.8	21.4	10.7	-14.0	1.0
Idaho	-6.5	1.0	8.2	-9.1	6.1	6.9	-31.2	26.9	10.6
Illinois	-6.9	1.9	2.8	2.2	33.0	30.7	-3.6	26.3	53.3
Indiana	-3.9	5.1	4.9	-10.2	13.3	8.7	-29.4	13.6	2.1
Iowa	-1.5	3.3	3.4	-2.8	3.9	1.5	-6.6	5.9	10.3
Kansas	-3.5	22.7	4.6	-9.8	6.6	5.0	-6.4	15.6	5.8
Kentucky	-2.2	4.5	3.8	-4.9	4.6	5.2	-11.2	-1.3	0.9
Louisiana	-23.1	9.3	3.4	-25.4	18.5	7.4	-78.8	14.4	27.5
Maine	-2.1	0.9	4.4	4.5	5.6	7.6	22.5	11.6	7.2
Maryland	-2.7	5.3	4.2	-4.6	2.6	5.3	25.2	-11.3	1.7
Massachusetts	19.2	6.4	3.7	-4.5	8.1	6.0	3.3	14.3	-3.6
Michigan	1.4	2.9	2.9	-8.1	6.7	0.4	-18.9	13.8	2.8
Minnesota	-3.8	9.3	-1.2	-6.5	11.2	7.7	-6.3	49.1	-22.0
Mississippi	-7.3	0.0	2.0	-9.1	1.5	2.1	-4.5	4.0	3.0
Missouri	-4.5	2.2	3.0	-9.1	3.1	5.3	-19.6	7.7	6.8
Montana	15.4	-1.5	1.1	-11.9	5.6	3.6	-47.2	29.9	12.6
Nebraska	-2.7	4.7	3.7	-5.3	5.6	3.8	-22.3	14.1	13.6
Nevada	-8.7	0.3	1.2	NA	NA	NA	NA	NA	NA
New Hampshire	NA	NA	NA	NA	NA	NA	2.7	-10.0	6.8
New Jersey	-4.4	4.1	4.1	-1.5	-2.4	4.5	-19.0	13.9	8.2
New Mexico	-29.2	6.5	4.0	-0.2	10.3	3.8	-23.0	75.9	18.2
New York	-3.9	8.9	4.3	-5.7	3.0	8.0	-3.3	5.5	7.7
North Carolina	19.0	8.4	-12.6	-4.5	5.0	4.4	43.4	-15.2	-2.8
North Dakota	-2.0	20.3	0.4	-19.6	5.1	-5.0	-11.2	8.5	1.7
Ohio	-1.7	7.5	5.4	-2.0	5.6	2.5	-80.8	75.0	11.4
Oklahoma	-7.9	9.9	4.2	-15.5	3.5	6.8	-36.9	13.2	7.6
Oregon	NA	NA	NA	-3.4	11.6	6.0	45.0	37.9	-13.0
Pennsylvania	-1.3	5.9	1.8	-2.3	1.7	6.7	-9.5	3.5	9.6
Rhode Island	-0.6	0.3	2.3	-4.5	4.3	1.2	40.6	-16.0	6.2
South Carolina	-2.5	1.5	1.0	-6.7	27.5	0.0	-47.1	68.3	1.7
South Dakota	-1.0	8.0	2.2	NA	NA	NA	NA	NA	NA
Tennessee	-2.6	4.0	3.5	-21.7	6.0	10.0	2.8	6.5	3.5
Texas	-6.1	9.6	-8.3	NA	NA	NA	NA	NA	NA
Utah	-9.3	11.0	-2.6	-10.0	4.6	5.6	-3.9	18.6	2.8
Vermont	-3.1	3.9	4.2	-6.1	7.3	11.3	-5.1	28.3	-3.1
Virginia	6.2	-2.2	3.3	-4.1	6.3	5.8	24.5	-3.1	6.6
Washington	-6.7	4.3	7.2	NA	NA	NA	NA	NA	NA
West Virginia	-5.4	2.7	4.8	-12.5	3.1	10.4	-18.2	-10.0	-17.2
Wisconsin	-3.4	5.2	4.8	-2.1	4.3	4.5	32.6	12.0	-4.7
Wyoming	-16.1	6.3	3.6	NA	NA	NA	NA	NA	NA
TERRITORIES									
Puerto Rico	-39.8	3.0	22.5	-1.5	-8.8	-10.2	23.0	-6.7	-3.3
<b>Total***</b>	<b>-1.6%</b>	<b>4.9%</b>	<b>0.3%</b>	<b>-3.5%</b>	<b>6.6%</b>	<b>6.8%</b>	<b>-6.8%</b>	<b>12.8%</b>	<b>4.3%</b>

NOTES: NA indicates data are not available because, in most cases, these states do not have that type of tax. \*See Notes to Table 19. \*\* Unless otherwise noted, fiscal 2010 figures reflect actual tax collections, 2011 figures reflect estimated tax collections estimates, and fiscal 2012 figures reflect the estimates used in recommended budgets. \*\*\*Totals include only those states with data for all years.



## Recommended Fiscal 2012 Revenue Changes

Governors' recommended \$13.8 billion in net revenue changes for fiscal 2012. However, it is important to note that a significant share of this increase comes from Connecticut, Minnesota, and the extension of expiring rates in California. In all, 12 states are proposing a net increase and 12 states are proposing net decreases. In addition to these tax and fee changes, states also proposed \$2.8 billion in new revenue measures. These measures enhance general fund revenue but do not affect taxpayer liability and may rely on enforcement of existing laws, additional audits and compliance efforts, and increasing fines for late filings. (See Table 21). Previously, in fiscal 2011, states enacted \$6.2 billion in tax and fee changes. Specifically, 24 states enacted net increases while 6 states enacted net decreases. States also enacted an additional \$2.8 billion in revenue measures for fiscal 2011. Additionally, in reaction to the significant reductions in revenue during the recession, states enacted \$23.9 billion in tax and fee changes in fiscal 2010 along with \$7.7 billion in other revenue measures.

The largest proposed change will occur in sales taxes (\$6.1 billion). Additional tax and fee increases proposed include increases of \$5.9 billion in personal income taxes, 1.3 billion in fees, \$955 million in other taxes, \$54.3 million in cigarette taxes, \$51.6 million in motor fuel taxes, and alcohol taxes are projected to increase by \$94.0 million. Corporate income taxes are expected to decrease \$537.2 million.

**Sales Taxes**—Seven states recommended sales tax increases while three proposed decreases in their fiscal 2012 budgets.

The result is a net revenue increase of \$6.1 billion. Much of this change is due to the proposed extension of sales tax rates in California.

**Personal Income Taxes**—Six states proposed personal income tax increases while seven recommended decreases for a net increase of \$5.9 billion. Much of this change is due to proposed increases in California, Connecticut, Michigan, and Minnesota.

**Corporate Income Taxes**—Five states recommended corporate income tax increases while nine proposed decreases in their fiscal 2012 budgets for a net decrease of \$537.2 billion. Elimination of taxes in Michigan and Florida were most responsible for the net decrease.

**Cigarette and Tobacco Taxes**—One state proposed a cigarette tax increase for a net increase of \$54.3 million.

**Motor Fuel Taxes**—One state recommended a motor fuel tax increase for a net increase of \$51.6 million.

**Alcohol Taxes**—Two states proposed alcohol tax increases for a net increase of \$94.0 million.

**Other Taxes**—Seven states recommended other tax increases while seven states proposed decreases in their fiscal 2012 budgets for a net increase of \$955.2 million.

**Fees**—Seven states proposed fee increases in their fiscal 2012 budgets, while one state proposed decreases for a net increase of \$1.3 billion.

**TABLE 20**

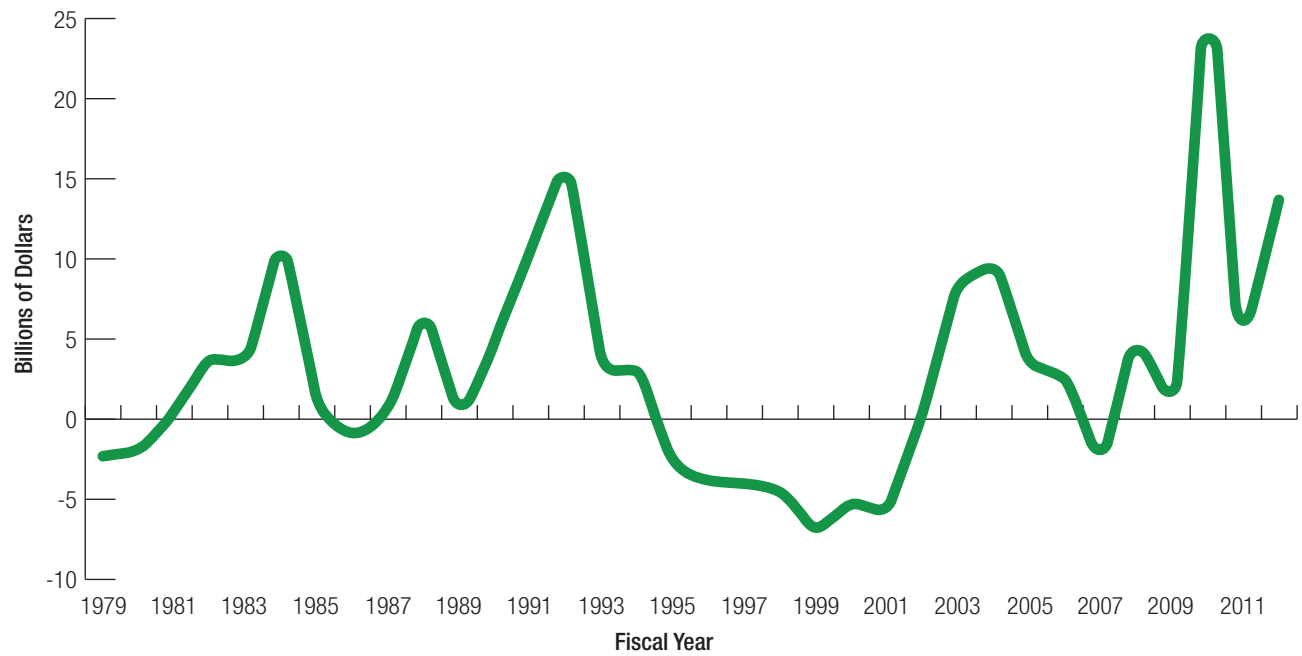
**Enacted State Revenue Changes,  
Fiscal 1980 to Fiscal 2011 and Proposed State  
Revenue Actions, Fiscal 2012**

Fiscal Year	Revenue Change (Billions)
2012	\$13.8
2011	6.2
2010	23.9
2009	1.5
2008	4.5
2007	-2.1
2006	2.5
2005	3.5
2004	9.6
2003	8.3
2002	0.3
2001	-5.8
2000	-5.2
1999	-7.0
1998	-4.6
1997	-4.1
1996	-3.8
1995	-2.6
1994	3.0
1993	3.0
1992	15.0
1991	10.3
1990	4.9
1989	0.8
1988	6.0
1987	0.6
1986	-1.1
1985	0.9
1984	10.1
1983	3.5
1982	3.8
1981	0.4
1980	-2.0

*SOURCES: Advisory Commission on Intergovernmental Relations, Significant Features of Fiscal Federalism, 1985-86 edition, page 77, based on data from the Tax Foundation and the National Conference of State Legislatures. Fiscal 1988-2012 data provided by the National Association of State Budget Officers.*



**FIGURE 3:**  
**Enacted State Revenue Changes, Fiscal 1980 to Fiscal 2011 and Proposed State Revenue Actions, Fiscal 2012**



SOURCE: National Association of State Budget Officers.

**TABLE 21**

**Recommended Fiscal 2012 Revenue Actions by Type of Revenue and Net Increase or Decrease\* (Millions)**

State	Sales	Personal Income	Corporate Income	Cigarettes/ Tobacco	Motor Fuels	Alcohol	Other Taxes	Fees	Total
Alabama									0.0
Alaska									0.0
Arizona									0.0
Arkansas	-15.5								-15.5
California	4549.0	3595.0	1253.0					1382.0	10,779.0
Colorado									0.0
Connecticut	464.3	877.8	36.0	54.3	51.6	9.2	409.9	21.3	1,924.4
Delaware									0.0
Florida			-458.8					-235.7	-694.5
Georgia									0.0
Hawaii		50.2	21.3				23.4		94.9
Idaho									0.0
Illinois									0.0
Indiana									0.0
Iowa		-11.9	-136.2				190.0		41.9
Kansas									0.0
Kentucky									0.0
Louisiana									0.0
Maine	49.9	13.9	-25.1				19.0		57.7
Maryland	17.8					84.8	1.9		104.5
Massachusetts									0.0
Michigan		804.4	-1075.0				0.0	13.5	-257.1
Minnesota	15.4	1089.9	182.9				450.3	10.8	1,749.3
Mississippi									0.0
Missouri									0.0
Montana*			3.9				-1.5		2.4
Nebraska		-2.0							-2.0
Nevada									0.0
New Hampshire									0.0
New Jersey	-2.5	-23.0	-100.2				-73.5		-199.2
New Mexico									0.0
New York									0.0
North Carolina	826.6	-65.0	-115.0				-2.0		644.6
North Dakota		-25.0							-25.0
Ohio		-400.0					-17.0		-417.0
Oklahoma									0.0
Oregon							-78.4	27.9	-50.5
Pennsylvania							-66.6		-66.6
Rhode Island	164.9		-5.8				-0.7	4.9	163.4
South Carolina									0.0
South Dakota									0.0
Tennessee							100.4		100.4
Texas			-75.0						-75.0
Utah									0.0
Vermont								30.9	30.9
Virginia									0.0
Washington									0.0
West Virginia	-11.0								-11.0
Wisconsin		-36.8	-43.2						-80.0
Wyoming									0.0
TERRITORIES									
Puerto Rico		-265.0	-239.0				969.0		465.0
<b>Total</b>	<b>\$6,058.9</b>	<b>\$5,867.5</b>	<b>-\$537.2</b>	<b>\$54.3</b>	<b>\$51.6</b>	<b>\$94.0</b>	<b>\$955.2</b>	<b>\$1,255.6</b>	<b>\$13,799.9</b>

NOTE: \*See Appendix Table A-3 for details on specific revenue changes. \*\*See Notes to Table 21.  
SOURCE: National Association of State Budget Officers.

# CHAPTER 2 NOTES

## Notes to Table 17: Fiscal 2011 Tax Collections Compared with Projections Used in Adopting Fiscal 2011 Budgets

<b>Colorado</b>	The March 18, 2011 OSPB forecast as adjusted 3/28/11 is \$57.2 million lower for FY 2010–2011 compared to the March LCS forecast from 2010 which is what was used by the JBC in its annual budget package.
<b>Texas</b>	Revenue collections for 2011 original estimates are derived from a biennial estimate of \$44,362.0 million. Revenue collections for current 2011 estimates are derived from a biennial estimate of \$39,775.0 million and the 2012 projection is derived from a biennial estimate of \$42,937.0 million.

## Notes to Table 18: Comparison of Tax Collections in Fiscal 2010, Fiscal 2011, and Recommended Fiscal 2012

<b>California</b>	Personal income taxes include an additional \$2,101 million accrued during 2010–2011. Corporate income taxes include an additional \$622 million accrued during 2010–2011
<b>Maryland</b>	FY 2010 corporate income tax collections includes \$129.0 million of extraordinary income from the sale of Constellation Energy. Current estimates for FY 2011 and FY 2012 projections include revenue adjustments proposed in the Governor's FY 2012 Budget.
<b>Tennessee</b>	Corporate income tax includes excise and franchise tax. Sales tax, personal income tax, and corporate income tax are shared with local governments.
<b>Texas</b>	Revenue collections for 2011 original estimates are derived from a biennial estimate of \$44,362.0 million. Revenue collections for current 2011 estimates are derived from a biennial estimate of \$39,775.0 million and the 2012 projection is derived from a biennial estimate of \$42,937.0 million.

