

State Budget Cuts

Presentation to the Pennsylvania Senate Government Management & Cost Study Commission

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NATIONAL CONFERENCE *of* STATE LEGISLATURES

The Forum for America's Ideas



Luke Martel
Fiscal Affairs Program

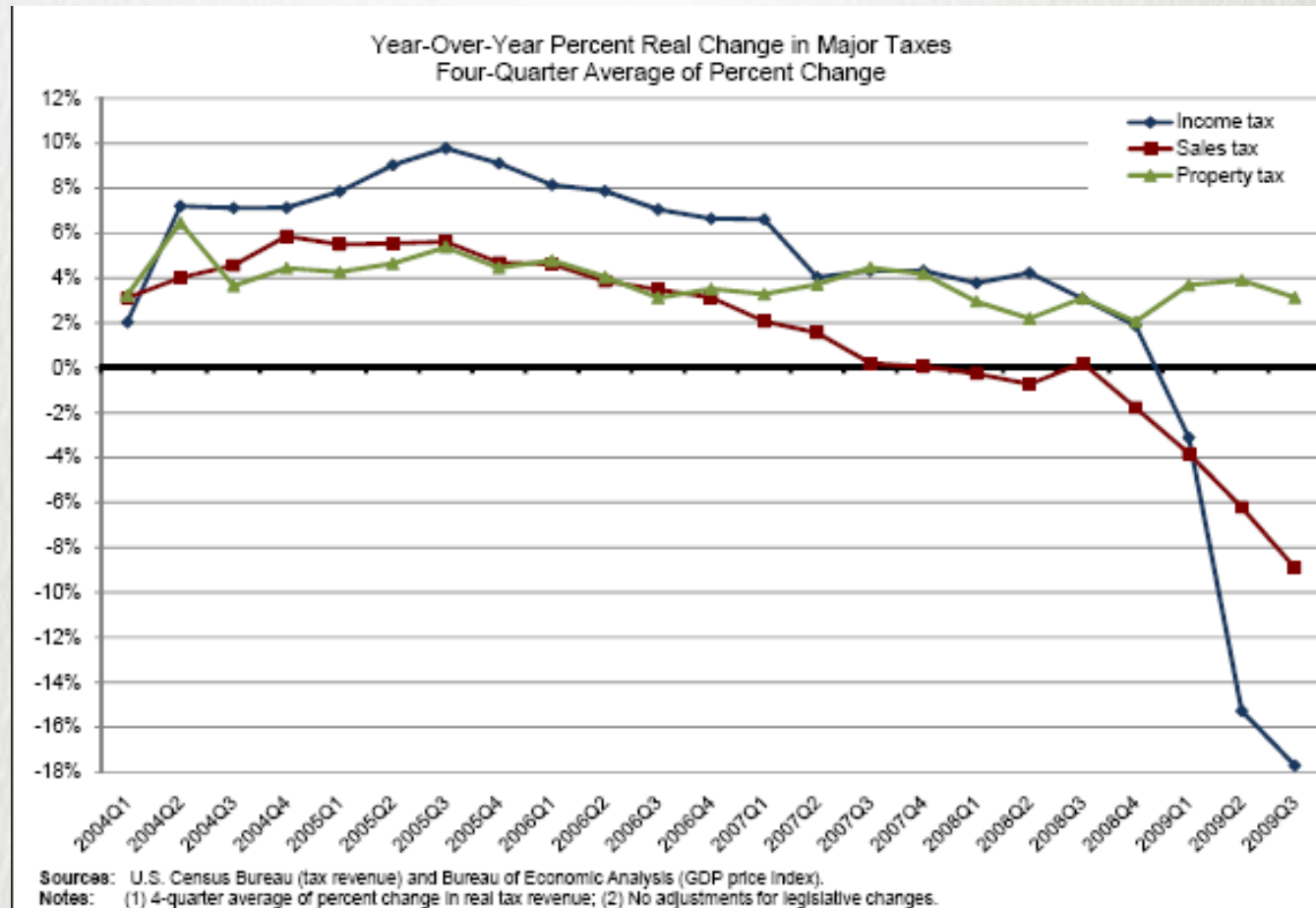


Overview

- The state revenue nightmare continues.
- A new round of budget gaps has opened and more are expected.
- To date, states have reported a total estimated budget gap of \$428.5 billion (FY 2008 through FY 2012).

