

# THE FISCAL SURVEY OF STATES

FALL 2012

AN UPDATE OF STATE FISCAL CONDITIONS

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

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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 raised from state own source taxes and fees, such as state income and sales taxes. These general 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 August through October 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 preliminary actual, and fiscal 2013 data reflect state enacted 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 finances in fiscal 2013 are modestly recovering in step with the slowly improving national economy, but progress is uneven across states. Enacted fiscal 2013 budgets reflect continued fiscal stability for most states, but the lingering effects of the recession are still hampering state budgets. Although general fund spending levels are expected to increase by 2.2 percent this fiscal year, this is less than half their historical average growth rate. However, signs of budget volatility have subsided compared to the years immediately following the recession when states had to make substantial cuts and take other actions to balance their budgets such as the use of rainy day funds. Most fiscal 2013 budgets are growing compared to fiscal 2012, and while the economy is indeed improving, states are still faced with recession induced challenges and looming long-term issues that will continue to have implications for operating budgets.

Fiscal 2013 will likely be a turning point for state tax collections with general fund revenues projected to surpass pre-recession levels for the first time since the onset of the recession. Enacted fiscal 2013 budgets estimate that revenues will increase by 3.9 percent from fiscal 2012. The improvement remains uneven with 21 states still forecasting lower general fund revenues in fiscal 2013 compared to fiscal 2008. After falling precipitously during the recession, personal income tax collections are projected to gain again in fiscal 2013 and are likely to account for the majority of growth in aggregate general fund revenues. The growth rate in personal income tax collections is more than three times the increase in sales tax collections over the last three years, suggesting that consumer purchasing remains weak as households continue to decrease debt incurred during the housing and credit bubble. Slower growth in sales tax collections may also be attributable to an increase in online retail sales, which continue to outpace retail sales as a whole and in many instances don't produce sales tax revenue for states.

Even with revenue growth, state budgets are still facing pressure, with 24 states enacting lower spending levels in fiscal 2013 than in fiscal 2008. In nominal terms, aggregate general fund expenditure levels are also still below the pre-recession peak of \$687.3 billion. Aggregate spending levels would need

to be at \$735 billion<sup>1</sup>, or 7.9 percent higher to remain equivalent with real 2008 spending levels. Trends are however moving in a positive direction, with 42 states enacting higher general fund spending in fiscal 2013 compared to fiscal 2012. States are also making progress in rebuilding budget reserves with balances projected to reach 9.0 percent of general fund expenditures.

Most of the additional federal support used to stabilize state budgets through the American Recovery and Reinvestment Act of 2009 (ARRA) has expired. Similar to fiscal 2012, states enacted fiscal 2013 budgets without enhanced Medicaid matching rates or substantial support from ARRA's State Fiscal Stabilization Fund. The drawdown in flexible ARRA funds has brought challenges for operating budgets, but revenue collections have improved, and other actions such as successful cost controls have helped states acclimate to the expiration of ARRA funds. Of greater concern to states now is the significant uncertainty surrounding federal tax and spending decisions, which could negatively impact the economy and federal funding for states. If Congress fails to act by the end of the calendar year, federal funds flowing to states would decline under the process of automatic across-the-board spending cuts known as sequester.<sup>2</sup> But even if a sequester is avoided, the likely policies required to address the nation's long-term fiscal debt problems may also reduce the level of federal funds for states.<sup>3</sup>

The fiscal fallout from unprecedented revenue declines in fiscal 2009 and 2010 puts states well below historical growth trends in general fund spending and revenue. Many states are still challenged with slow revenue growth and unrelenting expenditure pressures tied to high unemployment. However, enacted fiscal 2013 budgets show that states are in a position to increase spending for some program areas significantly cut-back during the recession including health care and K-12 education. With the Supreme Court decision making the Affordable Care Act's (ACA) Medicaid expansion voluntary, states are beginning to have a better understanding of how the ACA may impact future spending, but a heightened level of budgetary uncertainty remains.

<sup>1</sup> The Bureau of Labor Statistics CPI Inflation Calculator, November 2012.

<sup>2</sup> The sequester was a component of the Budget Control Act of 2011, and the mechanism was designed to ensure that increases in the federal debt were also accompanied by automatic spending cuts.

<sup>3</sup> The policies that will provide a resolution to the nation's long-term fiscal debt problems are unknown at this time, but states recognize the importance of making their own long-term (5 years or more) budget projections to prepare for potential future reductions in federal funds and other uncertainties. Although comprehensive data on states' projections is not currently available, NASBO and NGA are working with states to collect information regarding long-term budget projections.

Aggregate general fund spending levels indicate stable growth in fiscal 2013. General fund appropriations total \$681.3 billion, a 2.2 percent increase over the \$666.9 billion spent in fiscal 2012. The general fund growth rate is slower than the previous year when there was a 3.4 percent increase in fiscal 2012 over the \$645.2 billion in state general fund spending in fiscal 2011.

Aggregate general fund revenues are expected to surpass peak pre-recession levels for the first time since the onset of the recession. Enacted fiscal 2013 budgets project general fund tax revenues to reach \$692.8 billion, \$26.1 billion or 3.9 percent above the \$666.7 billion collected in fiscal 2012. States ended fiscal 2012 with total general fund revenues up \$16.6 billion or 2.5 percent over fiscal 2011.

In many states, revenue growth has not been sufficient enough to meet the rise in demand for state services and mandated spending. However, fiscal 2013 budget gaps are expected to be smaller than in years prior. Seventeen states have closed \$37 billion in budget gaps thus far in fiscal 2013. During this same time period in fiscal 2012 and 2011, 28 states solved \$71.7 billion and 33 states solved \$72.4 billion in budget gaps respectively. Although not all state budget offices have completed official forecasts, the number of states expecting fiscal 2014 budget gaps has fallen from eleven to eight.

Enacted program area budget adjustments help identify changing spending patterns across states. Thirty-six states increased spending for K-12 education, resulting in a net spending increase of \$4.9 billion in fiscal 2013. Thirty-two states enacted general fund spending increases for Medicaid, and aggregate spending levels are expected to increase by \$4.1 billion excluding Texas. Supplemental Medicaid appropriations in Texas are projected to reach \$4.7 billion, but the additional appropriations are still pending legislative approval. Other major program areas including higher education, public assistance and corrections experienced enacted cuts.

States enacted \$6.9 billion in new net taxes and fees for fiscal 2013. Personal income tax increases in California and New York, along with temporary sales tax increases in California and Arizona account for the majority of new tax revenues. States also enacted \$2.5 billion in new revenue measures in fiscal 2013. In fiscal 2012, states enacted a \$600 million decrease in

new taxes, largely attributable to the expiration of temporary tax and fee increases in California and North Carolina.

States may also rely on balances, including budget stabilization funds or “rainy day funds,” to help offset future revenue sluggishness or additional spending demands. Balances reflect the surplus funds that states can use to respond to unforeseen circumstances. States have made progress rebuilding budget reserves after the recession, and fiscal 2013 enacted budgets show balances rising to \$61.3 billion or 9.0 percent of general fund expenditures. Due to the recession, total balance levels fell to \$32.5 billion or 5.2 percent of expenditures by the end of fiscal 2010, but by fiscal 2012, balances rose to \$50.9 billion or 7.6 percent of expenditures. However, the balance levels of Texas and Alaska made up 45.3 percent of total state balance levels in fiscal 2012 and are projected to comprise 48.5 percent of the total in fiscal 2013. Balance levels for the remaining 48 states equaled 4.5 percent of general fund expenditures for fiscal 2012 and are expected to reach 5.0 percent in fiscal 2013.

State budgets in fiscal 2013 reflect the expiration of ARRA funds. Fiscal 2013 enacted budgets show states with only \$400 million remaining in flexible emergency funds. In fiscal 2011, states used \$50 billion in flexible ARRA funds, but by fiscal 2012 that amount fell to \$5.5 billion. The decline in flexible ARRA funds was mostly due to the expiration of enhanced federal matching rates to states’ Medicaid programs and the expiration of additional education funds from the State Fiscal Stabilization Fund. Despite previous concerns over the post-ARRA budget environment, states have been able to adjust spending plans to account for declining federal support.

Budgetary concerns related to the decline in ARRA funds are now being supplanted by uncertainty surrounding federal deficit reduction and how this will impact state tax revenues and federal funds for states. However, enacted fiscal 2013 budgets portray continued fiscal stability for states, a welcome advancement compared to the years immediately following the recession. As the economy gains traction, state tax collections are projected to provide some room for budgets to grow, and the fiscal conditions display positive trends for states. Although, full recovery remains elusive in many places across the country.

## State Spending

Findings of this edition of the Fiscal Survey of States include the following:

- Twenty-four states enacted fiscal 2013 budgets with lower nominal general fund expenditures in fiscal 2013 than in fiscal 2008, the last year before the recession. In addition, aggregate general fund expenditures will not surpass the pre-recession high of \$687.3 billion spent in fiscal 2008.
- Forty-two states enacted fiscal 2013 budgets with greater general fund spending than in fiscal 2012.
- Based on enacted budgets, aggregate general fund expenditures are expected to reach \$681.3 billion in fiscal 2013. This is an increase of \$14.5 billion or 2.2 percent from \$666.9 billion spent in fiscal 2012.
- The 2.2 percent general fund budget growth in fiscal 2013 has slowed from the 3.4 percent increase in fiscal 2012. State budgets have increased by \$36.2 billion or 5.6 percent from fiscal 2011 to fiscal 2013.
- Thirty-six states enacted general fund spending increases for K-12 education, 32 states enacted general fund spending increases for Medicaid, 28 enacted spending increases for corrections and 25 states enacted increases for higher education.

## State Revenue Actions

- Aggregate general fund revenue is projected to reach \$692.8 billion, a 3.9 percent increase over fiscal 2012. Aggregate fiscal 2013 general fund revenues are expected to surpass pre-recession highs for the first time since the onset of the recession. However, in real, inflation-adjusted terms, revenues remain 7.9 percent below fiscal 2008 levels.
- Forty-three states enacted budgets with greater general fund revenues in fiscal 2013 than in fiscal 2012.
- Enacted fiscal 2013 budgets include \$6.9 billion net new additional taxes and fees and \$2.5 billion in

new revenue measures. Eleven states enacted net tax and fee increases while 20 enacted net decreases. Personal income tax increases in California and New York, along with temporary sales tax increases in California and Arizona account for the majority of new tax revenues.