## Notes to Table 21: Recommended Fiscal 2012 Revenue Actions by Type of Revenue and Net Increase or Decrease

<b>Montana</b>	Please note that taxes reported under "Sales Tax" are not traditional sales taxes as Montana has no sales tax. Taxes reported under this category are taxes such as rental car taxes, accommodations taxes, etc. Corporate tax increase is proposed to tighten regulations pertaining to out-of-state entities that pay corporate tax in Montana.
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# TOTAL BALANCES

## CHAPTER THREE

### Overview

Maintaining adequate balance levels helps states to mitigate disruptions to state services during an economic downturn. Total balances include both ending balances and the amounts in states' budget stabilization funds (rainy day funds) and reflect the funds that states may use to respond to unforeseen circumstances. Additionally, rainy day funds are needed to ensure that budgets can be balanced when revenues do not meet expectations in the latter part of the fiscal year when budget cuts and revenue increases do not have enough time to take effect. Though budget experts' views vary, an informal rule-of-thumb used by some states prior to the economic downturn was to build up total budget reserve balances to a level that equals at least five percent of total expenditures to provide a relatively adequate fiscal cushion. However, in the wake of the recent financial crises, there have been calls by some to increase the standard size above five percent. State officials often try and avoid drawing down balance levels at the beginning of a downturn, and may also be prohibited from draining all rainy day funds immediately. In total, 48 states have budget stabilization funds, which may be budget reserve funds, revenue-shortfall accounts, or accounts used for cash flow. About three-fifths of the states have limits on the size of their budget reserve funds, ranging from 3 to 10 percent of appropriations.

### Total Balances

Prior to the start of this most recent recession and the recession in 2001, states built up fairly significant balance levels. In fiscal 2000, balances reached 10.4 percent of expenditures. However, by 2003 balance levels had fallen to 3.2 percent of expenditures. Due to strong revenue growth experienced by nearly every state during the middle part of the last decade, most states were able to rebuild their balances to substantial levels.

By 2006, total balances reached a peak at \$69 billion or 11.5 percent of general fund expenditures. However, the difficult fiscal conditions in fiscal 2009 and the severe deterioration in state fiscal conditions during fiscal 2010 resulted in balance levels falling to \$31.5 billion, or 5.1 percent of expenditures. (See *Figures 6, 7, and 8*). Balance levels are estimated to rise slightly in fiscal 2011 to \$31.9 billion, 4.9 percent of general fund expenditures and again in fiscal 2012 to \$32.6 billion, or 4.9 percent of general fund expenditures. (See *Tables 22, 24, and 25*)

Although total balance levels representing 4.9 percent of general fund expenditures may seem like an adequate cushion given the difficulties experienced by states over the past few years, when examining balance levels for fiscal 2011 a bit further a starker picture emerges. For fiscal 2011, total balance levels were \$31.9 billion. However, the balance levels for Texas and Alaska, at \$5.0 billion and \$10.4 billion respectively, combine to represent 48.3 percent of total balance levels. If you remove these two states from total balance levels, fiscal 2011 balance levels represent only 2.7 percent of expenditures, well below the 5 percent level.

Additionally, the view that total balance levels across all states are inflated due to the robust levels in two states is reinforced by the fact that in fiscal 2011, 11 states had balance levels below 1 percent along with 19 states which had balance levels greater than one percent, but less than five percent. A similar theme has continued into fiscal 2012 based on states' recommended budgets, as 12 states forecast balance levels below one percent, and 22 states predict balance levels greater than one percent, but below 5 percent. (See *Table 23*). States with low balance levels may be impeded in their ability to respond to events that occur during the fiscal year, including unanticipated budget gaps that appear towards the end of the fiscal year.

**TABLE 22**  
**Total Year-End Balances,**  
**Fiscal 1979 to Fiscal 2012**

Fiscal Year	Total Balance (Billions)	Total Balance (Percentage of Expenditures)
2012	\$32.6	4.9%
2011*	31.9	4.9
2010*	31.5	5.1
2009	36.2	5.7
2008	59.1	8.6
2007	65.9	10.1
2006	69.0	11.5
2005	46.6	8.4
2004	26.7	5.1
2003	16.4	3.2
2002	18.3	3.7
2001	44.1	9.1
2000	48.8	10.4
1999	39.3	8.4
1998	35.4	9.2
1997	30.7	7.9
1996	25.1	6.8
1995	20.6	5.8
1994	16.9	5.1
1993	13.0	4.2
1992	5.3	1.8
1991	3.1	1.1
1990	9.4	3.4
1989	12.5	4.8
1988	9.8	4.2
1987	6.7	3.1
1986	7.2	3.5
1985	9.7	5.2
1984	6.4	3.8
1983	2.3	1.5
1982	4.5	2.9
1981	6.5	4.4
1980	11.8	9.0
1979	11.2	8.7
<b>Average</b>	<b>—</b>	<b>5.6%</b>

NOTE: \*Figures for fiscal 2011 are estimated; figures for fiscal 2012 are based on recommended budgets.

SOURCE: National Association of State Budget Officers.

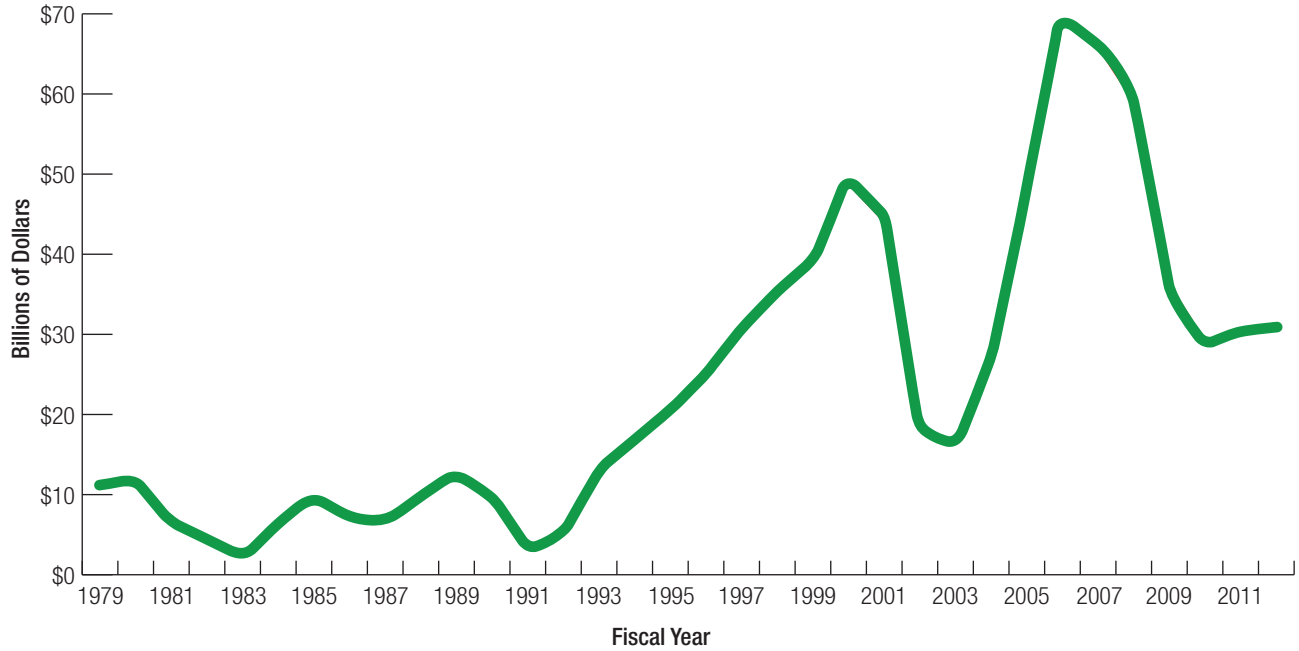
**TABLE 23**  
**Total Year-End Balances as a**  
**Percentage of Expenditures,**  
**Fiscal 2010 to Fiscal 2012**

Percentage	Number of States		
	Fiscal 2010 (Actual)	Fiscal 2011 (Estimated)	Fiscal 2012 (Recommended)
Less than 1.0%	12	11	12
1.0% to 4.9%	14	19	22
5.0% to 9.9%	14	11	9
10% or more	10	9	8

NOTE: The average for fiscal 2010 (actual) was 5.1 percent the average for fiscal 2011 (estimated) is 4.9 percent and the average for fiscal 2012 (recommended) is 4.9 percent.  
 SOURCE: National Association of State Budget Officers.

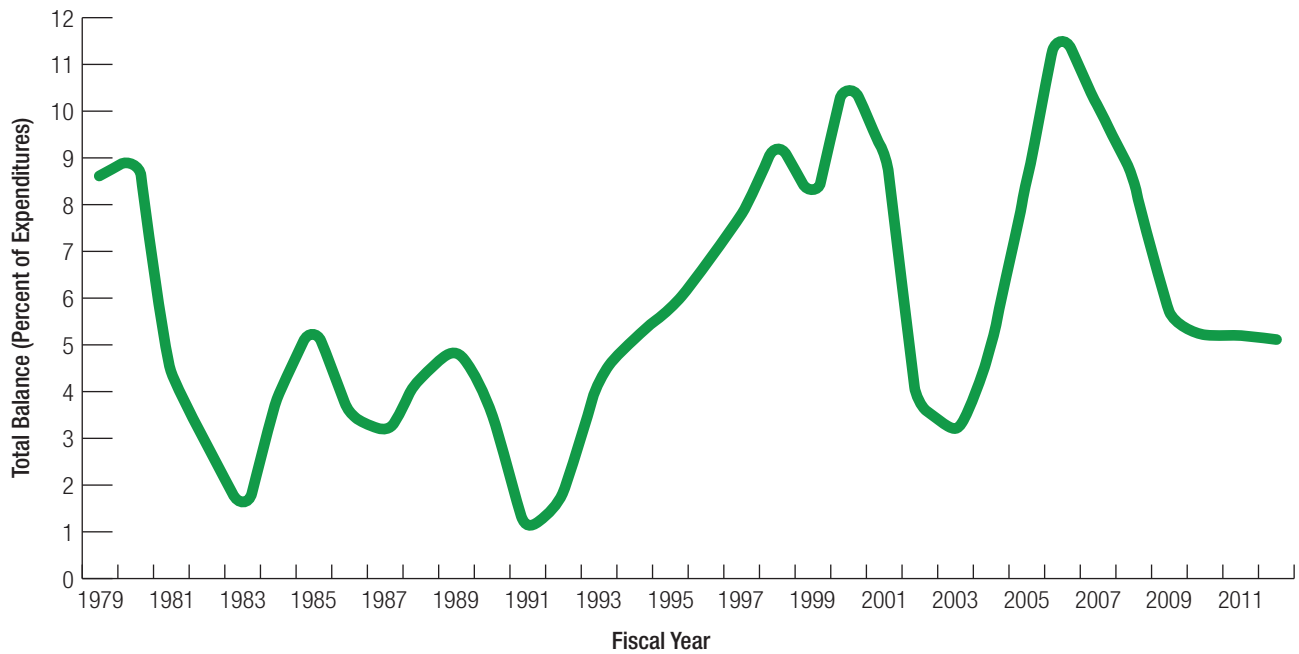


**FIGURE 4:**  
**Total Year-End Balances Fiscal 1979 to Fiscal 2012**



SOURCE: National Association of State Budget Officers.

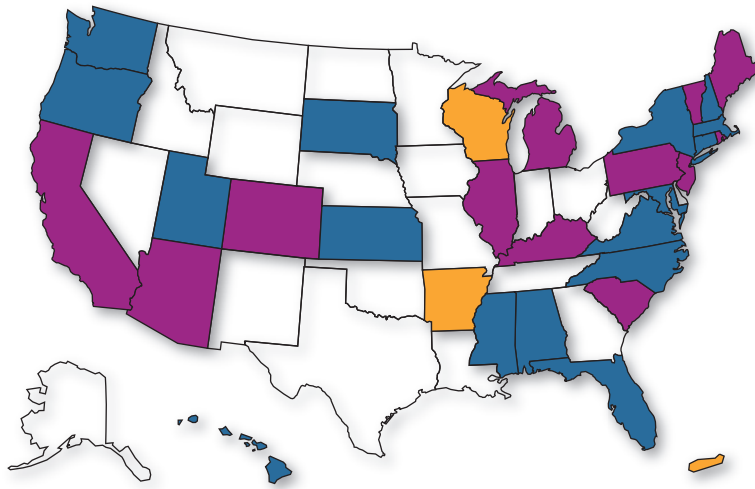
**FIGURE 5:**  
**Total Year-End Balances as a Percentage of Expenditures Fiscal 1979 to Fiscal 2012**



SOURCE: National Association of State Budget Officers.

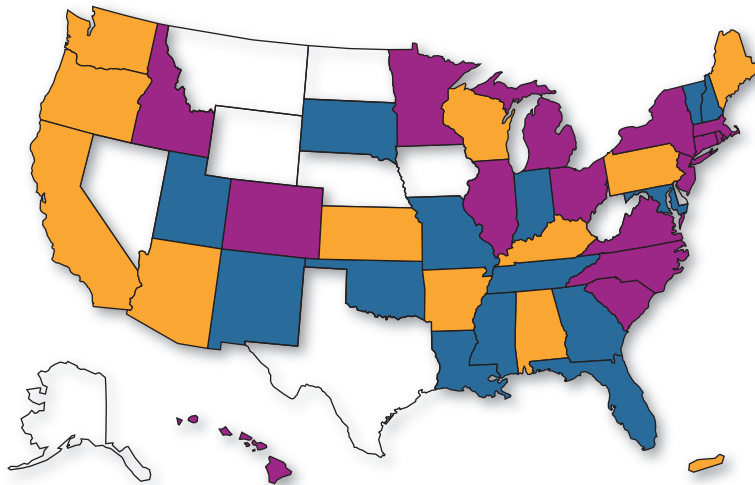


## Changing Balance Levels 2008-2012



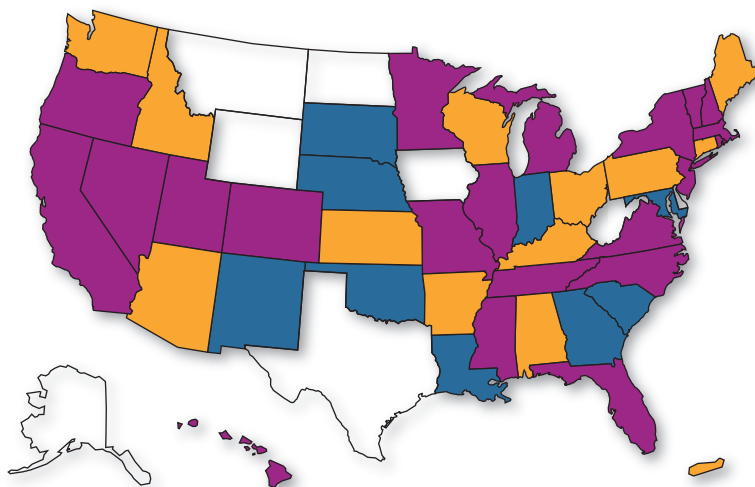
**FIGURE 6:**  
Total State Balance Levels 2008

- Less than 1 percent (3)
- Greater than 1 percent but less than 5 percent (12)
- Greater than 5 percent but less than 10 percent (16)
- Greater than 10 percent (20)



**FIGURE 7:**  
Total State Balance Levels 2010

- Less than 1 percent (10)
- Greater than 1 percent but less than 5 percent (17)
- Greater than 5 percent but less than 10 percent (14)
- Greater than 10 percent (10)
- No data



**FIGURE 8:**  
Total State Balance Levels 2012

- Less than 1 percent (14)
- Greater than 1 percent but less than 5 percent (15)
- Greater than 5 percent but less than 10 percent (12)
- Greater than 10 percent (10)
- No data

