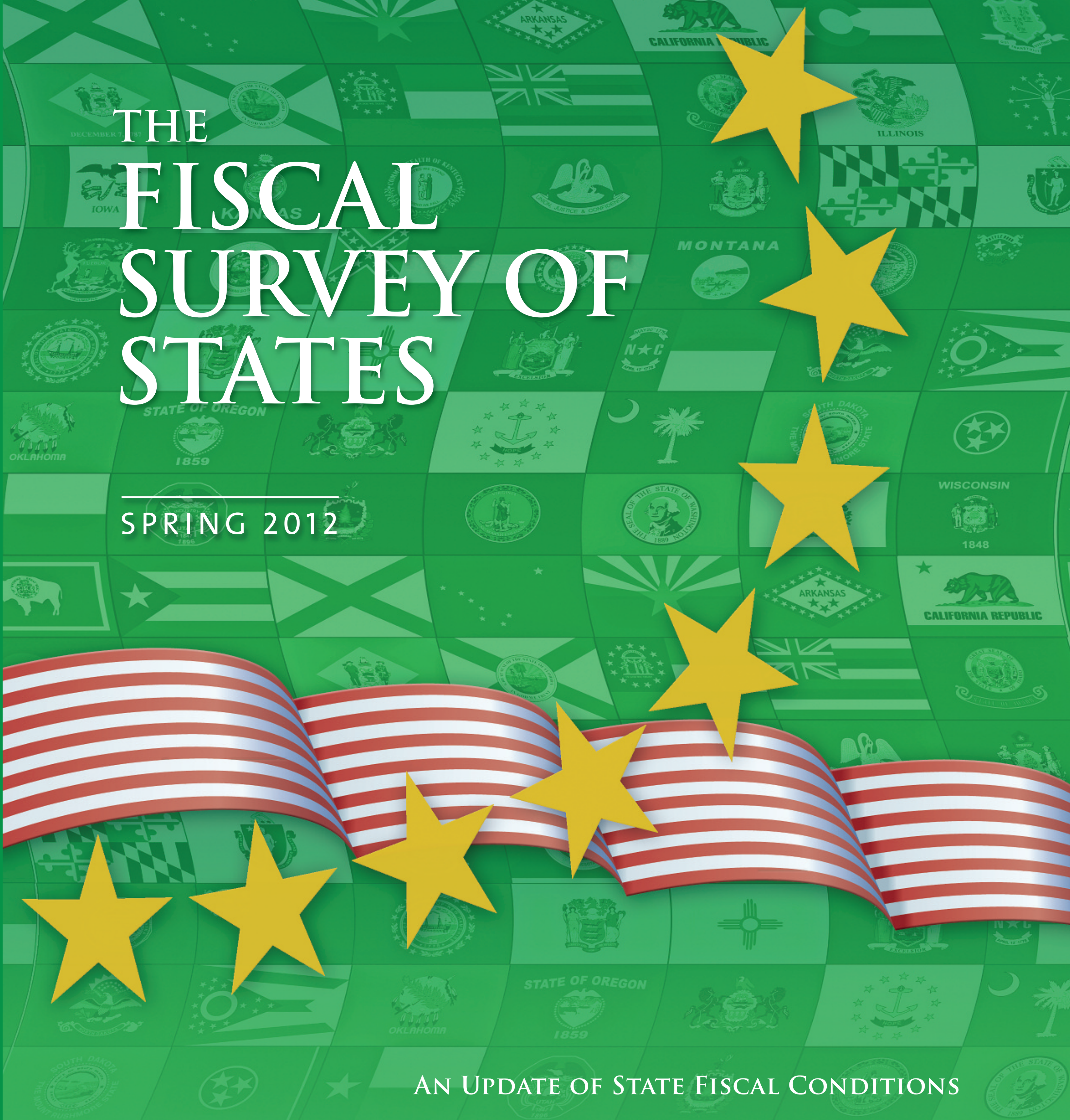

THE FISCAL SURVEY OF STATES

SPRING 2012

AN UPDATE OF STATE FISCAL CONDITIONS

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

THE FISCAL SURVEY OF STATES
SPRING 2012

National Association of State Budget Officers
444 North Capitol Street, NW, Suite 642
Washington, DC 20001-1511
Tel: (202) 624-5382 • Fax: (202) 624-7745
www.nasbo.org

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Founded in 1908, the National Governors Association (NGA) is the collective voice of the nation's governors and one of Washington, D.C.'s, most respected public policy organizations. Its members are the governors of the 50 states, three territories and two commonwealths. NGA provides governors and their senior staff members with services that range from representing states on Capitol Hill and before the Administration on key federal issues to developing and implementing innovative solutions to public policy challenges through the NGA Center for Best Practices. NGA also provides management and technical assistance to both new and incumbent governors.

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Ann Franklin, Alabama
Sarah Brinkley, Alaska
Diane Burnham, Alaska
Duong Nguyen, Arizona
Josh Joyner, Arkansas
Lasonja Ross, Arkansas
Phuong La, California
Diana Schmiegel, California
Alexis Senger, Colorado
Paul Potamianos, Connecticut
Bert Scoglietti, Delaware
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Julie Vickers, Florida
Robert Giacomini, Georgia
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Charu Gupta, Illinois
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Sandy Russell, Kansas
John Hicks, Kentucky
Paul Fernandez, Louisiana
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Emma Jones, Maine
Kristy L. Michel, Maryland
Robert Dolan, Massachusetts
Colleen Gossman, Michigan
Nancy Rooney, Minnesota
Gerald Joyner, Mississippi
Marty Drewel, Missouri
Ryan Evans, Montana
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Matt Riven, Vermont
Mike Barton, Virginia
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Scott Thornton, Wisconsin
Folbert Ware, Jr., Wyoming

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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 April 2012. 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 2011 data represent actual figures, fiscal 2012 figures are estimated, and fiscal 2013 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 Michael Streepey compiled the data and prepared the text for the report.

EXECUTIVE SUMMARY

State fiscal conditions are continuing to improve into fiscal 2013, although many state budgets are not fully back to pre-recession levels. This report finds that governors' recommended budgets show an overall increase in both general fund expenditures and revenues in fiscal 2013. However, fiscal 2013 general fund revenues are projected to increase by $27.4 billion, or 4.1 percent, and additional recommended spending is only projected to increase by $14.6 billion, or 2.2 percent, suggesting that states remain cautious about the strength of the national economic recovery. Fiscal trends indicate that while aggregate state revenues will be above their pre-recession levels in fiscal 2013, total general fund spending will not yet surpass pre-recession levels. Consequently, state budgets reflect a national economy in which growth is slow and not as robust as in previous recoveries, yet overall state fiscal improvement is occurring.

States will continue to face significant challenges in fiscal 2013 with recommended general fund expenditures slowing and still $4.6 billion below the pre-recession high of $687.3 billion in fiscal 2008. In fact, 25 states are still forecasting lower general fund spending in fiscal 2013 compared to fiscal 2008. However, general fund expenditure trends are moving in a positive direction, with 39 governors recommending higher general fund spending in fiscal 2013 compared to fiscal 2012.

General fund revenues are also projected to grow at a faster pace than in fiscal 2012, providing state budgets some room to grow. Fiscal 2013 budgets forecast that general fund revenues will reach $690.3 billion, surpassing peak pre-recession levels by $10 billion. Although 23 states are projecting fiscal 2013 general fund revenues below fiscal 2008 levels. Overall, general fund revenues remain tempered by the lingering high unemployment rate and slow growth in the national economy.

Budgets are being squeezed by constrained revenues and increased expenditure pressures, reductions in federal funding, replenishing reserves and providing resources for critical areas that were cut during the recession. Due to the severity of the economic contraction as well as the lag time between tax collections and changes in the national economy, states have been slow to recover from the recession. The fiscal fallout from the unprecedented budgetary declines in fiscal 2009 and 2010 puts states well below historical growth trends in general fund spending and revenue.

With the expiration of federal funding support provided by the American Recovery and Reinvestment Act of 2009 (ARRA), states continue to realign spending plans with fiscal reality. States also face significant uncertainty surrounding traditional federal funds because of potential political gridlock over federal spending decisions. In addition, states will face particularly intense budgetary challenges in education and health care in fiscal 2013, putting pressure on all budget areas – including corrections and infrastructure. As budgets face strain from slow revenue growth and expenditure pressures, states will likely confront tough budgetary choices in the next fiscal year.

The general fund spending level trend is a conventional indicator of state fiscal health, and the improvement in state finances in fiscal 2012 is exemplified by the fact that 43 states estimate they will end the year with higher general fund spending in fiscal 2012 compared to fiscal 2011. Fiscal 2013 recommended general fund expenditures total $682.7 billion, a 2.2 percent increase over an estimated $668.1 billion in fiscal 2012. This compares with a 3.3 percent increase in fiscal 2012 over the $646.8 billion in general fund spending in fiscal 2011.

Governors' proposals forecast total general fund tax revenues of $690.3 billion in fiscal 2013, 4.1 percent above the estimated $662.8 billion that will be collected in fiscal 2012. States estimate they will end fiscal 2012 with total general fund revenues up $11.4 billion or 1.7 percent over fiscal 2011. Total general fund revenues in fiscal 2012 will still be $17.4 billion below fiscal 2008 levels. However, recommended fiscal 2013 budgets forecast that collectively general fund revenues will surpass peak pre-recession levels by $10 billion.

Nonetheless, state revenue improvement has not been enough to meet the rise in demand for state services and spending over the past two years, leaving states to solve a combined $146.3 billion in budget gaps in fiscal 2011 and 2012. Gaps between spending and revenue collections decreased slightly from $78.2 billion in fiscal 2011 to $68.1 billion fiscal 2012. Strengthening revenue collections combined with less general fund expenditure growth in fiscal 2013 significantly reduced projected budget gaps next fiscal year. Twenty-seven states reported closing $64.5 billion in budget gaps in fiscal 2012, 19 states forecast $30.6 billion in budget gaps in fiscal 2013 and four states have $3.1 billion in remaining fiscal 2012 gaps that must be closed by the end of the fiscal year. Although not all state budget offices have completed official forecasts, 11 states are projecting $23.2 billion in budget gaps for fiscal 2014.

State budget gaps that arise during the fiscal year are primarily solved through a reduction in previously appropriated spending. Fiscal 2012 was the first year since the recession where a large number of states did not make substantial mid-year budget cuts. To date, only eight states have reported a total of $1.7 billion in enacted mid-year budget cuts for fiscal 2012, compared with 19 states enacting $7.4 billion in mid-year budget cuts in fiscal 2011, and 39 states enacting $18.3 billion in cuts in fiscal 2010. In addition to the mid-year budget cuts in fiscal 2012, one state—New York—enacted $340 million in mid-year tax increases through personal income tax reform.

Governors are proposing $6.7 billion in new net taxes and fees for fiscal 2013 with proposed sales and income tax increases in California and New York's personal income tax reform accounting for the majority of the increase. Governors have also proposed $2.1 billion in new revenue measures. In response to severe revenue declines during and after the recession, states enacted a combined $31.6 billion in increased taxes and fees along with $17.2 billion in new revenue measures from fiscal 2009 to fiscal 2011. The expiration of temporary tax and fee increases, primarily in California and North Carolina, made fiscal 2012 the first year since the beginning of the recession that states' newly enacted net revenues declined, leaving states with $600 million less from new taxes and fees and $2.6 billion less from revenue measures.

States have also relied on balances, including budget stabilization funds or "rainy day funds," to help offset future revenue declines and increasing spending demands. Balances reflect the surplus funds that states may use to respond to unforeseen circumstances. After reaching a peak of $69 billion or 11.5 percent of general fund expenditures in fiscal 2006, total balance levels fell to $32.5 billion or 5.2 percent of expenditures by the end of fiscal 2010. In fiscal 2012, states' budgetary reserves slightly decreased, bringing balance levels to $43.6 billion or 6.5 percent of expenditures from $46.4 billion or 7.2 percent of expenditures in fiscal 2011. For fiscal 2013, governors' recommended total balance levels of $53.2 billion, 7.8 percent of expenditures. The balance levels of Texas and Alaska make up 46.5 percent of total state balance levels in fiscal 2012 and 51.5 percent in fiscal 2013. The remaining 48 states have balance levels that represent only 3.8 percent of general fund expenditures for fiscal 2012 and 4.0 percent for fiscal 2013.

States made difficult choices in fiscal 2012 partly because of the expiration of billions of dollars in federal support from ARRA. In fiscal 2010 and 2011, states were able to use $112.8 billion in flexible emergency ARRA funding. Spending from these flexible funds peaked in fiscal 2010 at $61.2 billion and then fell slightly to $51.6 billion in fiscal 2011. Fiscal 2012 marked the first time since fiscal 2009 that states implemented spending plans without enhanced Medicaid matching rates or substantial support from ARRA's State Fiscal Stabilization Fund. The expiration of funds left states with only $4.5 billion in flexible emergency funding in fiscal 2012; that amount is projected to fall to $500 million in fiscal 2013. The drawdown in flexible ARRA funds is mostly due to the expiration of enhanced federal matching rates to states' Medicaid programs. Improved revenue collections, along with successful cost controls, have helped states acclimate to the expiration of ARRA funds.

As the economy slowly advances, state general fund spending is expected to increase, although at a slower rate than the historical average. Fiscal 2012 budgets have undergone a realignment to adjust for a declining share of federal dollars flowing to states through ARRA. Governors' fiscal 2013 recommended spending plans reflect revenue constraints and an understanding that spending priorities will again face competition for state budget dollars.

State Spending

Governors' recommended general funding spending of $682.7 billion in fiscal 2013, 2.2 percent above the $668.1 billion estimated in fiscal 2012. Fiscal 2012 general fund expenditures are estimated to be 3.3 percent above the $646.8 billion spent in fiscal 2011.

Thirty-nine states recommended increasing general fund expenditures for fiscal 2013 compared to fiscal 2012. Even with these proposed increases, 25 states would still have lower general fund spending in fiscal 2013 compared to the pre-recession peak levels of fiscal 2008.

Eight states have made budget cuts to their fiscal 2012 budgets totaling $1.7 billion. This is a significant improvement from fiscal 2011 when 23 states made mid-year budget cuts of $7.8

billion and fiscal 2010 when 39 states made $18.3 billion in mid-year cuts.

Medicaid Costs and Enrollment

Medicaid represents the single largest portion of total state spending, estimated to account for 23.6 percent of total spending in fiscal 2011, the last year for which data is available. In fiscal 2011, Medicaid comprised 17.4 percent of general fund spending, making it the second largest general fund spending category after K-12 education at 35 percent.

State funds directed towards Medicaid have increased dramatically in fiscal 2012, while federal spending rapidly declined due to the expiration of the enhanced federal matching rates temporarily authorized by the American Recovery and Reinvestment Act. State spending on Medicaid increased by 20.4 percent in fiscal 2012. Meanwhile, federal spending declined by 8.2 percent in fiscal 2012. Overall, governors' proposed budgets for fiscal 2013 project a slower rate of growth in state Medicaid spending at 3.9 percent. However, even with this reduced growth rate, Medicaid is still outpacing overall general fund expenditure growth in governors' recommended budgets.

Total Medicaid spending increased by 10.6 percent in fiscal 2011 and 1.1 percent in fiscal 2012, and is projected to increase by 3.4 percent in fiscal 2013. Persistent growth in total spending is primarily the result of both increased enrollment due to the lackluster labor market and increased per capita costs for health care. Medicaid enrollment increased by 5.1 percent during fiscal 2011 and 3.3 percent in fiscal 2012, and is projected to increase by 3.6 percent in fiscal 2013. States have undertaken numerous actions to contain Medicaid costs, including reducing provider payments, cutting prescription drug benefits costs, limiting benefits, reforming delivery systems, expanding managed care, and enhancing program integrity efforts.

State Revenue Actions

Governors' fiscal 2013 budgets recommend tax and fee changes that would increase general fund revenues by a cumulative $6.7 billion. Ten states recommended net increases while 15 proposed net decreases. Governors also proposed $2.1 billion in additional revenue measure increases. The proposed increases in new taxes and fees in fiscal 2013 are greater than the $600 million in tax and fee decreases that were enacted in fiscal 2012. However, the changes proposed for fiscal 2013 are considerably less than those adopted during the height of the recession in fiscal 2010, when states enacted $23.9 billion in tax and fee increases.

Fiscal 2012 general fund revenues from all sources, including sales, personal income, corporate income and all other taxes and fees, are exceeding original forecasts in 31 states, on target in six states and below forecasts in 13 states. When comparing current revenue collections to more updated forecasts, 15 states are above projections, 28 states are on target and three states are below. This suggests a number of states could finish fiscal 2012 with modest 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.

Current estimates of sales, personal income and corporate income taxes combined are expected to finish fiscal 2012 with a 3.7 percent increase from the amounts collected in fiscal 2011. Forty-six states estimated increased sales tax collections in fiscal 2012, but due to the expiration of temporary sales tax increases in California and North Carolina, sales taxes declined by 0.5 percent. Personal income taxes rose by 7.6 percent and corporate income taxes remained nearly flat in fiscal 2012 with a 0.3 percent increase.

General fund revenues are projected to increase by 4.1 percent in fiscal 2013 compared to fiscal 2012 collections. Governors' recommended fiscal 2013 budgets project a 4.2 percent increase in sales tax revenue, 5.8 percent increase in personal income tax revenue and a 2.0 percent increase in corporate income tax revenue. If state revenue collections reach the levels put forth in governors' recommended budgets, fiscal 2013 revenue collections will surpass the pre-recession peak in fiscal 2008.

Generally, 80 percent of general fund revenue is derived from three tax sources: 40 percent from the personal income tax, 33 percent from the sales tax and seven percent from the corporate income tax. The other 20 percent is from various 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 $32.5 billion or 5.2 percent of expenditures by fiscal 2010. Balance levels increased substantially in fiscal 2011 with states reporting total balance levels of $46.4 billion, 7.2 percent of general fund expenditures, and then declined slightly to $43.6 billion or 6.5 percent of expenditures in fiscal 2012.

Governors recommended raising total balance levels in fiscal 2013 to $53.2 billion or 7.8 percent of general fund expenditures. States made progress rebuilding budgetary reserves in fiscal 2011 and fiscal 2012; however, Alaska and Texas, two states with the largest reserves, still account for 46.5 percent of states' total balances in fiscal 2012. The average of total balances from the remaining 48 states is much lower—from a high of 10.6 percent in fiscal 2006 to 3.8 percent in fiscal 2012. They are projected to reach 4.0 percent by the end of fiscal 2013.

This edition of *The Fiscal Survey of States* reflects actual fiscal 2011, estimated fiscal 2012, and recommended 2013 figures. The data were collected in the spring of 2012.

STATE EXPENDITURE DEVELOPMENTS

CHAPTER ONE

Overview

State budgets displayed financial improvement in fiscal 2012, building on the progress made in fiscal 2011, which marked a turning point from the fiscal fallout caused by the Great Recession. In fiscal 2012, general fund spending has risen 3.3 percent and governors forecast spending to rise again by 2.2 percent in fiscal 2013. If governors' spending plans reach fruition, the result will be three consecutive years of general fund spending growth, helping states move beyond the state fiscal crisis years of fiscal 2009 and 2010. However, the national economy is recovering slowly, and revenues are not growing fast enough to fully offset past budget cuts and the expiring Recovery Act funds, indicating fiscal challenges lie ahead for fiscal 2013 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 2011 spending from all sources (general funds, federal funds, other state funds and bonds) is approximately $1.7 trillion with the general fund representing 37.7 percent of the total. However, as recently as fiscal 2008, general fund spending accounted for 45.8 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 have helped to fill. Federal funds went from representing 26.3 percent of total state spending in fiscal 2008 to an estimated 34.1 percent in fiscal 2011 due primarily to Recovery Act funds. The components of total state spending for estimated fiscal 2011 are: Medicaid, 23.6 percent; elementary and secondary education, 20.1 percent; higher education, 10.1 percent; transportation, 7.6 percent; corrections, 3.1 percent; public assistance, 1.6 percent; and all other expenditures, 33.9 percent.

For estimated fiscal 2011, components of general fund spending are elementary and secondary education, 35.0 percent; Medicaid, 17.4 percent; higher education, 11.5 percent; corrections, 7.4 percent; public assistance, 1.8 percent; transportation, 0.5 percent; and all other expenditures, 26.5 percent.

State General Fund Spending

State general fund spending is forecast to be $682.7 billion based on governors' proposed budgets for fiscal 2013. This represents an increase of 2.2 percent above the estimated $668.1 billion spent in fiscal 2012. The fiscal 2013 spending increase will be the third consecutive yearly increase in general fund expenditures following back-to-back declines in general fund spending in fiscal 2009 and 2010, decreasing by 3.8 percent and 6.3 percent respectively. Even with a 2.2 percent increase in fiscal 2013, state general fund expenditures will still be $4.6 billion, 0.7 percent, below the $687.3 billion spent in fiscal 2008. Increased state general fund spending in fiscal 2013 is widespread with 39 states proposing a fiscal 2013 budget greater than enacted fiscal 2012 spending plans. However, there are still 25 states with a proposed fiscal 2013 budget with general fund spending levels below fiscal 2008, indicating that many places across the country still face an uphill path to full recovery *(See Table 1, Figure 1, and Tables 3 - 5.)*.

For fiscal 2012, six states have general fund expenditures below fiscal 2011 levels, while 19 states had general fund expenditure growth between 0 and 4.9 percent, and 25 states had general fund spending growth greater than 5.0 percent. Fiscal 2012 general fund spending increased by 3.3 percent, improving on the largest increase in state spending since 2008, which occurred in fiscal 2011 *(See Table 2 and Table 6)*.

TABLE 1

State Nominal and Real Annual Budget Increases, Fiscal 1979 to Fiscal 2013

	State General Fund	
Fiscal Year	Nominal Increase	Real Increase
2013	2.2%	
2012	3.3	0.8
2011	3.8	1.1
2010	-5.7	-6.3
2009	-3.8	-6.5
2008	4.9	-1.1
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
1979-2013 average	**5.7%**	**1.6%**

*Notes: *The state and local government implicit price deflator cited by the Bureau of Economic Analysis in May 2012 is used for state expenditures in determining real changes. Fiscal 2011 figures are based on the change from fiscal 2010 actuals to fiscal 2011 actuals. Fiscal 2012 figures are based on the change from fiscal 2011 actuals to fiscal 2012 estimated. Fiscal 2013 figures are based on the change from fiscal 2012 estimated figures to fiscal 2013 recommended.*

FIGURE 1:
Annual Percentage Budget Increases, Fiscal 1979 to Fiscal 2013

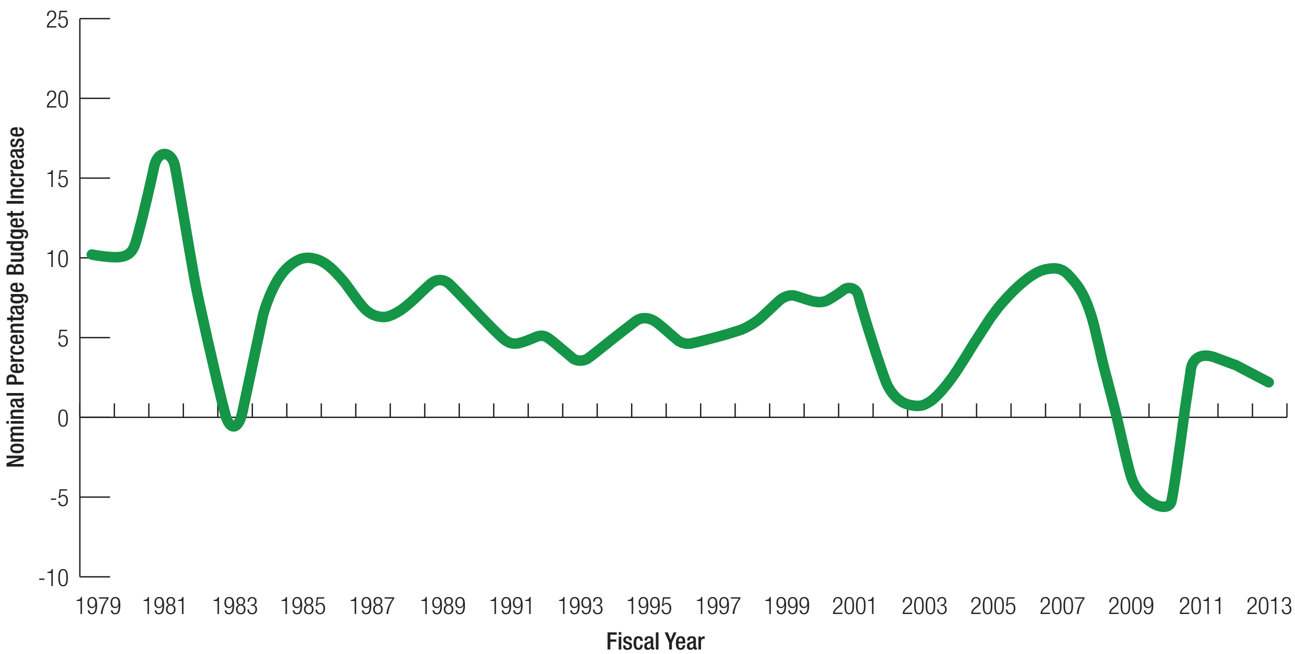


TABLE 2
State General Fund Expenditure Growth, Fiscal 2012 and 2013

	Number of States	
Spending Growth	Fiscal 2012 (Estimated)	Fiscal 2013 (Recommended)
Negative growth	6	9
0.0% to 4.9%	19	33
5.0% to 9.9%	16	8
10% or more	9	0

NOTE: Average spending growth for fiscal 2012 (estimated) is 3.3 percent; average spending growth for fiscal 2013 (recommended) is 2.2 percent. See Table 6 for state-by-state data.

