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# State Actions to Close Budget Gaps

Presentation to the NCSL Fiscal Leaders Seminar

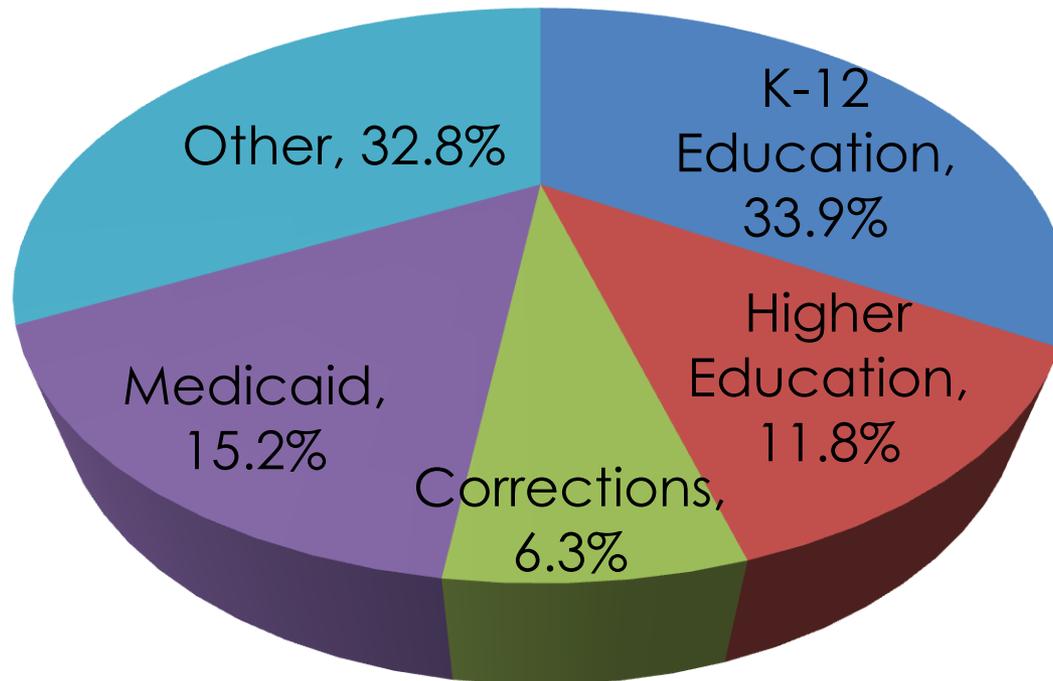
2010 Phoenix, Arizona



Luke Martel, Fiscal Affairs



# Major Components of General Fund Appropriations, FY 2008



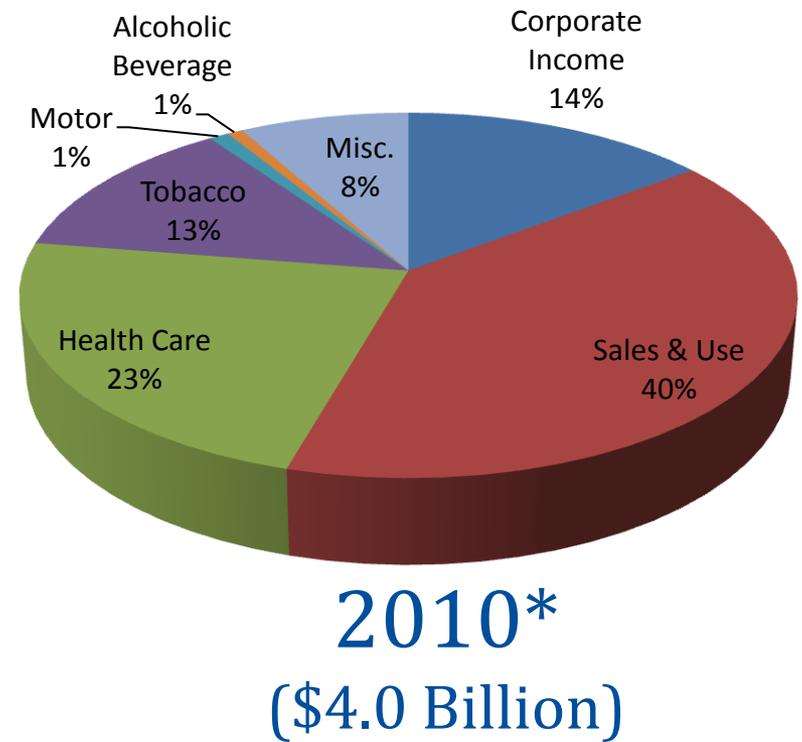
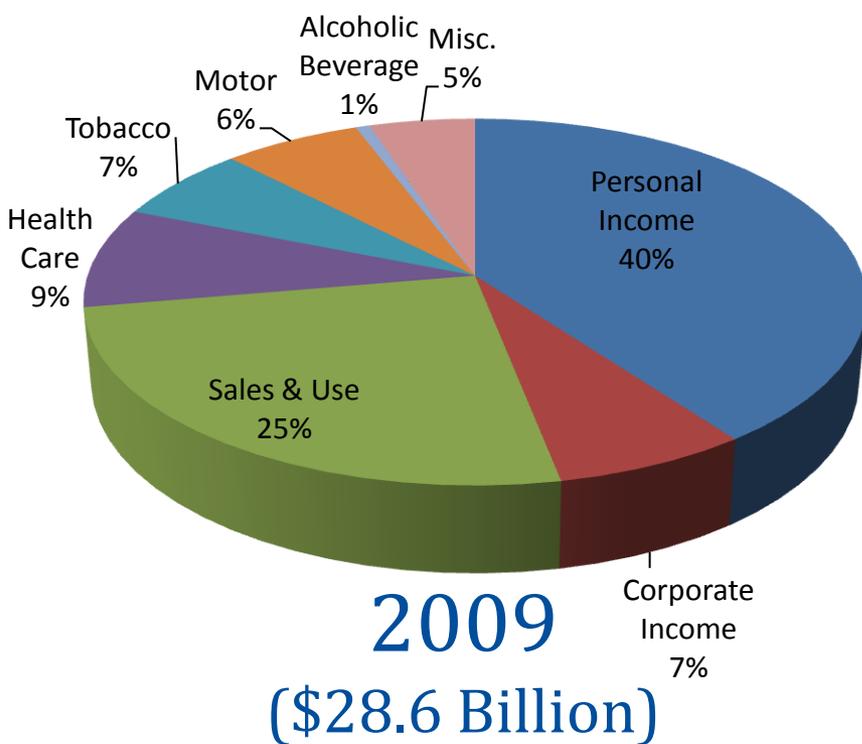


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# Net Tax Changes by Type of Tax 2009 & 2010



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).



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## Quote of Note

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

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





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# For More Information

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