- Fiscal 2012 general fund revenues from all sources, including sales, personal income, corporate income and all other taxes and fees, exceeded original forecasts in 34 states, were on target in five states and below forecasts in 10 states. Nineteen states reported that current revenue collections are on target with enacted budget forecasts, 16 states are above fiscal 2013 projections, and nine states reported that revenues are below target.
- State general fund revenues are projected to increase by \$26.1 billion in fiscal 2013. The majority of the fiscal 2013 revenue gains are attributable to a \$15.3 billion increase in personal income tax collections and a \$5.8 billion increase in sales tax collections.
- Twenty-one states enacted budgets with lower nominal general fund revenues in fiscal 2013 than in fiscal 2008, the last year before the recession.

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.

- Fiscal 2013 enacted budgets indicate that states are continuing efforts to rebuild budget reserves that were depleted during the recession. Balance levels are projected to reach \$61.3 billion or 9.0 percent of general fund expenditures. However, rising bal-

ances in Texas will account for the majority of the total increase in fiscal 2013. States ended fiscal 2012 with balance levels at \$50.9 billion or 7.6 percent of expenditures.

- The number of states with balance levels equal to five percent of expenditures or more has risen in fiscal 2013 and fiscal 2012.
- States made progress rebuilding budgetary reserves in fiscal 2012 and are expected to do so in fiscal 2013; however, Alaska and Texas, two states with

the largest reserves, still account for 48.5 percent of states' total balances in fiscal 2013. The average of total balances from the remaining 48 states is projected to reach 5.0 percent of expenditures by the end of fiscal 2013, a significantly lower average compared to that of all 50 states.

This edition of *The Fiscal Survey of States* reflects actual fiscal 2011, preliminary actual fiscal 2012, and appropriated fiscal 2013 figures. The data were collected in the fall of 2012.



# STATE EXPENDITURE DEVELOPMENTS

## CHAPTER ONE

### Overview

State budgets are expected to continue their trend of slow improvement, making fiscal 2013 the third consecutive year of general fund spending growth. In contrast to the pre-recession's rapid expansion and fiscal fallout years immediately following the Great Recession, state budgets have stabilized. Fiscal 2013 spending patterns show aggregate increases but the budget growth is anemic compared to prior periods of economic recovery and long range historical averages. In many states, budgets are not keeping pace with the rate of inflation, which means real purchasing power for these states is declining. The national economic recovery is reducing some state expenditure pressures, but GDP growth is modest and the unemployment rate remains elevated, and additional spending efforts are not likely to fully offset past budget cuts and the expiring Recovery Act funds. Governors' ability to implement new program spending initiatives will be mitigated by constrained revenue growth, uncertainty surrounding the federal budget, and the persistent growth in Medicaid spending.

### 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 2012 spending from all sources (general funds, federal funds, other state funds and bonds) is approximately \$1.7 trillion with the general fund representing 39.8 percent of the total and federal funds representing 31.2 percent. However, as recently as fiscal 2008, general fund spending accounted for 45.9 percent of total state spending and federal funds accounted for 26.3 percent. This decrease in the general fund's impact on total state spending is evidence of the gap that ARRA funds have helped to fill. The components of total state spending for estimated fiscal 2012 are: Medicaid, 23.9 percent; elementary and secondary education, 19.8 percent; higher education, 9.9 percent; transportation, 8.1 percent; cor-

rections, 3.2 percent; public assistance, 1.4 percent; and all other expenditures, 33.7 percent.

For estimated fiscal 2012, components of general fund spending are elementary and secondary education, 34.7 percent; Medicaid, 19.6 percent; higher education, 10.0 percent; corrections, 7.0 percent; public assistance, 1.5 percent; transportation, 0.5 percent; and all other expenditures, 26.6 percent.

### State General Fund Spending

State general fund spending is forecast to be \$681.3 billion in fiscal 2013 according to enacted budgets. This represents a 2.2 percent increase from the \$666.9 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 fiscal 2010, in which spending decreased by 3.8 percent and 5.7 percent respectively. Even with a 2.2 percent increase in fiscal 2013, nominal state general fund expenditures will still be \$5.5 billion, 0.8 percent, below the \$687.3 billion spent in fiscal 2008. Aggregate spending levels would need to be even higher to keep up with inflation. Fiscal 2013 general fund spending would need to be at \$735 billion, or 7.9 percent higher than the \$681.6 billion currently enacted to be equivalent with 2008 spending levels in real terms.

Forty-two states enacted fiscal 2013 budgets with greater general fund spending than in fiscal 2012. However, there are still 24 states that enacted a 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, five states had general fund expenditures below fiscal 2011 levels, while 20 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 3.4 percent, building on fiscal 2011, which was the largest increase in state spending since fiscal 2008. (See [Table 2 and Table 6](#))

**TABLE 1****State Nominal and Real Annual Budget Increases,  
Fiscal 1979 to Fiscal 2013**

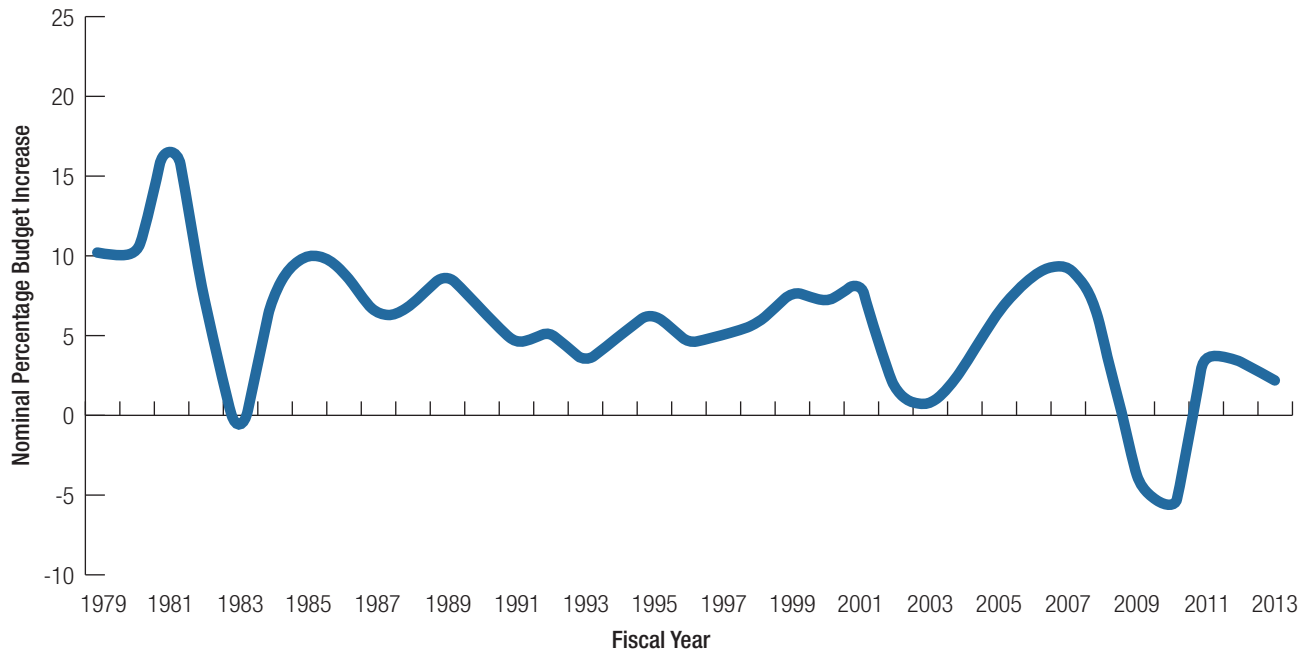
Fiscal Year	State General Fund	
	Nominal Increase	Real Increase
2013	2.2%	
2012	3.4	1.6%
2011	3.5	-0.6
2010	-5.7	-8.0
2009	-3.8	-2.6
2008	4.9	-1.8
2007	9.4	4.1
2006	8.7	2.7
2005	6.5	0.2
2004	3.0	-0.4
2003	0.6	-3.7
2002	1.3	-0.3
2001	8.3	4.7
2000	7.2	2.9
1999	7.7	4.2
1998	5.7	4.3
1997	5.0	3.0
1996	4.5	2.7
1995	6.3	3.2
1994	5.0	2.7
1993	3.3	0.7
1992	5.1	2.8
1991	4.5	1.0
1990	6.4	2.2
1989	8.7	5.3
1988	7.0	3.7
1987	6.3	2.0
1986	8.9	6.2
1985	10.2	6.4
1984	8.0	3.5
1983	-0.7	-5.4
1982	6.4	0.2
1981	16.3	5.5
1980	10.0	-1.6
1979	10.1	2.3
<b>1979-2013 average</b>	<b>5.6%</b>	<b>1.6%</b>

Notes: \*The state and local government implicit price deflator cited by the Bureau of Economic Analysis in October 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 preliminary actuals. Fiscal 2013 figures are based on the change from fiscal 2012 preliminary actuals to fiscal 2013 enacted.



**FIGURE 1:**

**Annual Percentage Budget Increases, Fiscal 1979 to Fiscal 2013**



**TABLE 2**

**State General Fund Expenditure Growth,  
Fiscal 2012 and 2013**

Spending Growth	Number of States	
	Fiscal 2012 (Preliminary Actual)	Fiscal 2013 (Appropriated)
Negative growth	5	8
0.0% to 4.9%	20	27
5.0% to 9.9%	17	15
10% or more	8	0

*NOTE: Average spending growth for fiscal 2012 (preliminary actual) is 3.4 percent; average spending growth for fiscal 2013 (enacted) 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	158	7,381	6,936	0	446	157
Connecticut**	0	17,707	450	18,157	17,920	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	0
Idaho**	0	2,445	74	2,519	2,450	0	69	0
Illinois* **	130	28,306	8,583	37,019	29,175	7,375	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	57	290	0
Louisiana**	-108	7,770	106	7,768	7,782	0	-14	647
Maine**	7	2,896	86	2,990	2,873	98	19	0
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	4,574	0	4,579	4,528	0	50	191
Missouri**	185	7,110	716	8,011	7,631	0	379	247
Montana**	311	1,783	-1	2,092	1,747	3	342	0
Nebraska**	297	3,494	33	3,824	3,322	0	502	313
Nevada	314	3,409	0	3,722	3,398	0	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	0	19,394	18,503	308	582	296
North Dakota**	313	1,532	865	2,710	1,651	62	997	386
Ohio	510	26,371	1,392	28,274	26,248	1,595	431	0
Oklahoma**	42	5,750	-33	5,759	5,417	249	93	249
Oregon**	-390	6,504	0	6,115	6,043	0	72	16
Pennsylvania**	-294	26,347	3,160	29,213	28,321	-182	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	4,710	14	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	0
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
<b>Total</b>	<b>\$8,246</b>	<b>\$650,147</b>		<b>\$678,414</b>	<b>\$645,174</b>		<b>\$21,680</b>	<b>\$24,651</b>

NOTES: \*In these states, the ending balance includes the balance in the budget stabilization fund. \*\*See Notes to Table 3 on page 28.