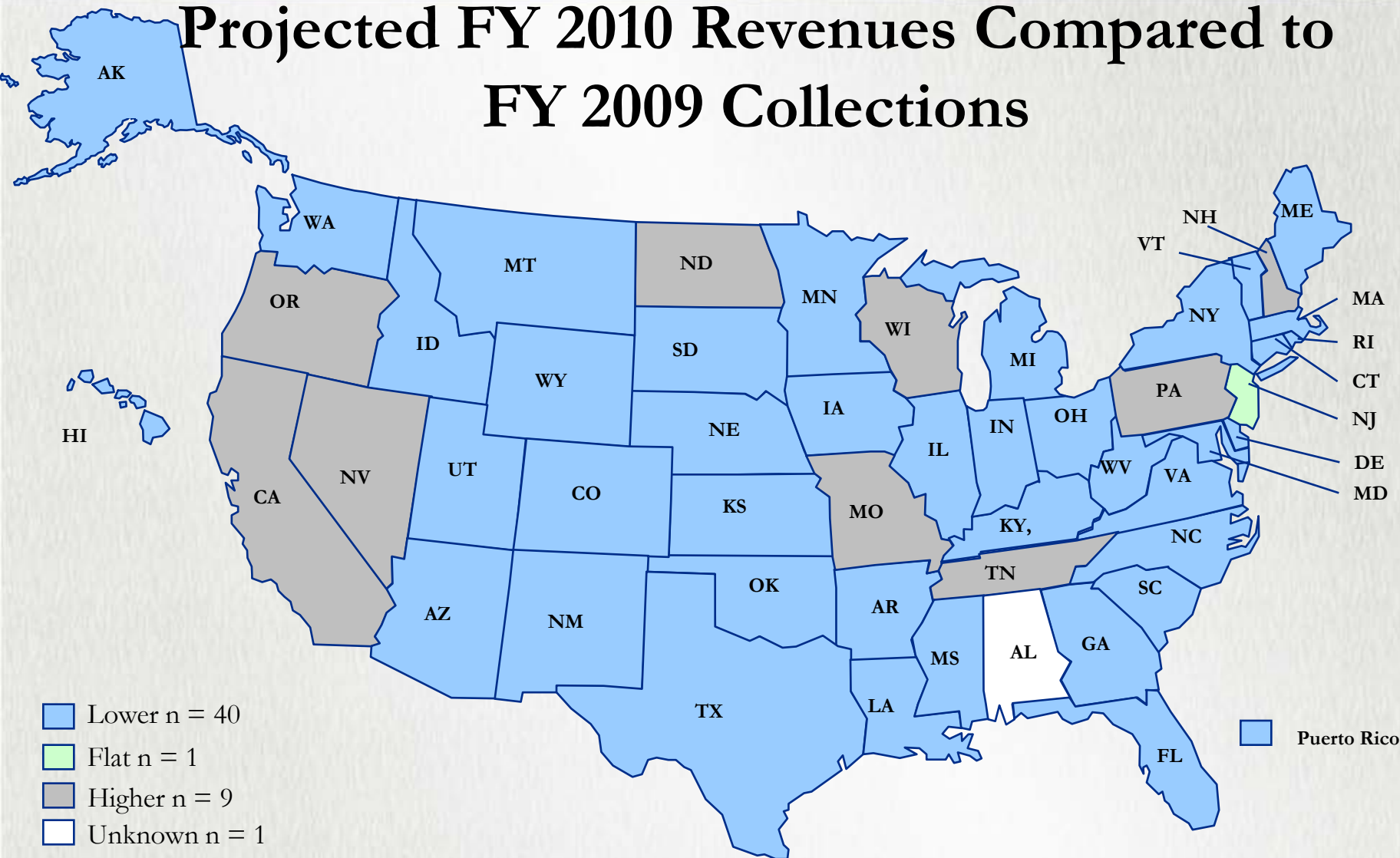


Year-Over-Year Percent Real Change in Major Taxes





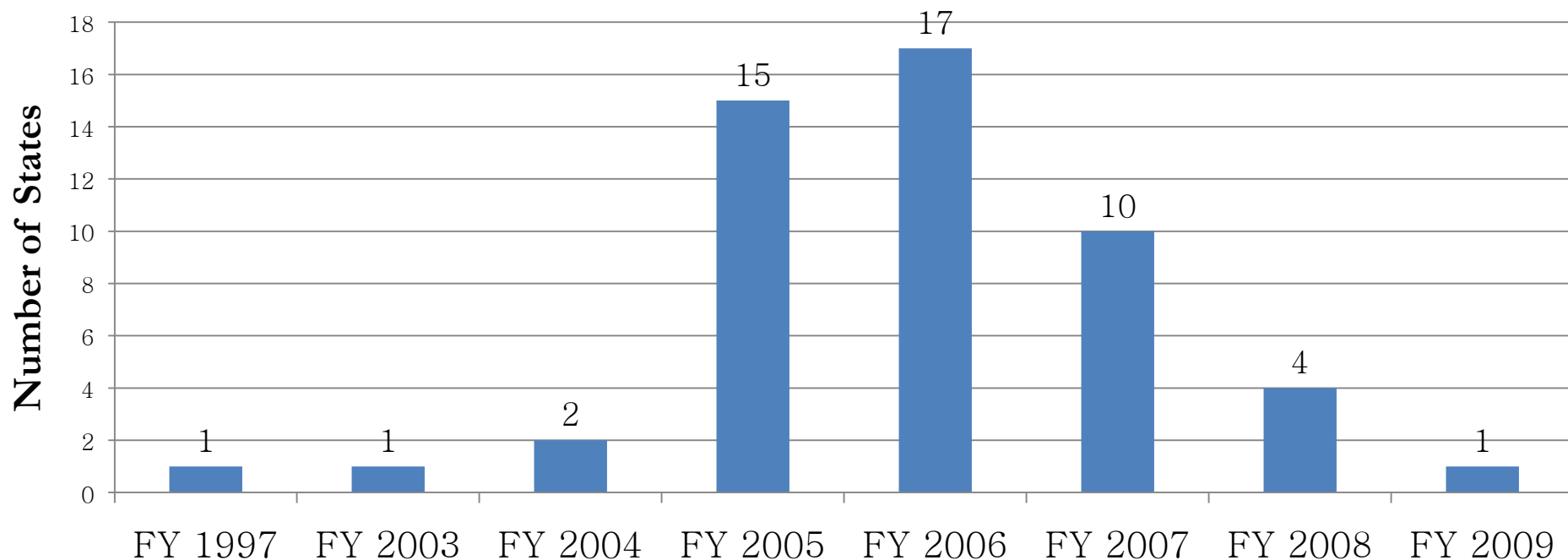
Projected FY 2010 Revenues Compared to FY 2009 Collections