TABLE 24

## Total Balances and Balances as a Percentage of Expenditures, Fiscal 2010 to Fiscal 2012

Region/State	Total Balance (\$ in Millions)**			Balances as a Percent of Expenditures		
	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2010	Fiscal 2011	Fiscal 2012
Alabama	\$72	\$0	\$0	1.0%	0.0%	0.0%
Alaska	8,935	10,392	11,295	135.3	172.4	176.1%
Arizona	-6	-764	40	-0.1	-8.8	0.5
Arkansas	0	0	0	0.0	0.0	0.0
California***	-5,342	-3,357	1,725	-6.1	-3.6	2.0
Colorado***	137	405	283	2.0	5.8	3.9
Connecticut***	450	116	-3,188	2.6	0.6	-16.2
Delaware***	537	667	710	17.5	19.8	19.8
Florida	1,848	607	1,145	8.7	2.5	3.6
Georgia***	1,138	1,138	1,138	7.1	6.8	6.6
Hawaii	40	53	170	0.8	1.1	3.1
Idaho	31	50	0	1.3	2.1	0.0
Illinois***	453	2,606	1,156	1.8	9.2	3.8
Indiana	831	794	828	6.5	6.0	6.0
Iowa	709	870	865	13.4	16.5	14.0
Kansas	-27	36	8	-0.5	0.6	0.1
Kentucky	80	281	11	0.9	3.3	0.1
Louisiana	536	644	644	6.2	8.3	7.8
Maine	1	26	26	0.0	0.9	0.9
Maryland	956	1,270	729	7.1	9.6	4.9
Massachusetts***	903	907	715	3.0	2.8	2.2
Michigan	189	306	162	2.5	3.7	2.0
Minnesota***	440	707	401	3.0	4.5	2.2
Mississippi	262	176	88	6.1	3.9	1.9
Missouri	421	540	366	5.6	7.1	4.6
Montana	310	271	234	18.1	15.1	12.4
Nebraska	764	433	315	23.1	12.8	9.1
Nevada	313	169	152	10.3	4.9	4.9
New Hampshire***	84	25	21	6.0	1.9	1.5
New Jersey***	804	349	302	2.8	1.2	1.0
New Mexico***	282	375	272	5.2	7.2	5.0
New York***	2,302	1,357	1,609	4.4	2.5	2.8
North Carolina	386	473	300	2.1	2.5	1.5
North Dakota	638	452	437	40.3	27.0	27.1
Ohio	510	125	143	2.0	0.5	0.5
Oklahoma	414	22	282	8.1	0.4	5.0
Oregon	-268	138	\$313	-4.2	2.2	4.7
Pennsylvania	-294	586	5	-1.1	2.1	0.0
Rhode Island	134	145	151	4.7	4.9	4.8
South Carolina	245	419	325	4.8	7.9	5.9
South Dakota	107	107	110	9.5	9.3	9.5
Tennessee	693	604	327	7.3	5.7	2.9
Texas	8,610	5,041	5,582	24.2	12.3	14.9
Utah	225	110	116	5.0	2.3	2.4
Vermont	57	54	58	5.3	4.7	4.7
Virginia	428	548	356	2.9	3.5	2.2
Washington	-466	-79	28	-3.1	-0.5	0.2
West Virginia	1,108	1,074	1,203	30.1	28.1	29.7
Wisconsin	71	84	118	0.6	0.6	0.8
Wyoming	398	577	571	22.7	36.9	36.3
TERRITORIES						
Puerto Rico	0	0	0	0.0	0.0	0.0
<b>Total**</b>	<b>\$31,451</b>	<b>\$31,926</b>	<b>\$32,643</b>	<b>5.1%</b>	<b>4.9%</b>	<b>4.9%</b>

NOTES: NA indicates data not available. \*Fiscal 2010 are actual figures, fiscal 2011 are estimated figures, and fiscal 2012 are recommended figures. \*\*Total balances include both the ending balance and Rainy Day Funds. \*\*\*Ending Balance includes Rainy Day Fund.

TABLE 25

### Rainy Day Fund Balances and Rainy Day Fund Balances as a Percentage of Expenditures, Fiscal 2010 to Fiscal 2012

Region/State	Total Balance (\$ in Millions)**			Fund Balances as a Percent of Expenditures		
	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2010	Fiscal 2011	Fiscal 2012
Alabama	\$0	\$0	\$0	0.0%	0.0%	0.0%
Alaska	10,364	11,065	11,981	157.0	183.6	186.8
Arizona	0	0	0	0.0	0.0	0.0
Arkansas	0	0	0	0.0	0.0	0.0
California	-6,113	-4,127	955	-7.0	-4.5	1.1
Colorado	133	157	283	2.0	2.3	3.9
Connecticut	0	0	0	0.0	0.0	0.0
Delaware	186	186	186	6.1	5.5	5.2
Florida	275	277	492	1.3	1.2	1.5
Georgia	116	116	116	0.7	0.7	0.7
Hawaii	63	6	6	1.3	0.1	0.1
Idaho	31	0	0	1.3	0.0	0.0
Illinois	0	276	276	0.0	1.0	0.9
Indiana	0	1	4	0.0	0.0	0.0
Iowa	422	437	616	8.0	8.3	10.0
Kansas*	0	0	0	0.0	0.0	0.0
Kentucky	0	0	0	0.0	0.0	0.0
Louisiana	644	644	644	7.4	8.3	7.8
Maine	0	25	25	0.0	0.9	0.8
Maryland	612	623	682	4.6	4.7	4.7
Massachusetts	670	773	572	2.2	2.4	1.8
Michigan	2	2	2	0.0	0.0	0.0
Minnesota	0	9	9	0.0	0.1	0.0
Mississippi	257	176	88	5.9	3.9	1.9
Missouri	260	252	266	3.4	3.3	3.3
Montana	0	0	0	0.0	0.0	0.0
Nebraska	467	313	183	14.1	9.3	5.3
Nevada	0	0	0	0.0	0.0	0.0
New Hampshire	9	9	9	0.7	0.7	0.7
New Jersey	0	0	0	0.0	0.0	0.0
New Mexico	282	270	272	5.2	5.2	5.0
New York	1,206	1,206	1,206	2.3	2.2	2.1
North Carolina	150	150	300	0.8	0.8	1.5
North Dakota	325	330	330	20.5	19.7	20.4
Ohio	0	0	0	0.0	0.0	0.0
Oklahoma	373	0	0	7.3	0.0	0.0
Oregon	100	112	271	1.6	1.8	4.1
Pennsylvania	1	0	1	0.0	0.0	0.0
Rhode Island	112	128	150	3.9	4.3	4.7
South Carolina	111	277	184	2.2	5.2	3.3
South Dakota	107	107	107	9.5	9.3	9.3
Tennessee	453	284	327	4.8	2.7	2.9
Texas	7,693	5,041	5,582	21.6	12.3	14.9
Utah	210	110	110	4.7	2.3	2.2
Vermont	57	54	58	5.3	4.7	4.7
Virginia	295	298	353	2.0	1.9	2.2
Washington	95	0	0	0.6	0.0	0.0
West Virginia	556	654	814	15.1	17.1	20.1
Wisconsin	0	0	0	0.0	0.0	0.0
Wyoming	398	572	571	22.7	36.6	36.3
TERRITORIES						
Puerto Rico	0	0	0	0.0	0.0	0.0
<b>Total**</b>	<b>\$20,922</b>	<b>\$20,813</b>	<b>\$28,030</b>	<b>3.4%</b>	<b>3.2%</b>	<b>4.2%</b>

NOTES: NA indicates data not available.\*Fiscal 2010 are actual figures, fiscal 2011 are estimated figures, and fiscal 2012 are recommended figures.\*\*Total balances include both the ending balance and Rainy Day Funds. \*\*\*Ending Balance includes Rainy Day Fund.

# CHAPTER 3 NOTES

## Notes to Table 25: Total Rainy Day Funds and Rainy Day Funds as a Percentage of Expenditures Fiscal 2010 to Fiscal 2012

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**Kansas** Kansas does not have a “Rainy Day” fund. However, the balanced budget provision of the constitution requires revenues to finance the approved budget.

# MEDICAID OUTLOOK

## CHAPTER FOUR

Medicaid is a means-tested entitlement program financed by the states and the federal government that provides comprehensive and long-term medical care for more than 60 million low-income individuals. Medicaid is estimated to account for about 22 percent of total spending in fiscal 2010, the single largest portion of total state spending. The following sections look at Medicaid spending, enrollment, cost containment proposals, changes to the Children's Health Insurance Program (CHIP), challenges and options available under the *Affordable Care Act (ACA)*, and state plans for changes to their delivery and payment structures.

**Medicaid Growth Rates.** Total Medicaid spending increased by 7.9 percent in fiscal 2010 and is estimated to increase by 11.2 percent in fiscal 2011. Increases in total spending growth are primarily a result of increased enrollment due to the economic downturn. Overall, governors' proposed budgets for fiscal 2012 included a decline in Medicaid spending of 2.9 percent with state funds increasing by 18.6 percent and federal funds decreasing by 13.0 percent. The significant increase in state spending and the significant decrease in federal funding reflect the end of the enhanced Medicaid match rate from the Recovery Act that was in effect from October 2008 and ends June 2011. (See Table 26).

**Medicaid Enrollment.** The economic downturn and high unemployment have resulted in an increase in Medicaid enrollment as individuals lose job-based coverage and incomes decline. Medicaid enrollment increased by 8.1 percent during fiscal 2010 and is estimated to increase by 5.4 percent in fiscal 2011. In governors' recommended budgets for fiscal 2012, Medicaid enrollment is projected to increase an additional 3.8 percent, as shown in Table 27. This would represent an 17.3 percent increase in Medicaid enrollment over this three year period. Although Medicaid spending is decelerating for now, the implementation of the *Affordable Care Act* will greatly increase the number of individuals served in the Medicaid program in 2014 and thereafter.

**Medicaid Cost Containment.** In governors' proposed budgets for fiscal 2012, cost containment in Medicaid is a dominant theme as shown in Tables 28 and 29. Almost all states are planning to contain Medicaid costs in proposed fiscal 2012 budgets as shown in Table 29. Proposals for fiscal 2012 include reducing provider rates (33 states) and freezing provider rates (16 states), enhancing program integrity efforts (32 states), limiting spending on prescription drugs (27 states), limiting benefits (25 states), instituting new or higher copayments (21 states), changing the delivery of care (20 states), and expanding managed care (19 states). As a condition of receiving enhanced federal matching funds under the extension of ARRA, states could not restrict eligibility levels or make it more difficult for individuals to apply for coverage. The ACA continued the Medicaid maintenance of eligibility requirements and extended them to CHIP for adults through 2012 and for children through 2019.

The most common strategy for fiscal 2011 is reducing provider payments, which is planned or implemented by 24 states. Fifteen states have frozen or plan to freeze provider payments in fiscal 2011. Other strategies include enhancing program integrity efforts (24 states), limiting spending on prescription drugs (23 states), and limiting benefits (20 states).

With the passage of health care reform, provider reimbursement rates for certain primary care providers will be raised to match the rate paid to Medicare for 2013 and 2014 with federal funds paying for the increase in only 2013 and 2014. As shown in Tables 28 and 29, the current trend is for provider reimbursement rates to be reduced or frozen due to the current budget constraints in states.

**Additional Resources for Medicaid.** Some states have increased or plan to increase resources for Medicaid mostly from provider taxes or fees as shown in Tables 30 and 31. For fiscal 2011, 10 states have raised or plan on raising provider taxes or fees while 12 states have plans to raise provider taxes or fees in governors' proposed budgets for fiscal 2012. Unlike previous years, no states raised or planned on raising tobacco taxes in fiscal 2011 and 2012 for additional resources for Medicaid.

**TABLE 26**

**Annual Percentage Medicaid Growth Rate**

Region/State	Fiscal 2010 (Actual)			Fiscal 2011 (Estimated)			Fiscal 2012 (Recommended)		
	State Funds	Federal Funds	Total Funds	State Funds	Federal Funds	Total Funds	State Funds	Federal Funds	Total Funds
Alabama	-30.1	16.3	11.5	9.6	6.4	6.6	87.6	17.0	21.7
Alaska	4.8	20.6	15.0	19.1	9.1	12.4	7.8	11.0	9.9
Arizona	-4.8	12.2	7.6	13.3	10.4	11.1	12.1	-23.5	-14.9
Arkansas	-2.4	11.3	8.6	14.3	9.9	10.9	30.3	-3.7	5.9
California	-3.7	12.0	6.6	40.8	28.8	32.5	-9.9	-32.7	-25.1
Colorado	1.6	18.9	11.5	17.5	6.9	11.0	32.1	-9.5	7.5
Connecticut*	1.1	0.0	1.1	14.5	0.0	14.5	1.0	0.0	1.0
Delaware	1.2	15.4	9.5	7.5	8.7	8.2	31.3	-5.2	8.7
Florida	-6.3	10.4	3.9	26.2	13.0	17.6	30.1	-5.5	7.9
Georgia	-7.4	8.7	4.1	14.3	-0.8	3.0	20.8	-16.8	-6.2
Hawaii	6.3	15.8	12.3	12.3	12.5	12.4	36.5	-25.3	8.5
Idaho	-11.2	5.5	2.8	7.0	31.4	27.9	31.1	-9.0	0.0
Illinois	-12.1	11.0	0.4	12.1	13.9	13.1	15.9	-25.2	-8.8
Indiana	-11.9	16.4	9.0	23.7	4.1	8.3	32.7	-5.6	3.6
Iowa	-7.1	12.8	6.2	14.0	3.9	6.9	32.8	-8.4	4.4
Kansas	-14.5	16.0	4.6	9.5	2.4	4.6	41.3	-10.3	5.8
Kentucky	-9.6	11.3	6.3	6.4	-1.4	0.2	29.4	-10.8	-2.1
Louisiana	-13.7	10.8	5.5	40.5	-8.4	0.3	18.9	-6.9	-0.5
Maine	-15.4	3.5	-1.9	6.3	5.8	5.9	19.0	-18.8	-6.5
Maryland	-2.3	18.0	9.4	18.7	4.8	10.1	30.4	-8.5	7.4
Massachusetts	3.8	6.1	10.0	4.0	5.9	10.0	0.5	0.5	1.0
Michigan	-2.1	12.8	8.3	14.0	4.6	7.2	13.5	-7.9	-1.7
Minnesota	-3.2	15.6	7.6	12.4	3.4	6.9	50.3	3.0	22.2
Mississippi	-32.8	18.5	6.1	2.3	7.5	4.4	56.0	-6.8	4.0
Missouri	-0.4	18.1	9.1	11.7	7.4	9.3	2.6	5.0	3.9
Montana*	1.0	13.1	10.3	19.7	4.9	8.0	32.8	-7.1	2.2
Nebraska	-12.6	8.5	1.4	14.7	1.8	5.5	17.4	-11.8	-2.5
Nevada	21.2	22.5	22.0	13.7	6.4	8.9	17.7	-8.3	0.9
New Hampshire	-8.4	17.6	5.3	14.6	2.5	7.5	9.4	-17.8	-5.8
New Jersey	1.4	11.8	7.6	0.2	6.3	3.9	16.3	-20.4	-6.8
New Mexico	-7.9	14.4	9.1	4.8	-4.1	-2.4	43.6	-3.0	4.0
New York	-2.2	21.7	13.8	4.0	7.0	6.1	28.1	-15.5	-3.2
North Carolina	2.5	7.9	3.6	2.9	-3.6	-1.7	27.5	-8.8	2.6
North Dakota	20.7	24.0	23.0	17.1	4.5	8.2	43.2	5.1	17.2
Ohio	-12.0	13.0	5.0	22.0	5.0	10.0	32.0	2.0	11.0
Oklahoma	-21.1	17.8	4.8	33.1	-5.1	4.5	3.2	1.3	1.9
Oregon	-0.3	16.0	10.8	15.8	14.0	14.5	3.5	28.5	19.0
Pennsylvania	-4.6	13.3	6.2	11.1	9.2	9.9	24.1	-11.1	1.6
Rhode Island	2.9	14.3	10.0	10.6	0.8	4.3	21.7	-12.8	0.5
South Carolina	11.0	27.0	11.0	40.5	2.4	6.5	9.0	-9.0	0.7
South Dakota	1.0	14.3	8.0	18.4	1.1	5.8	9.3	-8.3	-3.0
Tennessee	-35.2	38.0	12.9	30.2	-1.2	4.2	30.0	-7.6	1.4
Texas	4.8	13.7	16.0	19.2	2.5	7.7	-23.7	-45.4	-38.2
Utah	-18.5	12.7	3.5	12.6	3.7	5.7	26.9	-17.6	-6.6
Vermont	-2.0	17.3	11.0	16.5	3.5	7.2	28.9	-15.4	-1.5
Virginia	1.7	24.7	14.7	10.4	1.6	5.0	31.6	-9.9	6.9
Washington	0.5	11.3	7.1	19.1	7.4	11.7	29.6	-7.4	7.2
West Virginia	-13.0	11.0	17.0	15.0	8.0	9.0	32.0	-9.0	2.0
Wisconsin	16.1	11.1	12.2	4.0	-5.0	-3.0	44.5	-0.2	10.3
Wyoming	-6.2	11.4	4.0	-1.4	-1.9	-1.7	23.7	-14.7	0.0
<b>TERRITORIES</b>									
Puerto Rico	13.9	-1.8	9.4	-5.4	26.4	2.8	-18.7	65.0	7.8
<b>Average**</b>	<b>-4.5</b>	<b>14.3</b>	<b>7.9</b>	<b>17.5</b>	<b>8.6</b>	<b>11.2</b>	<b>18.6</b>	<b>-13.0</b>	<b>-2.9</b>

NOTES: NA indicates data not available \*See Notes to Table 26. \*\* Average percent changes are weighted averages.  
SOURCE: National Association of State Budget Officers.