TABLE 3

Fiscal 2011 State General Fund, Actual (Millions)

Region/State	Beginning Balance	Revenues	Adjustments	Total Resources	Expenditures	Adjustments	Ending Balance	Rainy Day Fund Balance
Alabama**	72	6,855	0	6,927	7,359	-483	51	0
Alaska**	0	7,673	23	7,696	5,450	277	1,969	12,981
Arizona**	-6	7,250	1,131	8,375	8,372	0	3	0
Arkansas	0	4,479	0	4,479	4,479	0	0	0
California* **	-4,507	93,489	927	89,910	91,549	1,439	-3,079	-3,797
Colorado* **	137	7,086	150	7,373	6,928	0	446	157
Connecticut**	0	17,708	450	18,157	17,921	0	237	0
Delaware*	537	3,531	0	4,069	3,271	0	798	186
Florida	1,573	22,960	0	24,533	23,787	0	746	279
Georgia* **	1,138	16,559	498	18,195	17,064	0	1,131	328
Hawaii	-22	5,117	0	5,095	4,969	0	126	10
Idaho**	0	2,445	74	2,519	2,450	0	69	0
Illinois* **	130	28,306	8,411	36,847	29,175	7,203	469	0
Indiana**	831	13,384	-54	14,161	13,050	-12	1,124	57
Iowa**	0	5,899	0	5,899	5,344	0	555	440
Kansas	-27	5,882	0	5,855	5,667	0	188	0
Kentucky**	80	8,859	197	9,136	8,789	58	290	0
Louisiana**	-108	7,770	106	7,768	7,782	0	-14	647
Maine	7	2,945	-10	2,942	2,859	63	20	71
Maryland**	344	13,537	347	14,228	13,238	0	990	624
Massachusetts* **	903	33,075	0	33,978	32,078	0	1,901	1,379
Michigan**	187	7,385	1,198	8,770	8,217	0	554	2
Minnesota* **	440	16,184	0	16,623	15,335	0	1,289	9
Mississippi	5	4,600	0	4,605	4,554	0	50	176
Missouri**	185	7,110	716	8,011	7,631	0	379	247
Montana**	311	1,783	-1	2,092	1,747	5	340	0
Nebraska**	297	3,494	33	3,824	3,322	0	502	313
Nevada**	314	3,261	148	3,722	3,459	-61	324	0
New Hampshire* **	75	1,384	2	1,460	1,311	122	27	9
New Jersey* **	804	28,913	-680	29,038	28,168	0	870	0
New Mexico* **	278	5,468	62	5,808	5,307	0	501	501
New York* **	2,302	54,447	0	56,749	55,373	0	1,376	1,206
North Carolina	237	19,157	194	19,588	19,006	0	582	296
North Dakota**	313	1,532	865	2,710	1,651	62	997	386
Ohio	510	27,763	0	28,274	27,429	0	845	0
Oklahoma**	42	5,750	-33	5,759	5,417	249	93	249
Oregon**	-368	6,509	0	6,141	6,105	0	35	10
Pennsylvania**	-294	26,347	3,160	29,213	28,140	0	1,073	0
Rhode Island**	22	3,084	-81	3,025	2,956	0	69	130
South Carolina* **	246	5,633	0	5,879	5,167	0	712	712
South Dakota**	0	1,163	-15	1,148	1,148	0	0	107
Tennessee**	241	10,747	193	11,181	9,996	590	595	284
Texas**	917	39,767	-831	39,853	38,717	0	1,136	5,012
Utah	-28	4,659	154	4,785	4,725	0	60	233
Vermont* **	0	1,157	71	1,228	1,162	66	0	54
Virginia	132	16,166	0	16,299	15,457	0	841	299
Washington**	-561	14,648	645	14,731	14,823	0	-92	1
West Virginia**	552	4,064	0	4,616	3,772	51	793	659
Wisconsin**	26	12,912	642	13,580	13,565	-70	86	0
Wyoming**	0	1,580	0	1,580	1,580	0	0	752
TERRITORIES								
Puerto Rico**	0	8,134	1,016	9,150	9,150	0	0	0
Total	**$8,268**	**$651,470**		**$678,432**	**$646,818**		**$22,056**	**$25,012**

*NOTES: *In these states, the ending balance includes the balance in the budget stabilization fund. **See Notes to Table 3 on page 22.*

TABLE 4

Fiscal 2012 State General Fund, Estimated (Millions)

Region/State	Beginning Balance	Revenues	Adjustments	Resources	Expenditures	Adjustments	Ending Balance	Rainy Day Fund Balance
Alabama**	51	6,967	293	7,311	7,499	-188	0	0
Alaska**	0	8,928	54	8,982	6,935	382	1,665	14,783
Arizona**	3	7,634	1,276	8,913	8,521	0	392	0
Arkansas	0	4,567	0	4,567	4,567	0	0	0
California*	-3,079	88,606	0	85,527	86,513	0	-986	-1,704
Colorado* **	157	7,400	125	7,682	7,155	61	465	465
Connecticut	0	18,670	0	18,670	18,658	0	12	0
Delaware* **	798	3,406	0	4,204	3,654	0	551	186
Florida	746	23,635	-30	24,351	23,387	374	590	494
Georgia* **	1,131	17,428	0	18,559	17,428	0	1,131	328
Hawaii	126	5,525	0	5,651	5,545	0	106	26
Idaho**	69	2,553	39	2,661	2,529	28	104	0
Illinois**	469	31,392	1,829	33,690	28,483	4,738	469	276
Indiana**	1,124	14,170	228	15,522	13,742	-11	1,791	61
Iowa**	0	6,000	394	6,394	6,000	4	390	596
Kansas	188	6,243	0	6,431	6,129	0	303	0
Kentucky**	290	9,102	209	9,601	9,402	179	20	122
Louisiana**	-14	8,067	55	8,108	8,094	14	0	647
Maine**	19	2,951	151	3,122	3,125	-4	0	42
Maryland**	990	14,016	240	15,246	15,041	0	205	672
Massachusetts* **	1,901	32,519	0	34,420	32,881	0	1,539	1,393
Michigan**	554	7,986	914	9,454	8,959	0	495	258
Minnesota* **	1,289	16,607	0	17,896	16,803	0	1,093	658
Mississippi	51	4,685	0	4,735	4,735	0	0	87
Missouri**	379	7,301	422	8,103	7,977	0	126	248
Montana	340	1,848	0	2,187	1,808	0	379	0
Nebraska**	502	3,643	-253	3,893	3,481	231	181	421
Nevada**	324	2,692	341	3,356	3,114	0	242	39
New Hampshire* **	27	1,381	-11	1,397	1,248	137	13	9
New Jersey*	870	29,390	0	30,260	29,673	0	587	0
New Mexico* **	501	5,576	11	6,088	5,600	0	488	488
New York* **	1,376	57,214	0	58,590	56,915	0	1,675	1,306
North Carolina	583	18,823	319	19,724	19,683	0	41	296
North Dakota**	997	2,065	295	3,357	2,128	0	1,229	386
Ohio**	845	27,173	0	28,018	27,863	0	155	247
Oklahoma**	93	5,846	-32	5,907	5,799	0	108	0
Oregon**	35	6,741	-35	6,741	6,602	0	139	46
Pennsylvania**	1,073	25,812	210	27,095	27,161	-160	93	0
Rhode Island**	69	3,201	-91	3,179	3,173	0	6	150
South Carolina* **	712	5,749	0	6,461	5,617	108	737	737
South Dakota**	0	1,216	32	1,249	1,211	28	10	97
Tennessee**	595	11,188	76	11,859	11,391	83	385	306
Texas**	1,136	41,152	-766	41,521	43,911	0	-2,390	6,135
Utah	60	4,751	56	4,867	4,867	0	0	233
Vermont* **	0	1,189	43	1,232	1,234	-1	0	58
Virginia	841	16,104	0	16,945	16,399	0	546	302
Washington**	-92	14,772	92	14,772	15,635	0	-863	129
West Virginia**	793	4,016	4	4,812	4,246	151	415	850
Wisconsin**	86	13,388	675	14,149	13,996	-77	230	0
Wyoming**	0	1,580	0	1,580	1,580	0	0	752
TERRITORIES								
Puerto Rico**	0	8,650	610	9,260	9,260	0	0	0
Total	**$19,005**	**$662,864**		**$689,035**	**$668,094**		**$14,866**	**$32,623**

*NOTES: *In these states, the ending balance includes the balance in the budget stabilization fund. **See Notes to Table 4 on page 24.*

TABLE 5

Fiscal 2013 State General Fund, Recommended (Millions)

Region/State	Beginning Balance	Revenues	Adjustments	Resources	Expenditures	Adjustments	Ending Balance	Rainy Day Fund Balance
Alabama**	0	7,068	16	7,084	6,842	0	242	0
Alaska**	0	8,218	0	8,218	6,402	0	1,816	16,517
Arizona**	392	8,018	1,141	9,551	8,963	0	588	0
Arkansas	0	4,728	0	4,728	4,728	0	0	0
California*	-986	95,389	0	94,404	92,553	0	1,850	1,132
Colorado* **	283	7,621	27	7,931	7,483	0	447	292
Connecticut	0	19,318	0	19,318	19,266	0	52	0
Delaware* **	551	3,598	0	4,148	3,653	0	495	194
Florida**	590	24,602	626	25,823	24,766	0	1,056	709
Georgia*	1,131	18,260	0	19,391	18,260	0	1,131	328
Hawaii	106	5,778	0	5,884	5,808	0	76	69
Idaho**	104	2,700	-148	2,656	2,656	0	1	26
Illinois**	469	32,140	1,800	34,409	29,418	4,522	469	276
Indiana**	1,791	14,536	-13	16,314	14,251	425	1,639	64
Iowa**	0	6,252	286	6,538	6,244	-2	296	625
Kansas	303	6,252	0	6,555	6,090	0	465	0
Kentucky**	20	9,394	273	9,686	9,540	94	52	72
Louisiana**	0	8,407	0	8,407	8,407	0	0	647
Maine**	0	3,022	-84	2,938	2,945	-7	0	42
Maryland**	205	14,721	431	15,357	15,325	0	33	721
Massachusetts* **	1,539	33,561	0	35,101	33,863	0	1,238	1,088
Michigan**	495	8,430	264	9,189	9,148	0	42	388
Minnesota* **	1,093	17,230	0	18,323	17,316	0	1,008	658
Mississippi	0	4,708	0	4,708	4,614	0	94	100
Missouri**	126	7,586	353	8,064	7,964	0	100	250
Montana	379	1,929	0	2,308	1,885	0	423	0
Nebraska**	181	3,780	-149	3,812	3,551	5	256	414
Nevada**	242	2,844	332	3,419	3,176	0	243	39
New Hampshire* **	13	1,415	-11	1,417	1,259	131	27	9
New Jersey*	587	31,515	0	32,101	31,801	0	300	0
New Mexico*	488	5,724	0	6,211	5,706	0	505	505
New York* **	1,675	58,715	0	60,390	58,592	0	1,798	1,306
North Carolina	41	19,884	39	19,965	19,938	0	27	296
North Dakota**	1,229	2,074	305	3,608	2,215	16	1,377	403
Ohio**	155	29,092	0	29,247	29,033	0	214	247
Oklahoma**	108	6,252	0	6,359	5,973	0	386	0
Oregon	139	6,986	0	7,125	7,010	0	115	46
Pennsylvania**	93	27,060	0	27,153	27,139	4	11	4
Rhode Island**	6	3,366	-101	3,271	3,269	0	1	169
South Carolina* **	737	5,988	-134	6,591	5,802	101	688	688
South Dakota**	0	1,234	39	1,272	1,246	10	16	113
Tennessee**	385	11,530	-50	11,865	11,583	282	0	356
Texas**	-2,390	41,587	-452	38,745	37,139	0	1,606	7,321
Utah	0	4,961	121	5,082	5,073	0	9	233
Vermont* **	0	1,258	39	1,297	1,301	-4	0	65
Virginia	546	16,645	0	17,191	17,178	0	13	438
Washington**	-863	15,512	-7	14,643	15,764	0	-1,121	265
West Virginia**	415	4,150	0	4,565	4,215	-68	417	900
Wisconsin**	230	13,675	606	14,511	14,766	-410	155	0
Wyoming**	0	1,580	0	1,580	1,580	0	0	765
TERRITORIES								
Puerto Rico**	0	8,750	333	9,083	9,083	0	0	0
Total	**$12,606**	**$690,291**		**$708,451**	**$682,698**		**$20,654**	**$38,776**

*NOTES: *In these states, the ending balance includes the balance in the budget stabilization fund. **See Notes to Table 5 on page 27.*

TABLE 6

General Fund Nominal Percentage Expenditure Change, Fiscal 2012 and Fiscal 2013**

Region/State	Fiscal 2012	Fiscal 2013
Alabama	1.9%	-8.8%
Alaska	27.3	-7.7
Arizona	1.8	5.2
Arkansas	2.0	3.5
California	-5.5	7.0
Colorado	3.3	4.6
Connecticut	4.1	3.3
Delaware	11.7	0.0
Florida	-1.7	5.9
Georgia	2.1	4.8
Hawaii	11.6	4.7
Idaho	3.2	5.0
Illinois	-2.4	3.3
Indiana	5.3	3.7
Iowa	12.3	4.1
Kansas	8.2	-0.6
Kentucky	7.0	1.5
Louisiana	4.0	3.9
Maine	9.3	-5.8
Maryland	13.6	1.9
Massachusetts	2.5	3.0
Michigan	9.0	2.1
Minnesota	9.6	3.1
Mississippi	4.0	-2.5
Missouri	4.5	-0.2
Montana	3.5	4.3
Nebraska	4.8	2.0
Nevada	-10.0	2.0
New Hampshire	-4.9	0.9
New Jersey	5.3	7.2
New Mexico	5.5	1.9
New York	2.8	2.9
North Carolina	3.6	1.3
North Dakota	28.9	4.1
Ohio	1.6	4.2
Oklahoma	7.1	3.0
Oregon	8.1	6.2
Pennsylvania	-3.5	-0.1
Rhode Island	7.3	3.0
South Carolina	8.7	3.3
South Dakota	5.4	2.9
Tennessee	14.0	1.7
Texas	13.4	-15.4
Utah	3.0	4.2
Vermont	6.1	5.5
Virginia	6.1	4.8
Washington	5.5	0.8
West Virginia	12.6	-0.7
Wisconsin	3.2	5.5
Wyoming	0.0	0.0
TERRITORIES		
Puerto Rico	1.2	-1.9
Average	**3.3%**	**2.2%**

***Fiscal 2012 reflects changes from fiscal 2011 expenditures (actual) to fiscal 2012 expenditures (estimated). Fiscal 2013 reflects changes from fiscal 2012 expenditures (estimated) to fiscal 2013 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 these actions are evidence that states will not be able to meet previously set revenue collections forecasts. Through the first 10 months of fiscal 2012, eight states have made $1.7 billion in mid-year cuts *(See Table 7)*. In fiscal 2011, 19 states made mid-year budget cuts totaling $7.4 billion. In fiscal 2010, 39 states made mid-year budget cuts totaling $18.3 billion, and in fiscal 2009, 41 states made mid-year budget cuts, totaling $31.3 billion. In sharp contrast to fiscal 2009 and fiscal 2010, minimal mid-year cuts in fiscal 2012 indicate that states fiscal situations are stabilizing and most have successfully adapted spending plans to the current economic environment.

In fiscal 2012, the primary program areas where many states made mid-year general fund expenditure cuts were K-12, higher education and corrections. Out of the eight states that made net mid-year cuts, six states cut K-12 education, seven states cut higher education, and seven states cut corrections. Medicaid also experienced cuts by a number of those states making mid-year cuts. Transportation and public assistance spending, both small portions of overall state general fund spending, drew the smallest number of mid-year cuts from states.

In addition to reduced spending, legislatively approved increases in taxes and fees can also be used to solve budget gaps. In fiscal 2012, the state of New York approved $340 million in mid-year cumulative tax and fee changes. Changes in personal income taxes accounted for all of the cumulative increase in tax and fee collections.

Mid-year budget cuts are almost always in response to budget gaps, differences between enacted levels of spending and anticipated revenue collections. Revenue collections fell short of enacted spending levels in fiscal 2011 and fiscal 2012, which left states to solve $146.3 billion in budget gaps over the two year time period. Four states reported $3.1 billion in ongoing budget gaps that must be closed by the end of fiscal 2012. Continued improvement of state revenues collections is projected to result in significantly less gaps between spending and revenue in fiscal 2013, indicating that future budget gaps will likely decline as state revenues surpass peak 2008 levels. Although not all state budget offices have completed forecasts, thus far 19 states are projecting $30.7 billion in budget gaps for fiscal 2013 and 11 states are projecting $23.2 billion in budget gaps for fiscal 2014.

In order to eliminate budget gaps, states engaged in a number of actions in fiscal 2012. States are also planning strategies for closing potential budget gaps in fiscal 2013 and fiscal 2014. In fiscal 2012, the actions taken most consistently were targeted cuts, which were put in place by 30 states, as well as reduced local aid, which occurred in 17 states. Five states addressed the budget gap by making use of their "rainy day" fund. States also helped solve budget gaps by reducing the budgetary impact of state personnel costs with 15 states implementing employee layoffs and 12 states cutting state employee benefits. To eliminate fiscal 2013 budget gaps, 26 states expect to use specific, targeted cuts, while 11 states anticipate across the board cuts. Another 14 states reported fiscal 2013 budget gaps will be partly solved with reduced aid to localities and 5 states will draw on "rainy day" funds. Additionally, a number of states continue to look to their workforce to help reduce budget gaps, with 11 states recommending layoffs and 9 states recommending cuts to state employee benefits. While few states were able to project how budget gaps will be addressed in fiscal 2014, several expect targeted cuts will be part of the solution *(See Tables 14, 15, and 16)*.

TABLE 7

Mid-Year Budget Cuts Made After the Fiscal 2012 Budget Passed**

Region/State	FY 2012 Size of Cuts ($ in Millions)	Programs or Expenditures Exempted from Cuts
Alabama	$187.9	Debt Service
California	821.7	
Connecticut	78.7	Municipal Aid
Hawaii	10.3	Non-discretionary and non-general fund programs.
Louisiana	251.2	K-12 Minimum Foundation Program
Missouri*	113.2	K-12 Foundation Formula
Pennsylvania*	156.4	
Washington	91.0	Basic Education, Higher Education, Debt Service, Retirement contributions
Total	**$1,710.4**	—

*Notes: *See Notes to Table 7 on page 29. **Budget Cuts for Fiscal 2012 are currently ongoing. See Table 10 for state-by-state data.*

TABLE 8

Fiscal 2012 Mid-Year Program Area Cuts

Region/State	K-12 Education	Higher Education	Public Assistance	Medicaid	Corrections	Transportation	Other
Alabama				x			x
Alaska							
Arizona*							
Arkansas							
California	x	x		x	x		x
Colorado							
Connecticut	x	x			x		x
Delaware							
Florida							
Georgia*		x					
Hawaii	x	x			x		x
Idaho*							
Illinois							
Indiana							
Iowa							
Kansas							
Kentucky							
Louisiana	x	x		x	x	x	x
Maine*	x	x	x		x		
Maryland							
Massachusetts							
Michigan							
Minnesota							
Mississippi							
Missouri		x	x	x	x		x
Montana							
Nebraska							
Nevada							
New Hampshire							
New Jersey							
New Mexico							
New York							
North Carolina							
North Dakota							
Ohio							
Oklahoma							
Oregon							
Pennsylvania	x	x		x	x	x	x
Rhode Island							
South Carolina							
South Dakota							
Tennessee							
Texas							
Utah							
Vermont							
Virginia							
Washington	x	x	x	x	x	x	x
West Virginia							
Wisconsin							
Wyoming							
TERRITORIES							
Puerto Rico							
Total	**7**	**9**	**3**	**6**	**8**	**3**	**8**

*NOTE: *See Notes to Table 8 on page 29. See Table 10 for state-by-state values.*

TABLE 9

Fiscal 2013 Recommended Program Area Cuts

Region/State	K-12 Education	Higher Education	Public Assistance	Medicaid	Corrections	Transportation	Other
Alabama	X	X		X			X
Alaska						X	
Arizona							
Arkansas							
California		X	X		X	X	
Colorado		X					
Connecticut			X		X		
Delaware							X
Florida		X			X		
Georgia							
Hawaii	X	X			X		
Idaho*							
Illinois			X		X	X	
Indiana							
Iowa							
Kansas	X		X				X
Kentucky	X	X					X
Louisiana		X			X		X
Maine	X	X		X	X		
Maryland							
Massachusetts						X	
Michigan			X	X			
Minnesota		X	X	X			X
Mississippi	X	X	X		X		X
Missouri		X					X
Montana							
Nebraska							
Nevada			X	X	X		X
New Hampshire							
New Jersey			X	X	X		
New Mexico							
New York					X		
North Carolina							
North Dakota							
Ohio*			X				X
Oklahoma							
Oregon							
Pennsylvania		X	X			X	X
Rhode Island			X	X			
South Carolina							
South Dakota							
Tennessee							
Texas							
Utah							
Vermont			X	X	X		
Virginia						X	
Washington	X	X	X	X	X	X	X
West Virginia							
Wisconsin							
Wyoming							
TERRITORIES							
Puerto Rico	X				X	X	X
Total	**7**	**13**	**14**	**9**	**13**	**7**	**12**

*NOTE: *See Notes to Table 9 on page 29. See Table 11 for state-by-state values.*

TABLE 10

Fiscal 2012 Mid-Year Program Area Cuts (Millions)

Region/State	K-12 Education	Higher Education	Public Assistance	Medicaid	Corrections	Transportation	Other	Total
Alabama	$0.0	$0.0	$0.0	$68.4	$0.0	$0.0	$119.5	$187.9
Alaska								
Arizona								
Arkansas								
California*	350.6	302.0		18.6	20.0		130.5	821.7
Colorado								
Connecticut	3.2	6.6			2.5		66.4	78.7
Delaware								
Florida								
Georgia*		32.3						32.3
Hawaii	3.6	1.0			0.2		5.5	10.3
Idaho								
Illinois								
Indiana								
Iowa								
Kansas								
Kentucky								
Louisiana*	3.5	116.2		53.8	12.3	24.4	41.0	251.2
Maine*	5.5	0.8	4.0		0.5			10.8
Maryland								
Massachusetts								
Michigan								
Minnesota								
Mississippi								
Missouri*		19.8	3.1	13.9	2.0		74.4	113.2
Montana								
Nebraska								
Nevada								
New Hampshire								
New Jersey								
New Mexico								
New York								
North Carolina								
North Dakota								
Ohio								
Oklahoma								
Oregon								
Pennsylvania	14.3	26.4		2.1	23.0	0.6	90.0	156.4
Rhode Island								
South Carolina								
South Dakota*								
Tennessee								
Texas								
Utah								
Vermont								
Virginia*								
Washington	4.0		38.0		7.0	1.0	41.0	91.0
West Virginia								
Wisconsin								
Wyoming								
TERRITORIES								
Puerto Rico								
Total	**$384.7**	**$505.1**	**$45.1**	**$156.8**	**$67.5**	**$26.0**	**$568.3**	**$1,753.5**

*NOTE: *See Notes to Table 10 on page 30. Dollar values are in millions.*

TABLE 11
Fiscal 2013 Recommended Program Area Adjustments (Millions)

Region/State	K-12 Education	Higher Education	Public Assistance	Medicaid	Corrections	Transportation	Other	Total
Alabama	-$307.8	-$43.1	$0.0	-$143.8	$0.0	$0.0	-$42.2	-$536.9
Alaska	16.9	6.3	9.5	45.1	33.4	-7.5	175.4	279.1
Arizona*	222.5	29.0	61.3	96.7	30.4		198.2	638.1
Arkansas								
California*	3,877.0	-871.0	-979.8	195.4	-1,077.0	-44.6	5,516.0	6,616.0
Colorado*	75.2	-30.2		138.7	11.7		71.4	266.8
Connecticut	147.9	19.0	-8.7	103.3	-51.4		348.6	558.7
Delaware*	62.8	2.7	8.5	24.1	3.1		-65.3	35.9
Florida	869.0	-248.3		490.0	-115.5		328.6	1,323.8
Georgia	251.4	103.1		208.5	67.1	63.5	359.3	1,052.9
Hawaii	-19.7	-4.2	2.7	1.9	-4.3		176.1	152.5
Idaho	31.7	24.4		44.8	8.6		17.0	126.5
Illinois	31.8	68.3	-89.3	87.1	-111.9	-2.0	694.5	678.5
Indiana								
Iowa	39.0	32.0		49.0	14.0		96.0	230.0
Kansas	-42.0	42.0	-10.0	163.0	3.0		-195.0	-39.0
Kentucky	-21.9	-66.2					-100.4	-188.5
Louisiana*	28.4	-23.1		279.1	-55.1		-100.5	128.8
Maine	-4.8	-3.2		-47.5	-0.3		10.2	-45.6
Maryland*	28.8	27.9	31.8	0.1	28.7		458.9	576.1
Massachusetts	156.4	22.9	11.6	604.7	142.8	-14.7	837.7	1,761.4
Michigan*		47.2	-3.8	-126.0	93.3		259.1	269.8
Minnesota*	636.7	-0.3	-16.7	-23.0	0.9		-84.8	512.8
Mississippi	-97.4	-53.5	-36.4	366.7	-15.0		-98.4	66.0
Missouri	193.9	-53.2	8.0	6.0	11.4		-6.2	159.9
Montana*								
Nebraska	9.4	8.9	6.7	36.6	1.0		7.5	70.1
Nevada	25.7	0.1	-0.1	-17.2	-2.5		-12.2	-6.2
New Hampshire								
New Jersey	212.5	114.6	-0.9	-148.1	-30.6	91.0	918.0	1,156.5
New Mexico	97.2	13.4	0.1	41.0	9.1		33.2	194.0
New York*	358.0	137.0	244.0	239.0	-41.0	338.0	385.0	1,660.0
North Carolina								
North Dakota								
Ohio			-2.1	1.8			-23.2	-23.5
Oklahoma						99.7	25.1	124.8
Oregon								
Pennsylvania*	324.7	-247.9	-150.5	214.1	4.3	-5.8	-161.4	-22.5
Rhode Island	69.0	11.1	-0.3	-25.9	1.1		71.6	126.6
South Carolina	3.8	1.5		176.2			65.2	246.7
South Dakota*	48.8	22.8	7.5	34.5	2.7	4.0	35.7	156.0
Tennessee	83.5	18.4	0.9	74.5	50.4		359.3	587.0
Texas								
Utah	111.0	23.4	27.8	156.5	25.4		40.3	384.4
Vermont*			-1.1	-6.3	-0.5			-7.9
Virginia	180.5	108.4	7.8	150.4	38.9	-23.9	168.3	630.4
Washington	-644.0	-140.0	-66.0	-20.0	-52.0	-3.0	-176.0	-1,101.0
West Virginia	7.6	4.5	32.4	52.8	14.4		14.2	125.9
Wisconsin*								
Wyoming								
TERRITORIES								
Puerto Rico	-65.3	52.3		21.2	-18.4	-1.2	-165.8	-177.2
Total	**$7,063.5**	**-$895.3**	**-$905.1**	**$3,523.8**	**-$961.5**	**$494.7**	**$10,604.7**	**$18,924.9**

*NOTE: *See Notes to Table 11 on page 30. Dollar values are in millions.*

TABLE 12

Enacted Mid-year Fiscal 2012 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									0.0
Idaho									0.0
Illinois									0.0
Indiana									0.0
Iowa									0.0
Kansas									0.0
Kentucky									0.0
Louisiana									0.0
Maine									0.0
Maryland									0.0
Massachusetts									0.0
Michigan									0.0
Minnesota									0.0
Mississippi									0.0
Missouri									0.0
Montana									0.0
Nebraska									0.0
Nevada									0.0
New Hampshire									0.0
New Jersey									0.0
New Mexico									0.0
New York*		385.0	-45.0						340.0
North Carolina									0.0
North Dakota									0.0
Ohio									0.0
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									0.0
Washington									0.0
West Virginia*	-11		-22.0						-33.0
Wisconsin									0.0
Wyoming									0.0
TERRITORIES									
Puerto Rico									0.0
Total	**-$11.0**	**$385.0**	**-$67.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$307.0**

*NOTE: *See Appendix Table A-1 for details on specific revenue changes. **See Notes to Table 12 on page 31.*