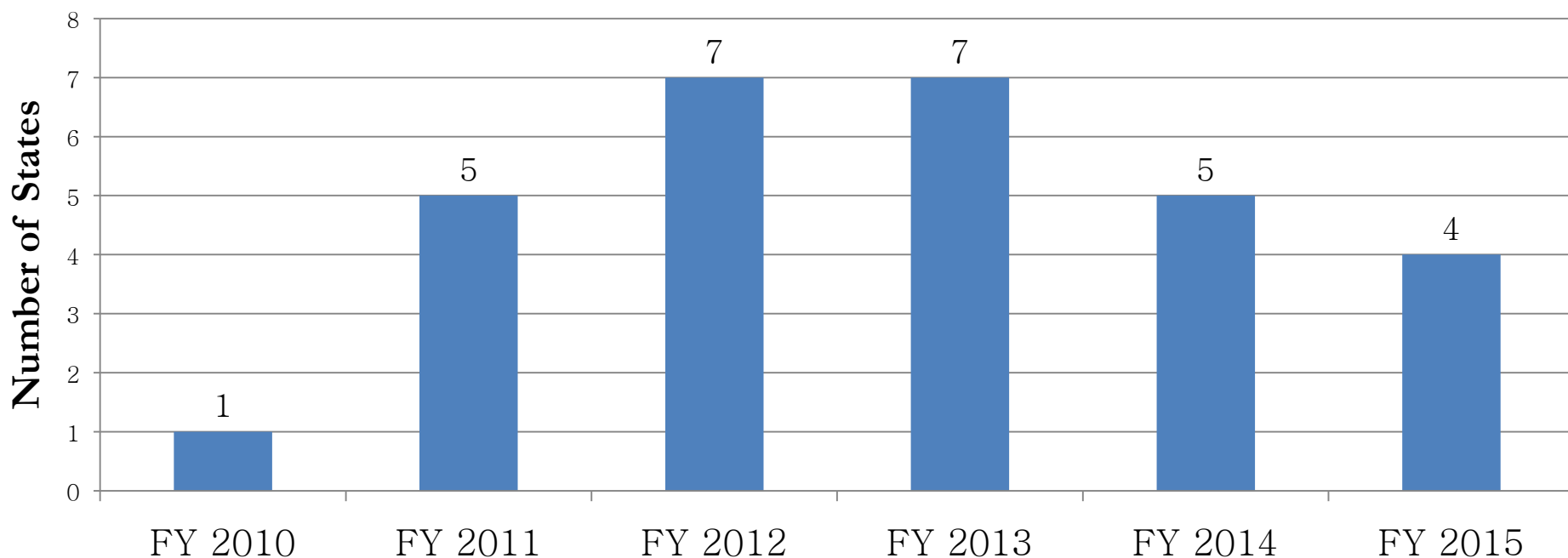
A Longer View of State Revenue Performance

FY 2009 general fund revenues were similar to collections in:





Projected Return to Peak Revenue Collections



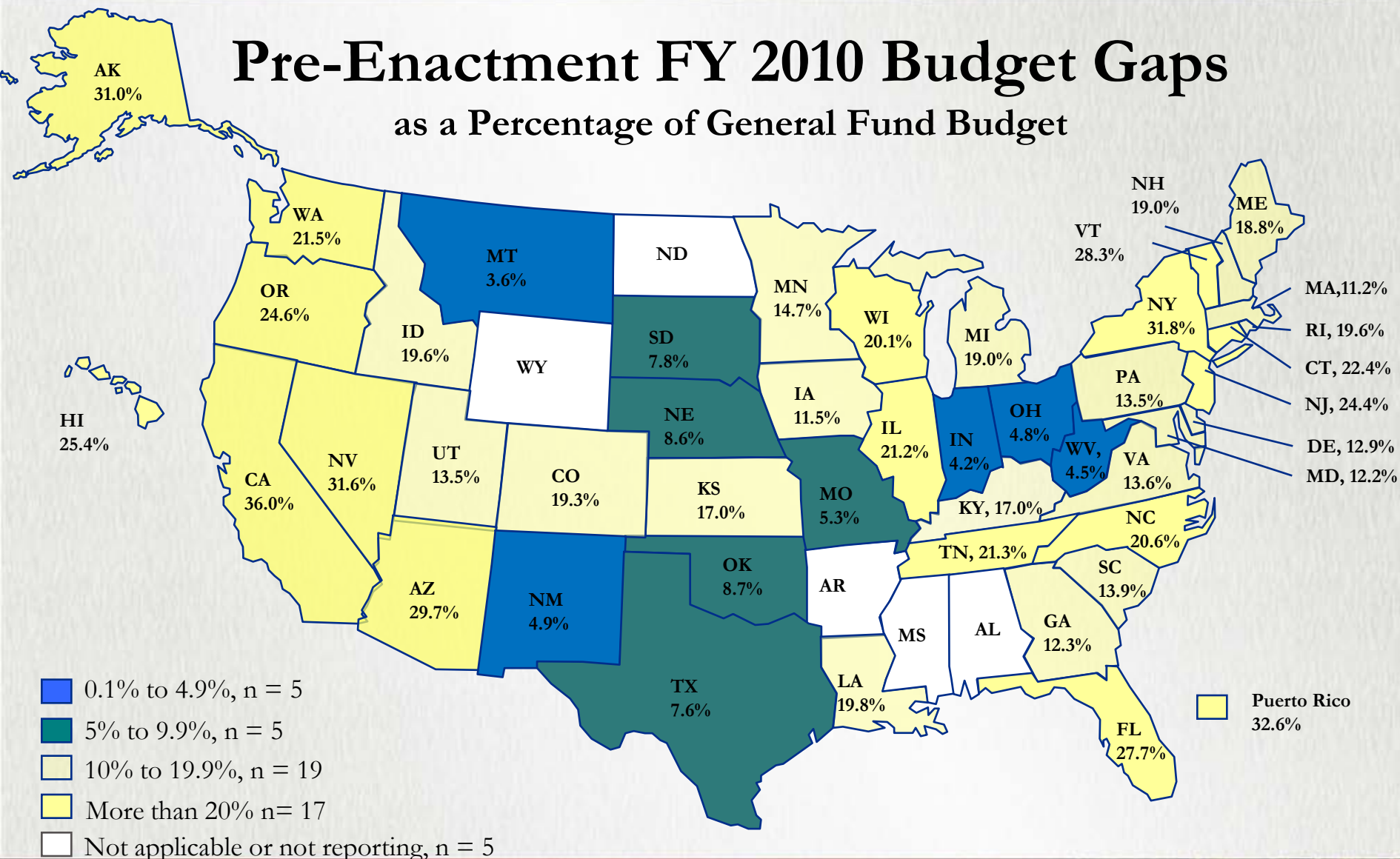
N/A: North Dakota

Not in the current forecast horizon: 21 states

Source: NCSL survey of state legislative fiscal offices, November 2009



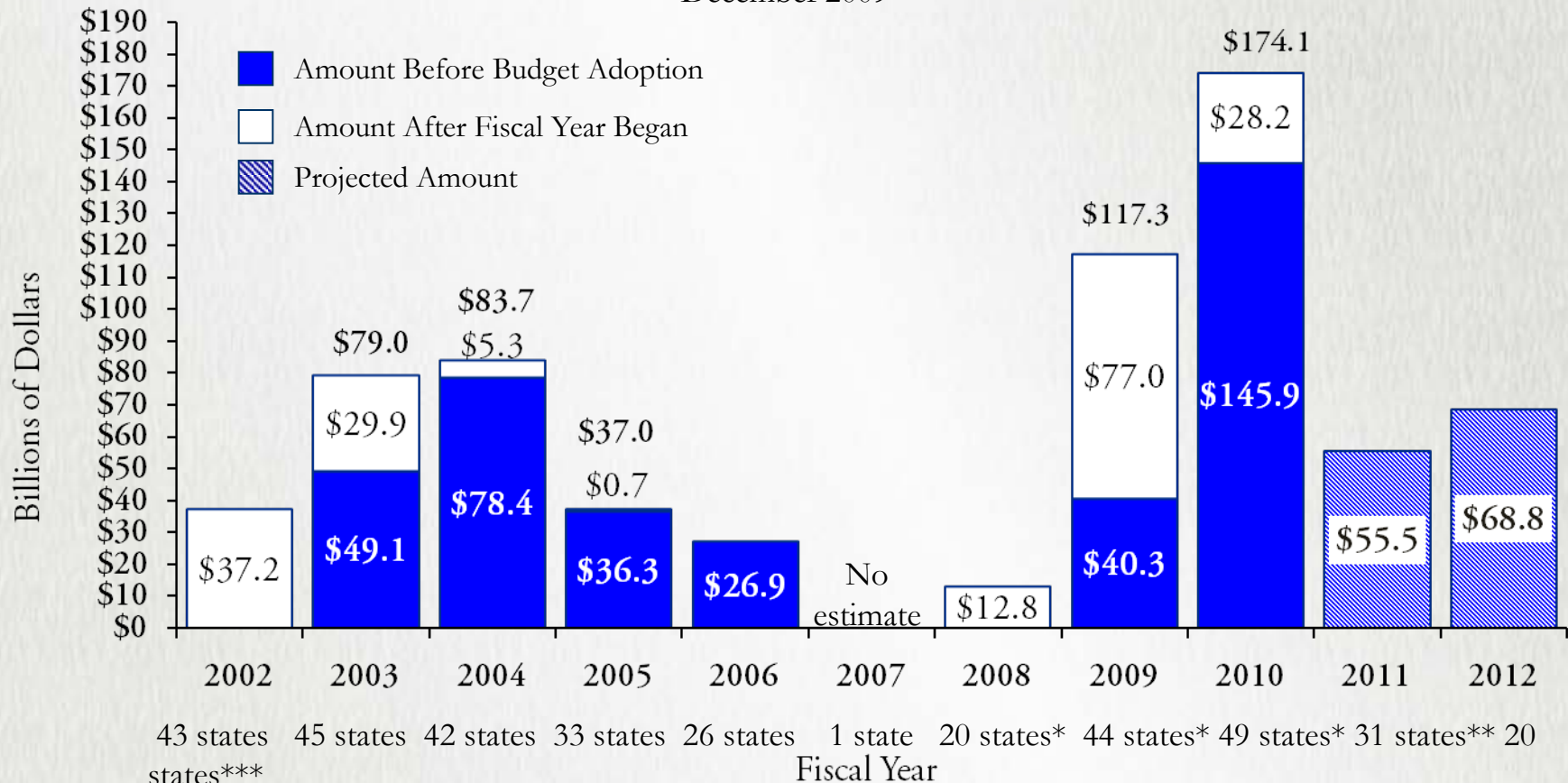
Pre-Enactment FY 2010 Budget Gaps as a Percentage of General Fund Budget