TABLE 27

## Percentage Change in Medicaid Enrollment

Region/State	FY 2010 Actual	FYI 2011 Estimated	FY 2012 Recommended
Alabama	6.0	5.0	5.0
Alaska	14.9	7.6	2.1
Arizona	13.4	6.0	-14.1
Arkansas	2.5	1.2	1.3
California	5.6	3.4	1.7
Colorado	14.2	11.6	9.1
Connecticut	4.5	11.5	5.4
Delaware	8.6	10.0	10.0
Florida	13.3	8.1	8.7
Georgia	7.0	2.0	1.0
Hawaii	10.2	10.0	8.0
Idaho	9.5	7.7	5.4
Illinois	6.3	6.4	6.4
Indiana	8.2	6.2	6.9
Iowa	9.4	5.5	5.0
Kansas	6.4	7.3	5.3
Kentucky	5.6	2.7	2.8
Louisiana	5.7	5.4	5.4
Maine	6.4	1.6	NA
Maryland	18.6	13.1	6.6
Massachusetts	4.3	4.8	4.7
Michigan	8.9	4.5	3.0
Minnesota	8.4	10.6	15.5
Mississippi	3.9	2.0	2.0
Missouri	6.3	3.0	3.1
Montana	10.7	14.0	5.0
Nebraska	8.4	1.7	3.8
Nevada	22.5	15.8	6.1
New Hampshire	4.4	8.9	2.0
New Jersey	4.9	2.9	0.1
New Mexico	7.8	3.0	2.5
New York	10.1	5.2	6.2
North Carolina	6.0	3.4	2.7
North Dakota	12.0	4.4	1.5
Ohio	8.5	5.6	2.7
Oklahoma	9.5	5.7	3.0
Oregon	14.7	18.6	4.6
Pennsylvania	5.1	5.0	4.5
Rhode Island	4.7	2.7	2.0
South Carolina	5.6	4.8	4.6
South Dakota	6.6	3.9	3.9
Tennessee	-0.8	0.6	0.6
Texas	9.5	6.5	2.9
Utah	13.7	12.4	7.4
Vermont	9.8	6.5	4.6
Virginia	10.0	7.6	5.7
Washington	9.2	5.5	5.2
West Virginia	1.7	1.0	1.0
Wisconsin	22.2	5.4	0.6
Wyoming	6.0	0.0	0.0
TERRITORIES			
Puerto Rico	4.1	2.7	0.0
<b>Average**</b>	<b>8.1</b>	<b>5.4</b>	<b>3.8</b>

NOTES: NA indicates data not available \*See Notes to Table 27. \*\* Average percent changes are weighted averages.

SOURCE: National Association of State Budget Officers.

**TABLE 28**

**Fiscal 2011 Budgetary Actions Aimed at Containing Medicaid Costs**

Region/State	Reduce provider payments	Freeze provider payments	Eliminate benefits	Limit benefits	Delay expansions	Limit prescription drugs	Other Strategies to reduce spending for prescription drugs
Alabama							X
Alaska*		X					X
Arizona	X	X	X	X			
Arkansas					X		X
California	X		X	X			
Colorado	X			X			X
Connecticut				X	X		X
Delaware		X					
Florida							
Georgia							X
Hawaii		X	X	X		X	X
Idaho	X	X		X			
Illinois		X					X
Indiana	X			X			
Iowa*						X	X
Kansas							
Kentucky							X
Louisiana*	X	X		X	X	X	X
Maine	X						X
Maryland*	X	X			X		X
Massachusetts	X	X		X			
Michigan							
Minnesota	X						
Mississippi		X					
Missouri*	X	X		X			X
Montana		X					
Nebraska*							
Nevada	X						
New Hampshire	X			X			
New Jersey	X		X	X		X	
New Mexico	X		X	X	X		X
New York							
North Carolina*				X		X	X
North Dakota							
Ohio							
Oklahoma							
Oregon				X		X	X
Pennsylvania	X						X
Rhode Island	X	X					
South Carolina	X			X			X
South Dakota		X					
Tennessee*	X			X		X	X
Texas	X						
Utah							
Vermont	X	X		X	X		
Virginia	X			X			X
Washington	X		X	X		X	X
West Virginia							
Wisconsin	X				X		X
Wyoming							
TERRITORIES							
Puerto Rico	X						
<b>Total</b>	<b>24</b>	<b>15</b>	<b>6</b>	<b>20</b>	<b>7</b>	<b>8</b>	<b>23</b>

NOTES: \*See Notes to Table 28.

SOURCE: National Association of State Budget Officers.

Table 28 continues on next page.



TABLE 28 (CONTINUED)

**Fiscal 2011 Budgetary Actions Aimed at Containing Medicaid Costs**

Region/State	Institute new or higher copayments	Expand managed care	Reform delivery system	Restrict community-based long-term care	Restrict institutional long-term care	Enhanced program integrity efforts	Other (please describe)
Alabama							
Alaska*						X	
Arizona						X	
Arkansas						X	
California	X	X		X		X	
Colorado			X				
Connecticut							
Delaware							
Florida							
Georgia							
Hawaii							
Idaho							
Illinois		X					
Indiana							
Iowa*						X	X
Kansas	X						
Kentucky						X	
Louisiana*						X	X
Maine						X	
Maryland*						X	X
Massachusetts	X					X	
Michigan						X	
Minnesota				X			
Mississippi		X				X	
Missouri*			X			X	X
Montana							
Nebraska*		X					X
Nevada							
New Hampshire							
New Jersey						X	
New Mexico							
New York							
North Carolina*	X	X				X	X
North Dakota							
Ohio							
Oklahoma							
Oregon						X	
Pennsylvania						X	
Rhode Island					X		
South Carolina	X	X				X	
South Dakota							
Tennessee*	X					X	X
Texas							
Utah						X	
Vermont	X					X	
Virginia						X	
Washington		X	X	X	X	X	
West Virginia							
Wisconsin						X	
Wyoming							
TERRITORIES							
Puerto Rico	X	X	X			X	
<b>Total</b>	<b>7</b>	<b>7</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>24</b>	<b>7</b>

NOTES: \*See Notes to Table 28.

SOURCE: National Association of State Budget Officers.

**TABLE 29**

**Proposed Fiscal 2012 Budgetary Actions Aimed at Containing Medicaid Costs**

Region/State	Reduce provider payments	Freeze provider payments	Eliminate benefits	Limit benefits	Delay expansions	Limit prescription drugs	Other Strategies to reduce spending for prescription drugs
Alabama						X	
Alaska*							X
Arizona	X	X					
Arkansas					X		X
California	X		X	X		X	
Colorado	X			X			X
Connecticut*	X	X		X	X		X
Delaware*		X		X			X
Florida	X						
Georgia	X		X				
Hawaii	X		X	X		X	X
Idaho	X	X		X			
Illinois*	X		X				X
Indiana	X		X	X		X	X
Iowa*	X		X	X		X	X
Kansas							
Kentucky							X
Louisiana		X					
Maine				X			
Maryland	X	X		X	X	X	X
Massachusetts	X	X		X			
Michigan*							X
Minnesota	X						X
Mississippi	X	X					
Missouri*	X	X					X
Montana		X					
Nebraska	X			X		X	
Nevada	X						
New Hampshire	X		X	X	X		
New Jersey*	X	X	X				X
New Mexico				X	X		X
New York*	X	X		X		X	X
North Carolina	X			X			X
North Dakota							
Ohio	X	X					X
Oklahoma							
Oregon	X		X	X		X	X
Pennsylvania	X	X		X	X	X	X
Rhode Island	X						
South Carolina	X			X			X
South Dakota	X						
Tennessee*	X			X		X	X
Texas*	X			X			X
Utah							
Vermont	X	X		X		X	X
Virginia	X			X			
Washington	X		X	X		X	X
West Virginia							
Wisconsin		X		X	X		X
Wyoming							
TERRITORIES							
Puerto Rico	X						
<b>Total</b>	<b>33</b>	<b>16</b>	<b>10</b>	<b>25</b>	<b>7</b>	<b>13</b>	<b>27</b>

NOTES: \*See Notes to Table 29.  
SOURCE: National Association of State Budget Officers.

Table 29 continues on next page.

TABLE 29 (CONTINUED)

## Proposed Fiscal 2012 Budgetary Actions Aimed at Containing Medicaid Costs

Region/State	Institute new or higher copayments	Expand managed care	Reform delivery system	Restrict community-based long-term care	Restrict institutional long-term care	Enhanced program integrity efforts	Other (please describe)
Alabama							
Alaska*			Considering			X	
Arizona	X		X			X	X
Arkansas						x	
California	X	X		X			
Colorado			X				
Connecticut*	X		X			X	X
Delaware*	X		X			X	X
Florida		X					
Georgia	X						
Hawaii							X
Idaho	X					X	
Illinois*	X	X	X			X	
Indiana	X						
Iowa*	X	X				X	X
Kansas							
Kentucky		X				X	
Louisiana		X	X			X	
Maine	X						
Maryland						X	
Massachusetts	X		X			X	
Michigan*		X	X				X
Minnesota	X			X		X	
Mississippi						X	
Missouri*			X			X	X
Montana							
Nebraska	X	X					
Nevada						X	
New Hampshire		X	X			X	
New Jersey*	X	X	X			X	X
New Mexico	X		X			X	
New York*	X	X	X	X		X	X
North Carolina		X				X	
North Dakota							
Ohio		X	X			X	
Oklahoma							X
Oregon		X	X			x	
Pennsylvania			X	X		X	
Rhode Island						X	
South Carolina	X	X				X	
South Dakota							
Tennessee*	X					X	X
Texas*	X	X	X				X
Utah						X	
Vermont	X				X	X	
Virginia		X	X	X		X	
Washington		X	X	X	X	X	
West Virginia							
Wisconsin	X	X	X			X	
Wyoming							
TERRITORIES							
Puerto Rico	X	X	X			X	
<b>Total</b>	<b>21</b>	<b>19</b>	<b>20</b>	<b>6</b>	<b>2</b>	<b>32</b>	<b>12</b>

NOTES: \*See Notes to Table 29.

SOURCE: National Association of State Budget Officers.

**TABLE 30**  
**Changes During Fiscal 2011 to**  
**Generate Additional Resources**  
**for Medicaid**

Region/State	Tobacco Tax	Provider Tax/Fee	Other
California		x	
Delaware*			x
Georgia		x	
Idaho		x	
Illinois*		x	x
Iowa		x	
Kansas		x	
Maryland		x	
Minnesota*			x
Mississippi			x
Nevada*			x
New Jersey		x	
New Mexico*			x
Pennsylvania		x	
Tennessee		x	
Vermont*			x
<b>Total</b>	<b>0</b>	<b>10</b>	<b>7</b>

NOTES: \*See Notes to Table 30.

SOURCE: National Association of State Budget Officers.

**TABLE 31**  
**Proposed Changes for Fiscal 2012 to**  
**Generate Additional Resources**  
**for Medicaid**

Region/State	Tobacco Tax	Provider Tax/Fee	Other
California		x	
Connecticut		x	
Idaho		x	
Iowa		x	
Maryland		x	
Michigan*			x
Minnesota*			x
New Mexico*			x
New York		x	
North Carolina		x	
Ohio		x	
Oklahoma			x
Pennsylvania		x	
Rhode Island*			x
Tennessee		x	
Virginia		x	
Vermont*		x	
<b>Total</b>	<b>0</b>	<b>12</b>	<b>5</b>

NOTES: \*See Notes to Table 31.

SOURCE: National Association of State Budget Officers.

**Children's Health Insurance Program Reauthorization Act (CHIPRA).** The passage of the *Children's Health Insurance Program Reauthorization Act (CHIPRA)* in 2009 allows additional resources for states to cover uninsured children. Most states have been trying to maintain their current programs even with constrained resources from the economic downturn. Fourteen states proposed to change CHIP in governors' proposed budgets for fiscal 2012, from increases to copayments and premiums to changes in provider reimbursements, as shown in Table 32. The *Affordable Care Act* includes maintenance of eligibility for children in Medicaid and CHIP through 2019.

**TABLE 32**  
**Does Governor's recommended budget for fiscal 2012 include changes to the CHIP program?**

Region/State	Yes	No
Alabama		X
Alaska		X
Arizona		X
Arkansas		X
California*	X	
Colorado*	X	
Connecticut*	X	
Delaware		X
Florida		X
Georgia*	X	
Hawaii		X
Idaho		X
Illinois		X
Indiana		X
Iowa		X
Kansas		X
Kentucky		X
Louisiana		X
Maine*	X	
Maryland*	X	
Massachusetts		X
Michigan		X
Minnesota		X
Mississippi		X
Missouri		X
Montana		X
Nebraska		X
Nevada*	X	
New Hampshire	X	
New Jersey*	X	
New Mexico		X
New York*	X	
North Carolina*	X	
North Dakota		X
Ohio		X
Oklahoma		X
Oregon		X
Pennsylvania		X
Rhode Island		X
South Carolina		X
South Dakota		X
Tennessee		X
Texas*	X	
Utah*	X	
Vermont*		X
Virginia		X
Washington		X
West Virginia*	X	
Wisconsin		X
Wyoming		X
Territories		
Puerto Rico*	X	
<b>Total</b>	<b>14</b>	<b>36</b>

NOTES: NA indicates data not available \*See Notes to Table 32.  
SOURCE: National Association of State Budget Officers.

**Affordable Care Act.** The *Affordable Care Act*, enacted in March 2010, has a significant impact on states and especially on state Medicaid programs. Beginning on January 1, 2014, state Medicaid programs will be expanded to cover non-pregnant, non-elderly individuals with income up to 133 percent of the federal poverty level. The cost for those newly eligible for coverage will be fully federally funded in calendar years 2014, 2015, and 2016 with federal financing phasing down to 90 percent by 2020. States are required to apply a 5 percent income disregard when determining Medicaid eligibility, effectively bringing the new Medicaid minimum eligibility level to 138 percent of the federal poverty level.

The *Affordable Care Act* imposes a maintenance of effort (MOE) requirement on eligibility standards, methodologies, and enrollment procedures for adults until an exchange is fully operational (expected to be 2014) and for children in Medicaid and CHIP through 2019. There is a limited exception that allows a state to reduce their eligibility levels for adults over 133 percent of poverty during the period from January 1, 2011 through December 31, 2013 for a state that certifies it has a budget deficit on or after December 31, 2010.

While the major expansions to cover the uninsured will not be taking place until January 1, 2014, other changes under the *Affordable Care Act* have already taken effect including: the maintenance of effort provisions for Medicaid and CHIP, a new option to cover childless adults in Medicaid using the regular Medicaid match, new long-term care options for community based care, work on establishing and planning for health insurance exchanges, establishment of temporary high risk pools in each state until the exchanges are operational, the early retiree reinsurance program, and changes in the insurance markets in every state.