FIGURE 2:
Budget Cuts Made After the Budget Passed, Fiscal 1990 to Fiscal 2012 (Millions)

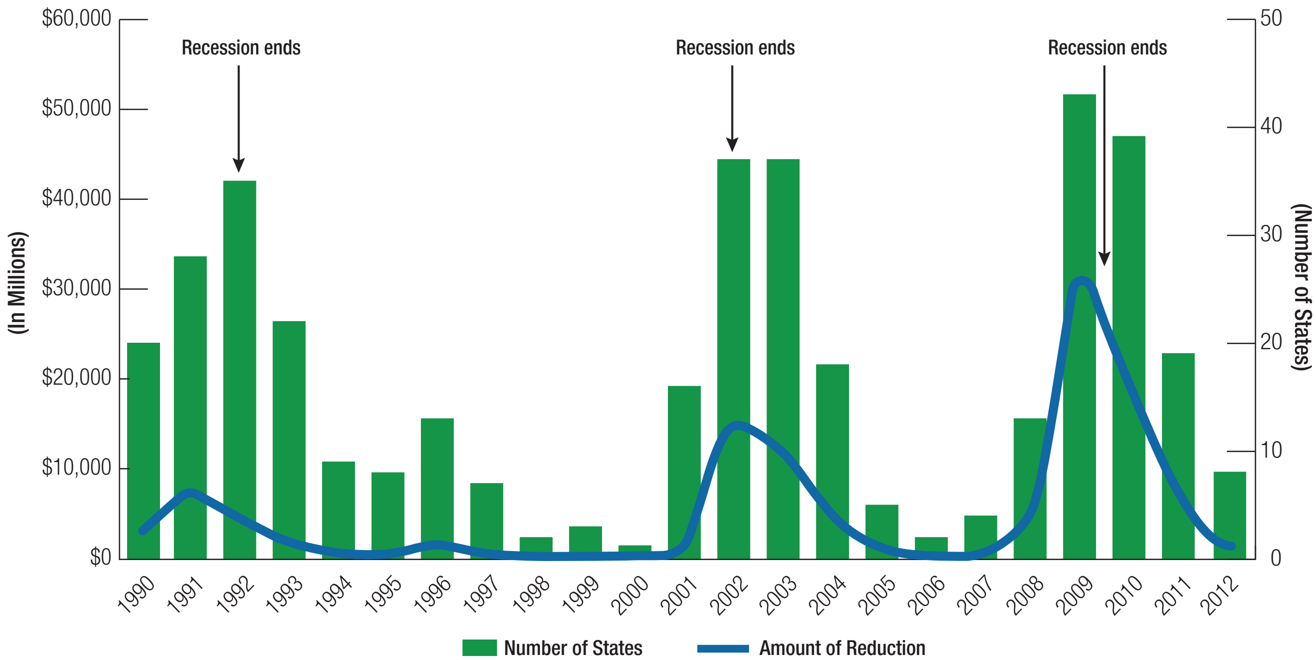


TABLE 13

Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 2012

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			
Alaska									
Arizona*	X	X	X	X	X				
Arkansas									
California*	X	X		X	X	X			X
Colorado*									
Connecticut*		X		X		X			
Delaware									
Florida						X			
Georgia									
Hawaii*	X	X	X	X					X
Idaho									
Illinois							X	X	
Indiana									
Iowa									
Kansas			X					X	
Kentucky									
Louisiana		X		X					
Maine									
Maryland*	X			X		X			X
Massachusetts						X			
Michigan*	X					X			
Minnesota									
Mississippi									
Missouri						X			
Montana									
Nebraska*						X			
Nevada*		X	X	X	X	X	X	X	X
New Hampshire									
New Jersey									
New Mexico*						X			
New York*	X								
North Carolina									
North Dakota									
Ohio						X			
Oklahoma									
Oregon*	X	X	X		X	X	X		X
Pennsylvania									
Rhode Island									
South Carolina		X	X						
South Dakota*						X			
Tennessee*									
Texas									
Utah									
Vermont	X				X				X
Virginia									
Washington	X			X		X			
West Virginia*									
Wisconsin*									
Wyoming									
TERRITORIES									
Puerto Rico								X	
Total	**9**	**8**	**6**	**8**	**5**	**15**	**3**	**3**	**6**

*NOTE: *See Notes to Table 13 on page 31.*

Table 13 continues on next page.

TABLE 13 (CONTINUED)

Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 2012

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								
Alaska										
Arizona*			X	X	X			X		X
Arkansas										
California*		X	X	X						X
Colorado*		X	X	X						
Connecticut*	X		X		X					X
Delaware										
Florida	X	X	X	X	X	X				
Georgia		X	X							
Hawaii*	X	X	X	X						X
Idaho										X
Illinois					X			X	X	
Indiana										
Iowa										
Kansas		X	X		X	X				
Kentucky			X							X
Louisiana			X							
Maine			X		X					
Maryland*	X	X	X	X	X					X
Massachusetts		X	X				X			
Michigan*	X		X	X		X				X
Minnesota										
Mississippi										
Missouri		X	X							
Montana										
Nebraska*			X	X			X			
Nevada*	X	X	X	X	X					X
New Hampshire										
New Jersey										
New Mexico*	X		X	X	X		X			X
New York*		X	X	X	X			X		X
North Carolina										
North Dakota										
Ohio			X	X	X	X				
Oklahoma			X		X					
Oregon*	X	X	X	X			X			
Pennsylvania		X	X							
Rhode Island			X		X					
South Carolina			X	X						
South Dakota*			X	X	X					X
Tennessee*										X
Texas			X		X					
Utah										
Vermont	X		X							X
Virginia										
Washington	X		X	X			X			
West Virginia*										X
Wisconsin*	X	X	X	X	X					X
Wyoming										
TERRITORIES										
Puerto Rico					X		X			
Total	**12**	**15**	**30**	**17**	**16**	**4**	**5**	**3**	**1**	**16**

*NOTE: *See Notes to Table 13 on page 31.*

TABLE 14

Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 2013

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	X	X			
Colorado*									
Connecticut									
Delaware									
Florida						X			
Georgia									
Hawaii*	X	X	X						X
Idaho									
Illinois						X			
Indiana									
Iowa									
Kansas			X						
Kentucky									
Louisiana		X		X					
Maine						X			
Maryland*	X					X			X
Massachusetts						X			
Michigan*									
Minnesota									
Mississippi									
Missouri									
Montana									
Nebraska*						X			
Nevada*		X	X	X	X	X	X	X	X
New Hampshire									
New Jersey									
New Mexico*									
New York*									
North Carolina									
North Dakota									
Ohio						X			
Oklahoma*									
Oregon*	X	X	X		X	X	X		X
Pennsylvania									
Rhode Island*	X	X		X	X				
South Carolina									
South Dakota									
Tennessee*									
Texas									
Utah									
Vermont	X			X	X				
Virginia									
Washington	X			X		X			
West Virginia*									
Wisconsin									
Wyoming									
TERRITORIES									
Puerto Rico									
Total	7	6	4	6	5	11	2	1	4

NOTE: *See Notes to Table 14 on page 33.

Table 14 continues on next page.

TABLE 14 (CONTINUED)

Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 2013

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					
Alaska										
Arizona*										X
Arkansas										
California*		X	X	X	X					X
Colorado*			X							
Connecticut										
Delaware										
Florida	X		X			X		X		
Georgia		X	X							
Hawaii*	X		X	X						X
Idaho										
Illinois		X	X							
Indiana										
Iowa										
Kansas			X		X	X				
Kentucky			X				X			X
Louisiana			X	X						
Maine		X	X	X	X					
Maryland*	X		X	X				X		X
Massachusetts		X	X				X			
Michigan*										X
Minnesota										
Mississippi										
Missouri		X	X	X		X		X		
Montana										
Nebraska*			X	X			X			
Nevada*	X	X	X	X	X					X
New Hampshire										
New Jersey										
New Mexico*										
New York*		X	X	X	X					X
North Carolina										
North Dakota										
Ohio			X	X	X	X				
Oklahoma*			X							X
Oregon*	X	X	X	X			X			
Pennsylvania		X	X	X						
Rhode Island*	X		X		X					
South Carolina										
South Dakota										
Tennessee*										X
Texas			X		X					
Utah										
Vermont			X							X
Virginia										
Washington	X		X	X			X			
West Virginia*										X
Wisconsin	X	X	X	X						
Wyoming										
TERRITORIES										
Puerto Rico							x			
Total	**9**	**11**	**26**	**14**	**9**	**4**	**5**	**3**	**0**	**12**

*NOTE: *See Notes to Table 14 on page 33.*

TABLE 15

Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 2014

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									
Delaware									
Florida									
Georgia									
Hawaii	X	X	X						
Idaho									
Illinois									
Indiana									
Iowa									
Kansas									
Kentucky									
Louisiana									
Maine									
Maryland									
Massachusetts									
Michigan*									
Minnesota									
Mississippi									
Missouri									
Montana									
Nebraska									
Nevada									
New Hampshire									
New Jersey									
New Mexico									
New York									
North Carolina									
North Dakota									
Ohio									
Oklahoma									
Oregon									
Pennsylvania									
Rhode Island									
South Carolina									
South Dakota									
Tennessee*									
Texas									
Utah									
Vermont									
Virginia									
Washington									
West Virginia*									
Wisconsin									
Wyoming									
TERRITORIES									
Puerto Rico									
Total	**2**	**1**	**1**	**1**	**0**	**1**	**0**	**0**	**0**

*NOTE: *See Notes to Table 15 on page 34.*

Table 15 continues on next page.

TABLE 15 (CONTINUED)

Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 2014

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
Colorado										
Connecticut										
Delaware										
Florida										
Georgia										
Hawaii	X		X							
Idaho										
Illinois										
Indiana										
Iowa										
Kansas										
Kentucky										
Louisiana										
Maine										
Maryland			X	X						
Massachusetts										
Michigan*										X
Minnesota										
Mississippi										
Missouri										
Montana										
Nebraska										
Nevada										
New Hampshire										
New Jersey										
New Mexico										
New York										
North Carolina										
North Dakota										
Ohio										
Oklahoma										
Oregon			X							
Pennsylvania										
Rhode Island										
South Carolina										
South Dakota										
Tennessee*										X
Texas										
Utah										
Vermont										
Virginia										
Washington										
West Virginia*										X
Wisconsin										
Wyoming										
TERRITORIES										
Puerto Rico										
Total	1	1	4	1	1	0	0	0	0	4

*NOTE: *See Notes to Table 15 on page 34.*

CHAPTER 1 NOTES

Notes to Table 3
Fiscal 2011 State 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.

Alabama Expenditure adjustments include an adjustment for across the board cuts of ($414.2M) and reversions and other adjustments of ($68.6M)

Alaska Revenue adjustments: $21.4 reappropriation or carry forward, $1.9 corp. dividend adjustment. Expenditure adjustments: Net of PEF draw and funding, plus any CBR or SBR transfers to savings. Rainy Day = $10,348.4 CBR, $2,632.6 SBR.

Arizona Adjustments to revenue include revenues from the temporary 1% sales tax increase, enacted agency budget transfers and county transfers.

California Represents adjustment to the Beginning Fund Balance. This consists primarily of adjustments to Major Taxes and K-12 spending.

Colorado Adjustments to revenues are per Tables 1a and 1b in the OSPB March 2012 forecast, reflects line 3, net transfers to the GF.

Connecticut Transfer of reserves from FY 2010 into General Fund.

Georgia Agency surplus returned.

Idaho Adjustments included transfers from the following: 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.

Illinois Revenue Adjustments include: transfers in, inter-fund borrowing proceeds, short-term borrowing proceeds, pension obligation bond proceeds, tobacco revenue securitization proceeds. Expenditure Adjustments include: transfers out, pay-down of accounts payable, repayment of short-term borrowing.

Indiana Revenue Adjustments: Transfer from General Fund to Rainy Day Fund Expenditure Adjustments: Local Option Income Tax Distributions; PTRF Adjust for Abstracts.

Iowa Ending Balance of General Fund is transferred to the Reserve Funds in the subsequent fiscal year. After the Reserve Funds hit their statutorily set maximum amounts; the remainder of the funds are transferred back to the General Fund in the subsequent fiscal year.

Kentucky Revenue includes $99.8 million in Tobacco Settlement funds. Adjustment for Revenues includes $72 million that represents appropriation balances carried over from the prior fiscal year, and $125.1 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.

Louisiana Revenues Adjustments—Includes transfers from various funds $28.7; transfer from Over collections Fund $26.9; transfer from Incentive Fund $4.0; carry-forward from FY09-10 $12.7; carry-forward of Interim Emergency Board appropriations $1.1; re-appropriation of capital outlay from various prior years $32.8. Actual State General Fund collections were less than official projections adopted by the Revenue Estimating Conference (REC) on May, 2011 in the amount of ($107.9).

Maryland Revenue adjustments reflect a $5.2 million reimbursement from the reserve for Sustainable Community Tax Credits, $8.0 million reimbursement from the reserve for Biotechnology Tax Credits, and transfers of $333.9 million from other special funds.

Massachusetts Includes balances in all budgeted funds included in the state's definition of fiscal balance, Chapter 29 of the Massachusetts General Laws.

Michigan Fiscal 2011 revenue adjustments include the impact of federal and state law changes ($1,428.6 million); revenue sharing payments to local government units (-$426.8 million); and deposits from state restricted funds ($196.5 million).

Minnesota	Ending balance includes cash flow account of $266 million, budget reserve account of $8.7 million and appropriations carried forward of $37.9 million.
Missouri	Revenue adjustments include transfers from other funds into the general revenue fund, including $572.4M from enhanced FMAP authorized in the American Recovery and Reinvestment Act of 2009.
Montana	Adjustments to revenues and expenditures are attributable to prior year activity.
Nebraska	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).
Nevada	FY 11 revenue adjustments include fund sweeps and reversions. FY 11 expenditure adjustments include transfers between FY 10 and FY 11, supplemental and one-time appropriations, and reduction of appropriations approved by the 26th special session.
New Hampshire	Revenue Adjustments: + $2.1 million transfer from the Liquor Fund and +$124 million transfer to the Education Trust fund.
New Jersey	Budget versus GAAP entries, and net transfers to other funds.
New Mexico	Adjustment includes one-time fiduciary tax payment of $36 million and transfer for solvency of $26 million.
New York	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 FY 2010 budget shortfall into FY 2011. The ending balance includes $1.2 billion in rainy day reserve funds, $136 million in a community projects fund, $13 million reserved for debt reduction and $21 million reserved for litigation risks.
North Dakota	Revenue adjustments are an $830.0 million transfer from the permanent oil tax trust fund and a $35.0 million transfer from the lands and minerals trust fund to the general fund. Expenditure adjustments include a $61.4 million transfer to the budget stabilization fund and miscellaneous adjustments and transfers.
Oklahoma	FY-2011 Revenue adjustment is the difference in cash flow. The Expenditure adjustment refers to the deposit made into the Rainy Day Fund at the end of the fiscal year.
Oregon	Rainy Day Fund balance includes normal RDF (primarily General Fund) plus an Education Stability Fund (primarily Lottery Funds). Balances in RDF & ESF may include donations.
Pennsylvania	Revenue adjustments include a $0.25 million adjustment to the beginning balance, $93.7 million in prior year lapses, $1,756.5 million in Enhanced Federal Medical Assistance Percentage, $921.4 million in federal State Fiscal Stabilization Funds and $387.8 million in federal Education Jobs Funds. The year-end transfer to the Rainy Day Fund (25% of the ending balance) was suspended for FY 2011.
Puerto Rico	Included $1.0 billion from the Local Stabilization Fund to cover operational expenses expected to be reduced through the fiscal year 2011.
Rhode Island	Adjustments to revenues reflect a transfer to the Budget Stabilization Fund.
South Carolina	Rainy Day Balance = 3% General Reserve ($166.3) + 2% Capital Reserve ($107.7) + Surplus Contingency Reserve ($367.1) + Agency Appropriation Balances Carried Forward Next FY ($70.6).
South Dakota	Adjustments in Revenues: $9.9 million addition to revenue is from one-time receipts; $26.1 million decrease to revenue is a one-time refund of taxes.
Tennessee	Adjustments (Revenues) $91.4 million transfer from debt service fund unexpended appropriations. $169.5 million transfer from Rainy Day Fund.-$67.5 million transfer to dedicated revenue reserves. Total $193.4 million Adjustments (Expenditures) $323.7 million transfer to capital outlay projects fund. $13.1 million transfer to state office buildings and support facilities fund. $253.3 million transfer to reserves for unexpended appropriations. Total $590.1 million, Ending Balance $371.3 million, reserve for appropriations 2010-2011. $223.0 million unappropriated budget surplus at June 30, 2011. $0.9 million undesignated balance, $595.2 million.

Texas Adjustment is net of transfer to Rainy Day Fund (-$1,087.6m) and Comptroller adjustment to general fund dedicated account balances (+$256.4m).

Vermont Adjustments equals transfers in or out of the General Fund.

Washington Fund transfers between General Fund and other accounts, and balancing to the final audited ending balance.

West Virginia 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. Revenues Adjustments are prior year redeposits. Expenditures include Regular, Surplus and Reappropriated funds and $30.6 million of 31 day prior year expenditures. 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, the 13th month expenditures & unappropriated surplus balance.

Wisconsin Revenue adjustments include Transfers out of General Fund, -$14.8; Other Revenue, $632.4; Tribal Gaming, $24.7. Expenditure adjustments include Designation for Continuing Balances, $8.2; and Unreserved Designated Balance, -$78.5.

Wyoming WY budgets on a biennial basis. To arrive at annual figures certain assumptions and estimates were required.

Notes to Table 4
Fiscal 2012 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.

Alabama Revenue adjustment includes an increase for an Alabama Trust Fund transfer for a calculation error of $266.4M and other one-time revenues of $27M. Expenditure adjustments are for across the board cuts.

Alaska Revenue adjustments: $53.6 reappropriation or carry forward. Expenditure adjustments: Net of PEF draw and funding, plus any CBR or SBR transfers to savings. Rainy Day = $10,380.9 CBR, $4,402.1 SBR.

Arizona Adjustments to revenue include revenues from the temporary 1% sales tax increase and enacted agency budget transfers.

Colorado This reflects the GA actions as of this writing (based on JBC supplemental package as passed/DOC as presently reflected in bill, plus a $61.4M set-aside for the Department of Health Care Policy and Financing. See Table 1b in OSPB March 2012 forecast, FY 2011-12.

Delaware FY 2012 revenue estimate is as of December, 2011 meeting of the Delaware Economic and Financial Advisory Council.

Florida Preliminary estimates associated with the General Appropriations Act and other bills passed during the 2012 Legislative Session.

Georgia General Fund revenues includes $165.6 million for the Mid Year Adjustment Reserve for education.

Idaho Adjustments included transfers from the following: 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. Expenditures adjustments include supplementals—$23,912,300 and deficiency warrants—$4,225,700.

Illinois Revenue Adjustments include: transfers in. Expenditure Adjustments include: transfers out, increase of accounts payable.

Indiana Revenue Adjustments: FY07-11 Corporate E-check Revenue; Miscellaneous Revenue; Local Option Income Tax Adjustment; Expenditure Adjustment: PTRF Adjust for Abstracts.

Iowa Revenue adjustments include $391.5 million of residual funds transferred to the General Fund after the Reserve Funds were filled to their statutorily set maximum amounts. Also included in revenue adjustments is $2 million of funds recommended to be transferred to the General Fund to cover the indirect costs for regulation of gaming facilities by the Department of Public Safety. Expenditure adjustments include $7.5 million of adjustments to standing appropriations, $6.5 million of supplemental appropriations netted against anticipated reversion of appropriations. Ending balance of the General Fund is transferred to in the current fiscal year to the Reserve Funds in the subsequent fiscal year. After the Reserve Funds are at the statutorily set maximum amounts, the remainder of the funds are transferred back to the General Fund in that subsequent fiscal year.

Kentucky Revenue includes $94.3 million in Tobacco Settlement funds. Adjustment for Revenues includes $57.5 million that represents appropriation balances carried over from the prior fiscal year, and $151.6 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.

Louisiana Revenues Adjustments—Includes carry-forward balances $16.6; Transfer of $38.1 from various funds. Per statute, the FY10-11 deficit was presented to the Joint Legislative Committee Budget on December 16, 2011. Per R.S. 39:75, the Governor issued an Executive Order calling for an adjustment to appropriated SGF expenditures in FY 2011-2012 of ($251.2).

Maine FY 12 beginning balance differs from FY 11 ending balance due to Controller's year-end adjustments. FY 2012 Adjustments (Revenue) includes benefit of one-day inter-fund borrowing of $91M.

Maryland Revenue adjustments reflect a $4.0 million reimbursement from the reserve for Heritage Tax Credits, $8.0 million reimbursement from the reserve for Biotechnology Tax Credits, and transfers of $228.3 million from other special funds.

Massachusetts Includes balances in all budgeted funds included in the state's definition of fiscal balance, Chapter 29 of the Massachusetts General Laws.

Michigan Fiscal 2012 revenue adjustments include the impact of federal and state law changes ($1,044.5 million); revenue sharing payments to local government units (-$340.0 million); and deposits from state restricted funds ($209.6 million). Fiscal 2012 estimated expenditures and fiscal 2013 recommended spending include one-time spending financed from one-time revenues of $527.4 million and $525.2 million, respectively.

Minnesota Ending balance includes cash flow account of $350 million and budget reserve account of $657.6 million.

Missouri Revenue adjustments include transfers from other funds into the general revenue fund, including $67.4M from enhanced FMAP authorized in the American Recovery and Reinvestment Act of 2009 and 209.9M from the enhanced FMAP authorized in the Education Jobs and Medicaid Assistance Act.

Nebraska Revenue adjustments are transfers between the General Fund and other funds. Per Nebraska law, includes a transfer of $145 million to the Cash Reserve Fund (Rainy Day Fund) of the amount the prior year's net General Fund receipts exceeded the official forecast. Among others, also includes a $110 million transfer from the General Fund to the Property Tax Credit Cash Fund as well as a $37 million transfer to the General Fund from the Cash Reserve Fund (Rainy Day Fund) for budget stabilization. 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 are reappropriations ($230.6 million) of the unexpended balance of appropriations from the prior fiscal year.

Nevada FY 12 revenue adjustments include increases in various taxes that will sunset June 2013, redirection of fees to the general fund, and a line of credit.

New Hampshire Revenue Adjustments: + $136.5 to be moved to the Education Trust Fund at year end.

New Mexico Adjustment includes transfer for solvency of $11.4 million.

New York The ending balance includes $1.3 billion in rainy day reserve funds, $284 million reserved to cover costs of potential retroactive labor settlements with certain unions, $51 million in a community projects fund, $13 million reserved for debt reduction and $21 million reserved for litigation risks.

North Dakota	Revenue adjustments include a $295.0 million transfer from the property tax relief sustainability fund to the general fund.
Ohio	FY 2012 expenditures includes a $246.9 million transfer to the Budget Stabilization Fund. FY 2012 expenditures includes estimated encumbrances for the end of FY 2012 with the ending balance being the unobligated balance. FY 2013 expenditures are based on FY 2013 enacted appropriations and estimated transfers out.
Oklahoma	FY-2012 Revenue adjustment is the difference in cash flow. Expenditure adjustments cannot be estimated at this time.
Oregon	Revenue adjustment transfers prior biennium ending GF balance to Rainy Day Fund (which can be up to 1% of total budgeted appropriation).
Pennsylvania	Revenue adjustments include a $14.7 million adjustment to the beginning balance and $195 million in prior year lapses. Expenditure adjustment reflects $160 million in current year lapses. The year-end transfer to the Rainy Day Fund (25% of the ending balance) is proposed to be suspended for FY 2012.
Puerto Rico	Includes $610 million from the Local Stabilization Fund to cover operational expenses.
Rhode Island	Adjustments to revenues reflect a transfer to the Budget Stabilization Fund.
South Carolina	Expenditure Adjustment = FY 2011 Capital Reserve transferred to agencies; Rainy Day Balance = 3.5% General Reserve ($183.5) + 2% Capital Reserve ($104.8) + Estimated Surplus Contingency Reserve ($377.8) + Estimated Carry Forward Appropriation, ($70.6).
South Dakota	Adjustments in Revenues: $12.2 million addition to revenue is from one-time receipts; $20.2 million addition to revenue is a transfer from budget reserves to pay for emergency expenses. Adjustments to Expenditures: $27.8 million is obligated cash that will be carried forward to pay for FY2013 expenses. The ending balance of $10.0 million is cash that is obligated to the Budget Reserve fund the following fiscal year.
Tennessee	Adjustments (Revenues) $94.0 million transfer from debt service fund unexpended appropriations. $4.8 million transfer from Mental Health Trust Fund. -$22.4 million transfer to Rainy Day Fund. Total $76.4 million Adjustments (Expenditures) $64.0 million transfer to capital outlay projects fund. $13.1 million transfer to state office buildings and support facilities fund. $5.4 million transfer to reserves for unexpended appropriations. Total $82.5 million, Ending Balance $385.1 million, reserve for appropriations 2012-2013. $0.3 million undesignated balance, $385.4 million.
Texas	Adjustment is net of transfer to Rainy Day Fund (-$1,115.6m) and Comptroller adjustment to general fund dedicated account balances (+$349.5m). The Texas budget is written and balanced on a biennial (two-year) basis. Fund balances are calculated from an appropriations perspective and do not correspond to actual cash balances. Texas projects ending the FY2012-2013 biennium with a general fund balance of more than $1.6 billion. In addition, FY2012 year-to-date tax collections have substantially exceeded the most recent revenue estimate.
Vermont	Adjustments are transfers in or out of the General Fund.
Washington	Fund transfers between General Fund and other accounts.
West Virginia	Fiscal Year 2012 Beginning balance includes $425.5 million in Reappropriations, Unappropriated Surplus Balance of $338.8 million, and FY 2011 13th month expenditures of $28.6 million. Revenues Adjustments are prior year redeposits of $0.2m as of 3/31/12 and $3.7m of special revenue funds expired per sb377. Expenditures include Regular, Surplus and Reappropriated funds and $28.6 million of 31 day prior year expenditures. 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, the 13th month expenditures & unappropriated surplus balance.
Wisconsin	Revenue adjustments include Other Revenue, $648.0; Tribal Gaming, $27.2. Expenditure adjustments include Compensation Reserve, $28.8; Transfers to other funds, $27.5; Sum Sufficient Restimate, -$106.3; Legal Settlement, $233.7; Transfer to Budget Stabilization, $45.4; and Lapses, -$306.1.
Wyoming	WY budgets on a biennial basis. To arrive at annual figures certain assumptions and estimates were required.

Notes to Table 5
Fiscal 2013 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.

Alabama Revenue adjustments include a Tobacco Transfer of $10.4M and other onetime revenues of $6M.

Alaska Expenditure adjustments: Net of PEF draw and funding, plus any CBR or SBR transfers to savings. Rainy Day = $10,939.5 CBR, $5,577.9 SBR.

Arizona Adjustments to revenue include revenues from the temporary 1% sales tax increase, enacted agency budget transfers.