TABLE 4

## Fiscal 2012 State General Fund, Preliminary Actual (Millions)

Region/State	Beginning Balance	Revenues	Adjustments	Resources	Expenditures	Adjustments	Ending Balance	Rainy Day Fund Balance
Alabama**	\$51	\$7,098	\$296	\$7,445	\$7,598	-\$188	\$35	\$0
Alaska**	0	9,870	47	9,917	7,013	2,086	818	14,783
Arizona**	3	7,803	1,011	8,817	8,421	0	396	250
Arkansas	0	4,606	0	4,606	4,606	0	0	0
California* **	-3,079	86,830	194	83,944	87,027	-201	-2,882	-3,601
Colorado* **	157	7,737	138	8,032	7,168	0	864	281
Connecticut**	0	18,562	0	18,562	18,705	0	-144	93
Delaware*	798	3,359	0	4,157	3,592	0	565	186
Florida	746	24,003	0	24,749	23,749	0	1,000	494
Georgia* **	1,131	17,262	166	18,559	17,428	0	1,131	328
Hawaii	126	5,661	0	5,787	5,511	0	275	0
Idaho**	69	2,589	-14	2,644	2,545	0	100	24
Illinois**	469	31,860	1,763	34,092	29,272	4,780	40	276
Indiana**	1,124	14,331	-74	15,382	13,590	-11	1,803	352
Iowa**	0	6,311	381	6,693	6,004	0	688	596
Kansas	188	6,404	0	6,593	6,126	0	466	0
Kentucky**	290	9,193	200	9,683	9,435	157	90	122
Louisiana* **	-14	7,862	553	8,401	8,249	0	152	442
Maine**	24	2,995	171	3,191	3,130	18	42	45
Maryland**	990	14,258	239	15,487	14,935	0	551	672
Massachusetts* **	1,901	32,547	0	34,447	32,458	0	1,990	1,652
Michigan**	554	8,144	413	9,111	8,383	0	728	365
Minnesota* **	1,289	16,611	0	17,900	16,802	0	1,098	658
Mississippi	51	4,762	0	4,812	4,803	0	9	100
Missouri**	379	7,341	423	8,143	7,938	0	205	248
Montana**	342	1,871	9	2,222	1,775	-6	453	0
Nebraska**	502	3,691	-249	3,944	3,446	0	499	429
Nevada**	324	3,033	0	3,357	3,114	38	205	38
New Hampshire* **	27	1,377	0	1,404	1,241	140	23	9
New Jersey**	870	29,106	584	30,560	29,991	0	569	0
New Mexico* **	501	5,880	11	6,392	5,687	0	705	705
New York* **	1,376	56,900	0	58,276	56,489	0	1,787	1,306
North Carolina	582	19,534	0	20,116	19,576	146	394	419
North Dakota**	997	2,225	295	3,517	2,223	0	1,294	386
Ohio	844	26,603	582	28,030	26,395	1,264	371	246
Oklahoma**	93	6,174	-35	6,232	5,797	328	107	578
Oregon	72	6,896	-69	6,899	6,897	0	2	85
Pennsylvania**	1,073	26,403	214	27,690	27,186	-155	659	0
Rhode Island**	69	3,270	-93	3,246	3,117	13	116	153
South Carolina* **	712	5,858	11	6,581	5,517	108	956	956
South Dakota**	0	1,236	47	1,282	1,207	28	48	135
Tennessee**	595	11,232	142	11,969	11,458	84	427	306
Texas**	1,136	41,152	2,198	44,486	43,911	0	574	6,899
Utah**	60	4,758	41	4,859	4,830	29	0	233
Vermont**	0	1,244	6	1,250	1,250	0	0	58
Virginia	841	16,185	0	17,027	16,351	0	675	0
Washington**	-92	14,887	116	14,910	15,325	0	-415	130
West Virginia**	793	4,103	5	4,902	4,140	151	611	851
Wisconsin**	86	13,515	195	13,795	13,868	-415	342	0
Wyoming	0	1,580	0	1,580	1,580	0	0	752
TERRITORIES								
Puerto Rico**	0	8,660	610	9,270	9,260	0	10	0
<b>Total</b>	<b>\$19,049</b>	<b>\$666,708</b>		<b>\$695,675</b>	<b>\$666,856</b>		<b>\$20,424</b>	<b>\$33,038</b>

NOTES: \*In these states, the ending balance includes the balance in the budget stabilization fund. \*\*See Notes to Table 4 on page 30.

**TABLE 5**  
**Fiscal 2013 State General Fund, Appropriated (Millions)**

Region/State	Beginning Balance	Revenues	Adjustments	Resources	Expenditures	Adjustments	Ending Balance	Rainy Day Fund Balance
Alabama* **	\$35	\$7,073	\$146	\$7,255	\$7,108	\$0	\$147	\$115
Alaska**	0	8,440	0	8,440	7,583	304	553	16,518
Arizona**	396	7,881	819	9,096	8,573	0	523	450
Arkansas	0	4,728	0	4,728	4,728	0	0	0
California*	-2,882	95,887	0	93,005	91,338	0	1,667	948
Colorado* **	804	7,956	-3	8,758	7,743	0	1,015	298
Connecticut	0	19,143	0	19,143	19,140	0	3	93
Delaware* **	565	3,690	0	4,254	3,751	0	504	199
Florida	1,000	25,492	0	26,492	24,914	0	1,578	709
Georgia*	1,131	18,161	0	19,292	18,161	0	1,131	328
Hawaii	275	5,782	0	6,058	5,709	0	348	0
Idaho**	85	2,634	-12	2,707	2,702	0	5	35
Illinois**	40	32,436	1,962	34,438	28,355	6,043	40	276
Indiana**	1,803	14,663	0	16,466	14,087	727	1,652	355
Iowa**	0	6,483	559	7,041	6,221	41	779	622
Kansas	466	6,174	0	6,641	6,171	0	470	0
Kentucky**	44	9,400	254	9,698	9,500	146	52	122
Louisiana**	0	8,103	155	8,258	8,253	0	5	442
Maine**	42	3,056	21	3,120	3,003	117	0	45
Maryland**	551	14,458	15	15,024	14,593	0	431	713
Massachusetts* **	1,990	33,781	0	35,771	34,371	0	1,400	1,392
Michigan**	728	8,325	-79	8,974	8,974	0	0	505
Minnesota* **	1,098	17,257	0	18,355	17,359	0	997	612
Mississippi**	9	4,840	-96	4,752	4,752	0	0	0
Missouri**	205	7,626	237	8,068	7,968	0	100	251
Montana	453	1,853	0	2,306	1,910	0	397	0
Nebraska**	499	3,767	-143	4,123	3,632	274	217	384
Nevada	205	3,176	0	3,381	3,176	0	206	38
New Hampshire* **	23	1,415	-11	1,427	1,259	131	37	10
New Jersey**	569	31,393	-4	31,958	31,309	0	648	0
New Mexico*	705	5,749	0	6,454	5,721	0	733	733
New York* **	1,787	58,900	0	60,687	58,868	0	1,819	1,306
North Carolina**	394	20,004	0	20,398	20,184	0	213	419
North Dakota**	1,294	2,026	305	3,625	2,120	0	1,505	386
Ohio**	973	28,595	188	29,756	28,574	630	552	482
Oklahoma**	107	6,284	0	6,391	5,987	0	403	0
Oregon**	2	7,018	0	7,020	6,827	0	193	85
Pennsylvania**	659	27,290	0	27,949	27,656	73	220	73
Rhode Island**	94	3,321	-103	3,312	3,296	0	16	171
South Carolina* **	956	6,128	0	7,084	5,974	549	561	561
South Dakota**	0	1,234	77	1,310	1,246	48	16	151
Tennessee**	427	11,542	15	11,983	11,686	287	10	356
Texas**	574	41,587	-452	41,709	37,139	0	4,570	8,084
Utah**	0	4,973	145	5,118	5,093	25	0	244
Vermont**	0	1,300	5	1,305	1,305	0	0	63
Virginia	675	16,714	0	17,389	17,341	0	49	0
Washington**	-415	15,582	235	15,402	15,351	0	51	267
West Virginia**	611	4,150	0	4,761	4,247	28	485	900
Wisconsin**	342	13,675	540	14,558	14,766	-548	339	0
Wyoming	0	1,621	0	1,621	1,621	0	0	765
TERRITORIES								
Puerto Rico**	0	8,750	333	9,083	9,083	0	0	0
<b>Total</b>	<b>\$19,322</b>	<b>\$692,764</b>		<b>\$716,860</b>	<b>\$681,347</b>		<b>\$26,639</b>	<b>\$40,505</b>

NOTES: \*In these states, the ending balance includes the balance in the budget stabilization fund. \*\*See Notes to Table 5 on page 33.

TABLE 6

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

Region/State	Fiscal 2012	Fiscal 2013
Alabama	3.3%	-6.5%
Alaska	28.7	8.1
Arizona	0.6	1.8
Arkansas	2.8	2.6
California	-4.9	5.0
Colorado	3.4	8.0
Connecticut	4.4	2.3
Delaware	9.8	4.4
Florida	-0.2	4.9
Georgia	2.1	4.2
Hawaii	10.9	3.6
Idaho	3.9	6.2
Illinois	0.3	-3.1
Indiana	4.1	3.7
Iowa	12.3	3.6
Kansas	8.1	0.7
Kentucky	7.4	0.7
Louisiana	6.0	0.1
Maine	9.0	-4.1
Maryland	12.8	-2.3
Massachusetts	1.2	5.9
Michigan*	2.0	7.1
Minnesota	9.6	3.3
Mississippi	6.1	-1.1
Missouri	4.0	0.4
Montana	1.6	7.6
Nebraska	3.7	5.4
Nevada	-8.4	2.0
New Hampshire	-5.4	1.5
New Jersey	6.5	4.4
New Mexico	7.2	0.6
New York	2.0	4.2
North Carolina	5.8	3.1
North Dakota	34.6	-4.6
Ohio	0.6	8.3
Oklahoma	7.0	3.3
Oregon	14.1	-1.0
Pennsylvania	-4.0	1.7
Rhode Island	5.4	5.7
South Carolina	6.8	8.3
South Dakota	5.1	3.3
Tennessee	14.6	2.0
Texas	13.4	-15.4
Utah	2.5	5.4
Vermont	7.5	4.4
Virginia	5.8	6.1
Washington	3.4	0.2
West Virginia	9.8	2.6
Wisconsin	2.2	6.5
Wyoming	0.0	2.6
TERRITORIES		
Puerto Rico	1.2	-1.9
<b>Average</b>	<b>3.4%</b>	<b>2.2%</b>

\*See Notes to Table 6 on page 35. \*\*Fiscal 2012 reflects changes from fiscal 2011 expenditures (actual) to fiscal 2012 expenditures (preliminary actual). Fiscal 2013 reflects changes from fiscal 2012 expenditures (preliminary actual) to fiscal 2013 expenditures (appropriated).