**Options under the Affordable Care Act.** States were asked about the likelihood of using various options under the *Affordable Care Act* or those related to the Act. Such options may range from grants to plan health insurance exchanges, additional funds to move towards home and community based long term care options, or 90 percent matching funds for changes to Medicaid and CHIP eligibility systems. Almost all states have received planning grants to set up the health insurance exchanges and most states plan on applying for the 90 percent match for changes to Medicaid eligibility systems. Connecticut, the District of Columbia, and Minnesota have taken up the option to expand eligibility to adults without dependent children. Additionally, some states are also planning to apply for more limited awards such as behavior modification grants or establishing accountable care organizations for pediatrics (See Table 33).

**Challenges in Implementing the Affordable Care Act.** There are many challenges ahead as states move forward with implementation of the *Affordable Care Act*. Some of the most significant challenges cited by states include upgrading current Medicaid eligibility systems, accommodating the significant number of new enrollees under Medicaid, setting up health insurance exchanges, and dealing with the lack of administrative resources and staff at the state level to carry out the implementation. Other challenges cited include the lack of federal guidance, the aggressive timeline for implementation, and how the maintenance-of-effort requirements makes controlling growth in the program difficult.

**States Plans for Payment and Delivery System Changes.** States are planning to make changes in the payment and delivery aspects of their health care systems to control costs, improve outcomes, and to position themselves for the significant number of new Medicaid enrollees resulting from the *Affordable Care Act*. The type of changes underway or in the planning phase include using health homes for those with chronic conditions, implementing payment adjustments for health care acquired conditions, exploring managed care options, and pursuing dual eligible initiatives to provide managed care services for those eligible for both Medicare and Medicaid. Other changes include moving to a single payer system which includes significant payment, administrative, and system delivery reforms; care coordination to populations and services not currently covered by existing managed care programs; using quality measures for health care providers; and establishing episodes of care to drive payment reform for those with chronic conditions.

**Long-Term Health Care Spending.** Medicaid spending, similar to health care spending is projected to increase faster than the economy as a whole. The release of the *2010 Actuarial Report on the Financial Outlook for Medicaid* by the Centers for Medicare & Medicaid Services (CMS) Office of the Actuary in December 2010 underscores the challenges ahead. As stated in the report, Medicaid costs will almost certainly continue to increase as a share of gross domestic product (GDP) in the future and will be a serious strain on states' budgets. On average, annual Medicaid spending is projected to increase 8.3 percent over the next 10 years according to the CMS Office of the Actuary. A number of broad based deficit and debt reduction packages that include changes to Medicaid have been put forth by the President, members of Congress and a number of fiscal commissions. Analysis of the potential impact of various proposals is ongoing.

TABLE 33

## Possible Options for Implementing the Affordable Care Act, 2012

Region/State	Early coverage for childless adults	90% match for Medicaid eligibility system	Health home option/care coordination	Long-term care options (Community First Choice Option, State Balancing Incentives Program)	Exchange planning grants	Pediatric Accountable Care Organizations	Behavior Modification Grants
Alabama	o	X	X	X	X	o	?
Alaska							
Arizona	o	?	?	?	X	?	?
Arkansas	?	X	?	?	X	?	?
California	X	X	?	?	X	?	?
Colorado	X	?	?	?	X	?	?
Connecticut	X	X	X	X	X	?	X
Delaware	o	X	X	?	X	?	?
Florida	?	?	?	?	o	?	o
Georgia	?	X	?	?	X	?	?
Hawaii	o	X	?	o	X	o	?
Idaho	o	o	?	o	X	?	o
Illinois	o	X	?	?	X	?	?
Indiana	o	X	?	?	X	?	?
Iowa	o	X	X	?	X	?	X
Kansas	?	X	o	o	X	o	o
Kentucky	o	X	?	?	X	X	X
Louisiana	o	X	?	X	X	?	o
Maine	?	?	?	?	?	?	?
Maryland	o	X	X	X	X	?	X
Massachusetts	?	X	X	?	X	?	X
Michigan	?	X	?	?	X	?	?
Minnesota	X	X	X	?	X	?	?
Mississippi	o	X	?	?	X	?	?
Missouri	o	?	X	X	X	?	?
Montana	o	?	?	?	?	?	?
Nebraska	o	X	?	?	X	?	?
Nevada		?	X		X		
New Hampshire	?	X	X	?	?	X	?
New Jersey	X	?	?	?	?	?	?
New Mexico	o	X	X	?	X	?	?
New York	X	X	X	X	X	X	
North Carolina							
North Dakota*	o	?	?	?	X	?	?
Ohio	?	?	X	?	X	X	?
Oklahoma*	?	?	?	?	X	?	?
Oregon	o	X	X	o	X	?	?
Pennsylvania	o	X	?	?	X	?	?
Rhode Island	o	X	X	?	?	?	?
South Carolina	o	X	o	o	X	o	o
South Dakota	o	?	?	?	X	?	?
Tennessee	o	X	?	X	X	?	?
Texas	o	o	o	o	X	o	o
Utah	o	o	X	?	o	o	o
Vermont	o	X	X	X	X	?	X
Virginia	o	X	?	?	X	?	?
Washington	X		X	X	X		
West Virginia	?	X	X	?	X	?	o
Wisconsin	o	X	X	?	X	?	?
Wyoming	X	X	X	X	X	X	X
TERRITORIES							
Puerto Rico	X	?	?	X	?	?	?
<b>Total</b>	<b>8</b>	<b>32</b>	<b>21</b>	<b>10</b>	<b>41</b>	<b>5</b>	<b>7</b>

NOTES: \*See Notes to Table 33. Key: X=Yes, o=NO, and ?=Uncertain  
 SOURCE: National Association of State Budget Officers.

**State Cash Assistance Increased Under the Temporary Assistance for Needy Families Program.** The Temporary Assistance for Needy Families (TANF) program was reauthorized under the *Deficit Reduction Act* in February 2006. The TANF block grant is funded at \$16.6 billion each year through 2010 and is currently authorized under a continuing resolution.

The program includes specific definitions of work, work verification requirements, and penalties if states do not meet the requirements. As a result of these changes, most states have to significantly increase work participation rates.

Since welfare reform was initially passed in 1996, states have focused on providing supportive services for families to achieve self-sufficiency rather than cash assistance. Since 1996, case-loads have declined significantly. The average monthly number of recipients fell from 12.8 million prior to the enactment of TANF to 4.4 million by September 2010, a decrease of over two-thirds.

This report has information only on the changes in the cash assistance benefit levels within the program which represents approximately 41 percent of total program costs. For governors' recommended budgets for fiscal 2012, forty-three states would maintain the same cash assistance benefit levels that were in effect in fiscal 2011. Four states proposed decreases in cash assistance benefit levels, ranging from 3 to 20 percent, while three states proposed an increase in cash assistance benefit levels ([See Table 34 and Notes to Table 34](#)).

**TABLE 34**  
**Proposed Cost-of-Living Changes for Cash Assistance Benefit Levels Under the Temporary Assistance For Needy Families Block Grant, Fiscal 2012**

State/Territory	Percent Change
California	-13.0%
Florida	1.8
Michigan*	
Nebraska*	
New Hampshire	10.7
New Mexico	15.0
South Carolina	-20.0
Washington	-15.0
Wisconsin*	-2.9

NOTE: \*See Notes to Table 34.

SOURCE: National Association of State Budget Officers.



# CHAPTER 4 NOTES

## Notes to Table 26: Annual Percentage Medicaid Growth Rate

<b>Connecticut</b>	Medicaid Appropriation is “gross funded”—Federal funds are deposited directly to the State Treasury.
<b>Montana</b>	The shift between state funds (increase) and federal funds (decrease) between FY 2011 and FY 2012 is largely attributable to the ARRA enhanced FMAP ending in FY 2011.

## Notes to Table 28: Fiscal 2011 Budgetary Actions Aimed at Containing Medicaid Costs

<b>Alaska</b>	Other Strategies to reduce spending for prescription drugs include PDL.
<b>Iowa</b>	Other actions include enhanced disease management and prior authorization of HCBS waiver services.
<b>Louisiana</b>	Strategies to reduce prescription drug costs include conducting an ingredient cost survey and dispensing cost survey which may result in a change in the reimbursement methodology. Other strategies include privatization and closure of several public ICF's.
<b>Maryland</b>	False Claim Act enacted, effective October 2010.
<b>Missouri</b>	Other actions include managing high cost users.
<b>Nebraska</b>	Other strategies in Fiscal 2011 include a two-tiered payment rate structure for practitioner services, reduced outpatient hospital cost-to-charge ratio, and reduced indirect medical education factor.
<b>North Carolina</b>	Other strategies include prior authorization of some services and bulk purchasing.
<b>Tennessee</b>	Other actions include administrative reductions.

## Notes to Table 29: Proposed Fiscal 2012 Budgetary Actions Aimed at Containing Medicaid Costs

<b>Alaska</b>	Other Strategies to reduce spending for prescription drugs include step edits.
<b>Connecticut</b>	Other strategies include additional community placements under Money Follows the Person program.
<b>Delaware</b>	Strategies for reducing prescription drugs costs include explore raising co-pay. Reform of the delivery system involves integrated long-term care. Other actions include implementation of dental fee schedule.
<b>Illinois</b>	Eliminate benefits refers to state funded IL Cares RX for seniors.
<b>Iowa</b>	Other actions include improving claims payment accuracy and enhancing recovery efforts.
<b>Michigan</b>	Other strategies include reduce Graduate Medical Education payments.
<b>Missouri</b>	Other actions include managing high cost users.
<b>New Jersey</b>	Other actions include implementing a Comprehensive Medicaid Waiver—may further impact strategies above.
<b>New York</b>	Other Savings measures proposed include: Across-the-board cuts, management of high-cost users, reductions in over-utilization of home care and personal care programs, medical malpractice reform, reductions in inappropriate or unnecessary services, removal of physician-related reimbursement from hospital ambulatory payment groups, streamlining of the processing of nursing home rate appeals, centralizing responsibility for Medicaid estate recovery, and additional savings measures.
<b>Tennessee</b>	Other actions include administrative reductions.
<b>Texas</b>	Funding not provided to replace ARRA/ARRA FMAP increases.

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## Notes to Table 30: Changes During Fiscal 2011 to Generate Additional Resources for Medicaid

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<b>Delaware</b>	Moved non-qualified non-citizen pregnant women and children to Medicaid/CHIP and moved non-emergency transportation from administrative to service cost.
<b>Illinois</b>	Provider tax is on nursing home assessment and other actions include state income tax increase.
<b>Minnesota</b>	Minnesota expanded coverage for adults without children less than 75 percent of federal poverty guidelines, leveraging additional federal match for this population starting March 2011.
<b>Nevada</b>	Other actions include UPL and GME Program.
<b>New Mexico</b>	Other actions include inter agency transfers increased.
<b>Vermont</b>	Other actions include premium increases.

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## Notes to Table 31: Proposed Changes for Fiscal 2012 to Generate Additional Resources for Medicaid

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<b>Michigan</b>	Other Strategies include one percent assessment on health insurance paid claims to replace Medicaid HMO use tax.
<b>Minnesota</b>	The Governor's recommendation includes expansions of surcharges on HMOs, county-based purchasing plans, nursing facilities, ICF / MRs and hospitals.
<b>New Mexico</b>	Other actions include inter agency transfers increased.
<b>Rhode Island</b>	Additional receipts of \$4.5 million resulting from enhancements to the "Children's Health Account" assessment, which recoups Medicaid expenditures for services rendered to children with private insurance coverage (when these services are not covered under the private plan). These receipts fully offset general revenue expenditures within Rhode Island's Medical Assistance program.
<b>Vermont</b>	Provider tax levied on Hospitals, NHs, MCOs, Dentists.

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## Notes to Table 32: Does Governor's Recommended Budget for Fiscal 2012 Include Changes to the CHIP Program?

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<b>California</b>	Changes recommended include premium increases; Increase in Emergency room copay; Enactment of inpatient hospital copay; and Vision benefit cost containment measures.
<b>Colorado</b>	Managed care rate cut, efficiencies regarding reimbursement for services, simplification of enrollment process.
<b>Connecticut</b>	Moving from managed care to ASO model.
<b>Georgia</b>	Proposed changes included new copayments, reimbursement policy revisions, and provider reimbursement provisions.
<b>Maine</b>	Changes include proposed premium on family income.
<b>Maryland</b>	Same as changes to Medicaid program.
<b>Nevada</b>	Changes include eliminating the HIFA waiver.
<b>New Jersey</b>	Changes include more services in the capitation rates instead of fee for service.
<b>New York</b>	Co-Pays will now be required under CHIP.

<b>North Carolina</b>	Targeted provider rate reductions, program integrity improvements, modified services, care coordination.
<b>Puerto Rico</b>	Reform Delivery System.
<b>Texas</b>	New federal guidelines require that infants of certain mothers in the CHIP Perinatal program get services under Medicaid resulting in an overall decrease in CHIP caseloads. Caseloads will increase as a result of newly eligible kids of state employees entering CHIP. The state will draw down federal match for legal permanent residents and school employee children due to changes in federal regulations. This results in decreased general revenue need and an increase in federal funds. Funding is reduced from 2010–11 levels due to shifts in caseloads and a 10 percent provider rate reduction.
<b>Utah</b>	Replace use of restricted funds with more General Fund dollars.
<b>Vermont</b>	Under CHIPRA expanded Medicaid and SCHIP coverage to qualified alien children and/or pregnant women who are lawful perm. US residents and did not meet 5 year bar.
<b>West Virginia</b>	Changes include Autism Spectrum Disorder coverage.

### Notes to Table 33: Possible Options for Implementing the Affordable Care Act, 2012

<b>North Dakota</b>	Exchange planning grants are handled by the Insurance Department.
<b>Oklahoma</b>	One percent Health Carrier Access Fee was initially passed by the Legislature but subsequently overturned by the State Supreme Court.

### Notes to Table 34: Proposed Cost of Living Changes

<b>Michigan</b>	The fiscal 2012 Executive recommendation does not include an increase or decrease for TANF cash assistance benefit levels; however, a clothing allowance of \$79 for all children from birth through age 18 is included in the fiscal 2012 Executive recommendation.
<b>Nebraska</b>	No increase in the maximum grant an individual may receive has been enacted for FY2012. Per State Statute (sec. 43-513), Nebraska will not increase the maximum “standard of need” in FY2011. The next “standard of need” increase is due July 1, 2011.
<b>Wisconsin</b>	Twenty dollar decrease in maximum monthly benefit for an individual in a community service job placement.

# CHANGES IN STATE AID TO LOCAL GOVERNMENTS

## CHAPTER FIVE

A number of states reported reducing, with some instances of significant reductions, aid to local governments for fiscal 2012. While the manner in which states reduced aid may have differed, the overall effect was largely the same; redirecting monies to other program areas in order to make up for reduced tax revenue collections. Some of the more common methods employed by states included reductions in aid given to states via a reduction in “local government funds.” Another common method of reducing aid to localities was by reducing aid to specific programs which are run by local governments including K-12 education, road maintenance, as well as property tax relief in certain states. Some states also reduced pension and health-care contributions to local governments. A few states increased aid to local governments. (See [Table 35](#)).