Colorado Reflects the Governor's recommendation as reflected in Table 1a of the March 2012 OSPB forecast, page 7. The amount shown for the "rainy day" fund is equal to the 4% statutory reserve requirement based on GF subject to appropriations per Section 24-75-201.1, C.R.S.

Delaware FY 2013 revenue estimate is as of December, 2011 meeting of the Delaware Economic and Financial Advisory Council.

Florida Fund shifts and tax relief measures included in General Appropriations Act.

Idaho Adjustments included transfers to the following: Budget Stabilization Fund—$25,980,000, Constitutional Defense Fund—$1,500,000, Public Education Stabilization Fund—$29,040,000, Higher Education Stabilization Fund—$4,980,000. Miscellaneous Adjustments include: Tax relief package—$45 million and $41,107,100 surplus eliminator.

Illinois Revenue Adjustments include: transfers in. Expenditure Adjustments include: transfers out, increase of accounts payable.

Indiana Revenue Adjustments: Inheritance Tax Phase Out; Sales and Use Tax Exemption for certain aircraft; Charter School Startup Grant Adjustment. Expenditure Adjustments: automatic taxpayer refund; pension distributions; Charter School Startup Grant Adjustment.

Iowa Revenue adjustments include $285.1 million of residual funds transferred to the General Fund after the Reserve Funds were filled to their statutorily set maximum amounts. Also included in revenue adjustments is $1.1 million of funds recommended to be transferred to the General Fund to cover the indirect costs for regulation of gaming facilities by the Department of Public Safety. Ending balance of the General Fund is transferred to in the current fiscal year to the Reserve Funds in the subsequent fiscal year. After the Reserve Funds are at the statutorily set maximum amounts, the remainder of the funds are transferred back to the General Fund in that subsequent fiscal year.

Kentucky Revenue includes $92.1 million in Tobacco Settlement funds. Adjustment for Revenues includes $144 million that represents appropriation balances carried over from the prior fiscal year, and $128.5 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.

Louisiana Revenues—State General Fund

Maine FY 2013 Adjustments (Revenue) reflects repayment of one-day inter-fund borrowing of $91M. FY 2013 amounts to not reflect May 1 Revenue Forecasting Committee reprojections or impact of a pending FY 2012-2013 supplemental budget that has been partially adopted by the Legislature but has several items pending further consideration.

Maryland Revenue adjustments reflect a $6.8 million reimbursement from the reserve for Heritage Tax Credits, $8.0 million reimbursement from the reserve for Biotechnology Tax Credits, and transfers of $416.3 million from other special funds.

Massachusetts Includes balances in all budgeted funds included in the state's definition of fiscal balance, Chapter 29 of the Massachusetts General Laws.

Michigan Fiscal 2013 revenue adjustments include the impact of federal and state law changes ($604.8 million); revenue sharing payments to local government units (-$350.6 million); and deposits from state restricted funds ($10.0 million). Fiscal 2012 estimated expenditures and fiscal 2013 recommended spending include one-time spending financed from one-time revenues of $527.4 million and $525.2 million, respectively.

Minnesota Ending balance includes cash flow account of $350 million and budget reserve account of $657.6 million.

Missouri Revenue adjustments include transfers from other funds into the general revenue fund; $90.4M of collection initiatives, including a tax amnesty program; $40M from the national mortgage foreclosure settlement.

Nebraska Revenue adjustments include the Governor's recommended income tax relief of $51.8 million. Other revenue adjustments are transfers between the General Fund and other funds. Per Nebraska law, includes an estimated transfer of $52 million to the Cash Reserve Fund (Rainy Day Fund) of the amount the prior year's net General Fund receipts are estimated to exceed the official forecast. Among others, also includes a $110 million transfer from the General Fund to the Property Tax Credit Cash Fund as well as a $68 million transfer to the General Fund from the Cash Reserve Fund (Rainy Day Fund) for budget stabilization. Expenditure adjustments include a small amount ($5 million) reserved for deficit/supplemental appropriations.

Nevada FY 13 revenue adjustments include increases in various taxes that will sunset June 2013, redirection of fees to the general fund, and a line of credit.

New Hampshire Enacted Budget Revenue Adjustments: Assumes $.6 million to be transferred into the Rainy Day Fund and $131.5 million to be transferred to the Education Trust Fund at year end.

New York The ending balance includes $1.3 billion in rainy day reserve funds, $458 million reserved to cover costs of potential retroactive labor settlements with certain unions, $13 million reserved for debt reduction and $21 million reserved for litigation risks.

North Dakota Revenue adjustments include a $305.0 million transfer from the strategic investment and improvements fund. Expenditure adjustments include a $16.1 million transfer to the budget stabilization fund.

Ohio Ohio has a biennial budget. FY 2013 is based on HB 153 appropriations for state fiscal year 2013, as well as estimated transfers out.

Oklahoma No FY-2013 expenditures have been authorized by the Legislature at this time. The estimate assumes that all available revenue will be appropriated.

Pennsylvania Expenditure adjustment reflects a projected transfer of $3.6 million (25% of the ending balance) to the Rainy Day Fund.

Puerto Rico Includes $332.7 million from the Local Stabilization Fund to cover operational expenses.

Rhode Island Adjustments to revenues reflect a transfer to the Budget Stabilization Fund.

South Carolina Revenue Adjustment = Proposed reduction in State Individual & Corporate Income Taxes; Expenditure Adjustment = FY 2012 Capital Reserve transferred to agencies; Rainy Day Balance = General Reserve ($281.6) + 2% Capital Reserve ($112.7) + Estimated Surplus Contingency Reserve ($246.9) + Estimated Carry Forward Appropriation, ($70.6).

South Dakota The fiscal year 2013 information provided is based on the legislative enacted FY 2013 budget as our legislature has already enacted the FY2013 budget at the time the survey was submitted. Adjustments in Revenues: $37.8 million addition to revenue is from obligated cash carried forward from the previous fiscal year of which $27.8 million will pay for special appropriations and $10.0 million is unobligated cash from the FY2012 budget. Also, $1.0 million addition to revenue is from a one-time receipt. Adjustments in Expenditures: $10.0 million represents the transfer to the Budget Reserve fund from the prior fiscal year's unobligated cash. The ending balance of $16.3 million is cash that is obligated to the Budget Reserve fund the following fiscal year.

Tennessee Adjustments (Revenues) -$50.0 million transfer to Rainy Day Fund. Total -$50.0 million Adjustments (Expenditures) $263.7 million transfer to capital outlay projects fund. $13.1 million transfer to state office buildings and support facilities fund. $5.1 million transfer to reserves for dedicated revenue appropriations. Total $281.9 million Ending Balance $0.4 million undesignated balance, $0.4 million. Texas projects ending the FY2012-2013 biennium with a general fund balance of more than $1.6 billion. In addition, FY2012 year-to-date tax collections have substantially exceeded the most recent revenue estimate.

Texas	Adjustment is net of transfer to Rainy Day Fund (-$793.6m) and Comptroller adjustment to general fund dedicated account balances (+$341.1m). The Texas budget is written and balanced on a biennial (two-year) basis. Fund balances are calculated from an appropriations perspective and do not correspond to actual cash balances.
Vermont	Adjustments are transfers in or out of the General Fund.
Washington	Fund transfers between General Fund and other accounts.
West Virginia	Revenues are the FY 13 Official General Revenue Estimate. Expenditures include FY 13 Regular General Revenue and FY 13 Surplus Appropriations (which are included in FY13's Budget Bill). Expenditures Adjustments are those anticipated surplus appropriations (already included in "Total Expenditures" which will be available from any FY12 surplus (which is not yet recognized in the FY12 numbers).
Wisconsin	Revenue adjustments include Other Revenue, $576.9; Tribal Gaming, $28.6. Expenditure adjustments include Compensation Reserve, $61.9; Transfers to other funds, $137.6; Sum Sufficient Reestimate,-$16.4 ; and Lapses, -$593.0.
Wyoming	WY budgets on a biennial basis. To arrive at annual figures certain assumptions and estimates were required.

Notes to Table 7
Budget Cuts Made After Fiscal 2012 Budget Passed

Missouri	Expenditure restrictions effective July 1, 2011. $3.6M expenditure restrictions released through March 23, 2012, including $1.5M Public Assistance and $2.1M in All Other.
Pennsylvania	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.

Notes to Table 8
Fiscal 2012 Mid-Year Program Area Cuts

Georgia	Net budget increase.
Idaho	Transfer of money from other funds.
Maine	Net budget increase.

Notes to Table 9
Fiscal 2013 Recommended Program Area Cuts

Ohio	Recommended reductions are based on a mid-biennial review of Ohio's budget that is ongoing.

Notes to Table 10
Fiscal 2012 Mid-Year Program Area Cuts

California This includes a trigger reduction of $327.6 million in K-12 funding and a $5.9 million reduction to child care funding. This includes a trigger reduction of $100 million each to the University of California and the California State University in December 2011, and a trigger reduction of $102 million to the California Community Colleges. This includes a $15.9 million trigger reduction in state grants for local libraries.

Georgia Net budget increase of $220.5 million.

Louisiana While funding for the K-12 was reduced, no funding for the Constitutional mandated Minimum Foundation Program was reduced. Funding was reduced in Higher Education in various expenditure categories (-$50M); also a means of financing substitution with Statutory Dedications (-$66M). Medicaid—A means of financing substitution was done using available federal dollars in the amount of $50.4 million and expenditure projections were decreased by $3.4 million. Corrections—Funding was reduced in Corrections Services and the Office of Juvenile Justice in Professional Services, Supplies, Operating Services, Salaries, Other Charges and Related Benefits. All Other—Hiring freeze and savings from agency expenditure efficiencies.

Maine Net budget increase of $88.7 million. Exempt from cuts—Debt Service, Retirement, Teacher Retirement, Retired Teacher Health Insurance and Group Life, Education in the Unorganized Territory.

Missouri All Other—Includes $58.1M in capital improvements.

South Dakota Additional supplemental appropriations increased funding by approximately $60.5 million more than the original enacted FY2012 budget, for FY2012.

Virginia The proposed FY2012 Revised Budget anticipates a balance of $546 m to be carried forward into the Fy13-Fy14 biennium.

Notes to Table 11
Fiscal 2013 Recommended Program Area Adjustments

California This reflects a decrease in transportation and housing bond debt service paid by the General Fund.

Colorado Reflects a comparison of the Governor's Final FY 12-13 Request (as of February 2012) to the FY 11-12 appropriation plus estimated set-asides anticipated, as authorized by the General Assembly as of March 19, 2012.

Delaware Transportation—Funded through non-general funds.

Louisiana K-12 Education—Primarily due to funding the Constitutional mandated Minimum Foundation Program. Higher Education—Primarily due to the annualization of the FY12 mid-year budget reduction, non-recurring of one-time expenditures along with additional funds for the TOPS award program. Medicaid—Primarily due to funding an increase in utilization in the Private Provider Program. Also increased funding for behavioral health services. Correction—Reductions in Corrections Services, Office of Juvenile Justice, and Local Housing of Juvenile Offenders due to reductions in personnel at correctional facilities, the privatization of one correctional facility, the closure of two correctional facilities, and the implementation of efficiencies and cost-savings measures. All Other—Net adjustments in other agencies includes Targeted cuts.

Maryland All Other—Includes FY 2013 appropriation to the Rainy Day Fund.

Michigan 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 increases of $271.8 million and one-time spending from one-time revenue of $472.7 (fiscal 2012) and $150.0 million (fiscal 2013). Additionally, reported general fund budget adjustments do not include one-time fiscal 2012 appropriations of $527.4 million and one-time fiscal 2013 recommended spending items of $525.2 million.

New York The estimates used to calculate year-to-year spending adjustments reflect the subsequent allocation, by agency, of an approximate 10 percent reduction in State Operations in FY 2012, which was counted on as gap-closing savings in the FY 2012 Enacted Budget, but which were not allocated by agency until a later time; and the phasing-out of extraordinary Federal aid from the American Recovery and Reinvestment Act (ARRA), which will shift approximately $1.6 billion in Medicaid and Education costs back to the General Fund in FY 2013.

South Dakota The changes from the fiscal 2012 enacted budget and the fiscal 2013 enacted budget for South Dakota include the changes from supplemental/amended appropriations for the fiscal year 2012 budget that were enacted during South Dakota's most recent Legislative session (2012).

Texas FY2013 budget has already been enacted via the General Appropriations Act for the 2012-2013 Biennium. No changes to FY2013 appropriations are currently recommended.

Wisconsin Due to Wisconsin having a biennial budget, there are no appropriation changes for FY 13 because it was submitted as part of the current enacted budget.

Notes to Table 12
Enacted Mid-year Fiscal 2012 Revenue Actions by Type of Revenue and Net Increase or Decrease

New York In December 2011, the State enacted tax reform legislation to amend existing tax structure, which also produced additional revenue necessary to reduce the estimated FY 2013 budget gap. While the tax reforms resulted in increased revenues during FY 2012, reflecting the impact of the tax law changes going into effect during the final quarter of FY 2012, the State did not require the tax reforms to address a current year deficit.

Notes to Table 13
Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 2012

Arizona Payment deferral, temporary revenue increase.

California The University of California Board of Regents and the California State University Board of Trustees adopted tuition and fee increases for 2011-12, in part due to budgetary reductions. The 2012-13 Governor's Budget does not include any tuition increases for the universities for the 2012-13 academic year. The 2011 Budget Act included a fee increase for California Community Colleges beginning in the fall 2011, with a second increase to begin summer term of 2012 due to a mid-year reduction. For K-12 Education, the 2011-12 Enacted Budget included deferrals of general purpose funding for local education agencies and targeted cuts in other K-12 programs and child care funding. The 2012-13 Governor's Budget includes targeted cuts in other K-12 programs and child care funding. Public safety realignment, suspended mandates, fund shift. Medicaid managed care expansion and provider taxes.

Colorado FY 11-12 closure of a state prison. FY 12-13 reductions to K-12 and Higher Education, reductions within Medicaid budget to help offset increases.

Connecticut Wage freeze.

Hawaii Diversion of special fund revenues to the general fund.

Maryland Transfer of balance and interest from special funds to the general fund.

Michigan 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 two prisons, state police posts and dispatch facilities; establishing a 48-month time limit for Family Independent Program clients; competitively bidding prisoner health and mental health services; eliminating nearly 370 jobs across state government; requiring employee contributions into defined benefit retirement plan; refinancing debt; 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.

Nebraska The Governor and Legislature enacted appropriations for the 2011-2013 biennium during the 2011 session prior to the beginning of the biennium. The strategies used to eliminate the projected "budget gap", as defined by the Legislation Fiscal Office (and described in the Note for question 5), are included in this response for FY2012 and FY2013. The "targeted cuts" and "reduction of local aid" were as compared to the then current base appropriations, not reductions to enacted appropriations.

Nevada Moved some services from state to counties.

New York Layoffs—FY 2012: The FY 2012 Enacted Budget contained savings related to the Governor's initiative 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 that have been, or are expected to be, negotiated with the State's employee unions. The continuous effort to identify efficiency in the delivery of agency services could result in unforeseen workforce reductions. Furloughs —FY 2012: The FY 2012 Enacted Budget contained savings from the Governor's initiative to redesign Agency service delivery through several means including, but not limited to, wage changes pending negotiation with the State's employee unions. By November 2011, the State's two largest employee unions, the Civil Service Employees Association (CSEA) and the Public Employees Federation (PEF), ratified multi-year labor agreements with the State. Under these agreements, there are no general salary increases for three years (FY 2012 through FY 2014). Employee compensation during FY 2012 and FY 2013 will be temporarily reduced and employees will receive compensatory Deficit Reduction Leave credits (totaling nine days) valid through FY 2013. CSEA-represented employees will receive a $1,000 lump sum payment ($775 paid in FY 2014 and $225 paid in FY 2015). Employees will receive a 2 percent increase in FY 2015 under both agreements, and CSEA-represented employees will receive a 2 percent increase in FY 2016. Employees represented by CSEA will be repaid the value of four days in equal consecutive installments starting at the end of the CSEA contract term and employees represented by PEF will be repaid the value of nine days in equal consecutive installments starting in FY 2016. Salary Reductions—FY 2012: The FY 2012 Enacted Budget contained savings from the Governor's initiative to redesign Agency service delivery through several means including, but not limited to, wage changes pending negotiation with the State's employee unions. By November 2011, the State's two largest employee unions, the Civil Service Employees Association (CSEA) and the Public Employees Federation (PEF), ratified multi-year labor agreements with the State. Under these agreements, there are no general salary increases for three years (FY 2012 through FY 2014). Employee compensation during FY 2012 and FY 2013 will be temporarily reduced and employees will receive compensatory Deficit Reduction Leave credits (totaling nine days) valid though FY 2013. CSEA-represented emplyees will receive a $1,000 lump sum payment ($775 paid in FY 2014 and $225 paid in FY 2015). Employees will receive a 2 percent increase in FY 2015 under both agreements, and CSEA-represented employees will receive a 2 percent increase in FY 2016. Employees represented by CSEA will be repaid the value of four days in equal consecutive installments starting at the end of the CSEA contract term and employees represented by PEF will be repaid the value of nine days in equal consecutive installments starting in FY 2016. Cuts to State Employee Benefits—FY 2012: The FY 2012 Enacted Budget included savings from the Governor's initiative to redesign Agency service delivery through several means including, but not limited to, benefit changes pending negotiation with the State's employee unions. By November 2011, the State's two largest employee unions, the Civil Service Employees Association (CSEA) and the Public Employees Federation (PEF), ratified multi-year labor agreements with the State. These agreements included substantial changes to employee health care contributions. 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.

Oregon Rainy Day Fund—Includes Education Stability Fund (Lottery).

South Dakota Education Jobs Fund.

Tennessee FY 2012—Base Budget Reductions.

West Virginia Use onetime surplus from General Revenue & Lottery Funds from previous fiscal years.

Wisconsin Restructure debt.

Notes to Table 14
Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 2013 Proposed

Arizona Payment deferral, temporary revenue increase.

California The 2012-13 Governor's Budget does not include any tuition increases for the universities for the 2012-13 academic year. The 2011 Budget Act included a fee increase for California Community Colleges beginning in the fall 2011, with a second increase to begin summer term of 2012 due to a mid-year reduction. For K-12 Education, the 2011-12 Enacted Budget included deferrals of general purpose funding for local education agencies and targeted cuts in other K-12 programs and child care funding. The 2012-13 Governor's Budget includes targeted cuts in other K-12 programs and child care funding. Public safety realignment, suspended mandates, fund shift. Medicaid managed care expansion and provider taxes.

Colorado FY 12-13 reductions to K-12 and Higher Education, reductions within Medicaid budget to help offset increases. Severance tax transfers; in FY 12-13, local grants were maintained at a set level, however, despite the transfers of funds.

Hawaii Diversion of special fund revenues to the general fund.

Maryland Transfer of balance and interest from special funds to the general fund.

Michigan Other fiscal 2013 and fiscal 2014 strategies include a recommended two-year budget plan, including permanent fiscal 2012 solutions that generate an ending balance sufficient to resolve an estimated structural deficit of $1.5 billion.

Nebraska The Governor and Legislature enacted appropriations for the 2011-2013 biennium during the 2011 session prior to the beginning of the biennium. The strategies used to eliminate the projected “budget gap”, as defined by the Legislation Fiscal Office (and described in the Note for question 5), are included in this response for FY2012 and FY2013. The “targeted cuts” and “reduction of local aid” were as compared to the then current base appropriations, not reductions to enacted appropriations.

Nevada Moved some services from state to counties.

New Mexico Transfer to GF from other funds for solvency.

New York FY 2013: In December 2011, prior to the submission of the Executive Budget, the State enacted legislation to reform the structure of the personal income tax code, providing a net impact, after accounting for investments associated with tax relief to small business operators within the Metropolitan Commuter Transportation District and other economic development initiatives included in the legislation, of approximately $1.5 billion in additional tax revenue to the State that was counted towards closing the FY 2013 budget gap. Other savings counted toward closing the FY 2013 budget gap reflect administrative efficiencies related to the Governor's ongoing agency redesign effort, the net impact of various forecast revisions and other measures.

Oklahoma Increased tax compliance.

Oregon Rainy Day Fund—Includes Education Stability Fund (Lottery).

Rhode Island Pension reform reduced the state's pension contributions.

Tennessee FY 2013—Base Budget Reductions.

West Virginia Use onetime surplus from General Revenue & Lottery Funds from previous fiscal years.

Notes to Table 15
Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 2014 Proposed

California	Public safety realignment, suspended mandates, fund shift. Medicaid managed care expansion and provider taxes.
Michigan	Other fiscal 2013 and fiscal 2014 strategies include a recommended two-year budget plan, including permanent fiscal 2012 solutions that generate an ending balance sufficient to resolve an estimated structural deficit of $1.5 billion.
Tennessee	FY 2014—Base Budget Reductions.
West Virginia	Use onetime surplus from General Revenue & Lottery Funds from previous fiscal years.

STATE REVENUE DEVELOPMENTS

CHAPTER TWO

Overview

States forecast that general fund revenue collections will increase again in fiscal 2013, the third consecutive annual increase. State revenue collections typically lag the economic cycle, taking many years to fully recover from a recession, which is why until now state revenues have yet to surpass fiscal 2008 peak levels. This is expected to change in fiscal 2013 with general fund revenues projected to reach $690.3 billion, $10 billion greater than revenue collections in fiscal 2008 before the fiscal erosion caused by the recession.

Revenues

According to the Rockefeller Institute of Government, total state revenue collections have increased for eight consecutive quarters or two full calendar years, bringing revenue collections in the fourth quarter of calendar year (CY) 2011 above pre-recession peak levels. Revenue collections increased in every quarter of CY 2011 from CY 2010 and in every quarter of CY 2010 compared to CY 2009. Starting with the first quarter of calendar year 2011, state revenue collections increased by 9.6, 11.1, 5.6, and 3.6 percent over the same respective time periods in calendar year 2010. Noticeably, the third and forth quarterly increases in CY 2011, the first two quarters of fiscal 2012, were significantly lower than growth rates in the first half of the year. Quarterly growth in CY 2010 also displayed four consecutive quarters of growth from CY 2009, but state revenues declined significantly over five quarters spanning calendar years 2008 and 2009. The lasting impacts of double digit declines caused by the recession has finally been surpassed with consistent revenue growth, placing states back on a trajectory of historical growth.

This report finds that, based on governors' recommended budgets, general fund revenues are forecast to increase in fiscal 2013 to $690.3 billion, a 4.1 percent increase from fiscal 2012 levels. Continued slow improvement in fiscal 2013 will likely result with general fund revenue collections $10 billion above the $680.2 billion collected in fiscal 2008. General fund revenue collections slowly increased by 1.7 percent in fiscal 2012 after rising by 6.0 percent in fiscal 2011.

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 $530 billion in fiscal 2012, 3.7 percent above 2011 levels. However, when compared to fiscal 2008 collections of sales, personal income, and corporate income taxes, fiscal 2012 collections are estimated to finish the fiscal year 2.1 percent lower. States' proposed budgets for fiscal 2013 show an increase in these three sources of revenue with projected collections of $555.6 billion, a 4.8 percent rise compared to fiscal 2012 and a 2.7 percent increase from fiscal 2008 *(See Tables 18 and 19)*.

Continued revenue growth from all sources, which include sales, personal income, corporate income and all other taxes and fees, have produced collections greater than projections in many states. Thirty-one states reported that fiscal 2012 revenue collections are coming in higher than originally forecasted levels, and 15 states reported that fiscal 2012 revenues are higher than revised forecasts. By comparison, in the spring of 2011, 22 states reported that revenue collections were above original forecasts, and 13 states reported that fiscal 2011 revenues were higher than revised forecasts. Despite widespread revenue growth, 13 states reported that fiscal 2012 collections were below original forecasts, and three states reported that revenues were lower than revised forecasts. With the majority of states reporting that fiscal 2012 collections are above original forecasts, a number of states could end fiscal 2012 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 2012

Collections of sales, personal income, and corporate income taxes in fiscal 2012 are estimated to be 3.7 percent above fiscal 2011 collections. Specifically, personal income tax collections in fiscal 2012 were 7.6 percent higher than collections in fiscal 2011, while sales tax collections and corporate income tax collections were little changed *(See Table 19)*.

Forecasted Collections in Fiscal 2013

Based on governors' recommended budgets for fiscal 2013, states are projecting a 4.8 percent increase in sales, personal income, and corporate income tax collections relative to fiscal 2012. Specifically, sales tax collections are expected to increase by 4.2 percent, personal income tax collections by 5.8 percent, and corporate income tax collections by 2.0 percent.

TABLE 16

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

	Original Fiscal 2012	Most Recent Fiscal 2012
Lower	13	3
On Target	6	28
Higher	31	15

**Original Fiscal 2012 reflects whether revenues from all sources thus far have come in higher, lower, or on target with orginal projections. Most Recent Fiscal 2012 reflects whether revenues from all sources thus far have been coming in higher, lower, or on target with a state's most recent projection.*

See Notes to Table 16 on page 44.

