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# NCSL FISCAL BRIEF: TOP FISCAL ISSUES FOR 2013 LEGISLATIVE SESSIONS

*By Todd Haggerty*

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As the nation's legislatures convene their 2013 sessions, state policymakers will face a wide range of fiscal issues. A fall 2012 survey of state legislative fiscal officers found that while most states continue to report stable conditions—with solid revenue performance and spending in line with budgeted estimates through the first few months of fiscal year (FY) 2013—states continue to face serious budget dilemmas that require tough choices.<sup>1</sup>

The key fiscal issues awaiting legislatures in 2013 include the rising costs and expansion (under the Affordable Care Act) of Medicaid, education funding, state employee pensions and benefits, transportation and infrastructure related projects and the impact of federal deficit reduction measures on the states.

The next few months are critical for state lawmakers as they make spending adjustments in current budgets and develop new ones for FY 2014. These issues provide the context for their work in the coming months.

## *Medicaid and Health Care*

Medicaid and health care concerns will dominate legislative discussions in 2013, with at least 34 states expecting to address rising costs and the implementation of the Affordable Care Act (see figure 1).

- Officials in Maine reported that Medicaid spending continues to grow despite a reduction in caseloads.
- Lawmakers in New Mexico are expected to explore the costs and benefits associated with Medicaid expansion.

### **About this Report**

Legislative fiscal directors are keenly attuned to the budgetary pressures confronting their states, which is why NCSL asked these experts to identify the top three fiscal issues their states expect to address in the 2013 legislative sessions. This brief highlights these issues and includes a summary table and appendix for additional information.

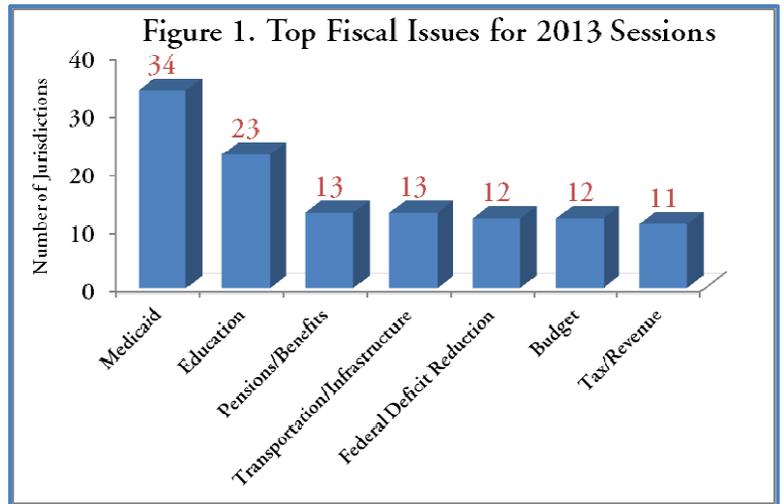
<sup>1</sup> For more information on state fiscal conditions please see *State Budget Update: Fall 2012*.  
<http://www.ncsl.org/issues-research/budget/state-budget-update-fall-2012.aspx>

- In Oklahoma, the state's current Medicaid structure, along with provisions in the Affordable Care Act, is likely to be central to the development of future budgets.

### *Education*

Education is anticipated to be a principal fiscal priority in 23 states. Discussions will center on adequate funding levels, school finance formulas and increased student enrollment.

- Officials in Arkansas expect funding for adequate education opportunities to all public school students to be considered this coming session.
- In Louisiana, K-12 and higher education funding are expected to dominate discussions.
- In Oregon, funding a redesign initiative to establish a seamless pre-kindergarten through graduate school system will be a key issue in the upcoming session.



### *Pensions and Employment Benefits*

Pensions and employee benefit related issues garner top attention in 13 states. Addressing unfunded liabilities and enacting significant reforms are likely to be on the agenda for state lawmakers.

- In Alabama—although measures have been taken to reduce future state obligations for retirement and health care benefits—appropriations requests for FY 2014 have increased.
- Lawmakers in Kentucky will consider recommendations from a task force on public employee pensions in the 2013 session.
- In New Hampshire, pending court rulings on changes made in 2011 to employee retirement benefits and contribution rates could push the legislature into action this coming session.