**TABLE 35**

**Recommended Changes in Aid to Local Governments, Fiscal 2012**

<b>Arizona</b>	Continue to require Maricopa and Pima counties to transfer a total of \$21 million into General Fund in FY 2012. Continue to redirect lottery money that would have otherwise gone in to County Assistance Fund, Local Transportation Assistance Fund and State Parks Heritage Fund to General Fund (about \$49 million in FY 2012).
<b>California</b>	The suspended/deferred mandate payments in FY 2011–12 resulted in approximately \$421 million or 89 percent of reimbursement payments deferred to future years. The 2011–12 Governor’s Budget proposes to eliminate redevelopment agencies (RDAs). In 2011–12, after required debt service payments have been made on outstanding RDA debt, the Governor’s Budget proposes to use \$1.7 billion in property tax revenues that would otherwise have flowed to RDAs to reimburse the state General Fund for the cost of providing health care and trial court services in counties that previously had RDAs. The remaining sums will be distributed to cities, counties, special districts, and K-14 schools. Beginning in 2012–13, after required debt service payments have been made on outstanding RDA debt, all property tax revenues that would previously have flowed to RDAs will be distributed to cities, counties, special districts, and K-14 schools.”
<b>Colorado</b>	The Governor’s FY 2011–2012 budget request included proposed transfers to the General Fund from cash funds designated for local grants to mineral development impacted communities. From severance tax revenue \$41 million in transfers was proposed and from FML \$30 million. The only recommended changes that affect local government operations for mineral development impacted communities is the suspension of the grant program normally supported with the funds proposed for transfer described above.
<b>Connecticut</b>	<p>Governor Malloy has proposed a budget for FY 2012 which recommends providing a total of \$3,628,608,121 in State aid to local governments, for programs that depend on statutory formulas. Funding totals for these programs in FY 2011 totaled \$3,375,208,153. If enacted the proposed increase represents \$3,006,600,032 or 8.9 percent from FY 2011 funding levels. Also, Governor Malloy’s proposed budget proposes additional revenue sources for municipalities estimated to equate to \$85.2 million in FY 2012, rising to \$129.3 million in FY 2013.</p> <p>Governor Malloy’s budget proposed to fund various grants to municipalities administered by the State of Connecticut at level funding. However, some funding is proposed to be revised as follows:</p> <ul style="list-style-type: none"> <li>• Public School Transportation grant—Governor has recommended a modest reduction in funding which represents a 10 percent reduction from the FY 2011 program appropriation. This proposed reduction is due to the state’s projected budget deficit;</li> <li>• Non Public School Transportation grant—Governor has recommended a modest reduction in funding which represents a 10 percent reduction from the FY 2011 program appropriation. This proposed reduction is due to the state’s projected budget deficit;</li> <li>• PILOT: Exempt Machinery &amp; Equipment &amp; Commercial Motor Vehicles—Governor’s recommended budget does not provide funding for this PILOT, rather municipalities would have the ability to apply personal property tax on commercial vehicles; and</li> <li>• PILOT: Vessels—Governor’s recommended budget does not provide funding for this PILOT, rather municipalities will have the ability to apply personal property tax on boats which would provide an additional revenue source for the municipality.</li> <li>• Governor Malloy’s proposed budget provides several additional sources of revenues for municipalities included:             <ul style="list-style-type: none"> <li>• An additional sales tax on 0.10 percent on products and services sold through retail establishments;</li> <li>• An additional 1 percent tax on hotels;</li> <li>• Making permanent the 0.25 percent municipal real estate conveyance tax expansion of the current optional conveyance tax to all municipalities (bringing the total municipal rate from 0.11 percent to 0.5 percent);</li> </ul> </li> </ul>

Table 35 continues on next page.

TABLE 35 (CONTINUED)

**Recommended Changes in Aid to Local Governments, Fiscal 2012**

- A personal property tax on boats (on 70 percent of the current value) in the state at the state-wide rate of 20 mills;
- A personal property tax on aircraft (on 70 percent of the current value) in the state at the state-wide rate of 20 mills;
- An additional 1 percent tax on car rentals; and
- A new 3 percent cabaret tax.

In total, these additional revenue sources for municipalities equate to \$85.2 million in FY 0212, rising to \$129.3 million in FY 2013.

**Florida** \$350.2 million (23.3 percent) reduction in sales tax distribution to local governments in recognition of lower pension contribution requirements. \$37.2 million (8.0 percent) increase in distributions to clerk of courts based on exemption from state service charge requirement.

**Maine** A shift of revenue sharing programs from 5 percent of major taxes to a General Fund appropriation resulted in a \$3.8 million increase to Local Government Fund programs from FY 2011 but also reduced the amount received under the old methodology by \$42 million in FY 2012. The Tax & Rent Circuit Breaker program that provides property tax relief to certain low and middle residents and renters is limited to 80 percent of the amount resulting in an \$11 million decrease to benefits. The Business Equipment Tax Reimbursement (BETR) program to encourage the growth of capital investment is amended to decrease the reimbursement percentage for business equipment reimbursement to 90 percent of the benefit for FY 2012 resulting in a \$5.2 million decrease. The Homestead Reimbursement program that helps offset effect on local property tax burdens arising from the municipal exemption of certain homestead property of qualified residents was increased \$7.4 million from fiscal year 2011 levels. General Fund K-12 Education funding was increased \$22.7 million over fiscal year 2011 but \$58.8 million of ARRA funds in FY 2011 went away. The state share of the state and local cost is funded at 46.19 percent and is \$170 million below the desired 55 percent statutory requirement that was amended downward due to budgetary pressures. The General Assistance program that provides assistance to persons without resources and is administered by municipalities was reduced by \$2.2 million from the fiscal year 2011 amount. The Tree Growth Tax Reimbursement program helps restrain municipal property tax rates for towns which experience a substantial tax shift due to the mandated use of (lower) current use values in place of (higher) ad valorem values for assessing classified forest land and was increased over fiscal year 2011 amounts by \$3.9 m by restoring a one-time reduction in Fiscal year 2011 to the base and appropriating an additional amount.

**Maryland** The 2012 Enacted budget includes reductions of \$36 million (<1 percent) in K-12 Education Aid below previous statutorily mandated levels. This reduction is partially offset by \$18 million in additional funding linked to an increase in the alcohol tax. The budget also includes a proposal to shift \$34.8 million, 90 percent portion of the cost of property valuation, to local governments, deletes \$2.4 million (100 percent) in Payments in Lieu of Taxes related to State forests and parks, and requires local governments to assume \$3.4 million of the cost of educating certain children in State custody.

**Massachusetts** Aid to cities and towns, or local aid, represents approximately 16 percent of the Commonwealth's annual budget. In fiscal year 2012, local aid programs account for \$5.05 billion. The recommendation for local aid reflects the Patrick-Murray Administration's unprecedented commitment to a strong partnership between the state and its cities and towns, even in a very challenging fiscal year. The fiscal year 2012 Chapter 70 funding is \$3.99 billion, a \$140 million increase of state funding to cities and towns over fiscal year 2011. Funding for the special education circuit breaker, which goes directly to municipalities, increases by \$80 million from fiscal year 2011 to fiscal year 2012. Increasing Chapter 90 Local Road Program funding for fiscal year 2012 to \$200 million, \$45 million more than fiscal year 2011 and \$80 million more than the last year of the prior administration. Level funding of State Owned Land (PILOT), Regional School Transportation, Charter School Reimbursements, Library Aid, Veterans' Benefits and Tax Reimbursements to Veterans, the Blind and Widows. Unrestricted General Gov-

Table 35 continues on next page.

TABLE 35 (CONTINUED)

**Recommended Changes in Aid to Local Governments, Fiscal 2012**

ernment Aid (UGGA) will be funded at \$833.9 million in fiscal year 2012. While this is a \$65 million reduction (7.2 percent) from fiscal year 2011, \$10 million from this reduction will be used to support a competitive grant program to drive regionalization and other efficiency initiatives as well as a performance management, accountability and transparency program for local government. A task force will be established to develop a rationale for the distribution of additional dollars that may be appropriated in the future based on elements of the work of the Hamill-Higgins 2006 Municipal Finance Task Force (Partnership Aid proposal) and the work of the Federal Reserve which take into account a municipality's economic and financial capacity. This task force will be charged with developing a new formula that also incentivizes performance results and best practices.

The Governor will file legislation to provide cities and towns across the Commonwealth the tools they need to reign in municipal health insurance costs. This legislation will help municipalities achieve real healthcare cost savings and preserve local services in fiscal year 2012. This could save more than \$94 million in year one for those cities and towns that have not joined the state health insurance system. The proposal is premised on two simple principles: municipalities must be able to achieve material savings in health insurance costs and preserve local services in fiscal year 2012, and labor must have a meaningful role in the process. The proposal will allow municipalities to require expedited collective bargaining to negotiate a new health insurance benefit plan that is equivalent in cost to the state's health insurance benefits offered through the GIC. If the municipalities and unions don't reach agreement within a limited period of time, the municipality will be required to go into the GIC or otherwise have health insurance coverage equivalent in cost to the GIC. This legislation is intentionally crafted to delegate many of the details of the process to regulation to facilitate legislative enactment and ensure savings in fiscal year 2012. The Governor's proposal also requires that all municipalities have eligible retired local employees enrolled in Medicare as their primary source of health insurance coverage, as this federal program covers a substantial portion of their health costs. (Estimated savings: \$15 million to \$30 million remaining to be saved from requiring municipalities who have not already done so to move eligible retirees to Medicare.) The Administration's approach to fiscal year 2012 includes additional tools to support municipalities in managing through this fiscal crisis and beyond, including: Expansion of the local property tax base by closing the loophole on telecommunications equipment exemption. (Estimated revenue: \$26 million.)

Establishing a \$9.7 million Regionalization and Efficiency Incentive Grant Program to provide financial support for one-time or transition costs related to regionalization and other efficiency initiatives, with allowable applicants to include municipalities or regional planning agencies, councils of governments or counties serving as the administrative or fiscal agent on behalf of municipalities. The new fiscal reality demands that we invest in and incentivize innovation among local governments to find new and more efficient ways to delivery local services. \$300,000 for the development of a program to enhance performance management, accountability, and transparency for local governments. This initiative will be overseen by municipal officials and administration officials with the support of the Collins Center for Public Management at the University of Massachusetts Boston. The goal is to develop a set of common accountability and performance measures that can be adopted by all municipalities and to determine how to provide the necessary support and tools to municipalities, including education, training, standardized software and reporting, and technical assistance to municipalities to participate in the program. Establishing a Municipal Procurement Program within the state Operational Services Division to create state-wide contracts specifically needed by cities and towns that will leverage purchasing power and save money. Filed a new pension reform initiative providing for a comprehensive overhaul of the pension system that would ensure the long-term sustainability and credibility of the system and save communities an estimated \$2 billion over 30 years in pension costs and an estimated \$1 billion in reduced retiree health benefit costs for new employees over the next 30 years.

**Michigan**

Proposed changes for fiscal 2012 are permanent changes beginning October 1, 2011: per pupil funding for K-12 education (-\$452.5 million, -4.1 percent); discretionary/non-mandated K-12 programs (-\$85.6 million, -100 percent); elimination of statutory revenue sharing, with funding to create incentive-based program (-\$92 million, -32 percent); revenue sharing payments to counties (-\$51.8 million, -34 percent); community mental health non-Medicaid

Table 35 continues on next page.

TABLE 35 (CONTINUED)

**Recommended Changes in Aid to Local Governments, Fiscal 2012**

(-\$8.5 million, -3 percent); state aid to libraries (-\$2.3 million, -40 percent); funding to local health departments (-\$1.7 million, -5 percent); various payment-in-lieu-of-taxes programs (-\$1.6 million, -15 percent).

**Montana**

The executive budget proposal lowers entitlement share growth to local entities starting in FY 2012. Under this proposal, growth paid to local entities would be capped at 0.76 percent per year.

**Nebraska**

Cuts from State General Fund Only (All July 1, 2011–June 30, 2012) include Aid to Counties: \$9.67 million or 100 percent, Aid to Cities: \$10.96 million or 100 percent, Aid to Natural Resources Districts: \$1.44 million or 100 percent, Aid to Educational Service Units: \$2.9 million; or 20 percent. The Homestead Exemption Reimbursement saw an increase of \$7.3 million or 11.2 percent.

**New Jersey**

**Municipal Aid**

Recommends maintaining municipal formula aid flat at the FY 2011 level.

Recommends reducing Transitional Aid to Localities by \$10 million (6 percent) to \$149 million. The State provides this discretionary aid through a competitive application process and requires recipient municipalities to submit to additional State oversight and implement cost controls and reforms that will reduce their reliance on this aid in the future.

Recommends continuing the suspension of Urban Enterprise Zone (UEZ) local revenue sharing (\$92.6 million), which was first suspended in FY 2011. This program allocates part of the sales tax revenue collected within UEZs back to them for economic development projects and local administrative costs.

**Other Local Aid**

Recommends decreasing Aid to County Psychiatric Hospitals by \$13.1 million (9 percent) to \$131.7 million based on cost trends. This program supports patients in county psychiatric hospitals by reimbursing allowable costs incurred by counties.

Recommends decreasing County College Aid by \$3.6 million (2 percent) to \$204 million. This program provides aid to the county college system, including funding for operating aid, fringe benefits, and debt service funding.

Pension and Health Benefit Reforms: The Governor has recommended various pension and health benefit reforms that would provide cost savings to local governments that participate in the State-managed pension systems and the State Health Benefits Program.

**New York**

The 2011–12 Executive Budget (with Amendments) will have an estimated \$1.77 billion negative impact on municipalities in local fiscal years ending in 2012—the first full-annual local fiscal year affected by changes in the Executive Budget.

Major Executive Budget program changes include the following:

- Reduced funding for general School Aid to school districts in the 2011–12 school year (\$1.5 billion).
- Human services programs net of savings actions (\$114 million).
- Reduced funding to school districts for Summer School Special Education in the 2011–12 school year (\$86 million).
- Personal income tax and sales tax collection initiatives expected to generate additional revenue for local governments (\$58 million).
- Eliminated funding for Optional General Public Health Work Services (\$32 Million).
- Reduced Aid and Incentives for Municipalities (AIM) funding for cities, towns and villages (\$15 million).

However, the Enacted Budget continues more than \$2.4 billion in fiscal relief for counties and New York City under the State’s cap on local Medicaid expenditures and takeover of the Family Health Plus program. Counting this assistance, the total fiscal impact on local governments in 2010 is a positive \$603 million.

Table 35 continues on next page.



**TABLE 35 (CONTINUED)**

**Recommended Changes in Aid to Local Governments, Fiscal 2012**

The 2011–12 Executive Budget (with Amendments) will have an estimated \$1.77 billion negative impact on municipalities in local fiscal years ending in 2012—the first full-annual local fiscal year affected by changes in the Executive Budget.

- School districts outside of New York City will experience a \$1.1 billion negative impact in the 2011–12 school year driven mostly by a \$1.0 billion reduction in School Aid. School districts will also incur increased costs related to Summer School Special Education financing reform (\$36 million), new costs from overseeing the room and board of students who are placed in residential schools (\$35 million), and costs from reforming Private School Special Education for the Blind and Deaf (\$7 million).
- New York City will experience a \$623 million negative impact in the City Fiscal Year 2011–12. In addition to a \$518 million reduction in school aid, the City will also incur \$50 million in increased costs related to Summer School Special Education financing reform, as well as \$12 million in additional costs related to reforming Private School Special Education for the Blind and Deaf. The City will also be negatively impacted in other areas including: \$65 million for human services programs; \$14 million from discontinuing reimbursement for certain optional public health programs; and \$7 million for criminal justice programs. These reductions are partially offset by \$36 million in PIT and sales tax receipts due to a statewide tax modernization initiative and Early Intervention program reforms that will reduce City spending with estimated savings of \$8 million.
- County governments are projected to experience a \$25 million negative impact, primarily due to: \$19 million from eliminating reimbursement for certain optional public health programs; \$15 million in reductions to human services programs; \$7 million in reductions for criminal justice programs; \$6 million in reductions to various municipal aid programs; \$3 million in reductions for mental health programs; and \$5 million in reductions for other programs. These funding reductions will be partially offset by \$17 million in sales tax receipts due to a statewide tax modernization initiative and \$13 million in savings from Early Intervention program reforms.
- Other cities, towns and villages will experience an overall \$20 million negative impact in local fiscal years ending in 2012, mostly due to a \$15 million reduction in AIM funding, and a \$4.4 million elimination of Video Lottery Terminal Aid.

The Executive Budget continues more than \$2.4 billion in fiscal relief for counties and New York City under the State’s cap on local Medicaid expenditures and takeover of the Family Health Plus program. Counting this assistance, the total fiscal impact on local governments in 2012 is a positive \$603 million.

The Governor created, by Executive Order, the Mandate Relief Redesign Team to develop ways to reduce the burden of mandates on local governments and school districts. On March 1, 2011, the Team issued a preliminary report with proposals that would prevent future mandates, give additional flexibility on current mandates, and reduce pension costs. The team is to issue quarterly reports throughout the 2011-12 fiscal year with a final report no later than the end of the 2011–12 fiscal year.