TABLE 17

Fiscal 2012 Tax Collections Compared With Projections Used in Adopting Fiscal 2012 Budgets (Millions)**

Region/State	Sales Tax Original Estimate	Sales Tax Current Estimate	Personal Income Tax Original Estimate	Personal Income Tax Current Estimate	Corporate Income Tax Original Estimate	Corporate Income Tax Current Estimate	Revenue Collection***
Alabama	$1,699	$1,646	$2,690	$2,760	$321	$417	L
Alaska	NA	NA	NA	NA	640	812	H
Arizona	3,667	3,650	2,671	3,050	687	610	H
Arkansas	2,162	2,099	2,277	2,326	359	326	T
California	19,009	18,777	50,408	54,186	9,012	9,479	L
Colorado	1,888	2,067	4,666	4,765	403	412	L
Connecticut	3,789	3,881	8,661	8,431	708	708	L
Delaware	NA	NA	1,054	1,043	138	101	L
Florida	17,436	17,270	NA	NA	2,112	1,959	T
Georgia	5,333	5,298	7,979	8,119	685	627	H
Hawaii	2,590	2,623	1,487	1,456	51	77	H
Idaho	1,044	1,013	1,205	1,220	136	177	H
Illinois	6,586	7,145	14,955	15,062	2,768	2,354	H
Indiana	6,518	6,618	4,774	4,890	687	796	H
Iowa	2,450	2,504	3,412	3,731	454	480	H
Kansas	2,386	2,415	2,727	2,900	226	225	H
Kentucky	3,031	3,007	3,470	3,484	237	333	H
Louisiana	2,672	2,672	2,815	2,673	255	255	L
Maine	958	959	1,474	1,445	198	197	H
Maryland	4,148	4,019	6,665	6,998	622	580	H
Massachusetts	5,095	4,996	11,595	12,103	1,850	1,839	H
Michigan	6,646	6,884	6,782	7,032	1,053	1,121	H
Minnesota	4,658	4,624	7,795	7,877	857	947	H
Mississippi	1,817	1,810	1,389	1,411	432	448	H
Missouri	1,823	1,825	4,815	4,835	331	375	L
Montana	61	61	809	866	115	130	H
Nebraska	1,425	1,428	1,758	1,780	200	217	H
Nevada	802	802	NA	NA	NA	NA	T
New Hampshire	NA	NA	NA	NA	259	259	T
New Jersey	8,539	8,449	11,132	11,132	2,543	2,512	T
New Mexico	2,324	2,377	1,095	1,090	260	310	H
New York	11,173	11,235	39,059	38,664	6,101	5,868	L
North Carolina	5,293	5,275	9,800	10,057	1,000	1,042	H
North Dakota	756	1,097	266	396	62	171	H
Ohio	7,869	7,869	8,147	8,147	220	220	H
Oklahoma	1,747	1,810	1,893	2,010	203	326	H
Oregon	NA	NA	5,925	5,845	440	413	L
Pennsylvania	8,788	8,754	11,000	10,815	2,232	1,892	L
Rhode Island	847	845	1,010	1,034	121	113	H
South Carolina	2,251	2,328	2,322	2,523	187	201	H
South Dakota	720	737	NA	NA	NA	NA	H
Tennessee	6,658	6,797	201	197	1,548	1,653	H
Texas	20,993	22,542	NA	NA	NA	NA	H
Utah	1,521	1,562	2,394	2,436	270	251	H
Vermont	337	340	595	595	78	77	L
Virginia	2,974	3,066	10,137	10,533	838	828	T
Washington	7,649	7,189	NA	NA	NA	NA	L
West Virginia	1,227	1,227	1,741	1,741	178	178	H
Wisconsin	4,270	4,250	6,866	6,825	881	860	L
Wyoming	435	490	NA	NA	NA	NA	H
TERRITORIES							
Puerto Rico	680	560	2,109	2,134	1,515	1,531	T
Total	**$206,062**	**$208,328**	**$271,914**	**$278,481**	**$42,957**	**$43,172**	**-**

*NOTES: NA indicates data are not available because, in most cases, these states do not have that type of tax. **Unless otherwise noted, original estimates reflect the figures used when the fiscal 2012 budget was adopted, and current estimates reflect preliminary actual tax collections. ***Refers to whether preliminary actual fiscal 2012 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 2012.*

TABLE 18

Comparison of Tax Collections in Fiscal 2011, Fiscal 2012, and Recommended Fiscal 2013**

	Sales Tax			Personal Income Tax			Corporate Income Tax		
Region/State	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2011	Fiscal 2012	Fiscal 2013
Alabama	$1,582	$1,646	$1,662	$2,693	$2,760	$2,881	$291	$417	$401
Alaska	NA	NA	NA	NA	NA	NA	700	812	881
Arizona	3,467	3,650	3,900	2,864	3,050	3,280	560	610	630
Arkansas	2,056	2,099	2,174	2,270	2,326	2,381	351	326	362
California	26,983	18,777	20,769	49,491	54,186	59,552	9,614	9,479	9,342
Colorado	1,933	2,067	2,086	4,604	4,765	4,880	368	412	454
Connecticut	3,353	3,881	4,062	7,246	8,431	8,779	795	708	779
Delaware	NA	NA	NA	997	1,043	1,087	168	101	105
Florida	16,638	17,270	18,101	NA	NA	NA	1,875	1,959	2,159
Georgia	5,081	5,298	5,561	7,659	8,119	8,605	670	627	735
Hawaii	2,496	2,623	2,916	1,231	1,456	1,573	50	77	59
Idaho	972	1,013	1,083	1,153	1,220	1,295	169	177	183
Illinois	6,833	7,145	7,335	11,225	15,062	15,273	1,851	2,354	2,550
Indiana	6,218	6,618	6,865	4,516	4,890	5,084	844	796	785
Iowa	2,381	2,504	2,536	3,462	3,731	3,739	395	480	485
Kansas	2,253	2,415	2,535	2,710	2,900	3,065	225	225	240
Kentucky	2,896	3,007	3,075	3,418	3,484	3,563	301	333	359
Louisiana	2,610	2,672	2,764	2,405	2,673	2,887	262	255	247
Maine	924	959	995	1,415	1,445	1,436	209	197	216
Maryland	3,656	4,019	4,157	6,643	6,998	7,487	571	580	743
Massachusetts	4,905	4,996	5,203	11,576	12,103	12,732	1,951	1,839	1,837
Michigan*	6,711	6,884	7,051	6,416	7,032	7,942	2,098	1,121	352
Minnesota	4,403	4,624	4,738	7,529	7,877	8,385	925	947	853
Mississippi	1,791	1,810	1,840	1,383	1,411	1,427	448	448	456
Missouri	1,760	1,825	1,891	4,640	4,835	5,072	386	375	352
Montana	65	61	62	816	866	920	119	130	145
Nebraska*	1,373	1,428	1,485	1,735	1,780	1,870	155	217	230
Nevada	796	802	826	NA	NA	NA	NA	NA	NA
New Hampshire	NA	NA	NA	NA	NA	NA	249	259	267
New Jersey	8,144	8,449	8,847	10,617	11,132	11,837	2,463	2,512	2,831
New Mexico	2,333	2,377	2,459	1,061	1,090	1,115	230	310	375
New York	10,782	11,235	11,455	36,209	38,664	40,311	5,279	5,868	5,977
North Carolina	5,872	5,275	5,534	9,735	10,057	10,232	1,014	1,042	1,058
North Dakota	782	1,097	1,174	428	396	415	147	171	178
Ohio	7,578	7,869	8,437	8,120	8,147	8,891	237	220	230
Oklahoma	1,668	1,810	1,911	1,832	2,010	2,057	274	326	321
Oregon	NA	NA	NA	5,524	5,845	6,124	469	413	400
Pennsylvania	8,590	8,754	9,101	10,436	10,815	11,326	2,132	1,892	2,087
Rhode Island	813	845	868	1,021	1,034	1,082	85	113	117
South Carolina	2,245	2,328	2,426	2,396	2,523	2,648	183	201	185
South Dakota	710	737	763	NA	NA	NA	NA	NA	NA
Tennessee	6,494	6,797	7,069	184	197	215	1,580	1,653	1,721
Texas	21,401	22,542	22,625	NA	NA	NA	NA	NA	NA
Utah	1,601	1,562	1,589	2,298	2,436	2,585	261	251	272
Vermont	326	340	353	553	595	642	90	77	81
Virginia	3,012	3,066	3,153	9,944	10,533	10,902	822	828	878
Washington	7,154	7,189	7,547	NA	NA	NA	NA	NA	NA
West Virginia	1,196	1,227	1,246	1,689	1,741	1,817	307	178	253
Wisconsin	4,109	4,250	4,365	6,701	6,825	7,120	853	860	855
Wyoming	471	490	489	NA	NA	NA	NA	NA	NA
TERRITORIES	0			0			0		
Puerto Rico	548	560	691	2,186	2,134	2,107	1,682	1,531	1,623
Total	**$209,417**	**$208,328**	**$217,082**	**$258,846**	**$278,481**	**$294,513**	**$43,022**	**$43,172**	**$44,024**

*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 on page 44. ** Unless otherwise noted, fiscal 2011 figures reflect actual tax collections, 2012 figures reflect estimated tax collections estimates, and fiscal 2013 figures reflect the estimates used in recommended budgets.*

TABLE 19

Percentage Changes Comparison of Tax Collections in Fiscal 2011, Fiscal 2012, and Recommended Fiscal 2013**

	Sales Tax			Personal Income Tax			Corporate Income Tax		
State	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2011	Fiscal 2012	Fiscal 2013
Alabama	-14.56%	4.02%	1.00%	4.16%	2.47%	4.38%	-29.86%	43.23%	-3.72%
Alaska	NA	NA	NA	NA	NA	NA	32.54	16.00	8.51
Arizona	1.29	5.29	6.85	18.51	6.51	7.54	35.58	8.89	3.28
Arkansas	4.59	2.08	3.57	8.57	2.45	2.36	-3.07	-6.96	10.75
California	0.90	-30.41	10.61	10.34	9.49	9.90	5.47	-1.40	-1.45
Colorado	5.92	6.92	0.92	12.74	3.49	2.42	-1.02	11.92	10.09
Connecticut	4.66	15.73	4.67	10.03	16.35	4.13	19.10	-10.93	10.10
Delaware	NA	NA	NA	16.89	4.63	4.15	91.47	-40.17	4.07
Florida	3.89	3.79	4.82	NA	NA	NA	4.72	4.52	10.20
Georgia	4.44	4.27	4.96	9.16	6.01	5.98	-2.09	-6.53	17.36
Hawaii	7.8	5.1	11.1	-19.4	18.3	8.0	-15.4	54.5	-23.6
Idaho	1.7	4.2	6.8	8.5	5.8	6.2	74.1	4.6	3.4
Illinois	8.3	4.6	2.7	19.0	34.2	1.4	12.2	27.2	8.3
Indiana	5.1	6.4	3.7	16.5	8.3	4.0	42.6	-5.7	-1.3
Iowa	3.9	5.1	1.3	7.0	7.8	0.2	1.3	21.6	1.0
Kansas	21.3	7.2	5.0	12.1	7.0	5.7	0.0	0.0	6.7
Kentucky	3.6	3.8	2.3	8.4	1.9	2.3	26.5	10.6	7.8
Louisiana	10.5	2.4	3.5	8.7	11.1	8.0	50.1	-2.8	-3.3
Maine	-3.2	3.8	3.7	9.0	2.1	-0.6	19.2	-5.8	9.9
Maryland	3.8	9.9	3.5	7.5	5.3	7.0	-17.1	1.6	28.0
Massachusetts	6.4	1.9	4.2	14.5	4.5	5.2	21.9	-5.8	-0.1
Michigan	8.6	2.6	2.4	16.0	9.6	12.9	12.6	-46.6	-68.6
Minnesota	5.4	5.0	2.5	15.3	4.6	6.5	39.4	2.4	-10.0
Mississippi	0.5	1.1	1.7	3.2	2.0	1.1	11.2	0.0	1.8
Missouri	1.6	3.7	3.6	4.7	4.2	4.9	33.9	-2.7	-6.1
Montana	-1.8	-5.8	1.1	13.7	6.1	6.2	35.4	9.4	11.3
Nebraska	6.4	4.0	4.0	14.5	2.6	5.1	0.5	40.0	6.0
Nevada	1.4	0.8	3.0	NA	NA	NA	NA	NA	NA
New Hampshire	NA	NA	NA	NA	NA	NA	-3.9	4.2	3.0
New Jersey	3.1	3.7	4.7	2.8	4.9	6.3	8.3	2.0	12.7
New Mexico	42.7	1.9	3.5	10.9	2.7	2.3	83.7	34.9	21.0
New York	9.2	4.2	2.0	4.2	6.8	4.3	-1.7	11.2	1.9
North Carolina	5.5	-10.2	4.9	7.6	3.3	1.7	-15.4	2.8	1.5
North Dakota	28.2	40.2	7.0	41.6	-7.4	4.9	66.7	16.5	4.5
Ohio	8.3	3.8	7.2	8.6	0.3	9.1	136.6	-7.0	4.5
Oklahoma	10.1	8.5	5.6	10.7	9.7	2.3	63.6	18.7	-1.4
Oregon	NA	NA	NA	11.7	5.8	4.8	30.5	-12.0	-3.0
Pennsylvania	7.0	1.9	4.0	4.7	3.6	4.7	19.0	-11.3	10.4
Rhode Island	1.2	3.9	2.7	13.7	1.2	4.7	-42.4	33.2	3.7
South Carolina	2.5	3.7	4.2	10.4	5.3	4.9	66.0	10.3	-7.9
South Dakota	8.9	3.8	3.5	NA	NA	NA	NA	NA	NA
Tennessee	5.5	4.7	4.0	6.7	7.0	9.1	12.8	4.6	4.1
Texas	9.2	5.3	0.4	NA	NA	NA	NA	NA	NA
Utah	14.1	-2.5	1.7	9.2	6.0	6.1	1.0	-3.7	8.4
Vermont	4.7	4.4	3.8	11.1	7.5	8.0	42.8	-13.8	4.8
Virginia	-2.3	1.8	2.8	9.4	5.9	3.5	2.0	0.7	6.0
Washington	4.6	0.5	5.0	NA	NA	NA	NA	NA	NA
West Virginia	4.6	2.6	1.5	9.5	3.1	4.3	29.6	-42.1	42.3
Wisconsin	4.2	3.4	2.7	10.0	1.9	4.3	2.2	0.8	-0.6
Wyoming	14.0	4.0	-0.2	NA	NA	NA	NA	NA	NA
TERRITORIES									
Puerto Rico	1.6	2.3	23.4	-15.1	-2.4	-1.3	0.3	-9.0	6.0
Total	**5.5%**	**-0.5%**	**4.2%**	**9.2%**	**7.6%**	**5.8%**	**9.3%**	**0.3%**	**2.0%**

*NOTES: NA indicates data are not available because, in most cases, these states do not have that type of tax. ** Unless otherwise noted, fiscal 2010 figures reflect actual tax collections, 2011 figures reflect preliminary actual tax collections estimates, and fiscal 2012 figures reflect the estimates used in enacted budgets.*

Recommended Fiscal 2013 Revenue Changes

Governors' recommended $6.7 in net revenue increases for fiscal 2013. However, the majority share of this increase comes from California, New York, and Washington. In all, 10 states are proposing a net increase and 15 states are proposing net decreases in revenue. In addition to these tax and fee changes, states also proposed $2.1 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 A-4). In fiscal 2012, states enacted $600 million in net tax and fee decreases, with 13 states enacting net increases and 18 states enacting net decreases. States also enacted an additional $2.6 billion in revenue measures in fiscal 2012. With revenue conditions improving, states have had fewer revenue increases in fiscal 2012 and 2013 than in fiscal 2010, when states enacted $23.9 billion in net tax and fee increases along with $7.7 billion in other revenue measures.

The largest portion of proposed changes in fiscal 2013 is attributable to personal income taxes ($5.1 billion), followed by sales taxes ($1.6 billion), and fee increases ($0.5 billion). Other proposed tax and fee increases include $96.5 million in additional cigarette and tobacco taxes. Corporate income taxes, alcohol taxes, and other taxes have proposed decreases by $32.3 million, $6.3 million, and $453.3 million respectively.

Sales Taxes—Six states recommended sales tax increases and six proposed decreases in their fiscal 2013 budgets. The result is a net revenue increase of $1.6 billion. Much of this change is due to the proposed extension of increased sales tax rates in California and an increased sales tax rate in Washington.

Personal Income Taxes—Three states proposed personal income tax increases while 10 recommended decreases for a net increase of $5.1 billion. Much of this change is due to enacted increases in New York, and a proposed personal income tax provision to be accrued back to 2011-12 in California.

Corporate Income Taxes—Four states recommended corporate income tax increases while nine proposed decreases in their fiscal 2012 budgets for a net decrease of $32.3 million. Elimination of some corporate taxes in South Carolina and West Virginia were most responsible for the net decrease.

Cigarette and Tobacco Taxes—Three states proposed a cigarette tax increase for a net change of $96.5 million.

Motor Fuel Taxes—No state recommended a motor fuel tax change.

Alcohol Taxes—One state proposed an alcohol tax change for a net decrease of $6.3 million.

Other Taxes—Four states recommended other tax increases while six states proposed decreases in their fiscal 2013 budgets for a net change of -$482.8 million.

Fees—Seven states proposed fee increases in their fiscal 2013 budgets and no states proposed decreases for a net increase of $453.3 million.

TABLE 20

Enacted State Revenue Changes, Fiscal 1979 to Fiscal 2012 and Proposed State Revenue Actions, Fiscal 2013

Fiscal Year	Revenue Change (Billions)
2013	$6.7
2012	-0.6
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
1979	-2.3

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 1988–2013 data provided by the National Association of State Budget Officers.

FIGURE 3:
Enacted State Revenue Changes, Fiscal 1979 to Fiscal 2012 and Proposed State Revenue Actions, Fiscal 2013 (Billions)

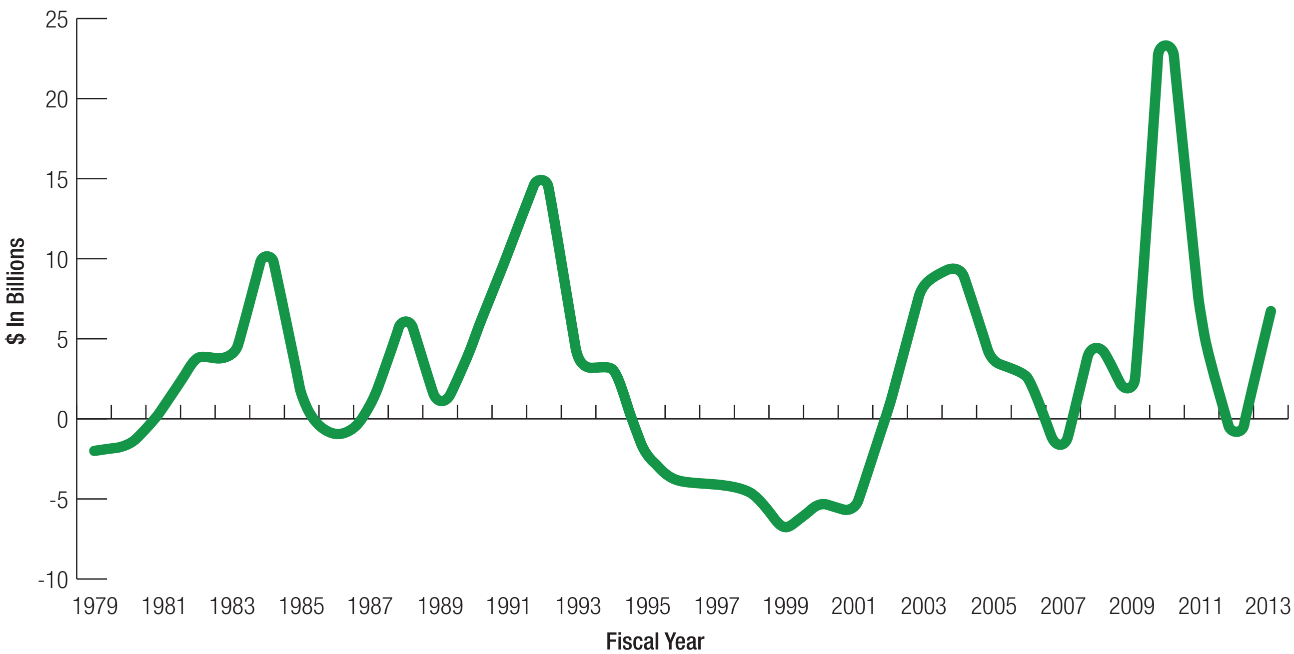


TABLE 21

Recommended Fiscal 2013 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									0.0
California**	1171.0	3519.0							4,690.0
Colorado									0.0
Connecticut									0.0
Delaware									0.0
Florida	-48.4		-9.9			-6.3	-3.6		-68.2
Georgia	-76.6	-44.2					72.0		-48.8
Hawaii									0.0
Idaho		-30.9	-4.8						-35.7
Illinois**									
Indiana	-3.4						-14.8		-18.2
Iowa									0.0
Kansas		-106.0					16.1		-89.9
Kentucky									0.0
Louisiana									0.0
Maine								14.2	14.2
Maryland	31.1	182.3	9.0	19.9			4.5	1.2	248.1
Massachusetts	61.5		45.9	72.9			17.4		197.7
Michigan									0.0
Minnesota	3.9		40.4					10.1	54.4
Mississippi									0.0
Missouri								45.0	45.0
Montana									0.0
Nebraska		-45.3	-6.5						-51.8
Nevada									0.0
New Hampshire									0.0
New Jersey		-183.3							-183.3
New Mexico	-9.2	-0.2	-1.7						-11.1
New York		1931.0					-310.0		1,621.0
North Carolina									0.0
North Dakota		-60.0	-12.5				-4.5		-77.0
Ohio**									0.0
Oklahoma									0.0
Oregon									0.0
Pennsylvania							-247.2		-247.2
Rhode Island	71.2			3.7				1.5	76.4
South Carolina		-78.2	-55.7						-133.9
South Dakota									0.0
Tennessee**	-21.3		12.5				-12.7		-21.5
Texas									0.0
Utah									0.0
Vermont								11.6	11.6
Virginia		-9.7	-10.0						-19.7
Washington	494.0							369.7	863.7
West Virginia	-25.0		-33.0						-58.0
Wisconsin**		-5.8	-6.0						-11.8
Wyoming									0.0
TERRITORIES									
Puerto Rico									0.0
Total	**$1,648.8**	**$5,068.7**	**-$32.3**	**$96.5**	**$0.0**	**-$6.3**	**-$482.8**	**$453.3**	**$6,745.9**

*NOTE: *See Appendix Table A-3 for details on specific revenue changes. **See Notes to Table 21 on page 44.*

CHAPTER 2 NOTES

Notes to Table 16
Number of States with Revenues Higher, Lower, and On Target with Projections

Colorado The most recent revenue projection for Colorado was March 19, 2012. As such, the March 19, 2012 projection for FY 2011-12 is on target as of this date.

Washington March 12 collections report—nets nearly to zero.

Notes to Table 18
Comparison of Tax Collections in Fiscal 2011, Fiscal 2012, and Recommended Fiscal 2013

Michigan Revenue decline projected for corporate income tax collections reflects the newly enacted business tax reduction that replaced the Michigan business tax with a corporate income tax.

Nebraska Revenue estimates shown for FY2012 and FY2013 are as projected by the Nebraska Economic Forecasting Advisory Board in October 2011 (and reaffirmed in Feb. 2012) and does not include the Governor's recommended income tax relief proposal which is estimated to reduce General Fund revenue by $51.8 million in FY2013.

Notes to Table 21
Recommended Fiscal 2013 Revenue Actions by Type of Revenue and Net Increase or Decrease

California $2,245 million from personal income tax provision to be accrued back to 2011-12.

Illinois Statue prohibits Governor from incorporating new taxes and fees into budget proposal. Governor must base budget on existing taxes and fees.

Ohio In its mid-biennial review, Ohio has proposed an income tax reduction for future years funded by an increase in the severance tax. The value of these changes could reach $500 million in future years. Ohio is also proposing replacing the corporate franchise tax with a financial institution tax. The current corporate franchise tax is only paid by financial institutions and certain insurance company affiliates. If enacted this change is expected to be revenue neutral and would not take effect until at least FY 2014.

Tennessee Sales tax, personal income tax, and corporate income tax are shared with local governments.

Wisconsin Domestic Production Activities Credit is the lesser of the claimant's qualified production activity in WI: or, Income apportioned to WI for state corporate income and WI and franchise tax purposes; or Income determined as taxable under state combined reporting provisions.

TOTAL BALANCES

CHAPTER THREE

Overview

Maintaining adequate balance levels helps states 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 to be that balances should be built to a level that equals at least five percent of general fund expenditures to provide a relatively adequate fiscal cushion. However, in the wake of the recent financial crises, there have been calls by some organizations and academics 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 cash flow accounts. About three-fifths of the states have limits on the size of their budget reserve funds, ranging from 3 to 10 percent of appropriations.

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 represent 5.1 percent of expenditures in fiscal 2010 *(See Figures 6, 7, and 8)*. States greatly increased balance levels in fiscal 2011 from fiscal 2010, bringing total balances to 7.2 percent of expenditures. Those levels are estimated to decline slightly in fiscal 2012 to $43.6 billion, 6.5 percent of general fund expenditures. In fiscal 2013, states project balances to increase to $53.2 billion, or 7.8 percent of general fund expenditures *(See Tables 22, 24, and 25)*.

Total balance levels at $53.2 billion or 7.8 percent of general fund expenditures may seem like an adequate cushion, but a concentration of the balances within two states masks the levels of budgetary reserves across all the states, especially when accounting for the fiscal difficulties experienced during and after the recession. States estimated that total balance levels will reach $43.6 billion by the end of fiscal 2012. However, the balance levels for Texas and Alaska, at $3.7 billion and $16.4 billion respectively, combine to represent 46.5 percent of total balance levels. If you remove these two states from total balance levels, fiscal 2012 balance levels represent only 3.8 percent of expenditures, well below the five percent level.

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 2012, six states estimate balance levels below one percent of expenditures and 22 states estimate balance levels greater than one percent, but less than five percent. A similar trend will likely continue into fiscal 2013 based on states' recommended budgets, with five states forecasting balance levels below one percent, and 22 states forecasting balance levels greater than one percent, but below five 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 2013

Fiscal Year	Total Balance (Billions)	Total Balance (Percentage of Expenditures)
2013*	$52.9	7.8%
2012*	43.4	6.5
2011	46.4	7.2
2010	32.5	5.2
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
Average	**—**	**5.9%**

*NOTE: *Figures for fiscal 2012 are estimated; figures for fiscal 2013 are based on recommended budgets.*

TABLE 23

Total Year-End Balances as a Percentage of Expenditures, Fiscal 2011 to Fiscal 2013

	Number of States		
Percentage	Fiscal 2011 (Actual)	Fiscal 2012 (Estimated)	Fiscal 2013 (Recommended)
Less than 1.0%	7	6	5
1.0% to 4.9%	16	22	22
5.0% to 9.9%	16	12	12
10% or more	11	10	11

NOTE: The average for fiscal 2011 (actual) was 7.2 percent; the average for fiscal 2012 (estimated) is 6.5 percent; and the average for fiscal 2013 (recommended) is 7.8 percent.