## Budget Cuts, Budget Gaps, and the Recovery Act

Enacted budget cuts by program area help identify changing spending patterns within the general fund. The degree of competition for state resources can be analyzed by highlighting program area cuts and year over year enacted spending changes across program areas. (See Tables 10 and 11) Seven states enacted cuts to K-12 education, while 36 states reported an increase, resulting in a net spending increase of \$4.9 billion in fiscal 2013. Thirty-two states enacted general fund spending increases for Medicaid, and aggregate spending levels are expected to increase by \$4.1 billion excluding Texas. Supplemental Medicaid appropriations in Texas are projected to reach \$4.7 billion, but the additional appropriations are still pending legislative approval. Several major program areas including higher education, public assistance and corrections experienced enacted cuts in fiscal 2013.

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 collection forecasts. With fiscal 2013 just underway at the time of data collection, few states reported mid-year budget cuts for the current fiscal year. However, in fiscal 2012, eight states made \$1.7 billion in mid-year cuts. (See Figure 2) In fiscal 2011, 23 states made mid-year budget cuts totaling \$7.8 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 budgets are successfully adapting to the current economic environment.

Mid-year budget cuts are one mechanism by which states can close budget gaps. States can also implement strategies to close budget gaps prior to the start of the fiscal year. Previously closed budget gaps for fiscal 2013 totaled \$37 billion, significantly less than the \$71.7 billion in previously closed budget gaps for fiscal 2012. In addition, the number of states forecasting budget gaps for fiscal 2014 has fallen from 11 to eight. Declining budget gaps in fiscal 2013 indicate that state fiscal conditions are further stabilizing from fiscal 2012 and fiscal 2011. Constrained revenues and heightened spending demands in fiscal 2011 and fiscal 2012, left states to solve \$146.3 billion in budget gaps over the two year time period. Continued improvement of state revenue collections is projected to minimize gaps between spending and revenue throughout fiscal 2013, and fiscal 2014 budget gaps will likely also decline relative to fiscal 2011 and fiscal 2012.

In order to eliminate budget gaps in fiscal 2013 and fiscal 2014, states are planning to use a number of strategies. In fiscal 2013, 21 states reported that targeted cuts will be used to reduce expenditures, and 13 states expect to use across-the-board percentage cuts. Four states intend to close budget gaps by making use of their "rainy day" fund in fiscal 2013. States also helped solve budget gaps by reducing the budgetary impact of state personnel costs with nine states implementing employee layoffs and nine states cutting state employee benefits. While few states were able to project how budget gaps will be addressed in fiscal 2014, five expect targeted cuts to be part of the solution. (See Tables 12, 13, and 14)



**TABLE 7****Fiscal 2013 Net Mid-Year Budget Cuts**

Region/State	FY 2013 Size of Cuts (\$ in Millions)	Programs or Expenditures Exempted from Cuts
Missouri*	\$81.9	K-12 Foundation Formula
<b>Total</b>	<b>\$81.9</b>	—

Notes: \*See Notes to Table 7 on page 35. \*\*Budget Cuts for Fiscal 2013 are currently ongoing. See Tables 8 & 9 for state-by-state data on programs and dollar values.

TABLE 8

## Fiscal 2013 Mid-Year Program Area Cuts

Region/State	K-12 Education	Higher Education	Public Assistance	Medicaid	Corrections	Transportation	Other
Alabama							
Alaska							
Arizona							
Arkansas							
California							
Colorado							
Connecticut							
Delaware							
Florida							
Georgia							
Hawaii							
Idaho							
Illinois					X		
Indiana							
Iowa							
Kansas							
Kentucky							
Louisiana							
Maine							
Maryland							
Massachusetts							
Michigan							
Minnesota							
Mississippi							
Missouri		X				X	X
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							
<b>Total</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>1</b>

NOTE: See Table 9 for state-by-state values.

TABLE 9

**Fiscal 2013 Mid-Year Program Area Adjustments by Dollar Value (Millions)**

Region/State	K-12 Education	Higher Education	Public Assistance	Medicaid	Corrections	Transportation	Other	Total
Alabama								
Alaska								
Arizona								
Arkansas								
California								
Colorado								
Connecticut								
Delaware								
Florida								
Georgia								
Hawaii								
Idaho								
Illinois*					-57.0		57.0	0
Indiana								
Iowa								
Kansas								
Kentucky								
Louisiana								
Maine								
Maryland								
Massachusetts								
Michigan								
Minnesota								
Mississippi								
Missouri		-8.9				-0.3	-72.7	-81.9
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	25.3							25.3
Vermont								
Virginia								
Washington								
West Virginia								
Wisconsin								
Wyoming								
TERRITORIES								
Puerto Rico								
<b>Total</b>	<b>\$25.3</b>	<b>-\$8.9</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>-\$57.0</b>	<b>-\$0.3</b>	<b>-\$15.7</b>	<b>-\$56.6</b>

NOTE: \*See Notes to Table 9 on page 36.

**TABLE 10**  
**Fiscal 2013 Enacted Program Area Cuts**

Region/State	K-12 Education	Higher Education	Public Assistance	Medicaid	Corrections	Transportation	Other
Alabama	X	X		X	X		X
Alaska							
Arizona				X			X
Arkansas							X
California		X	X	X	X		
Colorado		X					
Connecticut	X	X	X		X		
Delaware							X
Florida		X			X		
Georgia							
Hawaii	X	X	X		X		
Idaho							
Illinois	X	X	X	X	X		X
Indiana							
Iowa			X				
Kansas							
Kentucky		X		X			
Louisiana		X			X		X
Maine		X	X	X	X		X
Maryland	X	X		X			
Massachusetts						X	
Michigan				X			
Minnesota			X	X			X
Mississippi		X					X
Missouri			X	X			X
Montana							
Nebraska			X				
Nevada				X	X		
New Hampshire							
New Jersey			X		X	X	
New Mexico							
New York					X		
North Carolina							X
North Dakota							
Ohio		X			X		
Oklahoma							
Oregon						X	
Pennsylvania		X	X				
Rhode Island					X		
South Carolina							
South Dakota							
Tennessee							
Texas	X	X		X	X		X
Utah			X				
Vermont							
Virginia						X	
Washington	X				X	X	
West Virginia		X			X		X
Wisconsin							
Wyoming							
TERRITORIES							
Puerto Rico	X				X	X	X
<b>Total</b>	<b>7</b>	<b>16</b>	<b>12</b>	<b>12</b>	<b>16</b>	<b>5</b>	<b>13</b>

NOTE: See Table 11 for state-by-state dollar values.

TABLE 11

## Fiscal 2013 Enacted Program Area Adjustments by Dollar Value (Millions)

Region/State	K-12 Education	Higher Education	Public Assistance	Medicaid	Corrections	Transportation	Other	Total
Alabama	-\$113.6	-\$20.6	\$0.0	-\$40.7	-\$12.4	\$0.0	-\$75.5	-\$262.8
Alaska	46.3	9.6	28.8	129.9	35.4	2.3	131.1	383.4
Arizona*	25.7	16.1	21.2	-1.0	7.5	0.0	-21.0	48.5
Arkansas	56.6	3.6	0.0	114.3	1.6	0.0	-12.6	163.5
California*	3,143.8	-816.7	-1,112.2	-893.2	-934.4	0.0	6,013.7	5,401.0
Colorado*	181.7	-4.7	0.0	158.2	2.9	0.0	172.1	510.2
Connecticut	-88.3	-6.6	-7.5	65.9	-44.5	0.0	513.4	432.4
Delaware	59.0	3.3	6.3	24.2	7.6	0.0	-22.2	78.2
Florida*	908.2	-254.6	0.0	685.4	-119.0	0.0	339.0	1,559.0
Georgia	92.2	138.6	0.0	113.6	39.2	47.1	389.9	820.6
Hawaii*	-16.2	-8.8	-2.9	10.0	-3.6	0.0	176.8	155.3
Idaho	56.2	23.8	0.0	36.0	9.9	0.0	27.4	153.3
Illinois	-209.6	-112.6	-13.0	-81.0	-92.8	0.8	-48.8	-557.0
Indiana	171.6	5.6	0.0	166.0	7.8	0.0	84.8	435.8
Iowa	36.7	42.3	-1.4	11.5	7.5	0.0	119.7	174.0
Kansas	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Kentucky	0.0	-55.6	0.0	-37.3	12.3	1.1	175.0	95.5
Louisiana	11.7	-64.7	1.5	185.3	-19.4	0.1	-100.4	14.1
Maine	21.8	-1.6	-0.1	-119.9	-1.1	0.0	-26.5	-127.4
Maryland*	-37.2	-46.9	29.7	-164.3	25.7	0.0	37.3	-155.7
Massachusetts	233.0	20.5	6.9	635.1	55.0	-9.1	964.4	1,905.8
Michigan*	203.8	44.5	68.6	-23.6	19.9	22.5	275.8	611.5
Minnesota	634.9	0.2	-23.6	-9.3	1.0	0.0	-46.2	557.0
Mississippi	12.3	-42.8	3.8	227.0	0.8	0.0	-0.4	200.7
Missouri	167.9	16.3	-0.6	-54.4	7.2	0.3	-52.1	84.6
Montana	30.0	1.0	0.0	8.0	0.0	0.0	14.0	53.0
Nebraska	40.4	14.3	-4.4	64.3	0.7	0.0	30.8	146.1
Nevada	25.7	0.0	0.0	-17.2	-2.5	0.0	35.6	41.6
New Hampshire	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New Jersey	199.2	96.2	-19.2	13.9	-30.6	-98.4	1,157.1	1,318.2
New Mexico	64.0	42.0	1.0	38.0	9.0	0.0	63.9	217.9
New York*	458.0	181.0	235.0	373.0	-41.0	295.0	436.0	1,937.0
North Carolina	42.1	40.6	0.0	143.1	324.6	0.0	-49.3	501.1
North Dakota	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ohio	88.7	-9.3	1.2	1,294.0	-1.4	0.0	274.0	1,647.2
Oklahoma	0.0	10.0	0.0	0.0	3.9	99.7	144.0	257.6
Oregon*	2.5	0.0	0.0	59.9	46.9	-12.5	27.7	124.5
Pennsylvania	413.5	-34.2	-156.1	161.9	5.4	0.0	80.2	470.7
Rhode Island	70.0	7.0	0.0	44.0	-3.0	0.0	39.0	157.0
South Carolina	173.5	20.4	0.6	176.3	4.5	0.6	257.5	633.4
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	0.0	359.3	587.0
Texas*	-2,916.0	-455.0	0.0	-3,590.0	-5.0	0.0	-536.5	-7,502.5
Utah	97.1	19.7	-0.1	40.3	9.2	0.1	39.6	205.9
Vermont	17.8	0.0	0.2	39.9	1.7	0.0	10.0	69.6
Virginia	349.4	97.0	8.5	298.8	14.8	-96.2	478.8	1,151.1
Washington	-17.0	15.0	22.0	2.0	-29.0	-3.0	36.0	26.0
West Virginia	41.4	-2.2	8.5	70.5	-17.9	0.0	-130.0	-29.7
Wisconsin	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Wyoming	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TERRITORIES								
Puerto Rico	-62.1	52.3	0.0	14.6	-18.0	-4.6	-159.7	-177.5
<b>Total</b>	<b>\$4,911.0</b>	<b>-\$1,069.4</b>	<b>-\$888.9</b>	<b>\$467.4</b>	<b>-\$642.5</b>	<b>\$254.3</b>	<b>\$11,818.1</b>	<b>\$14,850.1</b>