### *Transportation and Infrastructure*

At least 12 states and the District of Columbia will focus on transportation and infrastructure. Concerns include static funding levels, reforming finance models and meeting increased infrastructure needs.

- In Maryland, officials noted that a funding increase is likely to be considered in 2013 as a majority of transportation spending is currently dedicated for maintaining the existing system with little funds available for system expansion.
- Massachusetts officials reported that a transportation finance overhaul will be taken up early in the upcoming session.
- In North Dakota, oil, gas and agricultural activity is increasing infrastructure needs.

### *Federal Deficit Reduction*

Federal deficit reduction was cited as the potential leading issue in 11 states and the District of Columbia. Lawmakers are likely to address the impact that sequestration, or an alternative agreement, has on state budgets and the economy. It is important to note that the information in this report was collected prior to Congress passing a bill (HR 8) that, for the time being, avoids most of the effects of the “fiscal cliff.” Significant decisions remain on how to reduce the federal deficit, which may affect state budgets.

- Officials in Maine remarked that the potential impact of a failure to address the “fiscal cliff” on the state’s revenue picture will be substantial.
- In Tennessee, lawmakers may have to deal with potential revenue losses from measures under the federal Budget Control Act.
- Wyoming officials noted that the legislature is likely to address the uncertainty surrounding the availability of federal funds.

### *Budgets*

Concerns about structural gaps, spending pressures, and budget reductions are predicted to capture the most attention in 12 states.

- Balancing the current and next biennial budget will be a prominent fiscal issue in Connecticut.
- Kansas lawmakers will need to address a shortfall of \$300 million.
- Officials in Minnesota noted that a general fund budget gap of \$1.1 billion (2.8 percent) is currently projected for the FY 2014-FY 2015 biennium.

### *Taxes and Revenues*

Taxes and revenues will receive attention in at least 11 states, with discussions centering on tax reform and tax credits.

- Delaware reported that the legislature is expected to address several major taxes that will sunset in FY 2014 and FY 2015.
- Officials in Louisiana noted that tax reform is likely to be a focus of the 2013 session.
- In Oklahoma, discussions on reforming and/or reducing certain taxes, including the personal income tax, are probable.

### *Other Fiscal Issues*

State officials note that several other miscellaneous issues are expected to top fiscal agendas in 2013. These include corrections funding, local government assistance, natural disaster recovery and government reform and restructuring. More information can be found in Table 1 and Appendix A.

Collectively, all of these issues provide insight to what will likely occupy lawmakers during their legislative sessions in 2013 and in some instances, beyond.