FIGURE 4:
Total Year-End Balances Fiscal 1979 to Fiscal 2013 (Billions)

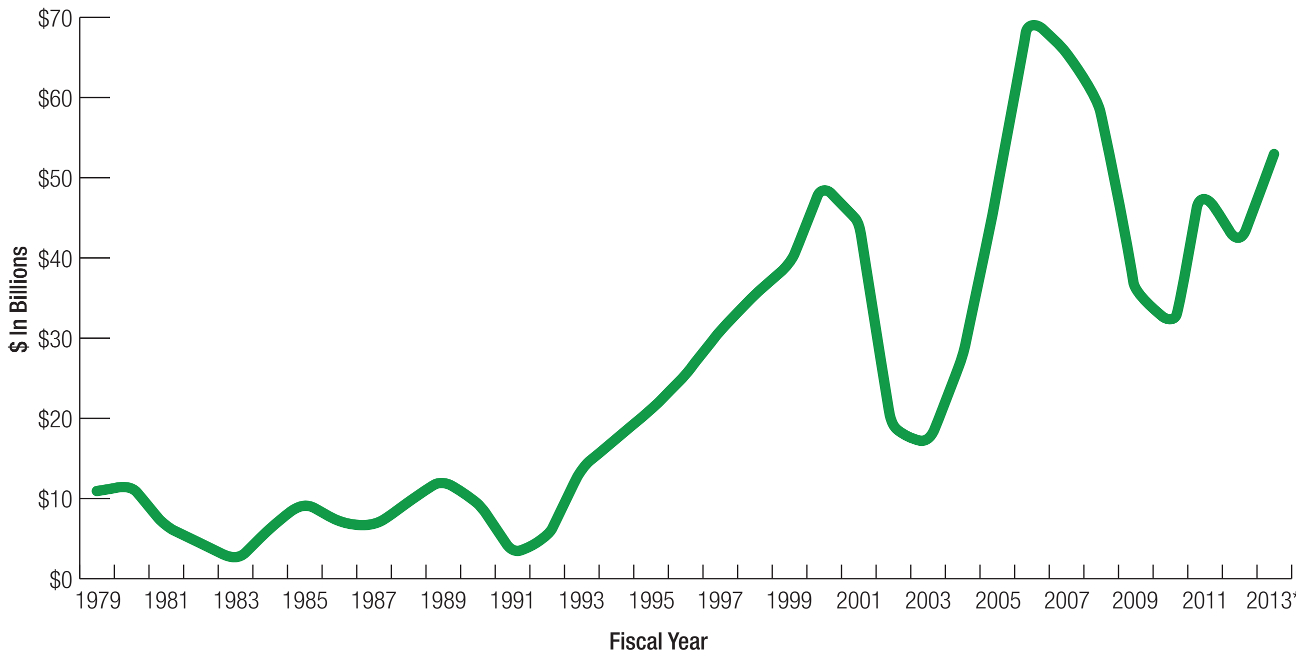
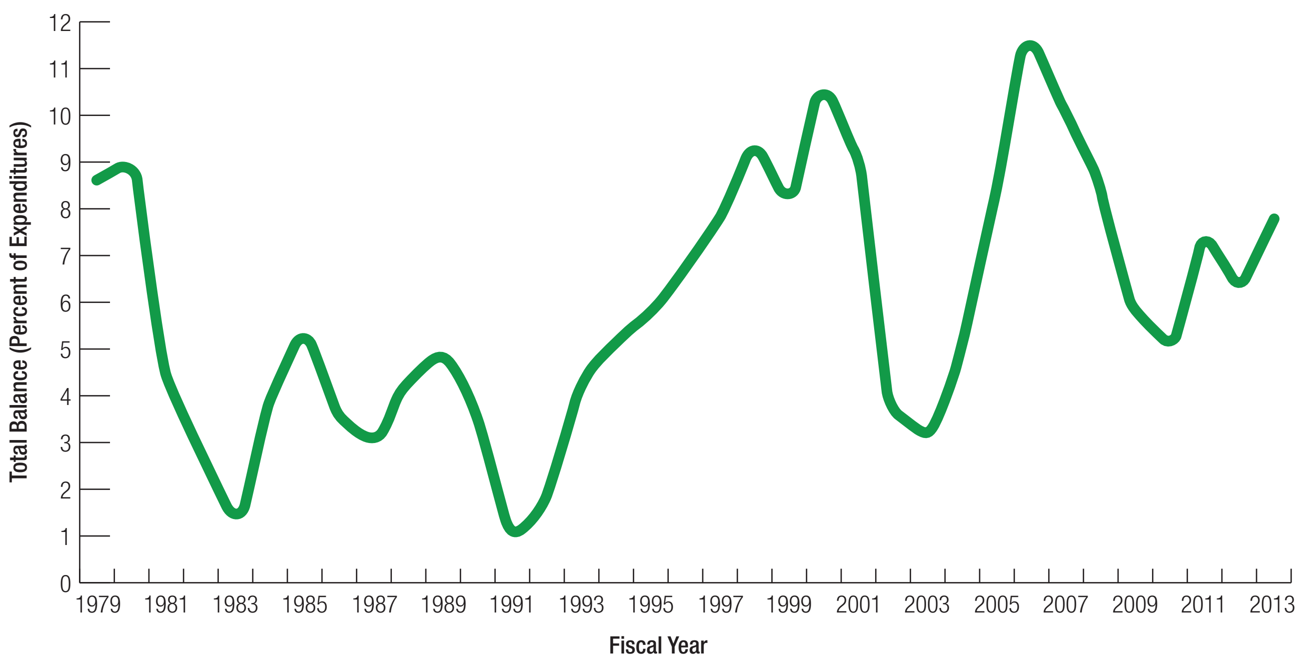


FIGURE 5:
Total Year-End Balances as a Percentage of Expenditures Fiscal 1979 to Fiscal 2013



Changing Balance Levels 2011, 2012, 2013

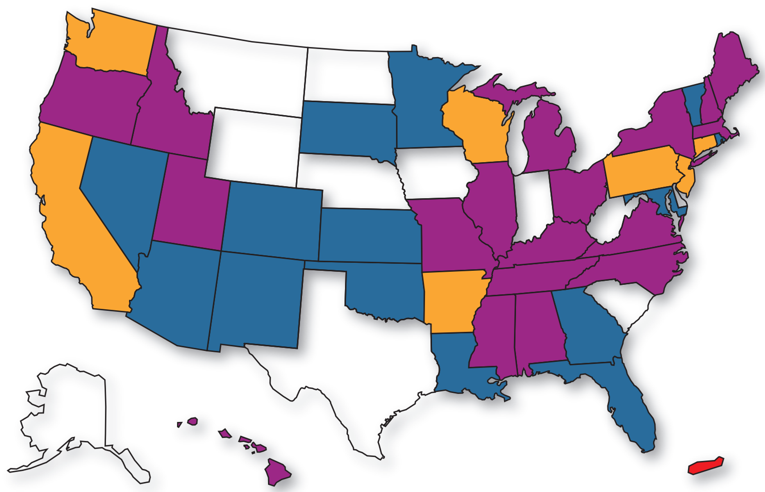


FIGURE 6:
Total State Balance Levels 2011

- Less than 1 percent (7)
- Greater than 1 percent but less than 5 percent (18)
- Greater than 5 percent but less than 10 percent (14)
- Greater than 10 percent (11)

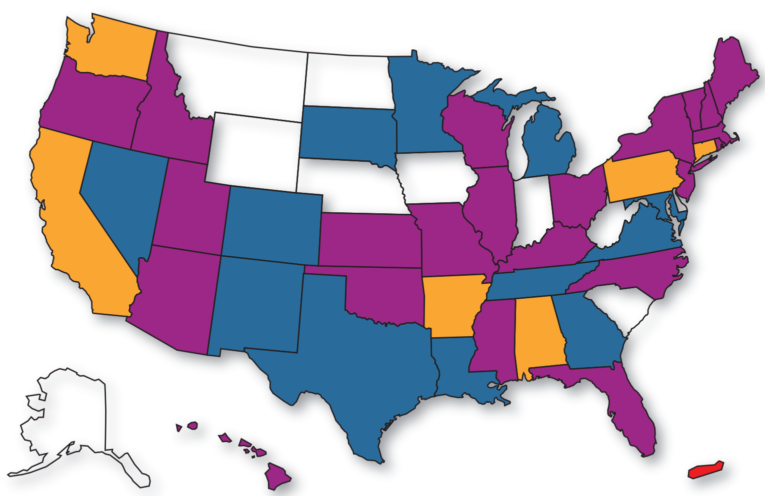


FIGURE 7:
Total State Balance Levels 2012

- Less than 1 percent (7)
- Greater than 1 percent but less than 5 percent (21)
- Greater than 5 percent but less than 10 percent (12)
- Greater than 10 percent (10)

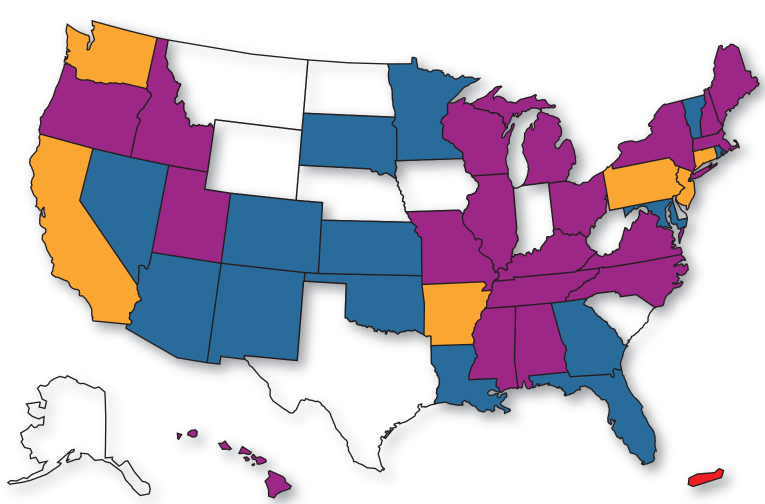


FIGURE 8:
Total State Balance Levels 2013

- Less than 1 percent (7)
- Greater than 1 percent but less than 5 percent (15)
- Greater than 5 percent but less than 10 percent (17)
- Greater than 10 percent (11)

TABLE 24

Total Balances and Total Balances as a Percentage of Expenditures, Fiscal 2011 to Fiscal 2013

Region/State	Total Balance ($ in Millions)** Fiscal 2011	Fiscal 2012	Fiscal 2013	Balances as a Percent of Expenditures Fiscal 2011	Fiscal 2012	Fiscal 2013
Alabama	$51	$0	$242	0.7%	0.0%	3.5%
Alaska	$14,950	$16,448	$18,333	274.3	237.2	286.4
Arizona	$3	$392	$588	0.0	4.6	6.6
Arkansas	$0	$0	$0	0.0	0.0	0.0
California***	-$3,079	-$986	$1,850	-3.4	-1.1	2.0
Colorado***	$446	$465	$447	6.4	6.5	6.0
Connecticut	$237	$12	$52	1.3	0.1	0.3
Delaware***	$798	$551	$495	24.4	15.1	13.6
Florida	$1,026	$1,084	$1,765	4.3	4.6	7.1
Georgia***	$1,131	$1,131	$1,131	6.6	6.5	6.2
Hawaii	$136	$132	$145	2.7	2.4	2.5
Idaho	$69	$104	$27	2.8	4.1	1.0
Illinois***	$469	$745	$745	1.6	2.6	2.5
Indiana	$1,182	$1,851	$1,702	9.1	13.5	11.9
Iowa	$995	$985	$921	18.6	16.4	14.8
Kansas	$188	$303	$465	3.3	4.9	7.6
Kentucky	$290	$142	$124	3.3	1.5	1.3
Louisiana	$633	$647	$647	8.1	8.0	7.7
Maine	$91	$42	$42	3.2	1.3	1.4
Maryland	$1,615	$878	$753	12.2	5.8	4.9
Massachusetts***	$1,901	$1,539	$1,238	5.9	4.7	3.7
Michigan	$556	$753	$430	6.8	8.4	4.7
Minnesota***	$1,289	$1,093	$1,008	8.4	6.5	5.8
Mississippi	$226	$87	$194	5.0	1.8	4.2
Missouri	$627	$374	$350	8.2	4.7	4.4
Montana	$340	$379	$423	19.4	20.9	22.4
Nebraska	$816	$603	$670	24.6	17.3	18.9
Nevada	$324	$282	$282	9.4	9.0	8.9
New Hampshire***	$27	$13	$27	2.1	1.0	2.1
New Jersey***	$870	$587	$300	3.1	2.0	0.9
New Mexico***	$501	$488	$505	9.4	8.7	8.9
New York	$1,376	$1,675	$1,798	2.5	2.9	3.1
North Carolina	$878	$337	$323	4.6	1.7	1.6
North Dakota	$1,383	$1,615	$1,779	83.8	75.9	80.3
Ohio	$845	$402	$461	3.1	1.4	1.6
Oklahoma	$342	$108	$386	6.3	1.9	6.5
Oregon	$46	$185	$161	0.7	2.8	2.3
Pennsylvania	$1,073	$93	$14	3.8	0.3	0.1
Rhode Island	$199	$156	$170	6.7	4.9	5.2
South Carolina***	$712	$737	$688	13.8	13.1	11.9
South Dakota	$107	$97	$113	9.3	8.0	9.1
Tennessee	$879	$691	$356	8.8	6.1	3.1
Texas	$6,148	$3,745	$8,926	15.9	8.5	24.0
Utah	$293	$233	$241	6.2	4.8	4.8
Vermont	$54	$58	$65	4.7	4.7	5.0
Virginia	$1,141	$848	$451	7.4	5.2	2.6
Washington	-$91	-$734	-$855	-0.6	-4.7	-5.4
West Virginia	$1,452	$1,265	$1,317	38.5	29.8	31.3
Wisconsin	$86	$230	$155	0.6	1.6	1.0
Wyoming	$752	$752	$765	47.6	47.6	48.4
TERRITORIES						
Puerto Rico	$0	$0	$0	0.0	0.0	0.0
Total* **	**$46,377**	**$43,614**	**$53,214**	**7.2%**	**6.5%**	**7.8%**

*NOTES: NA indicates data not available. *Fiscal 2011 are actual figures, fiscal 2012 are estimated figures, and fiscal 2013 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 2011 to Fiscal 2013

Region/State	Rainy Day Fund Balance ($ in Millions)**			Fund Balances as a Percent of Expenditures		
	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2011	Fiscal 2012	Fiscal 2013
Alabama	$0	$0	$0	0.0%	0.0%	0.0%
Alaska	12,981	14,783	16,517	238.2	213.2	258.0
Arizona	0	0	0	0.0	0.0	0.0
Arkansas	0	0	0	0.0	0.0	0.0
California	-3,797	-1,704	1,132	-4.1	-2.0	1.2
Colorado	157	465	292	2.3	6.5	3.9
Connecticut	0	0	0	0.0	0.0	0.0
Delaware	186	186	194	5.7	5.1	5.3
Florida	279	494	709	1.2	2.1	2.9
Georgia	328	328	328	1.9	1.9	1.8
Hawaii	10	26	69	0.2	0.5	1.2
Idaho	0	0	26	0.0	0.0	1.0
Illinois	0	276	276	0.0	1.0	0.9
Indiana	57	61	64	0.4	0.4	0.4
Iowa	440	596	625	8.2	9.9	10.0
Kansas**	0	0	0	0.0	0.0	0.0
Kentucky	0	122	72	0.0	1.3	0.8
Louisiana	647	647	647	8.3	8.0	7.7
Maine	71	42	42	2.5	1.3	1.4
Maryland	624	672	721	4.7	4.5	4.7
Massachusetts	1,379	1,393	1,088	4.3	4.2	3.2
Michigan	2	258	388	0.0	2.9	4.2
Minnesota	9	658	658	0.1	3.9	3.8
Mississippi	176	87	100	3.9	1.8	2.2
Missouri	247	248	250	3.2	3.1	3.1
Montana	0	0	0	0.0	0.0	0.0
Nebraska	313	421	414	9.4	12.1	11.7
Nevada	0	39	39	0.0	1.3	1.2
New Hampshire	9	9	9	0.7	0.7	0.7
New Jersey	0	0	0	0.0	0.0	0.0
New Mexico	501	488	505	9.4	8.7	8.9
New York	1,206	1,306	1,306	2.2	2.3	2.2
North Carolina	296	296	296	1.6	1.5	1.5
North Dakota	386	386	403	23.4	18.2	18.2
Ohio	0	247	247	0.0	0.9	0.9
Oklahoma	249	0	0	4.6	0.0	0.0
Oregon	10	46	46	0.2	0.7	0.7
Pennsylvania	0	0	4	0.0	0.0	0.0
Rhode Island	130	150	169	4.4	4.7	5.2
South Carolina	712	737	688	13.8	13.1	11.9
South Dakota	107	97	113	9.3	8.0	9.1
Tennessee	284	306	356	2.8	2.7	3.1
Texas	5,012	6,135	7,321	12.9	14.0	19.7
Utah	233	233	233	4.9	4.8	4.6
Vermont	54	58	65	4.7	4.7	5.0
Virginia	299	302	438	1.9	1.8	2.5
Washington	1	129	265	0.0	0.8	1.7
West Virginia	659	850	900	17.5	20.0	21.4
Wisconsin	0	0	0	0.0	0.0	0.0
Wyoming	752	752	765	47.6	47.6	48.4
TERRITORIES						
Puerto Rico	0	0	0	0.0	0.0	0.0
Total*	**$25,012**	**$32,623**	**$38,776**	**3.9%**	**4.9%**	**5.7%**

*NOTES: *Fiscal 2011 are actual figures, fiscal 2012 are estimated figures, and fiscal 2013 are recommended figures. **See Notes to Table 25 on page 52.*

CHAPTER 3 NOTES

Notes to Table 25
Rainy Day Fund Balances and Rainy Day Fund Balances as a Percentage of Expenditures, Fiscal 2011 to Fiscal 2013

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 23.6 percent of total state spending in fiscal 2011, the single largest portion of total state spending, and 17.4 percent of state general fund spending, the second largest portion of state general fund spending after elementary and secondary education. The following sections look at Medicaid spending, enrollment, cost containment proposals, challenges and opportunities available under the *Affordable Care Act*, and states' plans for changes to their delivery and payment structures. The US Supreme Court's forthcoming ruling on the constitutionality of the *Affordable Care Act* will have an impact on state decisions moving forward though many trends, such as cost containment strategies and changes to delivery and payment systems, are expected to continue.

Medicaid Growth Rates

Total Medicaid spending increased by 10.6 percent in fiscal 2011, reflecting the continued impact of the recession on program spending. For fiscal 2012, total Medicaid spending is estimated to grow by 1.1 percent with state funds increasing by 20.4 percent and federal funds decreasing by 8.2 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 through June 2011.

Overall, governors' proposed budgets for fiscal 2013 assume an increase in Medicaid spending of 3.4 percent in total funds with state funds increasing by 3.9 percent and federal funds increasing by 3.4 (see Table 26). Fiscal 2012 and fiscal 2013 growth rates in the Medicaid program are below historical trends and reflect many factors including extensive state cost containment actions.

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 5.1 percent during fiscal 2011 and is estimated to increase by 3.3 percent in fiscal 2012. In governors' recommended budgets for fiscal 2013, Medicaid enrollment would rise by an additional 3.6 percent, as shown in Table 27. This would represent a 12.5 percent increase in Medicaid enrollment over this three year period. Medicaid enrollment surged during the economic downturn with enrollment rising by 7.2 percent from June 2009 to June 2010. During the previous economic downturn, enrollment growth peaked at 9.5 percent in fiscal 2002. Although Medicaid enrollment is easing for now, the implementation of the *Affordable Care Act* will greatly increase the individuals served in the Medicaid program in 2014 and thereafter.

Medicaid Cost Containment

In governors' proposed budgets for fiscal 2013, states continue to address cost containment though strategies differ somewhat from prior years. For example, 15 states plan to reduce provider payments in governors' proposals for fiscal 2013, while in fiscal 2012, 30 states reduced payments to providers. Fiscal 2013 represents a shift in cost containment measures from prior years with states focusing more on longer-term strategies such as expansion to managed care as well as increased emphasis on program integrity efforts. Medicaid cost containment proposals are shown in Tables 28 and 29.

The most common cost containment strategy for fiscal 2012 is new or enhanced program integrity efforts to control Medicaid costs currently underway in 31 states. Other strategies include reducing costs and imposing limits for prescription drugs (24 states), limiting benefits (19 states), expanding managed care (18 states), reforming delivery systems (14 states), freezing provider rates (14 states), and expanding community-based long-term care (12 states).

The majority of states are planning to contain Medicaid costs in governors' proposed fiscal 2013 budgets as shown in Table 29. Governors' proposals for fiscal 2013 include reducing provider rates (15 states) and freezing provider rates (10 states), enhancing program integrity efforts (25 states), expanding managed care (20 states), reforming the delivery system (19 states), reducing costs and imposing limits for prescription drugs (18 states), limiting benefits (18 states), and instituting new or higher copayments (7 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 2012, 16 states have raised or plan to raise provider taxes or fees while ten states have plans to raise provider taxes or fees in governors' proposed budgets for fiscal 2013. Additionally, two states raised or planned on raising tobacco taxes in fiscal 2012 and two states plan on increasing tobacco taxes for additional resources for Medicaid in fiscal 2013.

Affordable Care Act. The *Affordable Care Act*, enacted in March 2010, has a significant impact on states and especially on state Medicaid programs. Beginning in January 1, 2014, state Medicaid programs will be expanded to cover non-pregnant, non-elderly individuals with income up to 133 percent 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 procedures for adults until a health insurance exchange is fully operational (expected to be 2014) and for children in Medicaid and CHIP through 2019. There is a limited exception during the period January 1, 2011 through December 31, 2013 for coverage of non-disabled adults with incomes above 133 percent of the federal poverty level in 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 taken effect already 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, new opportunities to integrate care and financing for dual eligible individuals, the work on establishing and planning for health insurance exchanges, establishment of temporary high risk pools in each state until the exchanges are operational, the retiree reinsurance program, and changes in the insurance markets in every state.

Options under the Affordable Care Act. States were asked in the survey about the likelihood of using various options under the *Affordable Care Act* or those related to the Act. These may range from 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 almost all states have applied or plan on applying for the 90 percent match for changes to Medicaid eligibility systems. Additionally, more than one-third of states plan on using the health home option care coordination grants, about one-quarter of states plan on using the long-term care options, and seven states are providing or plan on providing early coverage for childless adults.

Challenges and Opportunities in Implementing the Affordable Care Act. There are many challenges ahead as states move forward with implementation of the *Affordable Care Act* as well as opportunities. Some of the most significant challenges cited by states include upgrading current Medicaid eligibility systems and integrating with health insurance exchanges, and accommodating the significant number of new enrollees under Medicaid. Other challenges cited include changing to the modified adjusted gross income eligibility criteria, funding existing programs, legal uncertainty, the lack of clarity about the federal exchange option, estimating the number of new Medicaid enrollees, and the sheer number of initiatives that need to be implemented in a tight timeframe with reduced workforce capacity. Opportunities cited include the increased federal match for Medicaid eligibility systems, reducing the numbers of uninsured individuals, reducing premiums for individuals and small businesses, lowering uncompensated care costs, modernizing business processes, and new options for payment and delivery of healthcare.

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 and on the planning horizon include an acute inpatient psychiatric demonstration, behavioral health integration and payment reform strategies, adding institutional and community-based long-term care under mandatory managed care arrangements, seeking opportunities for shared savings with the federal government in managing the dual eligible population, using a health homes plan option for those with chronic health conditions, linking a portion of reimbursements to quality, and integrating data systems.

Long-Term Health Care Spending. Medicaid spending, similar to health care spending, has historically increased faster than the economy as a whole. The release of the *2011 Actuarial Report on the Financial Outlook for Medicaid* by the Centers for Medicare & Medicaid Services (CMS) Office of the Actuary in March 2012 includes projections of Medicaid costs and underscores the challenges ahead. Medicaid spending for both the federal government and for states is projected to increase at an average annual increase of 8.1 percent over the next 10 years according to the CMS Office of the Actuary under current laws and by 6.6 percent without any expansion from the *Affordable Care Act*. 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. Although overall projected rates of growth have slowed in fiscal 2012 and are projected to slow in fiscal 2013 governors' proposed budgets, cost containment and changes to delivery and payment systems are expected to continue in order to improve care delivery and contain costs over the long-run.

TABLE 26
Annual Percentage Medicaid Growth Rate

Region/State	Fiscal 2011 (Actual) State Funds	Fiscal 2011 (Actual) Federal Funds	Fiscal 2011 (Actual) Total Funds	Fiscal 2012 (Estimated) State Funds	Fiscal 2012 (Estimated) Federal Funds	Fiscal 2012 (Estimated) Total Funds	Fiscal 2013 (Recommended) State Funds	Fiscal 2013 (Recommended) Federal Funds	Fiscal 2013 (Recommended) Total Funds
Alabama	7.5	-5.1	-1.7	11.7	15.9	14.6	-2.7	-2.8	-2.8
Alaska	15.2	8.0	10.3	36.8	-1.3	11.6	8.9	8.6	8.7
Arizona	13.8	4.8	6.9	7.9	-23.9	-15.9	4.3	4.9	4.7
Arkansas	19.2	3.8	6.8	40.5	-3.8	5.8	8.5	4.8	5.9
California*	93.0	10.0	34.0	-12.0	3.0	-3.0	14.0	9.0	11.0
Colorado	23.7	10.8	15.8	30.5	-8.7	7.5	8.2	8.1	8.1
Connecticut*	16.0	0.0	16.0	2.9	0.0	2.9	2.2	0.0	2.2
Delaware*	6.3	8.2	7.5	31.5	-7.3	7.4	1.1	7.6	4.6
Florida	17.1	1.5	6.8	27.6	-9.4	4.4	2.5	9.6	6.4
Georgia	8.5	-0.9	1.5	33.1	-13.3	-0.7	1.7	2.9	2.4
Hawaii	41.0	29.0	33.0	43.0	-22.0	0.0	7.0	6.0	6.0
Idaho	-6.4	28.0	34.2	42.4	-14.8	-9.3	21.1	13.3	10.8
Illinois	20.9	7.3	12.7	2.8	-30.7	-16.2	-3.0	5.1	0.8
Indiana	17.3	-1.4	2.5	30.9	-6.7	2.3	8.8	12.5	11.3
Iowa	13.4	2.7	5.8	33.0	-7.3	5.3	3.2	-1.4	0.4
Kansas	12.8	6.8	8.6	40.4	-16.6	0.7	4.8	5.7	5.3
Kentucky	6.2	1.0	2.1	35.3	-7.9	1.2	-2.6	-5.5	-4.7
Louisiana	35.0	-6.5	1.7	17.9	-9.3	-0.3	7.5	12.5	11.0
Maine	11.8	-6.6	-1.4	25.0	1.0	9.2	-26.3	-14.3	-15.4
Maryland	18.8	6.3	11.0	29.6	-10.8	5.6	5.5	6.1	5.8
Massachusetts*	14.6	7.1	10.0	33.0	-19.3	1.9	5.4	3.0	4.3
Michigan	9.8	2.4	4.4	13.1	-4.7	1.1	-1.2	8.1	4.3
Minnesota	8.2	1.8	4.6	28.1	-4.9	9.4	-0.6	-0.5	-0.7
Mississippi	19.7	5.3	7.5	55.0	-7.9	2.8	14.3	10.2	11.3
Missouri	7.6	0.0	3.4	5.0	11.2	8.3	3.6	-1.5	0.8
Montana	18.9	2.7	6.2	29.6	-12.1	-2.0	5.1	3.6	4.1
Nebraska*	0.9	-0.6	-0.2	40.8	-5.0	8.5	4.5	2.8	3.5
Nevada	12.3	3.2	6.3	27.0	0.5	10.0	-10.2	4.8	-1.5
New Hampshire	14.6	2.5	7.5	9.4	-17.8	-5.8	2.6	1.8	2.3
New Jersey	8.6	-0.7	4.1	25.8	-11.2	1.7	-4.3	4.4	0.3
New Mexico	5.2	-4.7	-2.7	36.1	-10.4	-0.5	8.4	2.7	4.4
New York	1.4	4.4	4.0	31.9	-12.9	4.0	4.6	-1.6	-0.4
North Carolina	4.2	-3.6	-1.2	19.4	-13.9	-3.4	-1.1	0.5	-0.1
North Dakota	12.3	0.6	4.0	45.3	-8.7	8.5	11.7	-2.2	3.7
Ohio	9.0	12.3	11.4	23.7	-4.0	6.0	2.8	5.5	4.8
Oklahoma	16.3	2.7	6.1	51.1	1.6	13.0	5.7	5.7	5.7
Oregon	21.6	12.2	14.9	-12.2	-35.1	-28.2	-13.0	-13.0	-13.0
Pennsylvania	8.5	11.7	10.6	25.7	-10.6	2.1	3.2	-5.3	-2.0
Rhode Island	10.7	-1.6	3.4	19.5	-16.8	-1.8	1.6	-0.7	0.6
South Carolina	2.5	0.1	10.0	7.8	-5.5	1.2	-3.3	-4.1	-4.0
South Dakota	3.3	-6.1	-3.6	24.6	4.2	10.1	8.3	-1.8	1.5
Tennessee	14.4	2.6	9.3	49.5	-8.1	-0.7	1.7	-0.6	0.0
Texas	17.6	1.2	6.2	30.7	-3.8	7.8	2.3	5.3	4.1
Utah	17.2	0.3	4.5	23.4	-1.8	5.2	6.9	3.7	4.8
Vermont	12.1	-0.9	2.9	37.1	-9.3	5.2	8.9	1.4	4.5
Virginia	14.5	5.9	9.2	18.7	-18.1	-3.3	6.5	7.0	6.8
Washington	8.6	2.8	5.1	29.4	-12.0	4.4	0.9	0.7	0.7
West Virginia	14.5	5.1	19.1	51.2	-1.4	8.7	5.1	1.7	2.6
Wisconsin	8.1	6.3	6.8	25.7	-14.2	-2.1	-0.7	0.0	-0.3
Wyoming	-1.3	2.0	-3.5	3.7	23.2	-15.2	0.0	0.0	0.0
TERRITORIES									
Puerto Rico	26.4	15.0	23.0	-32.6	71.5	-4.0	10.6	12.0	11.3
Average**	**23.1**	**4.6**	**10.6**	**20.4**	**-8.2**	**1.1**	**3.9**	**3.4**	**3.4**