State Budget Gaps FY 2002-FY 2012 (projected)

December 2009



43 states
states***

Fiscal Year

* Includes Puerto Rico

** 35 states and Puerto Rico forecast FY 2011 gaps. The amount shown for FY 2011 indicates the 30 states that provided gap estimates.

*** 24 states forecast FY 2012 gaps. The amount shown for the FY 2012 indicates the 20 states that provided gap estimates.

Source: NCSL survey of legislative fiscal offices, various years



Budget Gap Numbers

Past and Current Recession

Past Recession		Current Recession	
Fiscal Year	Amount (in Billions)	Fiscal Year	Amount (in Billions)
2002	\$37.2	2008	\$12.8
2003	\$79.0	2009	\$117.3
2004	\$83.7	2010	\$174.1*
2005	\$37.0	2011	\$55.5**
2006	\$26.9	2012	\$68.8**
Total	\$263.8	Total	\$428.5*

Past Recession: March 2001 to November 2001 (8 months)

Current Recession: Began December 2007 to Q3 of 2009? (20-21 months)

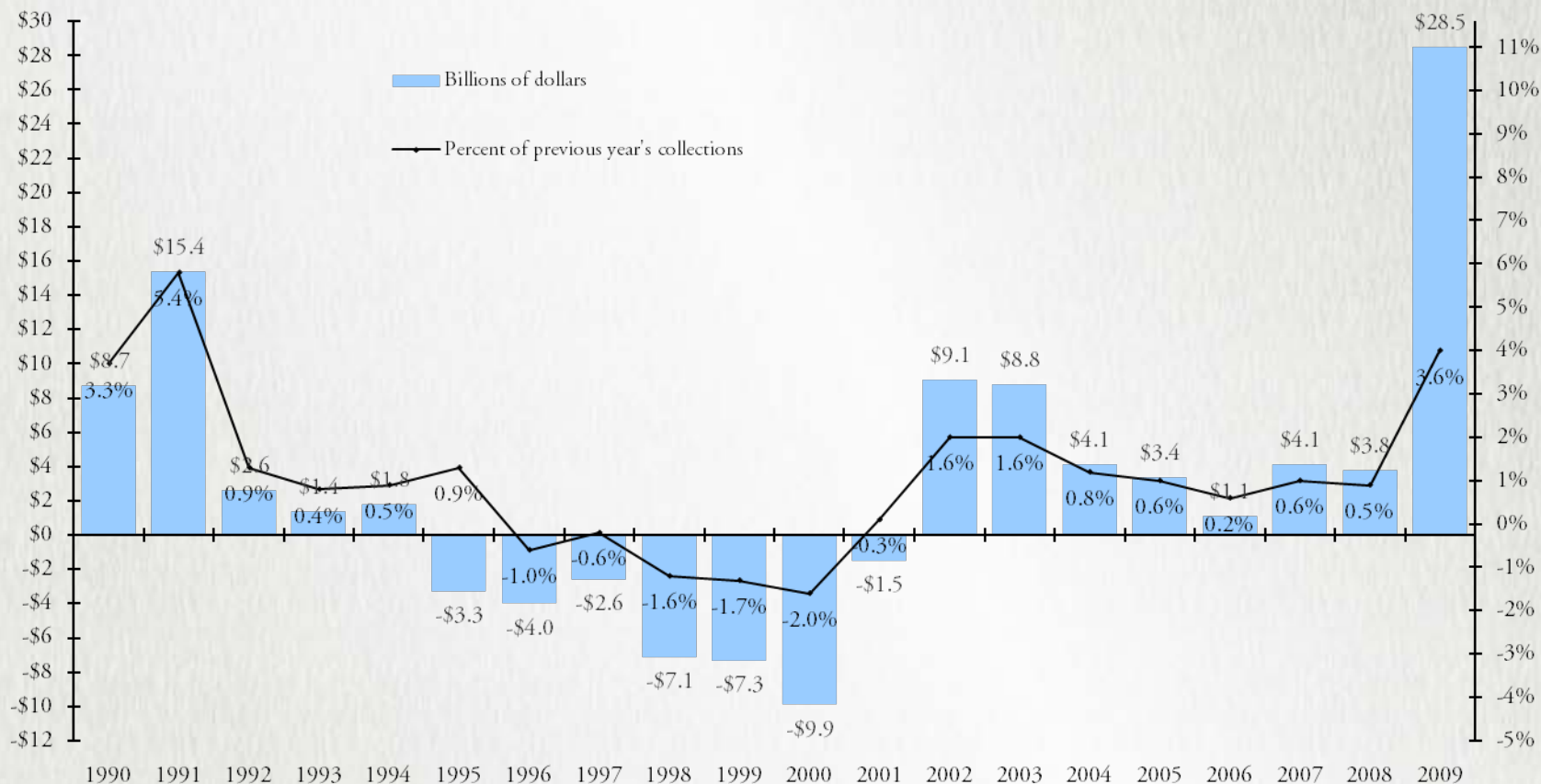
Gray bar denotes end/projected end of recession