Table 1. Summary of Top Fiscal Issues for 2013 Legislative Sessions

| State                | Medicaid/<br>Health Care | Education | Pensions/<br>Benefits | Transportation/<br>Infrastructure | Federal Deficit<br>Reduction | Budget    | Taxes/<br>Revenue | Other     |
|----------------------|--------------------------|-----------|-----------------------|-----------------------------------|------------------------------|-----------|-------------------|-----------|
| Alabama              | ✓                        |           | ✓                     |                                   |                              |           |                   | ✓         |
| Alaska               |                          | ✓         | ✓                     |                                   |                              |           | ✓                 |           |
| Arizona (N/R)        |                          |           |                       |                                   |                              |           |                   |           |
| Arkansas             | ✓                        | ✓         |                       |                                   |                              |           |                   |           |
| California           | ✓                        |           |                       |                                   |                              |           |                   | ✓         |
| Colorado             | ✓                        | ✓         |                       |                                   | ✓                            | ✓         |                   |           |
| Connecticut          | ✓                        |           | ✓                     |                                   |                              | ✓         |                   |           |
| Delaware             |                          |           |                       |                                   |                              |           | ✓                 |           |
| District of Columbia |                          |           |                       | ✓                                 | ✓                            |           |                   | ✓         |
| Florida (N/R)        |                          |           |                       |                                   |                              |           |                   |           |
| Georgia              | ✓                        |           |                       |                                   |                              |           |                   |           |
| Hawaii               |                          |           | ✓                     |                                   |                              |           |                   | ✓         |
| 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 (N/R)   |                          |           |                       |                                   |                              |           |                   |           |
| South Carolina (N/R) |                          |           |                       |                                   |                              |           |                   |           |
| South Dakota         | ✓                        | ✓         |                       |                                   |                              |           |                   | ✓         |
| Tennessee            | ✓                        |           |                       | ✓                                 | ✓                            |           |                   |           |
| Texas                | ✓                        | ✓         |                       | ✓                                 |                              |           |                   |           |
| Utah                 | ✓                        | ✓         |                       | ✓                                 |                              |           |                   |           |
| Vermont              | ✓                        |           | ✓                     | ✓                                 |                              |           |                   | ✓         |
| Virginia             | ✓                        |           | ✓                     | ✓                                 |                              |           |                   |           |
| Washington           | ✓                        | ✓         |                       |                                   |                              | ✓         |                   |           |
| West Virginia        | ✓                        |           | ✓                     | ✓                                 |                              |           |                   |           |
| Wisconsin            | ✓                        | ✓         |                       |                                   |                              |           | ✓                 |           |
| Wyoming              |                          |           |                       |                                   | ✓                            | ✓         |                   | ✓         |
| <b>Total</b>         | <b>34</b>                | <b>23</b> | <b>13</b>             | <b>13</b>                         | <b>12</b>                    | <b>12</b> | <b>11</b>         | <b>18</b> |

Source: NCSL survey of legislative fiscal offices, fall 2012.

**Appendix A. Top Fiscal Issues for 2013 Legislative Sessions**  
(Issue noted in *Italics*)

| State/<br>Jurisdiction | Issue   | Issue   | Issue  |
|------------------------|---|---|--|
| Alabama                | <i>Medicaid/Health Care and Corrections</i><br>Medicaid and corrections continue to require increased appropriations and account for almost 60 percent of total general fund expenditures.  | <i>Pensions/Employee Benefits (Retirement and Health Care Obligation)</i><br>Although measures have been taken to reduce future state obligations for retirement and healthcare benefits, requested appropriations for FY 2014 are up.        | <i>Other (Government Reorganization/Right Sizing)</i><br>Trying to determine state agencies/functions that can be consolidated to increase efficiency and reduce costs.                              |
| Alaska                 | <i>Taxes and Revenues (Petroleum)</i>   | <i>Education (K-12 Funding)</i>   | <i>Pensions/Employee Benefits (Retirement Funding)</i>   |
| Arizona                | <i>No Response</i>  |   |  |
| Arkansas               | <i>Medicaid/Health Care</i><br>The Dept. of Human Services projects a \$200 million to \$400 million shortfall in Medicaid for FY 2014.   | <i>Education</i><br>Funding issues necessary to provide an adequate education opportunity to all public school students in the state.   |  |
| California             | <i>Other (Water)</i>  | <i>Medicaid/Health Care (Affordable Care Act)</i><br>Implementation of the Affordable Care Act.   |  |
| Colorado               | <i>Federal Deficit Reduction (Sequestration)</i>  | <i>Education (K-12) and Medicaid/Health Care</i>  | <i>Other (Strength of Economic Recovery)</i><br>Weak recovery and continuing demand for increased expenditures.  |
| Connecticut            | <i>Budget</i><br>Balancing the current budget as well as the next biennial budget.  | <i>Medicaid/Health Care</i>   | <i>Pensions/Employee Benefits (Unfunded Liabilities)</i>   |
| Delaware               | <i>Taxes/Revenues (Tax Sunset)</i><br>Four taxes, personal income, gross receipts, estate, and corporate franchise, will sunset in FY 2014 and FY 2015 with potential revenue losses of \$34.5 million in FY 2014 and \$178.5 million in FY 2015. |   |  |
| District of Columbia   | <i>Federal Deficit Reduction (Sequestration)</i><br>The District will be impacted by proposed cuts resulting from sequestration.  | <i>Transportation/Infrastructure</i><br>There are a few areas of the city that are starting to experience significant infrastructure breakdowns. The District is working with the public utilities to determine the solution to those issues. | <i>Other (Affordable Housing)</i><br>As the District becomes a desirable place to live, it faces a shortage of affordable housing. The council will focus on some solutions to provide that housing. |
| Florida                | <i>No Response</i>  |   |  |