NOTE: \*See Notes to Table 11 on page 36. Value of changes are in reference to funding levels of FY 2012 enacted budgets.

TABLE 12

## 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
Colorado*									
Connecticut*		X		X					
Delaware									
Florida						X			
Georgia									
Hawaii*	X	X	X	X					X
Idaho									
Illinois							X	X	
Indiana									
Iowa									
Kansas								X	
Kentucky									
Louisiana		X		X		X			
Maine								X	
Maryland*	X			X					
Massachusetts						X			
Michigan									
Minnesota									
Mississippi									
Missouri						X			
Montana									
Nebraska*									
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									
South Carolina		X							
South Dakota						X			
Tennessee*									
Texas									
Utah									
Vermont	X				X				X
Virginia									
Washington	X			X		X			
West Virginia									
Wisconsin*									
Wyoming									
TERRITORIES									
Puerto Rico								X	
<b>Total</b>	<b>8</b>	<b>8</b>	<b>4</b>	<b>8</b>	<b>3</b>	<b>11</b>	<b>3</b>	<b>4</b>	<b>5</b>

NOTE: \*See Notes to Table 12 on page 37.

Table 12 continues on next page.



TABLE 12 (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							
Connecticut*	X		X		X		X			X
Delaware										
Florida	X	X	X	X	X	X				
Georgia		X	X							
Hawaii*	X	X	X	X						X
Idaho										
Illinois					X			X	X	
Indiana										
Iowa										
Kansas			X		X					
Kentucky										
Louisiana			X			X	X			
Maine	X		X	X			X			X
Maryland*	X	X	X	X	X					X
Massachusetts	X	X	X							
Michigan										
Minnesota										
Mississippi										
Missouri		X	X							
Montana										
Nebraska*										
Nevada*	X	X	X		X					X
New Hampshire										
New Jersey										
New Mexico										
New York*										X
North Carolina			X				X			X
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					
Tennessee*										X
Texas			X		X					
Utah										
Vermont	X		X							
Virginia										
Washington	X		X	X			X			
West Virginia										
Wisconsin*	X	X	X	X	X					X
Wyoming										
TERRITORIES										
Puerto Rico					X		X			
<b>Total</b>	<b>13</b>	<b>13</b>	<b>26</b>	<b>12</b>	<b>12</b>	<b>3</b>	<b>6</b>	<b>2</b>	<b>1</b>	<b>11</b>

NOTE: \*See Notes to Table 12 on page 37.

TABLE 13

## 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	X		X
Colorado									
Connecticut*		X		X					
Delaware									
Florida						X			
Georgia									
Hawaii*	X	X	X						X
Idaho									
Illinois						X			
Indiana									
Iowa									
Kansas									
Kentucky									
Louisiana		X		X		X			
Maine								X	
Maryland*	X								
Massachusetts						X			
Michigan									
Minnesota									
Mississippi									
Missouri									
Montana									
Nebraska									
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				
South Carolina									
South Dakota									
Tennessee*									
Texas									
Utah									
Vermont	X			X	X				
Virginia									
Washington	X			X		X			
West Virginia*									
Wisconsin									
Wyoming									
TERRITORIES									
Puerto Rico								X	
<b>Total</b>	<b>8</b>	<b>6</b>	<b>4</b>	<b>6</b>	<b>3</b>	<b>9</b>	<b>3</b>	<b>2</b>	<b>4</b>

NOTE: \*See Notes to Table 13 on page 37.

Table 13 continues on next page.

TABLE 13 (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										
Alaska										
Arizona*										X
Arkansas										
California*		X	X							X
Colorado										
Connecticut*	X		X		X		X			X
Delaware										
Florida		X	X		X	X		X		
Georgia		X	X							
Hawaii*	X	X	X	X						X
Idaho										
Illinois	X	X	X							
Indiana										
Iowa										
Kansas										
Kentucky			X							X
Louisiana			X		X	X				
Maine	X	X	X	X	X			X	X	X
Maryland*	X	X	X	X				X	X	X
Massachusetts		X	X		X		X			
Michigan										
Minnesota										
Mississippi										
Missouri		X	X	X		X		X		
Montana										
Nebraska										
Nevada*	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					
Oregon	X	X	X	X			X			
Pennsylvania		X	X							
Rhode Island	X		X							
South Carolina										
South Dakota										
Tennessee*										X
Texas			X		X					
Utah										
Vermont			X							
Virginia										
Washington	X		X	X			X			
West Virginia*										X
Wisconsin										
Wyoming										
TERRITORIES										
Puerto Rico							X			
<b>Total</b>	<b>9</b>	<b>13</b>	<b>21</b>	<b>8</b>	<b>10</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>2</b>	<b>11</b>

NOTE: \*See Notes to Table 13 on page 37.

TABLE 14

## 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		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	X				X	X			X
Pennsylvania									
Rhode Island									
South Carolina									
South Dakota									
Tennessee*									
Texas									
Utah									
Vermont									
Virginia									
Washington									
West Virginia*									
Wisconsin									
Wyoming									
TERRITORIES									
Puerto Rico								X	
<b>Total</b>	<b>3</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>1</b>

NOTE: \*See Notes to Table 14 on page 38.

Table 14 continues on next page.

TABLE 14 (CONTINUED)

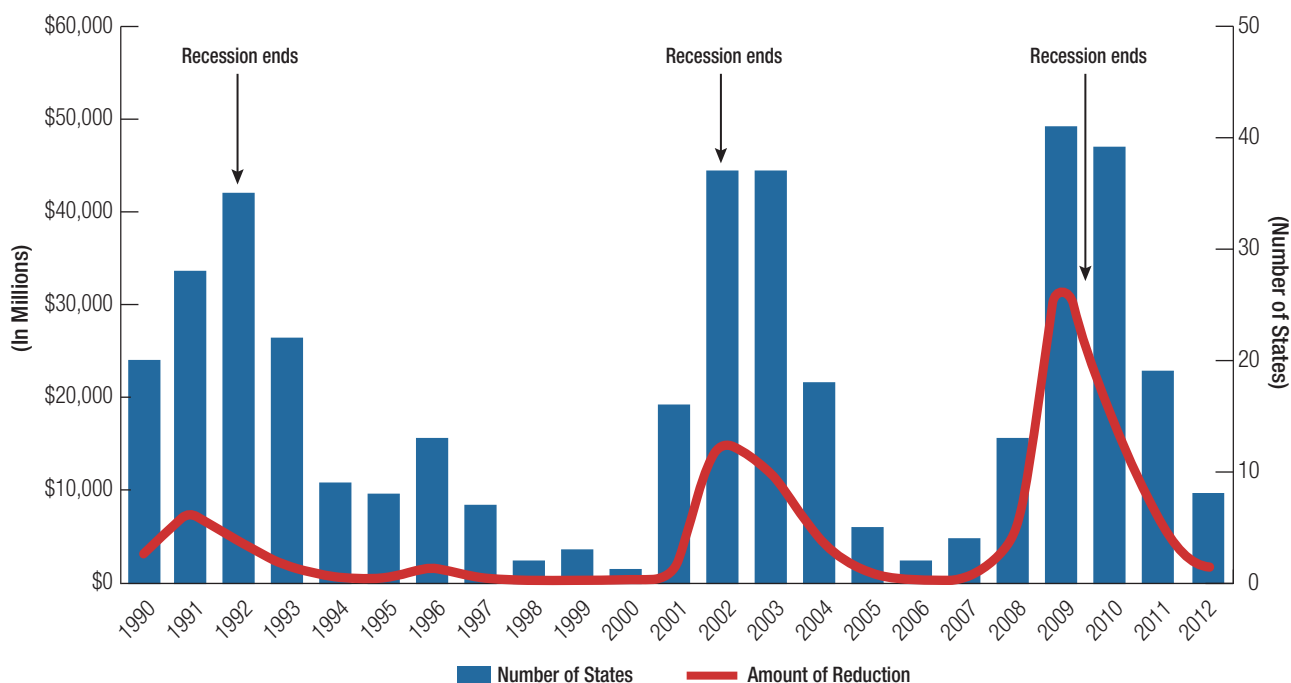
## Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 2014

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*										X
Arkansas										
California*		X	X							X
Colorado										
Connecticut										
Delaware										
Florida										
Georgia										
Hawaii	X									
Idaho										
Illinois										
Indiana										
Iowa										
Kansas										
Kentucky										
Louisiana										
Maine										
Maryland			X	X					X	
Massachusetts										
Michigan										
Minnesota										
Mississippi										
Missouri										
Montana										
Nebraska										
Nevada										
New Hampshire										
New Jersey										
New Mexico										
New York										
North Carolina										
North Dakota										
Ohio										
Oklahoma										
Oregon	X	X	X	X	X					
Pennsylvania										
Rhode Island										
South Carolina										
South Dakota										
Tennessee*										X
Texas										
Utah										
Vermont										
Virginia										
Washington			X							
West Virginia*		X	X							X
Wisconsin										
Wyoming										
TERRITORIES										
Puerto Rico							X			
<b>Total</b>	<b>2</b>	<b>3</b>	<b>5</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>4</b>

NOTE: \*See Notes to Table 14 on page 38.