**North Dakota**

State aid distribution fund allocations to cities and counties, which are based on a percentage of sales, use and motor vehicle excise tax collections, are estimated to increase from \$117.6 million during the 2009–2011 biennium to \$136.9 million during 2011–2013, an increase of 16 percent. State school aid is anticipated to increase from \$825.2 million during the 2009–11 biennium to \$919.5 million for 2011–13, an increase of 11 percent.

**Ohio**

Recommends reducing local government fund payments to 75 percent of FY 2011 levels in FY 2012, saving \$167.1 million and to 50 percent of FY 2011 levels in FY 2013 saving \$388.2 million. Also reduces public library fund payments to 95 percent of FY 2011 levels in both FY 2012 and 2013 saving \$68.5 million and \$95.0 million annually. Recommends shifting 2 percent of pension payments from employers to public employees. Would save local governments and school districts approximately \$700 million annually.

Table 35 continues on next page.

**TABLE 35 (CONTINUED)**

**Recommended Changes in Aid to Local Governments, Fiscal 2012**

<b>Oregon</b>	Total state funding for K-12 schools declines by \$52.3 million (1 percent) for the 2011–13 biennium compared to the previous biennium approved budget. State support for community colleges was reduced by \$41.8 million (9.3 percent).
<b>Rhode Island</b>	Governor proposed the creation of the Municipal Accountability, Stability, and Transparency (MAST) Fund which will be available for municipalities. The fund will be financed by maintaining the state and local meals and beverage tax rate at 8.0 percent and dedicating 1 percent to this fund. The projection for the fund in FY 2012 is \$19.3 million. MAST Fund (described above) disbursements will be made contingent on local governments meeting certain standards for good financial practices.
<b>Texas</b>	For purposes of “local governments” in this response, public school funding and community colleges are excluded. All for FY 2012: Distribution to Counties for Road Repair and Maintenance (\$27.7 million, 100 percent); Underage Tobacco Enforcement Programs (\$29 million, 100 percent); Governor’s Office Criminal Justice Grants (\$20.3 million, 81.2 percent); County Essential Services Grants (\$2.9 million, 100 percent); Courthouse Renovations (\$27 million, 98.4 percent); Aid to Local Libraries (\$25 million, 72 percent); Discretionary State Grant Programs at Texas Education Agency (\$1,334.4 million, 99.3 percent); Grants to Local Probation Departments (\$32.8 million, 11.3 percent); Local Parks, Boating Access & Other Parks Grants (\$46.7 million, 96.9 percent); Renewable Energy Program (\$3.1 million, 100 percent); numerous small programs that total less than \$2 million. The Governor established an Unfunded Mandates Task Force to identify burdensome requirements on local governments.
<b>Virginia</b>	Certain programs within the Aid to Localities FY 2012 budget was reduced by a total of \$60 million dispersed across localities.
<b>Wisconsin</b>	<p>In his budget recommendations for FY 2012, the Governor’s budget reduces funding for school aids (general and categorical aids) by \$438 million (8.2 percent) compared to the FY 2011 level. Compared to the FY 2010 level, the proposed reduction would equal \$429 million (8.1 percent). Community youth and family aids, which fund a portion of county juvenile corrections costs, are recommended to be reduced by \$9.8 million (10 percent) from FY 2011 levels. The payments for municipal services program funding, which reimburses local governments for services provided to state property, is recommended to be reduced by \$2.1 million (10 percent) compared to the FY 2011 level. From other funds, the financial assistance for local government recycling programs, which is funded from the segregated recycling and renewable energy fund, is recommended to be eliminated (a reduction of \$32.1 million, or 100 percent, in FY 2012 compared to FY 2011); and from the transportation fund, general transportation aids and mass transit operating aids are recommended to be reduced by 10 percent for calendar year 2012 (FY 2012 impact is -\$329,400 for general transportation aids and -\$373,200 for transit operating aids).</p> <p>To minimize the impact of the aid reduction on property taxes, the Governor’s budget requires school districts to reduce, by 5.5 percent, per pupil expenditures paid from combined general state aid and local property taxes. To help school districts offset reductions to school aid and per pupil expenditures without cutting services, recently enacted legislation will require school district employees to pay at least 50 percent of pension contribution costs and authorize school boards to increase the employee share of health insurance premiums. Finally, regarding mandate changes, the Governor proposes repealing or modifying several school district mandates, most significantly repealing the requirement that school districts schedule 180 school days per year provided they meet the required hours of instruction, which remain unchanged.</p> <p>For municipalities and counties, recently enacted legislation will require employees to pay at least 50 percent of pension contribution costs and authorize local governments to increase the employee share of health insurance premiums. For municipalities, the expenditure restraint program budget test was modified, which will affect eligibility. A county and municipal levy limit of 0 percent for 2011(12) property taxes was imposed, which is less than the 2010(11) limit of 3 percent. To offset the elimination of recycling program funding mentioned above, the requirement that local governments operate a recycling program is eliminated.</p>

# APPENDIX

TABLE A-1

## Enacted Mid-Year Revenue Changes by Type of Revenue, Fiscal 2011

State	Tax Change Description	Effective Date	Fiscal 2011 Revenue Changes (\$ in Millions)
<b>SALES TAXES</b>			
Hawaii	Act 155	07-10	\$15.0
Virginia	Modify dealer discount	06-11	49.1
	Exemption for data centers	07-11	-3.3
<b>Total Revenue Changes—Sales Tax</b>			<b>\$60.8</b>
<b>PERSONAL INCOME TAXES</b>			
Illinois	Two percent tax rate increase authorized by PA 096-1496	01-11	\$2,884.0
Minnesota	Federal conformity		-16.8
Ohio	HB 318 eliminated a personal income tax reduction that was enacted and that took effect January 1, 2009	12-09	426.0
Puerto Rico	Income Tax Credit to individual and corporate taxpayers	11-10	-414.0
Virginia	Exemption for military spouses	07-11	-9.9
<b>Total Revenue Changes—Personal Income Taxes</b>			<b>\$3,283.3</b>
<b>CORPORATE INCOME TAXES</b>			
Illinois	2.2 percent tax rate increase authorized by PA 096-1496	01-11	\$180.0
Maine	Revenue loss from conformity with Federal IRS tax code		-4.5
	Adopts new process for calc sales apportionment factor C Corps		2.9
Minnesota	Federal conformity		-6.4
Puerto Rico	Income Tax Credit to individual and corporate taxpayers	11-10	-91.0
Virginia	Phase-in jobs tax credit	01-11	-1.3
	Removal of equity/subordinated debt cap	01-11	-1.0
<b>Total Revenue Changes—Corporate Income Taxes</b>			<b>\$169.7</b>
<b>CIGARETTE AND TOBACCO TAXES</b>			
Hawaii	Act 56, SLH 2009, increases the cigarette tax from 11 cents to 13 cents on 7/1/09, from 12 cents to 14 cents on 7/1/10, and from 13 cents to 15 cents on 7/1/11 and also amends the dates on which changes in the allocation of cigarette tax revenues changes. Act 59, SLH 2010, increases the tax on cigarettes and little cigars by 1 cents for sale after June 30, 2010. The additional collections will be deposited into the general fund.	07-10	\$26.0
<b>Total Revenue Changes—Cigarette and Tobacco Taxes</b>			<b>\$26.0</b>

Table A-1 continues on next page.

TABLE A-1

**Enacted Mid-Year Revenue Changes by Type of Revenue, Fiscal 2011**

State	Tax Change Description	Effective Date	Fiscal 2011 Revenue Changes (\$ in Millions)
<b>MOTOR FUELS TAXES</b>			
Hawaii		07-10	\$13.2
<b>Total Revenue Changes—Motor Fuel Taxes</b>			<b>\$13.2</b>
<b>OTHER TAXES</b>			
Hawaii	Act 73, SLH 2010, temporarily increases environmental response tax from \$0.05/barrel to \$1.05/barrel for the period 7/1/2010 through 6/30/2015. Sixty cents of the tax collected per barrel will be deposited into the general fund.	07-10	\$13.2
Maine	Excludes tel-com tower with antenna from BETE program		0.5
	One time hospital assessment		4.2
Puerto Rico	Temporary excise tax imposed at a declining rate (from 4 percent for 2011 to 1 percent for 2016). Special Property Tax term reduction	01-11	505.0
<b>Total Revenue Changes—Other Taxes</b>			<b>\$17.9</b>
<b>FEES</b>			
Nevada	Mining claim fees plus various smaller fee increases	03-10	\$52.7
Virginia	Direct deposit of court fees	07-11	4.4
	Court fee legislation	07-11	10.0
<b>Total Revenue Changes—Fees</b>			<b>\$67.1</b>

SOURCE: National Association of State Budget Officers.

TABLE A-2

## Enacted Mid-Year Revenue Measures, Fiscal 2011

State	Description	Effective Date	Fiscal 2011 Enacted Mid-Year Changes (\$ in Millions)
Colorado	Other Revenue—Cash Fund transfers to the General Fund, see SB11-164	June 30, 2011 for FY 2010–2011	\$103.0
	Other Revenue—Placeholder for Federal Mineral Lease cash fund transfer to GF JBC 02/07/11 also in OSPB March 2011 forecast	June 30, 2011 for FY 2010–2011	1.1
	Other Revenue—SB11-163.	June 30, 2011 for FY 2010–2011	0.3
Hawaii	Delay in paying out Tax Year 2009 income tax refunds.		-187.4
	Act 22, SLH 2010, amends the due dates for miscellaneous tax types from the last day of the calendar month to the 20th day of the calendar month, and amends the due date for filing and payment of periodic insurance premiums taxes from quarterly to monthly.	07–10	21.3
Kansas	Personal Income—Would use federal Temporary Assistant to Needy Families (TANF) to pay a portion of the state earned income tax credit, therefore income tax receipts would increase by the same amount.	01–11	3.4
Maine	Personal Income—Collection initiative		9.5
	Personal Income—Changes tax increment financing deposit date		0.7
	Other Taxes—Increase cap on milk subsidy		-0.6
	Other Taxes—Additional transfer from revenue sharing		2.9
	Other Taxes—Establishes ceiling for transfer of GF Racino \$ to DHHS increasing amount to GF		0.9
	Other Taxes—Additional transfer to Maine Milk pool		-4.0
	Other Taxes—Adjust Milk Handling Fee increasing GF revenue		0.8
	Other Taxes—Sale of State owned buildings		1.5
	Other Taxes—Additional transfer from revenue sharing		10.0
Other Taxes—Implement Mega Millions lottery game		1.5	
Minnesota	Sales—release legislatively delayed refunds in FY 2011	upon enactment	-133.9
	Corporate Income—release legislatively delayed refunds in FY 2011	upon enactment	-72.0
Missouri	Personal Income—Tax Credit redemptions anticipated to be lower than originally forecast based on economic conditions. Also, more carefully review all tax credits before they are authorized.	07–10	47.0
Nevada	Other Taxes—Various tax amnesty programs	03–10	20.0
New York	Personal Income—Offset large lottery winnings to payoff outstanding tax liabilities to New York.	08–11	5.0
	Corporate Income—Eliminate Co-Op Insurance Exemption	01–11	22.0
Rhode Island	Fees—Bond Proceeds from State Police Headquarters		2.3
<b>Total</b>			<b>-\$144.7</b>

TABLE A-3

**Proposed Revenue Changes by Type of Revenue, Fiscal 2012**

State	Tax Change Description	Effective Date	Fiscal 2011 Revenue Changes (\$ in Millions)
<b>SALES TAXES</b>			
Arkansas	Reduction of State Sales tax on Food -.5 percent	07-11	-\$16.0
California	Extend 1 percent sales tax rate thru June 30, 2016. However, these non General Fund revenues are earmarked for local revenue purposes.	07-11	4549.0
Connecticut	Increase sales tax rate to 6.35 percent, tax clothing and footwear under \$50, base expansion, rate changes	07-11	464.3
Maine			49.9
Maryland	Permanently extends a cap on the amount that vendors may receive for collecting and remitting the State Sales Tax at \$500 regardless of the number of returns filed.	06-11	17.8
Minnesota	Affiliate nexus	07-11	\$5.0
	Add tax to DVR/direct satellite	07-11	1.1
	Tax full price paid for hotel rooms purchased on-line	upon enactment	4.2
	Expand definition of taxable admissions	07-11	3.6
	Extend tax to software hosted by application service providers	07-11	1.5
New Jersey	Exempt installation and support of electronically delivered business software.	01-12	-2.5
North Carolina	Increase sales tax 0.75 percent	07-11	826.6
Rhode Island	Sales Tax Modernization Proposal: Reduce Sales Tax Rate from 7.0 percent to 6.0 percent	07-11	-117.7
	Sales Tax Modernization Proposal: Modernization of Sales Tax Base at 6.0 percent Sales Tax Rate	07-11	195.9
	Sales Tax Modernization Proposal: Impose 1.0 percent Tax on Certain Exempt Items	07-11	86.8
	Sales Tax Modernization Proposal: Lost Revenues from Non-Compliance with Streamlined Sales and Use Tax Agreement	07-11	-1.8
	Sales Tax Modernization Proposal: Impose Tax on Retail Sale of Medical Marijuana at 6.0 percent Sales Tax Rate	07-11	0.8
	Sales Tax Modernization Proposal: No Insurance Proceeds for Totaled or Stolen Motor Vehicle as Trade-In Value	07-11	0.9
	West Virginia	Reduce Sales Tax rate on Food for Home Consumption from 3 percent to 2 percent	01-12
<b>Total Revenue Changes—Sales Tax</b>			<b>\$6,058.9</b>

Table A-3 continues on next page.

TABLE A-3 (CONTINUED)

**Proposed Revenue Changes by Type of Revenue, Fiscal 2012**

State	Tax Change Description	Effective Date	Fiscal 2012 Revenue Changes (\$ in Millions)
<b>PERSONAL INCOME TAXES</b>			
California	1. Extend 0.25 percent Surcharge (2011 thru 2015) 2. Extend Dependent Exemption Credit decrease (2011 thru 2015) 3. Repeal Enterprise Zone tax benefits beginning 2011	01-11	\$3,595.0
Connecticut	Rate changes, eliminate \$500 property tax credit, earned income tax credit—refundable—30 percent	01-11	877.8
Hawaii	Tax pension income	01-12	50.2
Iowa	Exclude active duty military pay from income taxes	01-11	-11.9
Maine			13.9
Michigan	Eliminate or reduce many credits, deductions, and exemptions	01-12	804.4
Minnesota	New top bracket	01-11	1112.2
	Part-year non-resident revision	01-11	15.0
	Federal conformity	upon enactment	-37.3
Minnesota	New top bracket	01-11	1112.2
	Part-year non-resident revision	01-11	15.0
	Federal conformity	upon enactment	-37.3
Nebraska	Angel Investment Tax Credit program	01-11	-2.0
New Jersey	50 percent phase-in business income/loss netting and loss carryforward relief	01-12	-23.0
North Carolina	Unemployment insurance tax credit for tax year 2011	01-11	-65.0
North Dakota	21 basis point reduction in each tax bracket	01-11	-25.0
Ohio	Implements income tax rate reduction that was originally to occur January 1, 2009.	01-11	-400.0
Puerto Rico	Income Tax Credit to individual and corporate taxpayers	11-10	-265.0
Wisconsin	Tax deferral for capital gains reinvested in Wisconsin-based businesses after December 31, 2010 and a tax exemption for capital gains realized on investments in Wisconsin-based businesses that are made after December 31, 2010, and held for at least 5 years	01-11	-16.1
	2011 Act 1 provides a nonrefundable tax credit of 6.5 percent of the allowable federal deduction for contributions to, and earnings on, health savings accounts.	01-11	-20.7
<b>Total Revenue Changes—Personal Income Taxes</b>			<b>\$5,867.5</b>

Table A-3 continues on next page.