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| Georgia                | <i>Medicaid/Health Care</i><br>Expenditures are exceeding projections. Steps have already been taken to curtail spending; however, additional changes are likely to be offered in the governor's budget proposal.  | <i>Medicaid/Health Care</i><br>The Hospital Provider Payment Agreement, a revenue stream (currently projected as a \$235.3 million) dedicated to hospital reimbursement rates, sunsets in 2013 and will require renewal.  |   |
| Hawaii                 | <i>Pensions/Employee Benefits (Other Post Employment Benefits (OPEB))</i><br>OPEB unfunded liability and its impact on the state's Consolidated Annual Financial Report (CAFR), bond rating, and long-term policy options will be a top issue but will need to be addressed in the context of very low available fund balances and modest revenue projections.   | <i>Other (IT and Enterprise Planning)</i><br>Modernizing government functions and processes and allocating adequate resources to upgrade technology to make workflow and services more efficient. This issue will need to be addressed in the context of very low available fund balances and modest revenue projections. | <i>Collective bargaining</i><br>This issue will need to be addressed in the context of very low available fund balances and modest revenue projections.   |
| Idaho                  | <i>Education (Public School Financing)</i><br>The Superintendent of Public Instruction would like to reintroduce some public school reform measures that were recently rejected by voters that could be more acceptable to the public.   | <i>Medicaid/Health Care (Expansion)</i><br>The governor has not yet made a recommendation to expand Medicaid. This should be a key area of discussion when reviewing indigent care in the state, which is primarily funded with property taxes and the general fund.  | <i>Medicaid/Health Care (State Exchange for Health Insurance)</i><br>The governor has not yet made a recommendation to create a state exchange. The legislature rejected funding to develop a state exchange in 2011. |
| Illinois               | <i>Pensions/Employee Benefits</i>  | <i>Medicaid/Health Care</i>   | <i>Corrections (Prison System)</i>  |
| Indiana                | <i>Medicaid/Health Care (Affordable Care Act)</i>  | <i>Education (Funding)</i>  | <i>Transportation/Infrastructure (Funding)</i>  |
| Iowa                   | <i>Medicaid/ Health Care (Funding for Mental Health Services)</i><br>The Legislature enacted legislation that re-designs how mental health services are provided and funded in the state's 99 counties. The re-design is an attempt to provide an equal level of base services in all counties. Adequate state funding for services continues to be an issue. In order to equalize funding in all counties, an additional \$19 million will be needed. | <i>Education (K-12 School Finance)</i><br>The legislature adopted a zero allowable growth for K-12 schools in FY 2013 and did not set an allowable growth amount for FY 2014.   | <i>Federal Deficit Reduction (Sequestration)</i><br>Pending future federal action, this is a potential challenge, although the impact may not be experienced until FY 2014.   |
| Kansas                 | <i>Budget (Imbalance)</i><br>The Legislature will need to address, through changes in revenues, transfers or expenditures, a shortfall of approximately \$300 million.   | <i>Education (School Finance)</i><br>Current pending litigation concerning the appropriate level of funding.  | <i>Medicaid/Health Care (Medicaid Reform)</i><br>The state is currently implementing a managed care model for almost all programs, which is scheduled to begin Jan. 1, 2013.  |