*Preliminary figure

** Projected figure

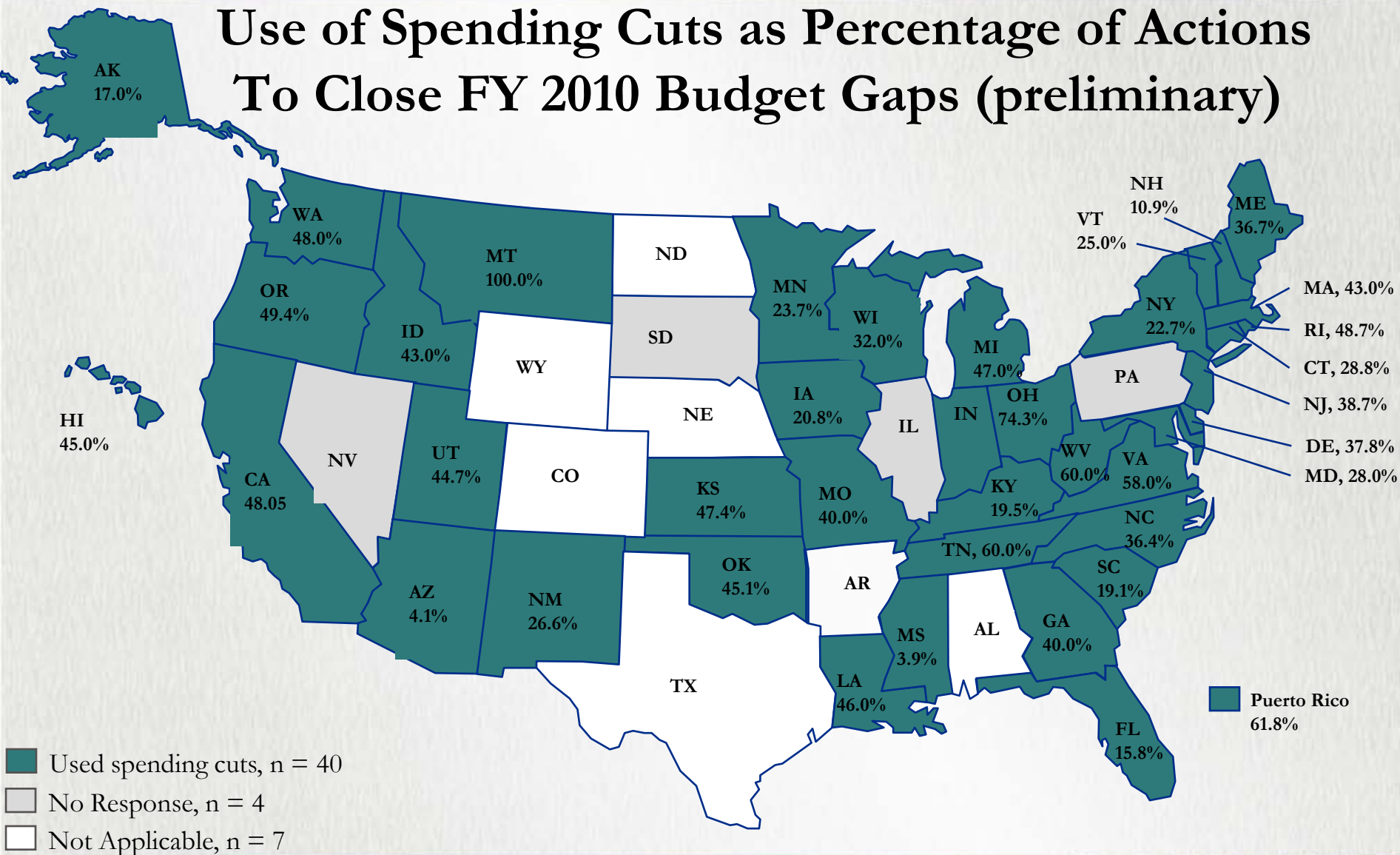


Net State Tax Changes by Year of Enactment





Use of Spending Cuts as Percentage of Actions To Close FY 2010 Budget Gaps (preliminary)





State Measures to Balance FY 2010 & FY 2011 Budgets

Categories of Budget Cuts:

- K-12 Education
- Higher Education
- Local Government
- State Parks
- Criminal Justice/Courts
- Furloughs & Layoffs
- Other State Employee Actions
- Medicaid
- Other Health Care
- Tapped Rainy Day or Other Funds
- Other Actions

FY 2010: <http://www.ncsl.org/?tabid=17255>

FY 2011: <http://www.ncsl.org/?tabid=19650>



Cuts to K-12 Education

FY 2010

- At least half the states either proposed or enacted cuts to K-12 education.
- States largely avoided cuts with direct impacts on general classroom expenditures.

FY 2011

- At least 35 states have either proposed or enacted cuts to K-12 education.
- At least five states, have proposed to maintain K-12 education expenditures at previous year levels.
- On average, these cuts are more severe than the previous year's cuts, and they will affect classroom expenditures more directly.