**FIGURE 2:**

**Budget Cuts Made After the Budget Passed, Fiscal 1990 to Fiscal 2012 (\$ Millions)**



### State Employment Changes

The state employment outlook deteriorated in fiscal 2012 and is expected to worsen again in fiscal 2013. The reduction in the state workforce was widespread with 33 states cutting the number of full time equivalent positions in fiscal 2012. Sixteen states are expected to reduce the number of full time employees in fiscal 2013, and five states expect no change. The total number of full time employees is projected to decrease by 1.7 percent in fiscal 2013, after falling by 2.4 percent in fiscal 2012. (*See Table 15*)

State employee compensation has also been widely affected by the recession and the anemic growth in the economic recovery. Since fiscal 2010 there has been considerable variation among states' changes to employee compensation, but many states have foregone salary increases, reduced benefits, and in select cases implemented salary cuts. However, a number of states authorized across-the-board and merit increases in fiscal 2012 and fiscal 2013. Seventeen states enacted across-the-board salary increases in fiscal 2013. Other modifications to employee compensation in fiscal 2013 included merit increases, furlough days, changes to health and retirement benefit packages, and additional pay for performance. (*See Table 16*)



TABLE 15

## Number of Filled Full-Time Equivalent Positions Fiscal 2011 to Fiscal 2013, in All Funds

Region/State	Fiscal 2011	Fiscal 2012	Fiscal 2013	Percent Change 2011-2012	Percent Change 2012-2013	Includes Higher Education Faculty	State-Administered Welfare System
Alabama	33,716	31,995	31,995	-5.10%	0.00%		X
Alaska	21,696	21,724	21,843	0.13	0.55	X	X
Arizona	38,349	38,536	NA	0.49	NA		X
Arkansas	31,629	31,631	34,668	0.01	9.60		X
California*	371,959	343,728	341,766	-7.59	-0.57	X	X
Colorado*	52,864	52,148	52,016	-1.35	-0.25	X	
Connecticut	46,573	46,352	45,336	-0.47	-2.19		X
Delaware	31,027	31,188	31,347	0.52	0.51	X	X
Florida	126,127	121,150	117,444	-3.95	-3.06		X
Georgia	110,313	97,523	96,794	-11.59	-0.75	X	X
Hawaii	34,697	34,222	34,296	-1.37	0.22	X	X
Idaho	18,008	17,825	17,890	-1.01	0.36		X
Illinois	53,457	50,065	50,196	-6.35	0.26		
Indiana	28,069	27,866	28,000	-0.72	0.48		X
Iowa	42,238	39,473	39,473	-6.55	0.00	X	X
Kansas	42,252	41,201	40,934	-2.49	-0.65	X	X
Kentucky	32,321	32,048	32,000	-0.84	-0.15		X
Louisiana	73,247	64,500	63,859	-11.94	-0.99	X	X
Maine	13,737	13,355	13,323	-2.78	-0.24		X
Maryland	75,413	75,165	75,175	-0.33	0.01	X	X
Massachusetts*	84,071	84,513	64,120	0.53	-24.13	X	X
Michigan	44,872	45,240	45,300	0.82	0.13		X
Minnesota	35,514	34,037	NA	-4.16	NA		
Mississippi	31,390	31,514	36,494	0.40	15.80		X
Missouri	55,389	54,406	55,560	-1.77	2.12		X
Montana	13,563	13,483	13,498	0.60	0.10		X
Nebraska*	15,940	15,808	NA	-0.83	NA		X
Nevada	16,650	16,655	16,655	0.03	0.00		X
New Hampshire*	10,596	9,620	10,631	-9.21	10.51	X	X
New Jersey	69,772	69,082	71,003	-0.99	2.78		
New Mexico	22,374	21,712	25,810	-2.96	18.87		X
New York	188,511	184,141	185,919	-2.32	0.97	X	
North Carolina*	322,564	322,391	267,448	-0.05	-17.04	X	X
North Dakota	7,635	7,696	8,259	0.80	7.32		
Ohio	57,266	54,681	54,049	-4.51	-1.16		
Oklahoma	36,081	35,544	35,223	-1.49	-0.90		
Oregon	51,362	50,529	50,570	-1.62	0.08	X	X
Pennsylvania	81,473	80,583	79,831	-1.09	-0.93		X
Rhode Island	13,728	13,674	15,026	-0.40	9.89	X	X
South Carolina	53,550	56,357	66,303	5.24	17.65	X	X
South Dakota	13,200	13,059	13,702	-1.07	4.93	X	
Tennessee	42,468	41,774	41,800	-1.63	0.06		X
Texas	231,911	235,239	235,047	1.40	0.00		X
Utah	20,276	20,050	19,643	-1.11	-2.03		X
Vermont	7,683	7,692	7,800	0.12	1.40		X
Virginia	114,125	114,569	116,930	0.39	2.06	X	X
Washington	107,828	105,920	105,449	-1.77	-0.44	X	X
West Virginia	37,198	37,703	37,958	1.36	0.68	X	X
Wisconsin	61,722	62,181	63,331	0.74	1.85	X	
Wyoming	8,545	8,545	8,545	0.00	0.00	X	X
TERRITORIES							
Puerto Rico	180,971	177,769	175,776	-1.77	-1.12	X	X
<b>Total</b>	<b>3,045,141</b>	<b>2,971,708</b>	<b>2,920,255</b>	<b>-2.41%</b>	<b>-1.73%</b>		

NOTE: NA indicates data are not available. \*See Notes to Table 15 on page 38. \*\*Unless otherwise noted, fiscal 2011 reflects actual figures, fiscal 2012 reflects preliminary actuals and fiscal 2013 reflects appropriated figures. Totals exclude states that were not able to provide data for all three years.

**TABLE 16**  
**State Employee Compensation Changes, Fiscal 2013**

Region/State	Across-the-Board (percent)	Merit (percent)	Other (percent)	Notes
Alabama		-5.0	-0.25	Annual merit raises (5%) are frozen through December 31, 2012. Employee retirement contribution rates are set to increase 0.25% on October 1, 2012.
Alaska	2.0	3.5	X	Other is additional \$80/month toward health insurance cost increase.
Arizona			3.8	The pay increase represents a one-time retention pay for all non-university state employees who are uncovered as of Sept 28, 2012. On Sep 29th, each uncovered state employee paycheck will increase 5%, for the equivalent of 3.75% of the employee's annual salary level.
Arkansas				The cost of living and merit increases for FY13 will be determined at the end of the year based on available funding.
California	-3.29 to -4.75	Depends on individual eligibility	-3.29 to -4.75	Above percentages reflect a one day per month PLP/Furlough reduction.
Colorado				Employee health care benefits were fully funded in FY 2012-13, reducing the potential cost increase to state employees.
Connecticut				Wage freeze through FY 2013.
Delaware	1.0			Effective July 1, 2012.
Florida				Certain positions that have experienced high turnover in recent years were granted special pay incentives. These positions include child protective investigators and nursing personnel in veterans' homes.
Georgia				
Hawaii	-5.0			Continued -5.0 percent reduction from FY 2012. Four employee collective bargaining units are currently without a collective bargaining agreement. (One awaits an arbitration award, two await arbitration hearings and award, and one is working under unilaterally implemented terms which are similar to the units with agreements).
Idaho	2.0			All employees received a 2% across-the-board merit increase and if agencies had extra money they were allowed to give a merit increase on top of the across-the-board. The average increase for state employees was a 4% increase.
Illinois				The state is currently in mediation with the bargaining units that represent their employees.
Iowa	2.5	4.5		Unions and Noncontract 2% ATB on July 1, 2012 and 1% ATB on January 1, 2013. Employees not at the top of their payscale also were eligible to receive up to a 4.5% step increase.
Indiana				Employee Compensation package for FY 2013 has not yet been determined. State employees received performance-based pay increases in FY 2012 averaging 2.2 percent.
Kentucky	0.0	0.0	0.0	
Louisiana		4.0		
Maine				Collective bargaining agreements with state employees not settled at this time. Merit pay is suspended through FY 2013.
Maryland	2.0			A 2% cost of living adjustment will go into effect on January 1, 2013.
Massachusetts	3.0	3.0		3% across-the-board for approved and ratified union contracts, 3% merit for managers.

Table 16 continues on next page.

TABLE 16 (CONTINUED)

## State Employee Compensation Changes, Fiscal 2013

Region/State	Across-the-Board (percent)	Merit (percent)	Other (percent)	Notes
Michigan	1.0 to 3.0			General increases include 3 percent for non-represented employees, 2 percent for enlisted state police personnel, and 1 percent for all other classified employees. An additional lump sum payment of 1 to 2 percent of the annualized base pay rate is provided for each classified employee.  Effective Fiscal 2012 (October 2012), all classified employees will pay 20 percent of annual health plan premium amounts. Some classified employees will receive step increases pay adjustments for satisfactory performance in amounts and at intervals provided for in the compensation schedule for the employee's classification level. Other employees may be eligible for promotion to a higher classification grade and pay level. Career employees receive an annual longevity payment following completion of 6 years of continuous full-time service. The amount of the longevity payment varies depending on the number of years of full-time service and is increased in four-year increments.
Minnesota	1.0	1.14	0.72	Proposed contracts not yet ratified by the legislature. The total percentage reflects a 2% across-the-board effective 1/2/13, anticipated 9% increase in employer insurance costs, and a step/merit increase averaging 3.5% for 50% of employees.
Missouri	2.0			Applicable to employees earning less than \$70,000 annually.
Montana				
Nebraska				Employees covered by collective bargaining contracts as follows: NAPE/AFSCME contract: 2% State Law Enforcement (SLEBC) contract: 2.6% State Education Dept. contract employees: 2%  Non-contract employees as follows: Employees of the Judicial Branch: 2.5% Employees of the Legislative Branch: 2% Supervisory and Management (non-contract) staff of most other agencies received a 3% increase with some management staff an additional 1%.
Nevada				Six furlough days per year continued from FY 2012.
New Hampshire				Employee compensation for annual step increases for classified employees represented through collective bargaining was frozen for the period effective Sept. 1, 2011 through Aug.31, 2012. Unrepresented nonclassified and unclassified employees in the Executive Branch, those eligible for step increases, had that action frozen by an Executive Order of the Governor for that same timeframe.
New Jersey			1.5	Negotiated agreements for approximately 74% of the State workforce do not include across-the-board increases. Approximately 6,000 employees will receive a contractual one-time bonus of \$800 in FY 2013. Collective bargaining negotiations continue with approximately 21% of the state workforce. The remaining 5% of the workforce are not union-represented.
New Mexico			1.75	Shift in retirement calculations from the employee to the state.