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(Issue noted in *Italics*)

| State/<br>Jurisdiction | Issue   | Issue  | Issue  |
|------------------------|---|--|--|
| Kentucky               | <i>Pensions/Employee Benefits</i><br>The General Assembly is expected to review task force recommendations in the 2013 regular session.   | <i>Taxes/Revenues (Tax Reform)</i><br>The General Assembly is expected to review task force recommendations in the 2013 regular session.   | <i>Other (Debt Policy)</i>   |
| Louisiana              | <i>Taxes/Revenues (Tax Reform)</i><br>There is a commitment from the administration to focus on tax reform in 2013.   | <i>Medicaid/Health Care (Health Care Financing)</i><br>Federal Medical Assistance Percentages (FMAP) reductions have to be permanently dealt with in the budget.   | <i>Education (Funding)</i><br>Both K-12 and higher education funding issues will continue to be heavily discussed.   |
| Maine                  | <i>Federal Deficit Reduction (Sequestration)</i><br>The potential impact of a failure to address the "fiscal cliff" on the state's revenue picture will be substantial. The December 2012 revenue forecast is based on the underlying assumption that the Bush-era tax cuts and budget sequestration are delayed. | <i>Budget (Structural Gap)</i><br>Even without the additional potential negative impact of a failure to address the "fiscal cliff," the state faces a sizeable general fund budget shortfall for the next biennium.  | <i>Medicaid/Health Care (MaineCare Shortfall and Possible Plan Amendment Rejections)</i><br>Over the last few years, the state has had to address Medicaid program shortfalls. This coming session will be no different. Medicaid spending continues to grow despite a reduction in caseloads. Budgeted spending assumes further reductions in eligibility from proposed plan amendments, which have yet to be approved. |
| Maryland               | <i>Budget (Structural Gap)</i><br>The state continues to face a structural shortfall of approximately \$600 million. Actions taken over the past year reduced the deficit by one-half, but further spending or revenue actions are needed.  | <i>Federal Deficit Reduction</i><br>The state's workforce is comprised of a large number of employees who work for, or are dependent on, federal spending. The state also receives a large amount of federal aid through the budget. Pending action by the federal government to address the national deficit could have a large impact on the state's budget. | <i>Transportation/Infrastructure (Funding)</i><br>The gas tax has not been increased since 1992. Currently, the bulk of transportation capital spending goes for maintenance of the existing system, with virtually no funding available for system expansion, including three proposed transit projects. A funding increase is likely to be considered at the next session.   |

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(Issue noted in *Italics*)

| State/<br>Jurisdiction | Issue  | Issue   | Issue   |
|------------------------|--|---|---|
| Massachusetts          | <i>Other (State Drug Lab Scandal)</i><br>A recent scandal related to the tampering of evidence in over 30,000 cases at the state's drug lab could substantially expose the Commonwealth, both in FY 2013 and in subsequent fiscal years. At this point, officials are working with the Governor's Office of Administration and Finance and other invested parties (public defenders, trial courts, district attorneys, etc.) to get a sense of both the short and long-term costs, as well as the best way to allocate any supplemental funds. | <i>Transportation/Infrastructure</i><br>It is likely that a transportation finance overhaul will be taken up early in the upcoming session.   | <i>Education</i><br>The FY 2013 budget made large investments in the main education finance accounts (Chapter 70 and Special Education Circuit Breaker). Officials are considering how these programs will be supported in FY 2014, especially given the current revenue picture and federal revenue uncertainties. |
| Michigan               | <i>Medicaid/Health Care</i><br>Implementation of the Affordable Care Act and addressing health benefits for public school employees and retirees.  | <i>Taxes/Revenue (Potential Personal Property Tax Revisions)</i>  | <i>Other (Fiscal Health of Local Units Cities and School Districts)</i>   |
| Minnesota              | <i>Budget and Federal Deficit Reduction</i><br>A general fund budget deficit of \$1.1 billion (2.8 percent) is currently projected for the FY 2014-FY 2015 biennium. Also, the uncertainty of the federal budget situation will affect state finances. In addition, repayment of education payments that were delayed (shifts) to help resolve the state budget problem would cost \$2.4 billion.  | <i>Taxes/Revenues (Tax Reform)</i><br>The governor is preparing a tax reform proposal to submit to the 2013 Legislature. Executive branch discussions indicate that the reform proposal could deal with all major taxes and be linked to education funding. | <i>Medicaid/Health Care</i><br>Health care costs continue to increase and there is uncertainty about the federal situation and the Affordable Care Act.   |
| Mississippi            | <i>Medicaid/Health Care</i><br>Growth associated with the Affordable Care Act.   | <i>Education</i><br>The state continues to struggle with adequate funding for all levels of education.  | <i>Other (Corrections)</i><br>Corrections continues to require additional funding.  |
| Missouri               | <i>Medicaid/Health Care (Affordable Care Act)</i><br>Decisions surrounding Medicaid population expansion.  | <i>Education (K-12 Funding)</i><br>During the downturn the state did not cut education funding but it is significantly behind what the funding formula requires.  | <i>Other (Joplin Tornado Recovery)</i><br>Officials are still dealing with the costs of the disaster and don't know the final cost.   |
| Montana                | <i>Pensions/Employee Benefits (Unfunded Liabilities)</i>   | <i>Medicaid/Health Care (Federal Healthcare Reform)</i>   | <i>Federal Deficit Reduction (Sequestration)</i>  |