FY 2010: <http://www.ncsl.org/?tabid=17242>

FY 2011: <http://www.ncsl.org/?tabid=19646>



Cuts to Higher Education

FY 2010

- At least 37 states either proposed or enacted cuts to higher education.
- At least 13 states made cuts post-enactment of the budget.
- In some states, tuition increase caps were either increased or suspended.

FY 2011

- At least 28 states either proposed or enacted cuts to higher education.
- Percentage cuts to higher education tend to be greater than cuts made to the K-12 system.

FY 2010: <http://www.ncsl.org/?tabid=17242>

FY 2011: <http://www.ncsl.org/?tabid=19646>



Cuts to Local Government and Parks

FY 2010

- Local government (11 states): CO, CT, HI, MD, MA, MI, MN, NH, NJ, NY, RI
- State parks (12 states): AZ, CA, CO, GA, ID, LA, MO, NE, NV, NY, PA, UT

FY 2011

- Local government (8 states): AZ, CT, MD, MN, NJ, NY, RI, WY
- State parks (7 states): AZ, ID, MA, NV, NY, WA

FY 2010: <http://www.ncsl.org/?tabid=17198>

FY 2011: <http://www.ncsl.org/?tabid=19644>



Criminal Justice/Court Cuts

FY 2010

- Closed prisons or detention facilities (9 states).
- Modified sentencing laws or parole eligibility (7 states).
- Privatized prison facilities (AZ).
- Eliminated breakfast service in all prisons on weekends (OH).
- Closed state courts one per month to save \$85.4 million (CA).
- Laid off state court employees (FL laid off 10%).

FY 2011

- Proposal to eliminate the Dept. of Juvenile Corrections and shift detention responsibility to counties; 980 layoffs would result with an estimated savings of \$63 million (AZ).
- Proposal to significantly cut prison health care costs (CA).

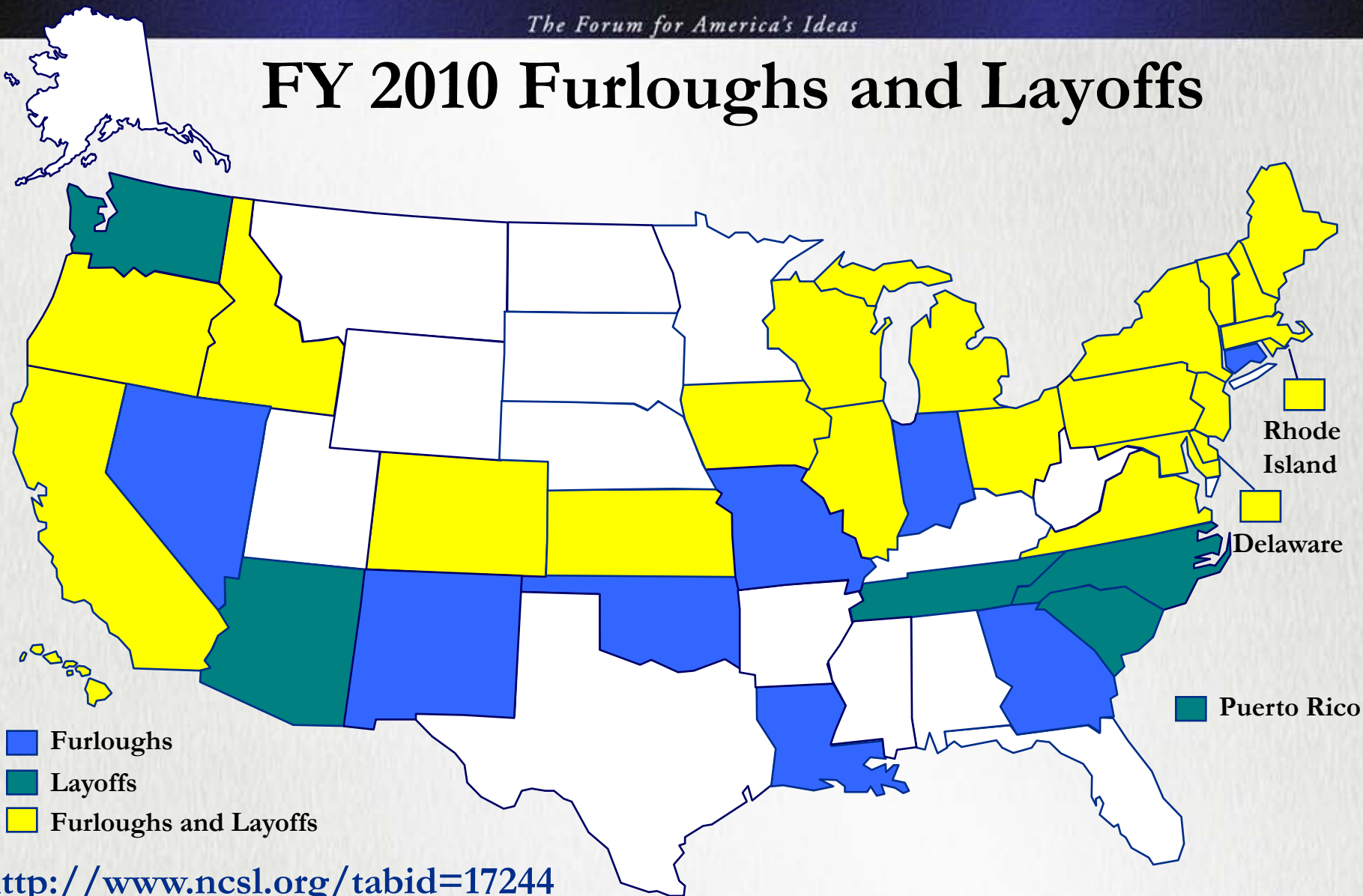
FY 2010: <http://www.ncsl.org/?tabid=17240>