Table 16 continues on next page.

TABLE 16 (CONTINUED)

## State Employee Compensation Changes, Fiscal 2013

Region/State	Across-the-Board (percent)	Merit (percent)	Other (percent)	Notes
New York				The State recently reached new labor contracts with most of the State employee labor unions. Under the agreed upon terms of the recently ratified labor contracts, there will be no general salary increases in FY 2013. In addition, employees will participate in a Deficit Reduction Leave (DRL) program, implemented during FY 2012 and remaining in effect through the end of FY 2013, which temporarily reduces wages by the equivalent of 9 days of salary in exchange for compensatory leave time. There are a series of step increases within each pay grade until reaching the maximum salary for the grade. Approximately 33% of the workforce is eligible to receive such increases. Pending wage and benefit agreements being negotiated with labor unions at the time the FY 2013 Budget was enacted, Management/Confidential (M/C) employees were administratively delayed their performance advancements and longevity increases at the beginning of FY 2013.
North Carolina	1.2			
North Dakota			3.0	Salary increases are to be given on the basis of merit and equity and are not to be given across the board.
Ohio			4.5	The current contract for FY 12-14 reinstituted "Step" increases for all bargaining unit and certain "Exempt" employees. "Step" increases result in an approximately 4.0% increase in employee base salary for each year of experience, up to a maximum of six steps. Additionally, the contract continues "longevity" pay for which bargaining unit and certain "Exempt" employees receive an increase equal to .5% of the base salary for the lowest step of their pay range for each year of service, up to a maximum of 20 years of service.
Oklahoma				
Oregon	0.8	1.1		Fiscal year percentages displayed are of "Total Compensation", not just salaries & wages. Prior year reports were for salaries & wages only. "Merit" increases were frozen until FY 2013. Steps will phase in one-half step over the course of the fiscal year (depending on eligibility date) and then be fully restored at the end of the fiscal year. "Across-the-board" is a 1.45% COLA increase scheduled for Dec. 2012. Total 2011-13 biennium compensation package increase is 6%.
Pennsylvania	1.0		2.3	Across-the-board: Most state employees received a 1% increase effective July 1, 2012. Other: Most state employees will receive a 2.25% service increment in April 2013.
Puerto Rico				Each agency must evaluate their fiscal ability to offer salary increases to the employees. No across the board salary increases are included in FY 2013 adopted budget.
South Carolina	3.0		2.0	Other = Additional 2% (total of 5%) increase for Class I law enforcement personnel at select agencies.
South Dakota	3.0		0.0 to 7.0	In FY2013 South Dakota added a new component to our movement towards job worth so select groups of employees received a percentage based on where they were currently within that career family. For employees not included in that component they received up to a 2.5% movement towards job worth if they were not there yet.
Tennessee	2.5			Also, \$15 million was appropriated for a salary market adjustment for state employees, effective January 1, 2013. Appropriation reflects the six months cost of the salary adjustment.
Texas				No across-the-board salary adjustments were adopted. Compensation decisions are made on an agency-by-agency, employee-by-employee basis.

Table 16 continues on next page.

TABLE 16 (CONTINUED)

## State Employee Compensation Changes, Fiscal 2013

Region/State	Across-the-Board (percent)	Merit (percent)	Other (percent)	Notes
Utah	1.0			State employees received a 1% salary increase.
Vermont	2.0		3.0	Other: represents restoration of 3% pay cut that was implemented for FY11 (and pay freeze in FY12). Not included above are step increases, which on average represent approximately 1.7% salary base increase.
Virginia			3.0	One-time bonus scheduled for December 2013.
Washington				
West Virginia				State Police 2% ATB for civilian positions of the WV State Police \$5,000 raise for the Coal & Rock Dust Inspector's with Miners Health Safety and Training Department of Veterans Assistance Cabinet Secretary Raise \$5,000 (from \$70k to \$75k).
Wisconsin				General employees will be required to contribute an additional 0.75% of their pay to the Wisconsin Retirement System.
Wyoming				

## Medicaid Outlook: Medicaid Spending, Enrollment, Cost Containment Proposals, and the Affordable Care Act

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 about 23.9 percent of total spending in fiscal 2012, the single largest portion of *total* state expenditures and 19.6 percent of general fund expenditures.

Total Medicaid spending increased by 9.6 percent in fiscal 2011 and is estimated to increase by 1.2 percent in fiscal 2012, according to NASBO's 2011 *State Expenditure Report*. Fiscal 2012 growth rates in the Medicaid program are significantly below historical trends and reflect many factors including extensive state cost containment actions.

In fiscal 2011, state funds increased by 20.3 percent and federal funds increased by 4.1 percent over fiscal 2010 amounts. For fiscal 2012, state funds increased by an estimated 16.2 percent while federal funds decreased by 7.8 percent over fiscal 2011 amounts.

The significant increase in state spending in fiscal 2011 and fiscal 2012 and the significant decrease in federal funding for fiscal 2012 reflect the end of the enhanced Medicaid match rate from the *American Recovery and Reinvestment Act of 2009 (ARRA)* that was in effect from October 2008 through June 2011. Under ARRA, all states received a temporary increase in their FMAP as well as additional amounts for those states facing the highest unemployment rates. ARRA was estimated to provide approximately \$100 billion to states through the temporary increase in FMAP payments beginning October 2008 and ending in June 2011.

The downturn in the economy resulted in significant increases in Medicaid enrollment as has occurred in previous economic slowdowns though enrollment growth has subsided from its peak of 7.8 percent during the height of the recession. Enrollment growth averaged 4.4 percent in fiscal 2011 with states projecting Medicaid enrollment to grow by an additional 3.2 percent in fiscal 2012, according to the Kaiser Commission on Medicaid and the Uninsured.

Cost containment in Medicaid continues to be a common theme. In fiscal 2012, 48 states implemented at least one new policy to control Medicaid costs, and 47 planned to do so in fiscal 2013 according to the Kaiser Commission on Medicaid and the Uninsured's 2012 annual survey on Medicaid and state budgets. The report notes that cost pressure and cost containment were still dominant themes, though states were also able to implement program changes, payment and delivery system reforms and re-orient long-term care programs to community-based care models.

The *Affordable Care Act*, enacted in March 2010, has a significant impact on states and especially on state Medicaid programs. In the Supreme Court's ruling to uphold the constitutionality of the *Affordable Care Act*, the Court ruled that the Medicaid expansion is constitutional though the federal government could not withhold existing Medicaid funding for states that opted not to participate in the expansion. Beginning January 1, 2014, state Medicaid programs will have the option to expand to cover non-pregnant, non-elderly individuals with incomes up to 133 percent of the 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 five 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 an exchange is fully operational in 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 a state that certifies it has a budget deficit on or after December 31, 2010.

**Challenges and Opportunities in Implementing the Affordable Care Act.** There are many challenges and opportunities ahead as states move forward with implementation of the *Affordable Care Act*. 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, 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 health care.

### Temporary Assistance for Needy Families Program

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 under a continuing resolution.

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, case-loads 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 program. Cash assistance payments under TANF comprise approximately 29 percent of total TANF spending. For fiscal 2013, 46 states maintained the same cash assistance benefit levels that were in effect in fiscal 2012. Four states increased cash assistance benefit levels, ranging from 1.8 to 10 percent. *(See Table 17 and Notes to Table 17)*

**TABLE 17**  
**Enacted Cost-of-Living Changes for Cash Assistance Benefit Levels Under the Temporary Assistance For Needy Families Block Grant, Fiscal 2013**

State/Territory	Percent Change
Florida	4.0
Nebraska*	
New York	10.0
Ohio	1.8
South Dakota	1.8

NOTE: \*See Notes to Table 17 on page 39.

# 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.

<b>Alabama</b>	Expenditure Adjustments include a reduction due to across the board percentage cuts of \$414.2M and a reduction of \$68.6M for reversions and other adjustments.
<b>Alaska</b>	Revenue adjustments: \$21.4 reappropriation and carry forward. Expenditure adjustments: Net of (\$1,114.3) Public Education Fund draw and \$1,131.0 Public Education Fund forward funding. Rainy Day Fund is \$10,016.8 CBR + \$1,048.6 SBR.
<b>Arizona</b>	Adjustment to revenue include temporary one-cent sales tax increase, agency fund transfers and county transfer.
<b>California</b>	Represents adjustments to the Beginning Fund Balance. This consists primarily of adjustments to major taxes and K-12 spending.
<b>Colorado</b>	FY 11 total expenditures reflects -\$26.4M of reversions and accounting adjustments and -\$0.5M of Enhanced Medicaid match which reduces GF expenditures. See Table 1 of the June 2012 OSPB forecast, page 9, lines 15 and 16. In FY 11 (per SB11-156), the reserve was set at 2.3% (this increased to 4% in FY 11-12). Per SB11-230, of the excess reserve in FY 2010-11, \$67.5M was transferred to the Public School Fund and \$221.4M was transferred to the State Education Fund (SEF).
<b>Connecticut</b>	Adjustments for FY 2011 reflect transfer of FY 2010 General Fund revenue. The ending balance for FY 2011 was reserved for early retirement of Economic Recovery Notes issued to resolve the FY 2009 deficit.
<b>Georgia</b>	Agency surplus returned.
<b>Idaho</b>	The remainder of the rainy day fund balances were transferred to the General Fund for FY 2011, this included \$30.1 million from the Budget Stabilization Fund and \$48.8 million from the Economic Recovery Reserve Fund. There was an additional \$1.5 million transferred to the General Fund from various other dedicated accounts and \$1 million was transferred to the Disaster Recovery Fund/Military Division.
<b>Illinois</b>	Revenue adjustments include: statutory transfers in, inter-fund borrowing proceeds, short term borrowing proceeds, pension obligation bond proceeds, tobacco revenue securitization proceeds. Expenditure adjustments include: statutory transfers out, pay down of accounts payable, repayment of short term borrowing, repayment of inter-fund borrowing. Rainy Day Fund monies were not transferred out of the General Revenue Fund in Fiscal Year 2011.
<b>Indiana</b>	Revenue Adjustments: Transfer from General Fund to Rainy Day Fund. Expenditure Adjustments: Local Option Income Tax Distributions; PTRF Adjust for Abstracts.
<b>Iowa</b>	Ending Balance of General Fund is transferred to in the current year 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.
<b>Kentucky</b>	Revenue includes \$99.8 million in Tobacco Settlement funds. Adjustment for Revenues includes \$72.0 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 to the next fiscal year.
<b>Louisiana</b>	Revenues Adjustments—Includes Transfers from various Funds \$28.7; Transfer from Overcollections Fund \$26.9; Transfer from Incentive Fund \$4.0; Carryforward from FY09-10 \$12.7; Carryforward 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).
<b>Maine</b>	Revenue and expenditure adjustments reflect authorized transfers.
<b>Maryland</b>	Revenue adjustments include 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.



