Major Components of General Fund Appropriations, FY 2008

- K-12 Education, 33.9%
- Medicaid, 15.2%
- Higher Education, 11.8%
- Corrections, 6.3%
- Other, 32.8%

Source: State Budget Actions, 2008
Net Tax Changes by Type of Tax  
2009 & 2010

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Income</td>
<td>40%</td>
<td></td>
</tr>
<tr>
<td>Corporate Income</td>
<td>7%</td>
<td>14%</td>
</tr>
<tr>
<td>Sales &amp; Use</td>
<td>25%</td>
<td>40%</td>
</tr>
<tr>
<td>Health Care</td>
<td>9%</td>
<td>23%</td>
</tr>
<tr>
<td>Tobacco</td>
<td>7%</td>
<td>13%</td>
</tr>
<tr>
<td>Motor</td>
<td></td>
<td>1%</td>
</tr>
<tr>
<td>Alcoholic Beverage</td>
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<td>1%</td>
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<tr>
<td>Misc.</td>
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<td>8%</td>
</tr>
<tr>
<td>Alcoholic Beverage</td>
<td>1%</td>
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<td>Misc.</td>
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</tr>
<tr>
<td>Corporate Income</td>
<td></td>
<td>14%</td>
</tr>
</tbody>
</table>

2009 ($28.6 Billion)  
2010* ($4.0 Billion)

Personal Income Tax: a decline of $629 million.

Overall Trends

- Cuts heavily concentrated in Medicaid and other health care services.
- Recent cuts to K-12 have been more severe than in FY 2010.
- Some states are revising sentencing policy to address rising prison costs.
- Cuts to state aid to local government.
- States are instituting changes to employee benefit plans, and some states have changed plans for current retirees.
- Some states relying significantly on rainy day and other one-time funds.
- Many states face at least two more years of budget gaps.
- Few states have concrete plans to address the end of ARRA funding.
Medicaid Cuts

FY 2010
- 33 states reduced provider payments.
  - 31 states imposed Medicaid pharmacy controls.
  - 15 states cut Medicaid benefits.

FY 2011
- 17 states cut state Medicaid spending in some manner.
  - Payments to private health providers cut by $168 million (LA).
  - In-home personal care services cut by $50.7 million (NC).
Other Health Care Cuts

FY 2010
- $225 million cut from the state's basic health insurance plan for low-income individuals; approximately 40,000 people lost coverage (WA).
- $190 million cut from local mental health agency funding (OH).

FY 2011
- 20 states made cuts to non-Medicaid, healthcare programs.
  - Funding to state psychiatric hospitals cut by 8% (ID).
  - Dept. of Human Services budget cut by $312.6 million (IL).
  - Dept. of Community Health budget cut by $204.5 million cut (GA).
  - Child abuse intake centers consolidated from 8 to 1 (IA).
  - 17 of 33 centers that evaluate children with significant behavioral problems closed (OK).
K-12 Education Cuts

- **FY 2010**
  - 21 states cut K-12 education budgets.
    - States largely avoided cuts with direct impacts on classroom expenditures.
    - Mississippi – Post-enactment of the budget, the governor ordered cuts of $114 million, or 5%, to state funding for K-12 education.

- **FY 2011**
  - 27 states cut K-12 education budgets.
    - Budget delays payment of $2 billion in payments to districts (MN).
    - K-12 funding cut by 6.4%, saving an estimated $260 million (CO).
    - State eliminated funding for one instructional day (KY).
    - Cut funding for full-day kindergarten, saving an estimated $218 million (AZ).
Higher Education Cuts

- Percentage cuts to higher education tend to be greater than cuts made to the K-12 system.
- Increased enrollment because of the recession exacerbates problem.
  - FY 2010
    - 36 states cut state funding to higher education.
  - FY 2011
    - 21 states cut state funding to higher education.
    - $100 million cut from state aid to higher education (IL).
    - $61.5 million cut from state aid to higher education (CO).
Criminal Justice & Court Cuts

- FY 2010
  - 9 states closed prisons or detention facilities.

- FY 2011
  - 4 states closed prison or detention facilities
  - Enacted sentencing reform law reduces sentences for some non-violent crimes and increases sentences for some violent crimes. Measure estimated to save more than $400 million over the next five years (SC).
  - The prison system subject to 5% across-the-board cuts. Prison closures are anticipated in the future as the agency prepares for a planned 10% cut (TX).
Local Government Aid Cuts/
Parks and Recreation

- Many states cut aid to local government.
  - Post-enactment of the budget, the Board of Public Works approved cutting $211 million in aid to local governments (FY 2010) (MD).
  - Funding to local government aid programs was cut by $404.3 million (FY 2011) (MN).

- FY 2010
  - 12 states cut funding to state parks.

- FY 2011
  - 8 states cut funding to state parks.
  - Local governments, private companies and Native American tribes are temporarily taking over operations at a number of state parks (AZ).
  - Parks and recreation received a reduction of $23 million (MA).
Furloughs and Layoffs

**FY 2010**
- 29 states implemented furloughs.
- 26 states laid off employees.
- Laid off over 5,000 workers and instituted a total of 36 furlough days for various state agencies (CA).
- Reduced workforce by 14% (PR).

**FY 2011**
- 9 states implemented furloughs.
- 9 states laid off employees.
- Voluntary furlough program - up to 10 days (IL)
- State agencies facing cuts permitted to institute voluntary furlough plans in lieu of layoffs (AL).
- 10 furlough days for 12,500 state employees, saving $50 million (WA).
- 8 furlough days for most state employees (WI).
Other Employee Actions

- 25 states have implemented benefits changes:
  - Common actions include:
    - Pension plan changes.
    - Increased employee contributions for health insurance.
    - Changes to cost of living adjustments.

- Other common changes affecting state employees include:
  - Hiring freezes
  - Salary freezes
  - Offered early retirement
  - Travel bans

- Many of these actions were administratively implemented at the onset of the recession and remain in effect.
Other Actions

- **FY 2011**
  - $126 million in savings from eliminating 14 different boards and commissions, reducing energy costs, combining state purchasing and consolidating information technology for estimated savings (IA).
  - Agency Consolidation:
    - SBE dissolved a school district and divided students amongst surrounding districts (AR).
    - Highway Patrol & Water Patrol merged into one agency (MO).
Quote of Note

"All the low-hanging fruit has been eaten."

Senator Joe Zarelli, Ranking Republican Member
Senate Ways & Means Committee
Washington
For More Information

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