*NOTES: *See Notes to Table 26 on page 64. **Average percent changes are weighted averages.*

TABLE 27

Percentage Change in Medicaid Enrollment

Region/State	FY 2011 Actual	FYI 2012 Estimated	FY 2013 Recomended
Alabama	6.2	3.1	4.5
Alaska	9.2	4.6	6.0
Arizona	-0.2	-3.3	2.1
Arkansas	1.8	2.0	2.0
California	4.0	3.0	8.0
Colorado	12.4	11.2	10.2
Connecticut	9.0	4.0	5.0
Delaware	11.4	10.5	9.5
Florida	7.9	7.9	5.8
Georgia	2.9	2.3	3.7
Hawaii	5.0	5.8	4.2
Idaho	8.8	3.5	2.2
Illinois	4.4	5.5	5.5
Indiana	3.2	2.8	6.0
Iowa	5.4	3.5	3.0
Kansas	8.7	11.2	4.0
Kentucky	3.5	2.2	2.3
Louisiana	4.4	5.6	5.3
Maine	6.0	-3.3	NA
Maryland	12.0	7.1	6.3
Massachusetts	4.6	3.0	2.8
Michigan	4.2	3.1	2.4
Minnesota	9.9	6.2	2.2
Mississippi	2.6	1.4	1.4
Missouri	2.4	0.0	0.0
Montana	13.3	0.4	0.6
Nebraska	4.9	3.8	3.8
Nevada	14.6	5.9	3.3
New Hampshire	8.9	2.0	2.0
New Jersey*	2.7	3.1	2.0
New Mexico	2.2	2.4	2.0
New York	4.2	2.0	2.1
North Carolina	2.7	2.7	2.0
North Dakota	0.2	0.1	0.3
Ohio	5.5	2.8	1.9
Oklahoma	9.3	5.2	3.1
Oregon	19.3	7.9	1.3
Pennsylvania	4.5	1.2	0.3
Rhode Island	3.2	1.6	1.7
South Carolina	5.1	5.9	3.6
South Dakota	2.8	1.7	1.6
Tennessee	-0.5	-0.2	1.4
Texas	7.4	5.2	3.8
Utah	10.3	6.7	6.7
Vermont	6.0	2.0	1.8
Virginia	5.3	2.8	1.7
Washington	5.2	2.6	3.9
West Virginia	2.4	1.0	1.0
Wisconsin	5.8	2.3	-0.1
Wyoming	2.8	0.0	0.0
TERRITORIES			
Puerto Rico	27.3	3.2	0.0
Average**	**5.1**	**3.3**	**3.6**

*NOTES: NA indicates data not available *See Notes to Table 27 on page 64. **Average percent changes are weighted averages.*

TABLE 28

Fiscal 2012 Budgetary Actions Aimed at Containing Medicaid Costs

Region/State	Reduce provider payments	Freeze provider payments	Eliminate benefits	Limit benefits	Limit prescription drugs	Other efforts to cut costs for prescription drugs	Institute new or higher copayments
Alabama*		X	X	X	X	X	
Alaska						X	
Arizona*	X			X			
Arkansas							
California	X		X	X			X
Colorado	X			X		X	
Connecticut	X	X		X		X	
Delaware							
Florida							
Georgia							
Hawaii	X	X					
Idaho	X	X	X	X		X	X
Illinois	X	X				X	X
Indiana	X		X			X	
Iowa*	X			X	X		
Kansas							
Kentucky							
Louisiana							
Maine	X			X		X	
Maryland	X	X		X		X	
Massachusetts	X			X		X	X
Michigan*						X	
Minnesota							
Mississippi		X					
Missouri	X	X				X	
Montana							
Nebraska	X						
Nevada	X					X	
New Hampshire	X		X	X	X		
New Jersey*	X	X					
New Mexico	X						
New York	X			X		X	
North Carolina*	X			X		X	
North Dakota							
Ohio	X						
Oklahoma							
Oregon	X		X	X		X	
Pennsylvania*	X	X		X	X	X	X
Rhode Island	X						
South Carolina	X					X	X
South Dakota	X	X					
Tennessee*	X			X	X	X	
Texas*	X	X		X		X	
Utah*							
Vermont		X				X	X
Virginia	X	X		X			
Washington*	X		X	X	X	X	
West Virginia							
Wisconsin							
Wyoming							
TERRITORIES							
Puerto Rico*							
Total	**30**	**14**	**7**	**19**	**6**	**22**	**7**

*NOTES: *See Notes to Table 28 on page 64.*

Table 28 continues on next page.

TABLE 28 (CONTINUED)

Fiscal 2012 Budgetary Actions Aimed at Containing Medicaid Costs

Region/State	Expand managed care	Reform delivery system	Restrict community-based long-term care	Restrict institutional long-term care	Expand community-based long-term care	Enhanced program integrity efforts	Other (please describe)
Alabama*	X				X	X	X
Alaska							
Arizona*							X
Arkansas							
California					X		
Colorado	X	X				X	
Connecticut		X			X	X	
Delaware	X				X	X	
Florida							
Georgia							
Hawaii						X	
Idaho					X	X	
Illinois	X				X	X	
Indiana						X	
Iowa*	X					X	X
Kansas							
Kentucky	X						
Louisiana	X					X	
Maine						X	
Maryland						X	
Massachusetts		X			X	X	
Michigan*	X	X				X	X
Minnesota							
Mississippi						X	
Missouri		X			X	X	
Montana							
Nebraska	X						
Nevada						X	
New Hampshire	X	X				X	
New Jersey*	X	X				X	X
New Mexico						X	
New York	X	X	X			X	
North Carolina*	X					X	X
North Dakota							
Ohio	X	X			X		
Oklahoma							
Oregon						X	
Pennsylvania*		X	X		X	X	X
Rhode Island		X				X	
South Carolina	X	X	X	X	X	X	
South Dakota							
Tennessee*							X
Texas*	X	X				X	
Utah*							X
Vermont	X	X				X	
Virginia	X				X	X	
Washington*						X	
West Virginia							
Wisconsin						X	
Wyoming							
TERRITORIES							
Puerto Rico*		X				X	x
Total	**18**	**14**	**3**	**1**	**12**	**31**	**9**

*NOTES: *See Notes to Table 28 on page 64.*

TABLE 29

Proposed Fiscal 2013 Budgetary Actions Aimed at Containing Medicaid Costs

Region/State	Reduce provider payments	Freeze provider payments	Eliminate benefits	Limit benefits	Limit prescription drugs	Other efforts to cut costs for prescription drugs	Institute new or higher copayments
Alabama		X	X	X	X	X	
Alaska						X	
Arizona							
Arkansas							
California*	X			X			
Colorado		X		X		X	X
Connecticut	X	X		X		X	
Delaware*							
Florida	X			X			
Georgia							
Hawaii			X	X			
Idaho	X	X		X			X
Illinois*							
Indiana							
Iowa*	X					X	
Kansas							
Kentucky							
Louisiana	X					X	
Maine	X		X	X	X	X	
Maryland				X		X	
Massachusetts	X			X		X	
Michigan						X	
Minnesota							
Mississippi	X	X					
Missouri		X				X	
Montana							
Nebraska		X	X	X			X
Nevada							
New Hampshire	X		X	X	X		
New Jersey*						X	
New Mexico							
New York				X		X	
North Carolina*	X			X		X	
North Dakota							
Ohio	X						
Oklahoma							
Oregon							
Pennsylvania*	X	X					
Rhode Island	X		X	X			
South Carolina							
South Dakota				X			X
Tennessee*	X					X	
Texas*							
Utah*							
Vermont		X				X	X
Virginia		X		X			
Washington*			X	X	X	X	X
West Virginia							
Wisconsin							X
Wyoming							
TERRITORIES							
Puerto Rico*							
Total	**15**	**10**	**7**	**18**	**4**	**17**	**7**

*NOTES: *See Notes to Table 29 on page 65.*

Table 29 continues on next page.

TABLE 29 (CONTINUED)

Proposed Fiscal 2013 Budgetary Actions Aimed at Containing Medicaid Costs

Region/State	Expand managed care	Reform delivery system	Restrict community-based long-term care	Restrict institutional long-term care	Expand community-based long-term care	Enhanced program integrity efforts	Other (please describe)
Alabama	X				X	X	
Alaska		X				X	
Arizona							
Arkansas		X					
California*	X	X			X		X
Colorado	X	X				X	
Connecticut					X		
Delaware*							X
Florida						X	
Georgia							
Hawaii						X	
Idaho	X	X			X	X	
Illinois*							
Indiana							
Iowa*		X				X	X
Kansas	X						
Kentucky							
Louisiana	X					X	
Maine						X	
Maryland					X	X	
Massachusetts		X			X	X	
Michigan	X	X			X	X	
Minnesota							
Mississippi						X	
Missouri		X			X	X	
Montana							
Nebraska	X						
Nevada							
New Hampshire	X	X				X	
New Jersey*	X						X
New Mexico							
New York	X	X			X	X	
North Carolina*	X					X	X
North Dakota							
Ohio	X	X					
Oklahoma							
Oregon		X					
Pennsylvania*	X	X	X		X	X	X
Rhode Island		X				X	
South Carolina	X	X			X	X	
South Dakota							
Tennessee*							X
Texas*							
Utah*	X						
Vermont	X	X				X	
Virginia	X				X	X	
Washington*	X	X				X	
West Virginia	X					X	
Wisconsin		X			X	X	
Wyoming							
TERRITORIES							
Puerto Rico*		X				X	x
Total	**20**	**19**	**1**	**0**		**25**	**7**

*NOTES: *See Notes to Table 29 on page 65.*

TABLE 30

Changes During Fiscal 2012 to Generate Additional Resources for Medicaid

Region/State	Tobacco Tax	Provider Tax/Fee	Other
California		X	
Connecticut		X	
Georga		X	
Idaho		X	
Illinois		X	
Indiana*			X
Maine		x	
Maryland*	X		X
Michigan*			X
Nebraska		X	
Nevada*			X
New York		X	
North Carolina		X	
Ohio*			X
Oklahoma		X	
Oregon		X	
Pennsylvania		X	
Tennessee		X	
Texas*			X
Utah		X	
Vermont	X	X	
Virginia		X	
Total	**2**	**16**	**6**

*NOTES: *See Notes to Table 30 on page 65.*

TABLE 31

Proposed Changes for Fiscal 2013 to Generate Additional Resources for Medicaid

Region/State	Tobacco Tax	Provider Tax/Fee	Other
Alabama		X	
California		X	
Georgia		X	
Hawaii		X	
Idaho		X	
Maryland		X	
Massachusetts*	X		
Missouri*			X
Nebraska		X	
New Mexico*			X
South Carolina	X		
Tennessee		X	
Texas*			X
Utah		X	
Vermont		X	
Total	**2**	**10**	**3**

*NOTES: *See Notes to Table 31 on page 66.*

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 and is currently authorized through September 30, 2012. 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, caseloads have declined significantly. The average monthly number of recipients fell from 12.8 million prior to the enactment of TANF to 4.4 million on average in 2011, a decrease of over two-thirds.

This report has information only on the changes in the cash assistance benefit levels within the programs. For governors' recommended budgets for fiscal 2013, forty-four states would maintain the same cash assistance benefit levels that were in effect in fiscal 2012. Four states propose increasing cash assistance benefit levels, ranging from 1.8 to 6.1 percent, while two states propose decreasing cash assistance benefit levels ranging from 2 percent to 12.2 percent *(See Table 32 and Notes to Table 32)*.

TABLE 32

Proposed Cost-of-Living Changes for Cash Assistance Benefits Levels Under the Temporary Assistance for Needy Families Block Grant, Fiscal 2013

Region/State	Percent Change
California*	
Florida	6.1
Louisana	-12.2
Michigan*	
Nebraska*	
New York	5.0
Ohio	1.8
South Dakota	1.8
Washington	-2.0

*NOTES: *See Notes to Table 32 on page 66.*

CHAPTER 4 NOTES

Notes to Table 26
Annual Percentage Medicaid Growth Rate

California Significant increases are a combination of ARRA adjustments and implementation of a Hospital Quality Assurance Fee.

Connecticut Medicaid Appropriation is "gross funded"—Federal funds are deposited directly to the State Treasury.

Delaware Expenditure figures represent Medicaid service expenditures reported on the CMS-64 report adjusted to add payments for non-emergency transportation, which were paid as Medicaid admin through SFY10. Variations in FMAP caused by ARRA resulted in unusual patterns of federal vs. state funding.

Massachusetts From FY09 to FY11, states received enhanced federal reimbursements as a part of the American Recovery and Reinvestment Act (ARRA). During this period, states were also faced with economic pressures of the recession and escalating caseload in Medicaid. In FY12, states no longer received enhanced federal dollars and needed to cover costs with additional state support. Please note that the growth in total funds for FY12 was 1.9%. The lowest it has been in years due to the Administration's efforts to contain costs. As a part of our health care cost containment efforts in FY12 and FY13, the Medicaid budget has and will continue to pursue a number of savings initiatives, successfully controlling cost at an average of 3% for both fiscal years.

Nebraska The FY2012 estimated annual percentage change is based on appropriated funds for the Medicaid program and does not represent an estimate of expenditures as no such estimate has been established. It is assumed that the appropriation will not be fully expended during the fiscal year.

Notes to Table 27
Percentage Change in Medicaid Enrollment

New Jersey New Jersey began receiving matching funds for its General Assistance population (childless adults) in April 2011. Prior to the waiver, this population was covered using State only funds.

Notes to Table 28
Fiscal 2012 Budgetary Actions Aimed at Containing Medicaid Costs

Alabama The only elimination of benefits to date is the change in adult pharmacy from five brand names to four brand name prescriptions.

Arizona Population Freezes.

Iowa Improve claims payment accuracy; enhance recovery efforts

Michigan Reduce Graduate Medical Education payments.

New Jersey Implementation of a Comprehensive Medicaid Waiver—May further impact strategies.

North Carolina Prior authorization of some services, bulk purchasing.

Pennsylvania Limit transportation reimbursement to closest methadone clinic.

Puerto Rico Changes in the risk model.

Tennessee Reductions in MCO administration and Medicaid agency administration..Redirecting some less acute cases from institutional care to home and community based care.

Texas Texas has a biennial budget process. Changes made in FY2012 will continue to contain costs in FY13.

Utah	Outpatient hospital changed payment methodologies from percentage of billed charges to the Outpatient Prospective Payment System.
Washington	Limit prescription drugs—Formulary. Other efforts to cut costs for prescription drugs—Formulary.

Notes to Table 29
Proposed Fiscal 2013 Budgetary Actions Aimed at Containing Medicaid Costs

California	This includes provider taxes, Duals demonstration for individual's eligible for Medicare and Medi-Cal, eliminating some hospital supplemental payments, and transitioning State Children Health Insurance Program (SCHIP) to Medicaid.
Delaware	Currently developing specific cost containment options for FY13.
Illinois	The FY13 introduced budget assumes $2.7 billion in program reductions or other actions. The Department is working with a bipartisan, bicameral legislative committee to identify specific actions.
Iowa	Enhance recovery efforts.
New Jersey	Implementation of a Comprehensive Medicaid Waiver—May further impact strategies.
North Carolina	Prior authorization of some services, bulk purchasing.
Pennsylvania	Premium rate increase for the Medical Assistance for Workers with Disabilities program.
Puerto Rico	Changes in the risk model.
Tennessee	Reductions in MCO administration and Medicaid agency administration. Redirecting some less acute cases from institutional care to home and community based care.
Texas	Texas has a biennial budget process. Changes made in FY2012 will continue to contain costs in FY13.
Utah	Medicaid Accountable Care Organizations.
Washington	Limit prescription drugs—Formulary. Other efforts to cut costs for prescription drugs—Formulary. Institute new or higher co-payments—Prescription Drugs. Expand managed care—SSI to MC. Reform delivery system—Duals and Care Coordination.

Notes to Table 30
Changes During Fiscal 2012 to Generate Additional Resources for Medicaid

Indiana	Hospital Assessment Fee.
Maryland	Alcohol Tax.
Michigan	An assessment on health insurance paid claims with revenue targeted to offset Medicaid costs.
Nevada	Nevada added an outpatient hospital upper payment limit (UPL) for public hospitals and graduate medical education (GME) programs. Intergovernmental transfers (IGT) are charged to local governments at roughly half of the total payments to the hospitals. The state benefits from the difference between the matching state share and the total IGT payment.
Ohio	For 2012 Ohio increased the assessment on hospitals. As Ohio is a biennial budget state, this change also applies to FY 2013.
Texas	In December 2011 CMS approved a 1115 waiver for Texas that allows regional improvements and the ability to leverage local funds in the Medicaid program.

Notes to Table 31
Proposed Changes for Fiscal 2013 to Generate Additional Resources for Medicaid

Massachusetts The governor proposed an increase in tobacco tax for the Commonwealth Care program, a CMS waiver program.

Missouri Long-term care upper payment limit.

New Mexico Additional $8 million GF recommendation for Nursing Home rate increases.

Ohio For 2012 Ohio increased the assessment on hospitals. As Ohio is a biennial budget state, this change also applies to FY 2013.

Texas In December 2011 CMS approved a 1115 waiver for Texas that allows regional improvements and the ability to leverage local funds in the Medicaid program

Notes to Table 32
Proposed Cost-of-Living Changes for Cash Assistance Benefits Levels Under the Temporary Assistance for Needy Families Block Grant, Fiscal 2013

California The proposed budget for FY 2013 reduces grant levels for child-only cases by 27 percent. Grant levels for all other cases are proposed to be unchanged.

Michigan The recommended fiscal 2013 budget does not include an increase or decrease for TANF cash assistance benefit levels. In addition, an annual clothing allowance is limited to “child only” cases, such as adopted children and those in foster care.

Nebraska No increase in the maximum grant an individual may receive has been enacted for FY2013. Per State Statute (sec. 43-513), Nebraska will not increase the maximum "standard of need" in FY2013. The next "standard of need" increase is due July 1, 2013 (FY2014).

OTHER STATE BUDGETING CHANGES

CHAPTER FIVE

Changes in State Aid to Local Governments

Twenty-three states reported that governors' recommended budgets contained changes in state aid to local governments in fiscal 2013. Recommended changes varied considerably with some states reducing aid to local governments, others increasing aid, and some states providing local governments more flexibility and funding levels tied to performance incentives. For states that reduced aid, methods differed but the overall effect was largely the same: redirecting monies to remain within the state general fund in order to make up for reduced tax revenue collections or increased expenditure pressures. Some states reduced aid via a reduction in local government funding formulas, while others reduced aid to specific programs which are run by local governments including K-12 education or road maintenance. A number of states project aid to local governments will increase in certain program areas for fiscal 2013, specifically in the area of education. Several states reported an increase in state contributions to local governments to help address falling property tax revenues, but the amount of aid is likely not enough to offset the historic decline in property taxes. According to the National League of Cities, property tax collections fell by an estimated 3.7 percent in calendar year 2011. Most projected increases in state aid to local governments in fiscal 2013 represent a modest increase from fiscal 2012 *(See Table 33)*.

TABLE 33
Recommended Changes in Aid to Local Governments, Fiscal 2013

Arizona	Stopped transfering monies from the counties to the General Fund. FY12's transfer was $38.6 million.
California	The 2012-13 Governor's Budget proposes $4 million General Fund for Amador and Mono Counties, and the cities located therein, to backfill shortfalls in local revenue streams to which they are entitled as a replacement for other revenues they no longer receive pursuant to state law. In 2012-13 Finance estimates cities, counties, and special districts will respectively receive $220 million, $350 million, and $170 million in extra property tax revenue as a result of the termination of redevelopment agencies pursuant to Assembly Bill 26, First Extraordinary Session (Chapter 5, Statutes of 2011). The suspended/deferred mandate payments in FY 2012-13 resulted in approximately $828.3M or 94% of reimbursement payments to future years.
Colorado	While the Governor's FY 12-13 recommendation is to transfer some severance tax trust fund moneys that would otherwise go to Local Governments, the amount allocated for grants has been held constant so as to not negatively impact the local governments grant budgets. Governor Hickenlooper has issued Executive Order 5 which requires state rule making agencies to consult with and engage local governments prior to the promulgation of any rules containing mandates. An online process with significant input from Colorado local government associations to enhance communication between state agencies and local governments as rules are being conceived, developed and promulgated.
Connecticut	The Governor's Education Initiative would increase aid to local governments by $62.5 million. Clarify ability to assess partially completed property (preserves 30 million in local revenue). Relief from costs related to tenant eviction. Phase out insurance premium tax on municipalities. Relaxed minimum budget requirment (MBR) for high performing school districts.
Louisana	Reduced State Aid to Local Libraries by $896,000 (100%); Reduced State Aid to Local Educational Agencies (LEAs) Educational Excellence Fund per Revenue Estimating Conference Committee by $7.6M (38.5%) and Professional Improvement Program by $400,000 (4%).
Maine	Reduction in funding for K-12 Education of $4.8M results in less than 1% reduction from previous FY 13 funding level. Minor revenue reprojections slightly reduce funding for Municipal Revenue Sharing ($100K, less than 1%). Unresolved issues in funding for Municipal General Assistance program.
Maryland	The 2013 Budget provides $6.5 billion in aid to local governments, an additional $1.5 million over 2012. The increases include an additional $108 million for direct K-12 education aid, $24.1 million for Disparity Grants, and $16.1 million in local Highway User Revenue. The increase is offset by a reduction in the State's contribution to teacher and librarian retirement. Legislation is proposed under which the State and counties will share equally in the cost of Social Security and retirement. Actions in the FY 2013 budget will generate $151 million in additional revenue to local governments to include: income tax changes to deductions and exemptions ($111 million) and closing the indemnity mortgage tax loophole ($40 million). The FY 2013 budget also includes a provision repealing required repayments to the Local Income Tax Reserve saving local governments $36.7 million.
Massachusetts	For information on local aid related proposals and reforms, as well as recommended FY13 funding levels, please use the following web address: http://www.mass.gov/bb/h1/fy13h1/os_13/hoverview.htm.

Table 33 continues on next page.

TABLE 33 (CONTINUED)

Recommended Changes in Aid to Local Governments, Fiscal 2013

Michigan	Effective for FY 2013, beginning October 1, 2012: incentive payments ($190 million) to school districts that meet student performance standards or best practices criteria; $10 million to local and intermediate school districts to defray costs associated with consolidation or shared services efforts; incentive-based funding ($62.1 million) for intermediate school districts meeting 4 of 5 best practices criteria; $20 million to local governmental units to help with costs of merging government operations, with 50% earmarked for public safety operations; replacement of statutory revenue sharing payments to counties with $125.6 million for an incentive-based program similar to the Economic Vitality Incentive Program implemented in fiscal 2012 for cities, viilages, and townships; two-year funding ($86.9 million) for various public safety initiatives, targeting distressed areas.
Missouri	$2M (26%) reduction to local public health agencies. $100,000 increase (1%) for local libraries.
Nebraska	State General Fund only (FY2013 vs. FY2012): Aid to K-12 schools: $9.3 million; 1.2%. Recommended repeal of County Inheritance Tax to improve national competitiveness for tax climate; rough estimate of about $43 million impact to county revenues.
New Jersey	Increased Consolidated Municipal Property Tax Relief Aid (CMPTRA) funding by $48.2 million (9.5%) to $553.6 million. This program provides general aid to municipalities to supplement local budgets and reduce reliance on property taxes. Reduced Transitional Aid to Localities funding by $56.4 million (33%) to $113.7 million. This program provides assistance to municipalities facing fiscal distress and requires them to submit to additional State oversight and implement cost controls and reforms that will reduce their reliance on this aid in the future. Reduced County College Aid funding by $0.7 million (0.3%) to $212.8 million. This program provides aid to the county college system, including funding for operating aid, fringe benefits, and debt service funding. Increased Aid to County Psychiatric Hospitals funding by $1.8 million (1.4%) to $133.5 million. This program supports patients in county psychiatric hospitals by reimbursing allowable costs incurred by counties. The Governor has not proposed significant changes at the state level for FY 2013 which affect local governments' financial operations.
New York	The 2012-13 Executive Budget will have an estimated $942 million positive impact on municipalities in local fiscal years ending in 2013—the first full-annual local fiscal year affected by changes in the Executive Budget. Major Executive Budget program changes and one-year impact for local fiscal years ending in 2013 are as follows: • Increased school aid funding for the 2012-13 school year ($555 million); • Competitive performance grants to school districts ($250 million); • Creation of a new Pension Tier VI ($45 million); • Acceleration of an AIM payment to the City of Rochester ($28 million); • State takeover of local Medicaid growth expenses ($24 million); • Increased transit assistance for downstate county transit systems ($18 million); • Reforms to Preschool Special Education ($15 million); and, • Reforms to the Early Intervention Program ($4 million). The 2012-13 Executive Budget will have an estimated $942 million positive impact on municipalities in local fiscal years ending in 2013 – the first full-annual local fiscal year affected by changes in the Executive Budget. • School districts outside of New York City will realize a $351 million positive impact in the 2012-13 school year driven mostly by a $331 million increase in school aid (exclusive of the competitive performance grants), offset by $5 million in costs from reforms to Preschool Special Education. School districts will also experience $25 million in savings from the creation of a new Pension Tier VI.