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|------------------------|--|--|---|
| Nebraska               | <i>Federal Deficit Reduction (Federal Policy Effects)</i><br>Responding to federal policies that drive state expenditures and the consequences of revenue changes.   | <i>Budget</i><br>Current estimates anticipate a biennial shortfall to the state's minimum reserve requirement of approximately \$393 million as of June 30, 2015, that lawmakers must resolve.   | <i>Other (Managing the Rainy Day Fund)</i><br>Decisions regarding efforts to build the rainy day fund balance or tap it.  |
| Nevada                 | <i>Education (Funding levels for K-12 and Higher Education)</i>  | <i>Medicaid/Health Care (Medicaid Expansion)</i><br>It is anticipated that Medicaid expansion will be a fiscal issue during the 2013 session. However, it is uncertain whether this will be a recommendation of the governor.  | <i>Transportation/Infrastructure</i><br>Funding for capital project needs.  |
| New Hampshire          | <i>Medicaid/Health Care (Affordable Care Act)</i><br>The federal Affordable Care Act is set to be implemented in FY 2014. The legislature will address this issue during the 2013 session.   | <i>Education (Funding)</i><br>Education funding is discussed every session. However, the increase in charter school enrollment, the implementation of a business tax credit for scholarships to private schools and the full financial impact of adequate education changes in FY 2015 make revisiting this topic more likely. | <i>Pensions/Employee Benefits</i><br>Changes made to retirement benefits and employee contribution rates during the 2011 legislative session are currently in litigation. Although the litigation process may not be completed in 2013, upcoming court rulings could push the legislature to act. |
| New Jersey             | <i>Other (Disaster Recovery Measures)</i><br>Both short-term and long-term responses to the impact of Hurricane Sandy will be under consideration during the session.  | <i>Budget (Potential Significant Revenue Shortfall)</i><br>At the current 1.9 percent revenue growth rate through September, a revenue shortfall may exceed the budgeted surplus of only \$648 million by mid-year.  | <i>Education (Higher Education Funding)</i><br>The allocation of current resources and, if approved at referendum, state bond proceeds, among higher education institutions will be considered in the context of the recently approved restructuring of medical education.                        |
| New Mexico             | <i>Medicaid/Health Care (Medicaid Expansion)</i><br>Financing growth in expenses and population. Deciding whether the state will implement the Medicaid expansion and what will be the costs and benefits of expansion.                                | <i>Taxes/Revenues (Tax Expenditures)</i><br>Several tax credits will cost the state more than projected unless legislation is passed to control them. The state must find a balance between providing incentives to attract businesses and the cost of these incentives.   | <i>Education</i><br>New money was dedicated to early childhood education during the 2012 legislative session. The challenge will be how to prioritize early childhood education and accountability going forward.   |
| New York               | <i>Other (Local Government Mandate Relief)</i><br>Local government finances are becoming increasingly strained. There will be added pressure to offer more relief from state mandates and the impact of the property tax cap that was enacted in 2011. | <i>Federal Deficit Reduction (Sequestration)</i>   |   |