TABLE A-3 (CONTINUED)

**Proposed Revenue Changes by Type of Revenue, Fiscal 2012**

State	Tax Change Description	Effective Date	Fiscal 2012 Revenue Changes (\$ in Millions)
<b>CORPORATE INCOME TAXES</b>			
California	1. Mandatory Single Sales Factor apportionment beginning 2011 2. Repeal Enterprise Zone tax benefits beginning 2011	01-11	\$1,253.0
Connecticut	Continue 10 percent surcharge for IY 2012 and IY 2013, establish "throw back" rule, credit changes	1-11 and 1-12	36.0
Florida	Gradual phase out and elimination of the corporate income tax	01-12	-458.8
Hawaii	Repeal state income tax deduction		21.3
Iowa	Reduce corporate income tax rate to a flat rate of 6 percent	01-11	-136.2
Maine			-25.1
Michigan	Eliminate the Michigan Business Tax and replace with corporate income tax	01-11	-1075.0
Minnesota	Repeal foreign operating and foreign royalty provisions	01-11	137.5
	Nexus rule	01-11	26.0
	Repeal exemption for insurance companies	01-11	10.0
	Index minimum fees for inflation	01-11	7.1
	Federal conformity	01-10	13.7
	Increase research & development credit	01-11	-11.4
Montana	Revise waters edge provision	01-12	2.4
	Equalized deductions for Trusts and Individuals	01-12	1.5
New Jersey	Three year phase-in single sales factor	01-12	-24.0
	Reduce S corporation minimum tax 25 percent	01-12	-13.0
	Exempt "non-exempt" cooperatives	01-12	-0.2
	Increase R&D credit to 100 percent	01-12	-33.0
	Technology business tax certificate transfer program \$60 million up from \$30 million	01-12	-30.0
North Carolina	Reduce corporate income tax to 4.9 percent from 6.9 percent	01-11	-115.0
Puerto Rico	Income Tax Credit to individual and corporate taxpayers	11-10	-239.0
Rhode Island	Business Tax Competitiveness Proposal: Implementation of Combined Reporting	07-11	8.9
	Business Tax Competitiveness Proposal: Phase-In of First 0.5 percent of Rate	07-11	-8.5
	Reduction from 9.0 percent to 7.5 percent		
	Business Tax Competitiveness Proposal: Restructuring of Corporate Minimum Tax	07-11	-6.1
Texas			-75.0
Wisconsin	Allow combined groups to apply 5 percent of a member's pre-2009 operating losses to the groups' combined income	01-12	-\$9.2
	2011 Act 3 creates an exclusion from individual income or a corporate tax credit for businesses that relocate to Wisconsin from another state or country and begin doing business in Wisconsin, the credit may be claimed for two consecutive years	01-11	-0.5
	2011 Act 5 provides an exclusion from income for an increase in the number of full-time employees employed by a business in Wisconsin, the exclusion would be equal to either (a) \$4,000 multiplied by the increase in employees for a business with gross receipts of \$5 million or less, or (b) \$2,000 multiplied by the increase in employees for a business with gross receipts greater than \$5 million	01-11	-33.5
<b>Total Revenue Changes—Corporate Income Taxes</b>			<b>-\$537.2</b>

Table A-3 continues on next page.



TABLE A-3 (CONTINUED)

## Proposed Revenue Changes by Type of Revenue, Fiscal 2012

State	Tax Change Description	Effective Date	Fiscal 2012 Revenue Changes (\$ in Millions)
<b>OTHER TAXES</b>			
Connecticut	Inheritance and estate exemption level, insurance companies rate changes, electric generation tax, repeal admissions and dues exemptions, health provider tax changes	1–11 and 7–11	\$409.9
Hawaii	(1) Increases in the liquor tax by 50 percent, and (2) by assessing a new sugary beverage fee of 10 cents/container less than or equal to 12 ounces, and 25 cents/container more than 12 ounces.		23.4
Iowa	Increase top gaming tax rate to 36 percent	07–11	190.0
Maine			19.0
Maryland	Extends the State's current 2 percent premium tax to the Injured Worker's Insurance Fund.	06–11	1.9
Michigan	Repeal 6 percent use tax on Medicaid managed care organizations.	10–11	-396.9
	One percent assessment on health care insurance paid claims	10–11	396.9
Minnesota	Estate tax: apply tax on pass-through entities for non-residents	01–11	5.4
	Statewide property tax on homes valued over \$1 million	01–12	21.7
	Car rental tax 1 percent increase	07–11	2.1
	Tax compliance	07–11	14.4
	Medical assistance provider surcharge increases	07–11	406.7
Montana	Raise business equipment property tax exemption threshold from \$20,000 to \$200,000	01–12	-1.5
New Jersey	Transitional Energy Facility Assessment: Phase-out over three years	01–12	-62.0
	Estate Tax: Raise exemption to \$1 million from \$675,000	01–12	-11.5
North Carolina	Raise cap on qualified business venture credit	01–11	-2.0
Ohio	Expands a job retention tax credit against the Commercial Activity Tax.	07–11	-17.0
Oregon	Extending and/or enhancing various tax credits that otherwise would sunset.		-78.4
Pennsylvania	Continued phase out of the Capital Stock and Franchise Tax.	01–12	-66.6
Puerto Rico	Temporary excise tax imposed at a declining rate (from 4 percent for 2011 to 1 percent for 2016). Special Property Tax term reduction	01–11	969.0
Rhode Island	Health Care Provider Assessment: Reduce Nursing Home Expenditure Base	07–11	-0.7
Tennessee	Annual hospital coverage assessment rate increase from 3.52 percent to 4.52 percent for a covered hospital's annual coverage assessment base.	07–11	\$100.4
<b>Total Revenue Changes—Other Taxes</b>			<b>\$955.2</b>
<b>MOTOR FUELS TAXES</b>			
Connecticut	Rate changes	07–11	51.6
<b>Total Revenue Changes—Motor Fuel Taxes</b>			<b>\$51.6</b>

Table A-3 continues on next page.

TABLE A-3 (CONTINUED)

**Proposed Revenue Changes by Type of Revenue, Fiscal 2012**

State	Tax Change Description	Effective Date	Fiscal 2012 Revenue Changes (\$ in Millions)
<b>CIGARETTE AND TOBACCO TAXES</b>			
Connecticut	Rate changes	07-11	54.3
<b>Total Revenue Changes—Cigarette and Tobacco Taxes</b>			<b>\$54.3</b>
<b>ALCOHOLIC BEVERAGES</b>			
Connecticut	Rate changes	07-11	9.2
Maryland	Increases the sales tax on alcoholic beverages from 6 to 9 percent	07-11	84.8
<b>Total Revenue Changes—Alcoholic Beverages</b>			<b>\$94.0</b>
<b>FEES</b>			
California	Extend 0.5 percent Vehicle License Fee rate thru June 30, 2016. However, these non General Fund revenues are earmarked for local revenue purposes.	07-11	\$1,382.0
Connecticut	DMV and DOT rate changes, other fee changes	07-11	21.3
Florida	Reduction of fees associated with driver licenses, ID Cards, and vehicle registrations	07-11	-235.7
Michigan	Hospital and Nursing Home licensure fee increase (\$5.2 million), solid waste management fee increase (\$1.9 million), non-custodial parent child support fee (\$3.4 million), fingerprint fee increase (\$3.0 million).	10-11	13.5
Minnesota	Hunting and fishing license fees	07-11	6.1
	Increase watercraft license surcharges and non-resident fishing license surcharges	07-11	3.2
	Metropolitan solid waste landfill fee	07-11	1.5
Oregon	Continue a bottle surcharge and new fee for some new liquor license applicants		27.9
Rhode Island	DEM: Increase Beach Parking Fees	07-11	1.9
	DVA: Increase Veteran Home Assessment to 100.0 percent of Countable Income	07-11	0.8
	DOR: Increase Estate Tax Filing Fee to \$50	07-11	0.1
	DOR: Increase Letter of Good Standing Fee to \$50	07-11	0.1
	DOR: Impose 4.0 percent Surcharge on Compassion Center Net Revenues	07-11	0.6
	DCYF: Institute \$10 Fee for Background Clearances	07-11	0.1
	DPS: Increase Fee for Fire Code Violations to \$125	07-11	0.0
	DBR: Increase Federal Covered Advisor Fee to \$300	07-11	0.0
	DMV: NSF Check Return Fee of \$25	07-11	0.0
	10.0 percent Indirect Cost Recovery: Telecommunication Education Access Fund from reducing Wireline Monthly Surcharge from \$0.26 to \$0.15 per line and imposing Wireless Monthly Surcharge of \$0.15 per line	07-11	0.1
DBR: Increase Securities Sales Rep License Fee to \$75	07-11	1.2	
Vermont	Healthcare provider assessments		30.5
	Other	07-11	0.4
<b>Total Revenue Changes—Fees</b>			<b>\$1,255.6</b>

SOURCE: National Association of State Budget Officers.

TABLE A-4

## Recommended Revenue Measures, Fiscal 2012

State	Tax Change Description	Effective Date	Fiscal 2012 Revenue Changes (\$ in Millions)
California	Personal Income—Compliance efforts including audits, financial records match, and amnesty. \$213 million from these provisions are accrued to 2010–11.	Audits in July 2011, financial records match in April 2011, and amnesty from August 31–October 31, 2011	-\$2.0
	Corporate Income—Compliance Efforts including amnesty. \$67 million from this provision is accrued to 2010–11.	August 31–October 31, 2011	-12.0
Colorado	Other Revenue—Reflects net revenue initiatives submitted in November 2010 for FY 11–12 and February 2011 modifications for FY 11–12.	FY 2011–2012	82.8
	Other Revenue—Reflects Cash Fund Transfers to the General Fund, based on Governor's balancing packages submitted in November 2010 for FY 11–12 and amended in February 2011 modifications for FY 11–12.	FY 2011–2012	169.6
Connecticut	Corporate Income—Film tax credit transferability	01–11	6.0
	Other Taxes—Federal grant reimbursements and changes, transfers, DRS-risk based scoring decision system, film tax transferability for insurance companies.	07–11	127.3
Illinois	Corporate Income—Decouple Illinois from Section 401 of the Federal Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 (Public Law 111-312).	07–11	600.0
Iowa	Personal Income—Couple with federal law changes to personal income tax	01–11	-38.3
Maryland	Sales—Diverts a portion of revenue from the Chesapeake Bay 2011 Fund to the General Fund	06–11	15.2
	Personal Income—Tax Clearance—Requires payment of unpaid taxes to renew a driver's license or vehicle registration. Some revenue of this estimate may be collected from other sources.	06–11	20.0
	Motor Fuel—Diverts a portion of revenue from the Chesapeake Bay 2011 Fund to the General Fund	06–11	5.0
	Other—Credits all interest earned on special funds of the State to the general fund, except for those that are specifically identified and exempted.	06–11	7.0
	Other—Diverts a portion of the Admissions and Amusement Tax to the General Fund.	06–11	3.7
	Fees—Increases a fee for all individuals under the Supervision of the Division of Parole and Probation.	06–11	3.3
Massachusetts	Enhanced DOR Tax Enforcement		61.5
	New Revenue Initiatives: Enforcement of Room Occupancy Tax on Hotel Room Resellers		88.8
	Enhanced Medical Support Compliance for Child Support Cases		
	Management of Life Science Tax Credits Delay the "FAS 109" Tax Reporting Deduction and Amend Corporate Excise Factoring		
Minnesota	Sales Tax—Release legislatively delayed refunds in FY 2011	upon enactment	133.9
	Corporate Income—Release legislatively delayed refunds in FY 2011	upon enactment	72.0
Missouri	Sales—Temporary tax amnesty reciprocal agreements with other states integrated tax reporting system	08–11	\$24.8
	Personal Income—Temporary tax amnesty tax clearances for professional licenses centralized debt collections.	08–11	14.1
	Corporate Income—Temporary tax amnesty	08–11	5.0
Iowa	Couple with federal law changes to personal income tax	01–11	-38.3
Montana	Personal Income—Capital gains w/h on real estate sales by non-residents	01–12	1.9
	Personal Income—Refundable tax credit for property taxes	01–12	-12.9
	Corporate Income—Eliminate NOL carry back	01–12	2.2
	Corporate Income—Extend statute of limitations on Corp Tax Assessments and refunds	01–12	2.9

Table A-4 continues on next page.

TABLE A-4 (CONTINUED)

## Recommended Revenue Measures, Fiscal 2012

State	Tax Change Description	Effective Date	Fiscal 2012 Revenue Changes (\$ in Millions)
Nevada	Other Taxes—Change in distribution or timing of room, mineral, and auto lease taxes.	07–11	163.4
New Mexico	Other Taxes—Capped Movie Production tax credits	07–11	23.0
Ohio	Sales—Increase in non-auto sales tax receipts as a result of reducing Public Library Fund allocation of these receipts. Expansion of managed care under Medicaid which is subject to the Sales and Use tax.	07–11	79.1
	Personal Income—Increase in personal income tax receipts as a result of reducing Local Government Fund allocation of these receipts.	07–11	167.1
	Other Taxes—Redirect revenues from Commercial Activities Tax and Kilowatt Hour Taxes now deposited in other funds to the General Revenue Fund. Additional increase in GRF Kilowatt Hour Tax receipts from reductions in Public Library Fund allocations. Expansion of managed care under Medicaid which is subject to the domestic insurance tax.	07–11	544.5
Oklahoma	Sales—Move sales tax collection on beer from the retail to the wholesale level.	07–11	4.0
	Personal Income—Increased audit capability at the Oklahoma Tax Commission	07–11	4.0
	Other Taxes—Other additional audit/enforcement capacity within the Oklahoma Tax Commission	07–11	3.5
Pennsylvania	Other Taxes—Transfer \$140 million from Tobacco Settlement Fund to the General Fund.	07–11	140.0
	Other Taxes—Transfer of special fund moving violation surcharges to the General Fund.	07–11	44.0
	Other Taxes—Decrease in the Film Production and Job Creation Tax Credits	07–11	9.3
Rhode Island	Sales—Separate Posting of Business Tax Delinquents	07–11	\$0.6
	Personal Income—Repeal of Motion Picture Tax Credit Effective July 1, 2011	07–11	1.3
	Personal Income—Separate Posting of Individual Tax Delinquents	07–11	0.8
	Personal Income—Offset Lottery Winnings for Taxes Owed	07–11	0.1
	Corporate Income—Business Tax Competitiveness Proposal: Phase Out of 1/3 of Value of Jobs Development Act	07–11	4.8
	Corporate Income—Repeal of Motion Picture Tax Credit Effective July 1, 2011	07–11	0.1
	Corporate Income—Separate Posting of Business Tax Delinquents	07–11	0.1
	Other Taxes—Insurance Companies: Repeal of Motion Picture Tax Credit Effective July 1, 2011	07–11	0.2
	Other Taxes—Health Care Provider Assessment: Separate Posting of Business Tax Delinquents	07–11	0.3
	Other Taxes—Phase-In Transfer of Registration and Licenses Fees to the Intermodal Service Transportation Fund (ISTF) for DOT	07–11	-9.8
	Fees—Rhode Island Resource Recovery Corporation Transfer	07–11	3.5
	Fees—DMV: Require Driving Record Abstracts Every 3 Years	07–11	3.0
	Fees—DMV: Phase-In Transfer of Commercial Driver License Fees to DOT (ISTF)	07–11	-0.1
	Fees—DMV: Phase-In Transfer of Registration Reinstatement Fees to DOT (ISTF)	07–11	-0.2
	Fees—DMV: Phase-In Transfer of Driver License Reinstatement Fees to DOT (ISTF)	07–11	-0.7
	Fees—DMV: Phase-In Transfer of Motor Vehicle Title Fees to DOT (ISTF)	07–11	-1.3
	Fees—DOH: Dissolution of Health Services Council	07–11	-0.4
Fees—DOC: Offset Income Tax Refunds for Probation and Parole Fees Owed	07–11	0.2	
Fees—DHS: Reinstigate Hospital Licensing Fee at 5.465 percent on FY 2009 Net Patient Revenues	07–11	141.8	
Utah	Personal Income—Implement Quarterly Estimated Payments on non-withheld income	01–12	130.0
Virginia	Sales—Modify accelerated collections	06–11	-45.7
<b>Total</b>			<b>\$2,753.9</b>