FY 2011: <http://www.ncsl.org/?tabid=19645>





FY 2010 Furloughs and Layoffs





Furloughs and Layoffs

FY 2010

- Laid off over 5,000 workers and instituted a total of 36 furlough days for various state agencies (CA).
- Reduced workforce by 14% (PR).
- Laid off 1,391 workers and implemented 35 furlough days (IA).

FY 2011

- Proposal for two government shutdown days (ME).

FY 2010: <http://www.ncsl.org/tabid=17244>

FY 2011: <http://www.ncsl.org/tabid=19647>



Other Employee Actions

FY 2010

- Changed pension/retirement programs (7 states).
- Modified medical coverage (9 states).

FY 2011

- Proposal to change pension/retirement programs (5 states).
- Proposal to modify medical coverage (6 states).

Arizona and Nevada are considering adopting a 4 day work week after Utah.

FY 2010: <http://www.ncsl.org/?tabid=17243>

FY 2011: <http://www.ncsl.org/?tabid=19648>



FY 2010

Hiring Freezes	Salary Freezes	Early Retirement
ID	CO	CT
NJ	HI	LA
NM	ID	NY
PA	IN	VA
WA	LA	
	MO	
	NV	
	NH	
	NJ	
	NM	
	NY	
	OH	
	PA	
	SD	
	TN	
	VT	
	VA	
	WA	

FY 2011

Hiring Freezes	Salary Freezes	Early Retirement
AR	AR	IN*
NV*	KS*	IA
NM	MD*	UT*
NC	MS*	
UT*	NE*	
	ND	
	WA	

- 8 states have implemented hiring freezes.
- 21 states have implemented salary freezes.
- 5 states have offered early retirement packages.

* Denotes a proposed measure





Medicaid Cuts

FY 2010

- Reduced provider payments (33 states).
- Imposed Medicaid pharmacy controls (31 states).
- Cut Medicaid benefits (15 states).
 - Cuts generally made to optional benefits., especially adult dental care.

FY 2011

- Proposal to cut provider payments (10 states).
- Proposed to cut to Medicaid benefits (6 states).



Other Health Care Cuts

FY 2010

- Cut \$15 million from public health clinics (CO).
- Closed mental health institutions (IA and MD).
- Cut \$190 million from local mental health agency funding (OH).
- Cut \$225 million from the state's basic health insurance plan for the poor; approximately 40,000 people lost coverage (WA).

FY 2011

- Governor has proposed eliminating the state's health insurance program for poor children. Under the plan, 47,000 children would lose health insurance coverage (AZ).
- Proposal to cut \$20 million from health services, mostly mental health (VT).

FY 2010: <http://www.ncsl.org/?tabid=17245>

FY 2011: <http://www.ncsl.org/?tabid=19649>



Tapped Rainy Day or Other Funds

FY 2010

- Tapped rainy day fund (8 states).
- Depleted the entire rainy day fund (CT).
- Made withdrawal from other funds, such as tobacco settlement funds (many states).

FY 2011

- Proposal to tap rainy day funds (7 states).
- Withdrawing from the rainy day fund went to shore up its K-12 and higher education budgets (HI and ID).
- Tapping other funds, such as tobacco settlement funds (11 states).

FY 2010: <http://www.ncsl.org/?tabid=17247>

FY 2011: <http://www.ncsl.org/?tabid=19643>





Other Actions

FY 2010

- Enacted a sale-leaseback provision that will sell certain government buildings including the House and Senate buildings, a state hospital, and the state fairgrounds. The leaseback provision is projected to raise \$735 million (AZ).
- Eliminated the State Consumer Affairs Division, which is projected to save \$2.5 million over two years (NV).

FY 2011

- Proposal to delay transportation projects to save \$28 million (KS).
- Proposal to cut the Environmental Protection Fund by \$79 million, delay implementation of Public Assistance grant increase, and cut \$65 million from homeless programs, supportive housing, and other TANF programs (NY).

FY 2010: <http://www.ncsl.org/?tabid=17246>

FY 2011: <http://www.ncsl.org/?tabid=19651>



State Legislative Commissions/Committees on Government Efficiency

Georgia - Senate Budget Task Force

Iowa

- Brand new, SF 2088

Kansas - Government Efficiency & Fiscal Oversight Committee

Michigan - Legislative Commission on Government Efficiency

New Jersey

- Joint Legislative Committee on Consolidation and Shared Services
- The Local Unit Alignment, Reorganization and Consolidation Commission

South Carolina - Joint Committee on Government Accountability and Oversight

Texas - House Select Committee on Government Efficiency and Accountability

Utah - Advisory Commission to Optimize State Government (Executive)

Vermont - Joint Legislative Government Accountability Committee





Conclusion

- The state fiscal situation range from "grim" and "dire" to "guarded" and "cautious."
- The states are facing a "cliff" once ARRA funding ends.
- State budget recovery remains several years away.



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For more information