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|------------------------|--|--|---|
| North Carolina         | <i>Other (Economy)</i><br>While some improvement has been seen in certain areas of the state's economy, conditions have not stabilized and economic uncertainty remains for 2013.  | <i>Federal Deficit Reduction and Medicaid/Health Care</i><br>Uncertainty of costs related to the Affordable Care Act and other federal budget balancing actions.   | <i>Education and Medicaid/Health Care</i><br>Spending pressures in education, Medicaid and other areas of health care are likely to continue to be among the top issues in 2013.  |
| North Dakota           | <i>Transportation/Infrastructure</i><br>Increased infrastructure needs due to oil, gas and agricultural activity.  | <i>Taxes/Revenues (Tax Relief)</i><br>The legislature will be considering additional property tax relief and reductions to individual income, corporate income, and possibly sales tax rates.  | <i>Other (Assistance to Political Subdivisions)</i><br>The legislature will be considering potential increased assistance to political subdivisions.  |
| Ohio                   | <i>Budget (Biennial Budget)</i>  | <i>Taxes/Revenues (Tax Reform)</i>   | <i>Education (School Funding)</i>   |
| Oklahoma               | <i>Budget (Core Service Funding)</i><br>An examination of the effects of reduced funding of many core functions, including education, public safety and human services, may result in strategic increases in funding for some areas.                                       | <i>Taxes/Revenues (Tax Relief)</i><br>Significant discussions continue on reforming and/or reducing certain tax structures, particularly the personal income tax.  | <i>Medicaid/Health Care</i><br>The on-going discussion of the state's current Medicaid structure along with provisions of the Affordable Care Act will result in this issue remaining central to the development of future budgets. |
| Oregon                 | <i>Medicaid/Health Care (Health Care Transformation and Medical Assistance Program Costs)</i><br>Determining what state costs will be covered by new federal laws regarding health care transformation and financing costs of rising medical assistance program caseloads. | <i>Pensions/Employee Benefits (Addressing Costs to Maintain State Services)</i><br>Maintaining state agency programs with rising costs for personal services, retirement plans and health benefits for state employees.  | <i>Education (System Redesign)</i><br>Funding a redesign initiative that proposes to establish a seamless pre-kindergarten through college graduate school educational system.  |
| Pennsylvania           | <i>Pensions/Employee Benefits (Pension Costs)</i>  | <i>Medicaid/Health Care</i><br>Medicaid is always a major cost driver. Additionally, two assessments on hospitals that draw down a Medicaid match expire on June 30, 2013. Without an extension, officials will need to either find alternative revenue sources (to replace assessment revenue) and/or cut expenditures. | <i>Transportation/Infrastructure</i>  |
| Rhode Island           | <i>No Response</i>   |  |   |
| South Carolina         | <i>No Response</i>   |  |   |
| South Dakota           | <i>Medicaid/Health Care (Medicaid Funding)</i>   | <i>Education</i><br>Funding and performance for K-12 and higher education.   | <i>Other (Economic Development)</i><br>Providing jobs and training a quality workforce.   |

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(Issue noted in Italics)