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TABLE 33 (CONTINUED)

Recommended Changes in Aid to Local Governments, Fiscal 2013

New York (cont.)	• New York City will realize an estimated $243 million positive impact due primarily to $224 million in additional aid for New York City schools (exclusive of the competitive performance grants), and $11 million from the takeover of the Medicaid growth factor. Other actions include $8 million in increased transit assistance for NYCDOT and Staten Island Ferry and $2 million in savings from Early Intervention program reforms. These savings will be partially offset by a $2 million net decrease for human services programs. • County governments will realize an estimated $62 million net positive impact in 2013, primarily due to $20 million in savings from Preschool Special Education reforms, $14 million from the takeover of the Medicaid growth factor, and $12 million in savings from the creation of a new Pension Tier VI. In addition, counties will realize $10 million in increased assistance for downstate county transit systems, a $4 million net increase for human service programs, and $2 million in savings from Early Intervention program reforms. • Other cities, towns and villages will realize a $36 million positive impact in local fiscal years ending in 2013 attributed to an acceleration of Aid and Incentives for Municipalities (AIM) of up to $28 million for the City of Rochester and $8 million in savings from the creation of a new Pension Tier VI. As part of the more than $125 million in mandate relief that Governor Cuomo signed into law in June, a newly created Mandate Relief Council went into effect in January. The Council will be chaired by the Secretary to the Governor and has both Executive and Legislative representatives serving on it. It is charged with reviewing and referring statutory and regulatory mandates to the Legislature and to Executive agencies for modification or repeal. In addition to reviewing mandates submitted by members of the Council, local governments and school districts are empowered to request that the Council review a particular mandate.
North Dakota	For the 2011-13 biennium, mill levy reduction grants were increased by $40.6 million, or 14.2%, and state school aid grants were increased by $93.3 million, or 10.2%.
Ohio	Payments through the Local Government Fund (LGF) were reduced from 3.68% of total state GRF tax revenue to 75% of the FY 2011 allocation for 2012 and 50% of the FY 2011 allocation in FY 2013 (estimated FY 12 savings $162 million, estimated FY 13 savings $377 million). Payments to local libraries were limited to 95% of the amounts provided in FY 2011 in both FY 2012 and 2013 (estimated FY 12 savings $47.2 million, estimated FY 13 savings $71 million.).
Pennsylvania	The FY 2013 budget proposes to convert several state-funded and county-administered programs from categorical programs into a single block grant. This will provide counties with the flexibility to move funds where each locality needs them most and reduces costs by eliminating the need for a number of categorical compliance activities. The combined categorical funding was reduced by $168.4 million or 20 percent as part of moving to the block grant approach. The FY 2013 budget proposes to retain 100% of vehicle fine revenues generated when the State Police issue tickets in municipalities without their own police force. 50% of the fine revenues will be used for the acquisition and upgrade of State Police radio communication equipment and other protective devices. Currently 50% of the fine revenue, or approximately $8 million is provided to the municipalities.
Puerto Rico	Local governments will receive $ 395.6 million in formula contributions from the General Fund for FY 2013. This represents an increase of $6.0 million over FY 2012.
Rhode Island	The FY 2013 budget increases formula aid to cities and towns by $0.7 million (0.1%). It also increases education aid to local units of government by $67.6 million (8%), of which $32.3 million is a shift from Federal Education Jobs Fund money which was used in FY 2012 to supplant general revenue education aid. The Governor submitted an extensive legislative package to assist RI municipalities experiencing financial problems.

Table 33 continues on next page.

TABLE 33 (CONTINUED)

Recommended Changes in Aid to Local Governments, Fiscal 2013

South Carolina	Aid to local governments formula funded @ 4.5% of prior year revenue. FY 2013 Budget recommends a temporary proviso to reduce funding by $ 70.9 million (28%).
Texas	Texas' FY2013 budget has already been enacted via the General Appropriations Act for the 2012-2013 Biennium. No changes to FY2013 appropriations or tax policies are currently recommended.
Virginia	Certain programs within the Aid to Localities FY2013 budget was reduced by a total of $50 million dispursed across localities.
Washington	Eliminate Liquor Profits Sharing (effective 7/1/12) $41.785 million eliminates 100% of the aid to locals. Eliminate Liquor Excise Tax Sharing (effective 7/1/12) $29.085 million eliminates 100% of the aid to locals. Reduce Streamlined Sales Tax Mitigation 10% (effective 7/1/12) $2.232 million represents a 10% reduction to locals. Reduce Annexation Sales Tax Credit 10% (effective 7/1/12) $1.357 million represents a 10% reduction to locals. Local government pays 50% of Criminal Justice Training Costs (effective 7/1/12) $2.139 million represents a 50% cut to locals. Eliminate WASPC's Rural Drug Task Force Funding (CJCT budget) (effective 1/1/12) $1.5 million eliminates 100% of this cost sharing with locals. As proposed by the Governor, all reductions and eliminations are permanent. $340 million shift in K-12 apportionment payment to local school districts from FY 13 to FY 14. Affects June 2013 only, and involves holding the payment disbursement for a few days, so the payment is made in early July 2013, but in the next fiscal biennium. Funding is not cut, but the timing may create cash flows issues in some counties. This represents about 6.6% of the annual K-12 payment for Fiscal Year 2013.
Wisconsin	Act 32, the 2011-13 biennial budget bill, includes reductions in FY 2013 for various local government programs. Under 2011 Wisconsin Act 32, funding for school aid (general and categorical) decreased over the biennium by $792.2 million (7.4%). Compared to FY 2011 school aid funding levels, FY 2012 funding decreased $431.6 million and FY 2013 funding decreased by $360.7 million. School aid funding increased from FY 2012 to FY 2013 by $79.9 million (1.4%). From other funds, the financial assistance for local government recycling programs, which is funded from the environmental fund, was reduced $12.1 million from FY 2011 levels. From the transportation fund, general transportation aids for counties were reduced by 8% or $8 million for calendar year 2012 & thereafter (FY2013 effect is $9.8 million). General transportation aids for municipalities were reduced by 5.97% or $14.8 million for CY12 and thereafter (FY2013 effect is $19.6 million). From the transportation fund, mass transit operating assistance was reduced by 10% for CY12 and thereafter (FY2013 effect is $9.3 million). From the transportation fund, an additional $5 million in funding for the local roads improvement program was added for FY12 and thereafter (an increase of 800% over FY12 levels). Under 2011 Wisconsin Act 32, school districts were required to reduce per pupil expenditures by 5.5% in FY 2012 and are permitted to increase per pupil expenditures by $50 in FY 2013. 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% of pension contribution costs and authorize school boards to increase the employee share of health insurance premiums. Act 32 also adopted the provisions of the Governor's proposed budget modifying the expenditure restraint program budget test, affecting eligibility. A county and muncipal levy limit increase of 0% for 2011(12) and 2012(13) property taxes was imposed, under most circumstances, which is less than than the 3% increase for 2010(11).

APPENDIX

TABLE A-1

Enacted Mid-Year Revenue Changes by Type of Revenue, Fiscal 2012

State	Tax Change Description	Effective Date	Fiscal 2012 Revenue Changes ($ in Millions)
	SALES TAXES		
West Virginia	Reduction in Sales Tax rate on Food for Home Consumption from 3% to 2%.	01-12	-$11.0
Total Revenue Changes—Sales Tax			**-$11.0**
	PERSONAL INCOME TAXES		
New York	PIT Reform—Lowered taxes for middle class and added three new brackets for income over $150,000.	01-12	$385.0
Total Revenue Changes—Personal Income Taxes			**$385.0**
	CORPORATE INCOME TAXES		
New York	New York Youth Works Tax Credit ($20 million) and Manufacturing rate cuts ($25 million) for FY 2013. Lowered the entire net income tax rate, the tax rate on the minimum taxable income base and lowered the fixed dollar minimum tax for eligible manufacturers for tax years 2012 through 2014.	01-12	-$45.0
West Virginia	Reduce Corporation Net Income Tax rate from 8.5% to 7.75% and reduce business franchise tax rate from 0.34% to 0.27%.	01-12	-22.0
Total Revenue Changes—Corporate Income Taxes			**-$67.0**

TABLE A-2

Enacted Mid-Year Revenue Measures, Fiscal 2012

State	Description	Effective Date	Fiscal 2012 Enacted Mid-Year Changes ($ in Millions)
California	Sales—Internet retailer Use Tax Nexus. Repealed Internet nexus provision that was in 2012 Budget Act. Enacted a new provision that is expected to start generating revenue in September 2012.	07-11	-$200.0
Florida	Other Taxes—Delay of collections of county contributions to Medicaid.	04-12	29.8
Kentucky	Corporate Income—Declaration requirement for non-resident business income.		8.2
	Other Taxes—Combination of tax expenditure limits and small business tax credit.		19.4
Illinois	Corporate Income—Research and Development Tax Credit as part of Senate Bill 397.		-40.0
Maine	One-time transfer from Maine Loan Insurance Fund to General Fund		2.0
New York	Tax Modernization—Require e-filing and e-payments.	01-12	4.0
	Prohibit Bank Charges on Fees Levied.	01-12	5.0
Rhode Island	Other Miscellaneous—Transfer bond premium from general obligation bond to general fund.	Upon Passage	6.0
West Virginia	Motor Fuel—Average wholesale price of gasoline and special fuels subject to 5% sales tax rose from $2.34 per gallon to $2.574 per gallon.	01-12	7.0
Total			**-$158.6**

TABLE A-3

Proposed Revenue Changes by Type of Revenue, Fiscal 2013

State	Tax Change Description	Effective Date	Fiscal 2013 Revenue Changes ($ in Millions)
	SALES TAXES		
California	Ballot initiative: 1/2 cent sales tax increase (2013-2017).	01-13	$1,171.0
Florida	3 Day Sales Tax Holiday in August 2012; Elimination of paper filers collection allowance; various economic development exemptions.	01-13	-48.4
Georgia	Phase Out Sales Tax on Energy used in manufacturing;	01-13	
	exempts construction materials used in a project of regional importance;	09-13	
	provides partial exemption for jet fuel; imposes an e-fairness provision on affiliates operating in the state;	07-13	
	reinstates sales tax holidays in October 2012 and 2013.	10-13	-76.6
Indiana	Sales and use tax exemption for certain aircraft.	01-09	-3.4
Maryland	Extends Sales Tax to downloaded digital products and purchases made through online vendors. Eliminates Sales Tax exemptions for a number of unwarranted exemptions.	07-12	31.1
Massachusetts	Eliminate sales tax exemption on sales of candy and soda.	07-12	61.5
Minnesota	Broaden the definition of affiliated entity for online purchases.	07-12	3.9
New Mexico	Tax reform initiatives to reduce the incidence of tax pyramiding in the construction and manufacturing sectors by making certain inputs deductible from gross receipts and compensating taxes.		-9.2
Rhode Island	Repeal Exemption for Clothing and Footwear that Costs > $175 per Item.	07-12	13.3
	Sales Tax on Rental of Vacation Homes and B&B Inns < 3 Bedrooms.	07-12	1.7
	Increase Meal and Beverage Tax to 10.0 Percent to Accelerate School Funding Formula	07-12	39.5
	Apply Sales Tax to Taxicabs and Other Road Transportation Services.	07-12	3.3
	Apply Sales Tax to Moving, Storage, Warehousing and Freight Services	07-12	10.8
	Apply Sales Tax to Pet Services Except Veterinary Services and Testing Laboratories	07-12	1.3
	Apply Sales Tax to Car Washes.	07-12	1.3
Tennessee	Reduce tax on grocery food from 5.5% to 5.25%.	07-12	-21.3
Washington	Increase sales tax by 0.5%.	07-12	494.0
West Virginia	Decrease Sales Tax rate on food for home consumption from 2% to 1%.	07-12	-25.0
Total Revenue Changes—Sales Tax			**$1,648.8**

Table A-3 continues on next page.

TABLE A-3 (CONTINUED)

Proposed Revenue Changes by Type of Revenue, Fiscal 2013

State	Tax Change Description	Effective Date	Fiscal 2013 Revenue Changes ($ in Millions)
	PERSONAL INCOME TAXES		
California	Ballot initiative: additional PIT rates (2012-2016).	01-12	$3,519.0
Georgia	Increase Personal Exemption for Married Filers, Cap Retirement Income Exclusion, Conservation Easement Changes.	01-13	-44.2
Idaho	Lowers the top individual tax rate to 7.4%, currently top tax rate is 7.8%.	01-12	-30.9
Kansas	Lower individual income tax rates for all taxpayers, eliminate tax credits and deductions. Begin to phase out income taxes.	07-12	-106.0
Maryland	Caps the value of itemized deductions at 90% for taxpayers with adjusted gross income above $100k and at 80% for incomes above $200k. Phases out Personal exemptions by reducing exemption value from $2,400 to $1,200 for taxpayers with adjusted gross income of $100k-$125k single and $150k-$175k joint and eliminating the exemption for taxpayers with incomes above those thresholds.	07-12	182.3
Nebraska	Increase upper maximum income of each of four tax brackets; lower rates for each bracket.	01-13	-45.3
New Jersey	10% income tax rate cut.	01-12	-183.3
New Mexico	Extension of angel investment tax credit.		-0.2
New York	PIT Reform—Lowered taxes for middle class and added three new brackets for income over $150,000.	01-12	1,931.0
North Dakota	Reduced individual income tax rates.	01-12	-60.0
South Carolina	Reduce Individual income tax rates by collapsing all brackets to 3.75%.	01-13	-78.2
Virginia	Earned Income Tax Credit (conformity).	02-12	-7.0
	Long term care insurance tax credit.	07-12	-1.2
	Small business tax credit.	07-12	-1.5
Wisconsin	Domestic Production Activities Credit: Specified percentage of qualified production activities income that is derived from property assessed as manufacturing or agricultural property in Wisconsin. For tax year 2013 this percentage is 1.875% (see notes for more). 2011 Act 212 provided for an income and franchise tax credit for hiring unemployed veterans (-$0.9).		-5.8
Total Revenue Changes—Personal Income Taxes			**$5,068.7**

Table A-3 continues on next page.

TABLE A-3 (CONTINUED)

Proposed Revenue Changes by Type of Revenue, Fiscal 2013

State	Tax Change Description	Effective Date	Fiscal 2013 Revenue Changes ($ in Millions)
	CORPORATE INCOME TAXES		
Florida	Doubling of Exemption from $25,000 to $50,000.	01-13	-$9.9
Idaho	Lowers the corporate tax rate to 7.4%, currently tax rate is 7.6%.	01-12	-4.8
Maryland	Eliminates Corporate Tax Credit for Telecommunications Utility Property Taxes.	07-12	9.0
Massachusetts	Delay FAS 109 deductions. The FAS 109 corporate rate deduction allows publicly traded corporations subject to combined reporting under the 2008 corporate tax reform law to take a deduction of all or some of an amount that will offset the increase in the combined group's net deferred tax liability that would otherwise be shown on its financial statements, as a result of the move to combined reporting. "FAS 109" refers to the financial accounting standards bulletin that requires such corporations to report their deferred tax liabilities (or expected benefits, like credits) to shareholders.	07-12	45.9
Minnesota	Reduce allowable subtractions for Foreign Operating Corporations and Foreign Royalty Earnings.	01-12	40.4
Nebraska	Lower rate of highest of two brackets to match new lower top personal income tax rate.		-6.5
New Mexico	$1,000 tax credit for employers who hire recently separated military veterans.		-1.7
North Dakota	Reduced individual income tax rates.	01-12	-12.5
Ohio	Ohio is proposing replacing the corporate franchise tax with a financial institution tax. Currently the corporate franchise tax is applied only to financial institutions and certain insurance company affiliates. The revenue impact of this proposed change is revenue neutral, with any changes not occurring until at least FY 15.		
South Carolina	Reduce Corporate income tax rates from 5% to 3.75% over 4-yr period.	01-13	-55.7
Tennessee	Requires state approval of an application to deduct intangible expense from taxable income.	07-12	12.5
Virginia	Allow the entire amount of the federal deduction for domestic production activities to be deducted for Virginia income tax purposes instead of only two-thirds of the federal deduction allowed under IRC § 199. Only effective for taxable hears beginning on or after Jan. 1, 2012, but before Jan. 1, 2013.	07-12	-10.0
West Virginia	Reduce Corporation Net Income Tax rate from 7.75% to 7.0% and reduce business franchise tax rate from 0.27% to 0.20%.	01-13	-33.0
Wisconsin	Domestic Production Activities Credit (-$5.6) and Unemployed Veterans Credit (-$0.4).	01-13	-6.0
Total Revenue Changes—Corporate Income Taxes			**-$32.3**

Table A-3 continues on next page.

TABLE A-3 (CONTINUED)

Proposed Revenue Changes by Type of Revenue, Fiscal 2013

State	Tax Change Description	Effective Date	Fiscal 2013 Revenue Changes ($ in Millions)
	CIGARETTE AND TOBACCO TAXES		
Maryland	Increases tax on other tobacco products to 70% of the wholesale price, roughly equivalent to the cigarette tax.	07-12	$19.9
Massachusetts	Increase cigarette tax by $0.50.	07-12	62.5
	Updating Tobacco Taxes for Other Tobacco Products. All revenue from the Tobacco initiative will go directly to the Commonwealth Care Trust Fund, an off budget trust fund.	07-12	10.4
Rhode Island	Increase Cigarette Excise Tax from $3.46 per Pack to $3.50 per Pack.	07-12	1.6
	Redefine Little Cigars to Cigars that Have a Filter and Weigh < 4.0 lbs. per 1,000.	07-12	2.1
Total Revenue Changes—Cigarette and Tobacco Taxes			**$96.5**

Table A-3 continues on next page.

TABLE A-3 (CONTINUED)

Proposed Revenue Changes by Type of Revenue, Fiscal 2013

State	Tax Change Description	Effective Date	Fiscal 2013 Revenue Changes ($ in Millions)
	OTHER TAXES		
Florida	Scholarship Credits.		-$6.3
	Severance Tax, Communications Services Tax; Insurance Premium Tax.		-3.6
Georgia	Net Change in Title Transfer Fee to replace sales tax on motor vehicle purchases.	03-13	72.0
Indiana	Inheritance tax phase out.	01-12	-14.8
Kansas	Eliminate current two year exemption for severance taxes on new pool oil and gas wells.	07-12	16.1
Maryland	Repeals $3/ton Mined Coal Tax Credit.	12-12	4.5
Massachusetts	Market Sourcing for Corporate Excise Sales Factor.	07-12	10.0
	Taxation of Non-Insurance Subsidiaries of Insurance Companies.	07-12	7.0
	Disallowing Tax Deductions for Losing Lottery Tickets.	07-12	0.5
New York	MTA Payroll Tax—Extended exemption and lowered tax rate for small tax payers in MTA region.	01-12 04-12	-310.0
North Dakota	Reduced financial institution tax rates ($1.1 million) and gaming tax rates ($3.4 million).	01-12	-4.5
Pennsylvania	Continued phase-out of the Capital Stock and Franchise Tax.	01-13	-247.2
Tennessee	Inheritance Tax - Increase exemption from $1 million to $1.25 million	01-13	-14.5
Total Revenue Changes—Other Taxes			**$557.1**

Table A-3 continues on next page.

TABLE A-3 (CONTINUED)

Proposed Revenue Changes by Type of Revenue, Fiscal 2013

State	Tax Change Description	Effective Date	Fiscal 2013 Revenue Changes ($ in Millions)
	FEES		
Maine	One-time assessment on hospitals.	09-12	$14.2
Maryland	Increases certain vital records fees from $12 to $24 and increases Office of Administrative Hearings fee for appeals of a driver's license suspension or revocation.	06-12	1.2
Minnesota	Increase hunting and fishing license fees.	07-12	6.1
	Increase watercraft surcharges and non-resident fishing license fees to fund the control of aquatic invasive species.	07-12	4.0
Missouri	Increase gaming boat entrance fee by $1 to provide funding to veterans homes.	09-12	45.0
Rhode Island	Department of Health: Restructure Various License and Renewal Fees.	07-12	1.5
Vermont	Increase hospital provider assessment from 5.9% to 6.0% .	07-12	1.9
	Motor vehicle license & reg fees.	07-12	6.3
	Environmental permits, registrations & certifications.	07-12	3.2
	Miscellaneous.	07-12	0.2
Washington	$1.50 fee per barrel of oil (for transportation funding).	07-12	275.0
	$100 fee per electric vehicle (for transportation funding).	07-12	1.0
	15% increase to heavy commercial vehicle combined license fee (for transportation funding)	07-12	17.7
	Additional $15 base passenger vehicle weight fee (for transportation funding).	07-12	76.0
Total Revenue Changes—Fees			**$453.3**

TABLE A-4

Recommended Revenue Measures, Fiscal 2013

State	Tax Change Description	Effective Date	Fiscal 2013 Recommended Changes ($ in Millions)
California	Sales—Financial Institution Records Match (BOE).	01-13	$3.0
	Personal Income—Financial Institution Records Match (EDD.	01-13	8.0
Connecticut	Sales—Sunday Sales & Longer Sale Hours: $6.1 million. Expand Collection & Enforcement Division at Department of Revenue Services: $2.0 million. Expand Sales Tax Third-Party Audit Program at Department of Revenue Services: $3.0 million.	07-12	11.1
	Personal Income—Expand Business Employment Tax Enhanced Unit at Department of Revenue Services: $5.0 million. Expand Collection & Enforcement Division at Department of Revenue Services: $1.0 million.	07-12	6.0
	Corporate Income—Expand Collection & Enforcement Division at Department of Revenue Services.	07-12	2.0
	Alcholic Beverages—Sunday Sales & Longer Sale Hours: $2.6 million.	07-12	2.6
	Other Taxes—Impact of Expenditure Changes.	07-12	-17.7
	Fees—Expand Childhood Vaccine Program.	07-12	11.7
Florida	Change in June 2013 estimated payment due date to ensure receipt in FY 12/1.	07-12	100.0
	Redirection of court filing fees and speed-up of collection of county contributions to Medicaid	06-12 and 07-12	266.3
Kansas	Would repurpose part of the insurance premiums tax receipts for a new Disaster Preparedness Fund.	07-12	-12.0
Maine	Fees—One-time transfer from Loan Insurance fund to General Fund. Transfer of slot machine to General Fund rather than to Fund for a Healthy Maine.		3.0
Maryland	Diverts a portion of revenue from the Chesapeake Bay 2010 Fund to the General Fund.	06-12	8.0
Massachusetts	Modernizing bottle redemption.	07-12	22.0
	Enforcement of Room Occupancy Tax on Hotel Room Resellers.	07-12	7.2
	Various agency revenue initiatives. For more background please visit the Governor's FY13 Budget website: http://www.mass.gov/bb/h1/fy13h1/exec_13/hbuddevnontax.htm.	07-12	11.0
Michigan	Off Road Vehicle License fee ($2.0 million), Corporation fees ($4.6 million), Securities fees ($5.1 million.	10-12	11.7
Missouri	Temporary tax amnesty; reciprocal agreements with other states; integrated tax reporting system.	09-12	23.8
	Temporary tax amnesty; reciprocal agreements with fed and other states; tax clearances for professional licenses; centralized debt collections.	09-12	29.2
	Temporary tax amnesty; integrated tax reporting system.	09-12	27.5
New Mexico	Fees—Distribution of land lease bonus payments to general fund decreased to provide funding for land office IT projects.		-4.0
New York	Personal—Tax Modernization - Require e-filing and e-payments.	01-12	4.0
	Personal—Prohibit Bank Charges on Fees Levied.	01-12	5.0
	Corporate—Expand the Low Income Housing Tax Credit Program.	01-12	-8.0
	Cigarette—Converts the tax on cigars to from a wholesale tax to a retail tax and taxes loose tobacco at a rate equivalent to the cigarette excise tax.		18.0

Table A-4 continues on next page.

TABLE A-4
Recommended Revenue Measures, Fiscal 2013

State	Tax Change Description	Effective Date	Fiscal 2013 Recommended Changes ($ in Millions)
North Dakota	Sales—Change in allocation of motor vehicle excise taxes from highway fund to general fund.	07-11	$22.9
	Other—Change in allocation of oil taxes to increase state general fund share.	07-11	221.0
Ohio	Sales—Redirection of non-auto sales tax receipts as a result of reducing public library fund allocation of these receipts. Expanded managed care under Medicaid generates an additional $54.1 million in receipts.	07-11	89.7
	Personal—Redirection of existing personal income tax receipts as a result of reducing Local Government Fund allocation of these receipts.	07-11	300.0
	Other taxes—redirect existing kilowatt hour tax to the General Revenue Fund ($35.6 million) as a result of reducing the public library fund allocation to 95% of FY 11 amounts. Increase percentage of the commercial activity tax deposited into the General Revenue Fund to 50% of receipts from 10% of receipts ($577.0 million).	07-11	612.6
Oklahoma	Sales—Increased enforcement for non-compliant businesses.	07-12	13.9
	Other—One-time increase from transition to two-year vehicle tag system for non-commercial vehicles.		104.9
Pennsylvania	Sales—Cap the 1% vendor discount for timely remittance of sales tax collections at $250 per month.	07-12	41.3
	Cigarette—Eliminate transfer of cigarette tax receipts to the Agricultural Conservation Easement Fund and maintain in General Fund.	07-12	20.5
	Other Taxes—Eliminate transfer of 0.25 mills of the gross receipts tax to the Alternative Fuels Incentive Grant Fund and maintain in General Fund.	07-12	6.5
	Other—Transfer from the Keystone Recreation, Park and Conservation Fund to the General Fund.	07-12	38.6
	Other—Transfer of unused funds from the PA Higher Education Assistance Agency to the General Fund.	07-12	13.8
Rhode Island	Sales and Use Tax—Reinstate Project Status for Non-Retail Projects.	07-12	-1.0
	Sales and Use Tax—Revenue Lost Due to Non-Compliance with Streamlined Sales and Use Tax Agreement.	07-12	-1.8
	Personal Income—Reallocate 2.0 Revenue Agents from Tax Preparation Services to Office Audit	07-12	1.3
	Cigarette and Other Tobacco Products—Add 4.0 FTE for Tobacco Enforcement Task Force.	07-12	2.9
	Fees—DHS: Reinstitute Hospital Licensing Fee at 5.430 Percent on FY 2010 Net Patient Revenues.	07-12	148.3
	Fees—DOR: Tax Amnesty for 75 Day Period Beginning September 1, 2012.	9/1/2012 to 11/15/2012	10.2
	Fees—Transfer from Narragansett Bay Commission for Payment of Debt Service.	06-13	3.1
Tennessee	Electronic Filing - Requires electronic filing and taxpayer compliance.	07-12	1.5
Vermont	Fees—Expected growth in current special fund provider assessment revenue utilized to reduce GF pressure.	07-12	10.6

Table A-4 continues on next page.

TABLE A-4
Recommended Revenue Measures, Fiscal 2013

State	Tax Change Description	Effective Date	Fiscal 2013 Recommended Changes ($ in Millions)
Virginia	Sales—Modify accelerated collections.	07-12	-$6.8
	Sales—Increase the portion of sales tax that goes to transportation from 0.5 percent to 0.75 percent over the next 8 years.	07-12	-54.4
Wisconsin	Dairy and Livestock Credit. 2011 Wisconsin Act 15-delayed the sunset of the credit for livestock and dairy manufacturing modernization from January 1, 2012 to January 1, 2017.	01-12	-1.2
Total			**$2,133.3**

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