| State/<br>Jurisdiction | Issue   | Issue   | Issue  |
|------------------------|---|---|--|
| Tennessee              | <i>Medicaid/Health Care</i><br>Anticipation of increasing expenditures due to implementation of the Affordable Care Act in FY 2014. Also, projected revenue collections in FY 2012 were not recognized in order to save funds for the potential impact of implementing the Affordable Care Act. | <i>Federal Deficit Reduction</i><br>Potential revenue losses from federal deficit reduction measures under the federal Budget Control Act. Also, anticipated revenue collections in FY 2012 were not recognized in order to save funds to address potential federal revenue losses. | <i>Transportation/Infrastructure (Static Funding)</i><br>State and federal funding has remained static while needs continue to grow.   |
| Texas                  | <i>Medicaid/Health Care</i><br>In addition to being the second-largest draw on state general revenue, which would immediately make this a high-profile fiscal issue, a number of issues surrounding the Affordable Care Act and various Medicaid waivers are in play as well.                   | <i>Education (Public School Finance)</i><br>The state is currently in litigation on the matter of public school finance. It is not likely to be addressed legislatively until a special session.  | <i>Transportation/Infrastructure</i><br>There is an interest in addressing the state's long-term water, energy, and transportation infrastructure needs.   |
| Utah                   | <i>Education</i><br>As much as \$100 million (4 percent) in student enrollment growth.  | <i>Transportation/Infrastructure</i><br>Several bond financed infrastructure projects are nearing completion and there is little appetite to incur more debt.   | <i>Medicaid/Health Care</i><br>While the current budget is on track, the Affordable Care Act is expected to drive up costs in FY 2014.   |
| Vermont                | <i>Other (Tropical Storm Irene Rebuilding)</i><br>This impacts state buildings, town roads, bridges and structures, and the mental health system.   | <i>Medicaid/Health Care (Health Care System Changes)</i>  | <i>Transportation/Infrastructure and Pensions/Employee Benefits (Funding)</i>  |
| Virginia               | <i>Transportation/Infrastructure</i><br>Continues to be an issue with no resolution in sight.   | <i>Medicaid/Health Care</i><br>The expansion of Medicaid will be a decision before the General Assembly, along with a decision on health exchanges.   | <i>Pensions/Employee Benefits (Employee Health Insurance)</i><br>An area of the budget, similar to the state's retirement system, where rates have been kept artificially low through one-time subsidies. Real rates must now be paid. |

**Appendix A. Top Fiscal Issues for 2013 Legislative Sessions**  
(Issue noted in Italics)

| State/<br>Jurisdiction | Issue   | Issue   | Issue  |
|------------------------|---|---|--|
| Washington             | <i>Education (Enhanced K-12 Funding)</i><br>The state supreme court recently ruled that the state was not meeting its obligations to fully fund K-12 public schools. The legislature has passed legislation that remedies the situation, but it could add \$2 billion to \$3 billion per year in spending obligations by FY 2018. | <i>Medicaid/Health Care (Affordable Care Act)</i><br>Like most states, the state needs to consider the implications of the various provisions of the federal Affordable Care Act. These implications include: (1) whether or not to agree to the Medicaid expansion; (2) how to coordinate the delivery of health care and make eligibility determinations within the state health care exchange; and (3) the impacts to current state only programs. | <i>Budget (Other Spending Pressures)</i><br>Given the reductions made in recent years, a variety of pent up spending demands are likely to be considered in the upcoming session. These include: (1) higher education and college affordability; (2) state employee compensation; and (3) children and welfare issues. |
| West Virginia          | <i>Medicaid/Health Care</i><br>The state's share is increasing, plus the cost of services is increasing.  | <i>Transportation/Infrastructure (State Road Fund)</i><br>Flat revenues in state road fund. Revenues are steady, but not much growth predicted, making budgeting difficult.   | <i>Pensions/Employee Benefits</i><br>Public Employees Insurance Agency and unfunded liabilities in other post-employment benefits.   |
| Wisconsin              | <i>Taxes/Revenues</i><br>Modifications to the individual income tax.  | <i>Medicaid/Health Care (Health Care Funding)</i>   | <i>Education (Funding)</i>   |
| Wyoming                | <i>Other (Low Natural Gas and Coal Prices)</i>  | <i>Budget</i><br>Reductions within the state operating budget.  | <i>Federal Deficit Reduction</i><br>Uncertainty surrounding the availability of federal funds.   |

Source: NCSL survey of legislative fiscal offices, fall 2012.



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William T. Pound, Executive Director

Denver Office  
7700 East First Place  
Denver, CO 80230  
(303) 364-7700  
(303) 364-7800

Washington Office  
444 North Capitol Street, N.W., Suite 515  
Washington, DC 20001  
(202) 624-5400  
(202) 737-1069

[www.ncsl.org](http://www.ncsl.org)