<b>Massachusetts</b>	Includes budgeted fund balances.
<b>Michigan</b>	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).
<b>Minnesota</b>	Ending balance includes cash flow account of \$266 million, budget reserve account of \$8.7 million and appropriations carried forward of \$37.9 million.
<b>Missouri</b>	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.
<b>Montana</b>	Revenue adjustments include prior year revenue and expenditure adjustments include prior year expenditures and other direct entries to fund balance.
<b>Nebraska</b>	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).
<b>New Hampshire</b>	Revenue Adjustments: + \$2.1 million transfer from the Liquor Fund and \$124.0 million transfer to the Education Trust Fund.
<b>New Jersey</b>	Transfers from other funds and budget vs. GAAP adjustments.
<b>New Mexico</b>	Adjustments include one-time fiduciary tax payment of \$36 million and transfer for solvency of \$26 million.
<b>New York</b>	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.
<b>North Dakota</b>	Revenue adjustments are a \$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 misc. adjustments and transfers.
<b>Oklahoma</b>	Revenue adjustment represents the difference in cash flow. \$249.2 million expenditure adjustment is amount deposited into the Rainy Day fund from surplus revenues.
<b>Oregon</b>	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.
<b>Pennsylvania</b>	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. Expenditure adjustment reflects \$181.5 million in current year lapses. The year-end transfer to the Rainy Day Fund (25% of the ending balance) was suspended for FY 2011.
<b>Puerto Rico</b>	Included \$1.0 billion from the Local Stabilization Fund to cover operational expenses expected to be reduced through the fiscal year 2011.
<b>Rhode Island</b>	Opening balance includes a surplus of \$18 million and reappropriations of \$4 million. Adjustments to revenues reflect a transfer to the Budget Stabilization Fund.
<b>South Carolina</b>	Rainy Day Balance equals 3% General Reserve (\$166.3) + 2% Capital Reserve (\$107.7) + Surplus Contingency Reserve (\$367.1) Agency Appropriation Balances Carried Forward Next FY (\$70.6).
<b>South Dakota</b>	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.

<b>Tennessee</b>	Revenue adjustments: \$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. Expenditure adjustments: \$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.
<b>Texas</b>	Adjustment is net of transfer to Rainy Day Fund (-\$1,087.6m) and Comptroller adjustment to general fund dedicated account balances (+\$256.4m).
<b>Utah</b>	Includes transfers from previous year balance, to/from Rainy Day Fund, and special revenue funds.
<b>Vermont</b>	Adjustments equals transfers in or out of the General Fund.
<b>Washington</b>	Revenue fund transfers between General Fund and other accounts, and balancing to the final audited ending balance.
<b>West Virginia</b>	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. Expenditures include regular, surplus and reappropriated funds and \$30.6 million of 31 day prior year expenditures. Revenue adjustments are prior year redeposits. 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.
<b>Wisconsin</b>	Revenue adjustments include Transfers out of General Fund, -\$14.8; Other Revenue, \$632.3; Tribal Gaming, \$24.7. Expenditure adjustments include Designation for Continuing Balances, \$8.2; and Unreserved Designated Balance, -\$78.5.

## Notes to Table 4

### Fiscal 2012 State General Fund, Preliminary 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.**

<b>Alabama</b>	Revenue Adjustments include one-time revenues of \$296.4M. Expenditure Adjustments include a reduction due to across the board percentage cuts of \$188.3M.
<b>Alaska</b>	Revenue adjustments equals reappropriations; Expenditure adjustments equals transfers/savings including the net of Public Education Fund draw (\$1,058.8) and future year funding \$1,105.7, Statutory Budget Reserve \$1,800.0; Rainy Day Fund is \$10,380.9 CBR + \$4,402.1 SBR.
<b>Arizona</b>	Positive adjustment to revenue include temporary one-cent sales tax increase, agency fund transfers and county transfer; negative adjustment includes a transfer to the Rainy Day fund.
<b>California</b>	Represents adjustments to the Beginning Fund Balance. This consists primarily of adjustments to reimbursements and savings from various Health and Human Services departments.
<b>Colorado</b>	Per HB12-1338, \$59M of the FY 11-12 excess amount and all of the FY 12-13 excess amount is transferred to the State Education Fund. After the \$59M transfer, the remainder of the surplus is carried forward to be part of the FY 12-13 beginning balance.
<b>Connecticut</b>	The ending balance for FY 2012 reflects redirection of the funds reserved to retire FY 2009 Economic Recovery Notes. Instead, the funds were used to resolve the FY 2012 deficit, and the \$93.4 million remainder was deposited to the Budget Reserve Fund.
<b>Georgia</b>	Adjustment is the mid-year adjustment for education.

<b>Idaho</b>	Transfers to the General Fund included: \$21,959,000 from the Non-Endowed Millennium Fund; \$8 million from Liquor Division; \$7 million from the Permanent Building Fund; and \$1,045,700 from other dedicated funds. Transfers from the General Fund included: \$23,641,300 to the Budget Stabilization Fund; \$21,452,600 to the Public Education Stabilization Fund; \$500,000 to the Consumer Protection Fund; and \$2 million to the Disaster Recovery Fund. Includes \$4,225,700 for Deficiency Warrants.
<b>Illinois</b>	Revenue adjustment accounted for by statutory transfers in. Expenditure adjustments include: statutory transfers out, inter-fund borrowing repayment, Budget Stabilization Fund repayment, increase in accounts payable.
<b>Indiana</b>	Revenue Adjustments: FY07-11 Corporate E-check Revenue; Local Option Income Tax Adjustment; Transfer from General Fund to Rainy Day Fund. Expenditure Adjustment: PTRF Adjust for Abstracts.
<b>Iowa</b>	Revenue adjustments include \$381.4 million of residual funds transferred to the General Fund after the Reserve Funds were filled to their statutorily set maximum amounts. 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 their statutorily set maximum amounts, the remainder of the funds are transferred back to the General Fund in that subsequent fiscal year.
<b>Kentucky</b>	Revenue includes \$101.8 million in Tobacco Settlement funds. Adjustment for Revenues includes \$57.5 million that represents appropriation balances carried over from the prior fiscal year, and \$159.3 million from fund transfers into the General Fund. Adjustment to Expenditures represents appropriation balances forwarded to the next fiscal year.
<b>Louisiana</b>	Revenues Adjustments—Includes Carryforward balances \$16.6; Transfer of \$38.1 from various Funds. Act 597 of 2012 RLS - Transfers \$141.5 from various funds, Act 53 of RLS - Transfers \$204.7 from the Budget Stabilization Fund. Actual State General Fund collections are estimated more than official projections adopted by the Revenue Estimating Conference (REC) on April, 2012 in the amount of \$152.5.
<b>Maine</b>	Revenue and expenditure adjustments reflect authorized transfers. Beginning balance differs from FY 11 ending balance due to Controller's adjustments.
<b>Maryland</b>	Revenue adjustments include a \$5.1 million reimbursement from the reserve for Heritage Tax Credits, \$8.1 million reimbursement from the reserve for Biotechnology Tax Credits, and transfers of \$225.4 million from other special funds.
<b>Massachusetts</b>	Includes budgeted fund balances.
<b>Michigan</b>	Fiscal 2012 revenue adjustments include the impact of federal and state law changes (\$920.4 million); revenue sharing payments to local government units (-\$340.0 million); and deposits from state restricted funds (\$195.6 million). Fiscal 2012 estimated expenditures includes one-time spending financed from one-time revenues of \$148.7 million and excludes \$362.7 million deposited to the budget stabilization fund.
<b>Minnesota</b>	Ending balance includes cash flow account of \$350 million and budget reserve account of \$657.6 million.
<b>Missouri</b>	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.
<b>Montana</b>	Revenue adjustments include prior year revenue and expenditure adjustments include prior year expenditures and other direct entries to fund balance.
<b>Nebraska</b>	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.
<b>Nevada</b>	FY 2012 expenditure adjustment is a transfer to the Rainy Day fund.

<b>New Hampshire</b>	Revenue Adjustments: + \$140.0 million to be moved to the Education Trust Fund.
<b>New Jersey</b>	Balances targeted to be lapsed.
<b>New Mexico</b>	Adjustment includes transfer for solvency of \$11.4 million.
<b>New York</b>	The ending balance includes \$1.3 billion in rainy day reserve funds, \$283 million reserved to cover costs of potential retroactive labor settlements with certain unions, \$102 million in a community projects fund, \$13 million reserved for debt reduction, \$21 million reserved for litigation risks and \$62 million in undesignated fund balance to be used for gap-closing purposes in FY 2013.
<b>North Dakota</b>	Revenue adjustments are a \$295.0 million transfer from the property tax relief fund to the general fund.
<b>Oklahoma</b>	Revenue adjustment represents the difference in cash flow. \$328.3 million expenditure adjustment is amount deposited into the Rainy Day fund from surplus revenues.
<b>Pennsylvania</b>	Revenue adjustments include a \$19.7 million adjustment to the beginning balance and \$194 million in prior year lapses. Expenditure adjustment reflects \$155.1 million in current year lapses. The year-end transfer to the Rainy Day Fund (25% of the ending balance) was suspended for FY 2012.
<b>Puerto Rico</b>	Includes \$610 million from the Local Stabilization Fund to cover operational expenses.
<b>Rhode Island</b>	Opening balance includes a surplus of \$64 million and reappropriations of \$5 million from the prior year. Adjustments to revenues reflect a transfer to the Budget Stabilization Fund and the adjustments to expenditures are the reappropriations from FY 2011. Adjustment to expenditures reflects transfer to Employees Retirement System of \$12.5 million.
<b>South Carolina</b>	Rainy Day Balance equals 3.5% General Reserve (\$183.5) + 2% Capital Reserve (\$104.8) + Surplus Contingency Reserve (\$501.9) + Agency Appropriation Balances Carried Forward Next FY (\$165.9); Expenditures include FY10-11 Capital Reserve Fund.
<b>South Dakota</b>	Adjustments in Revenues: \$26.3 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 \$47.9 million is cash that is obligated to the Budget Reserve fund the following fiscal year. This \$47.9 million is included in the total rainy day fund balance of \$134.7 million.
<b>Tennessee</b>	Revenue adjustments: \$100.6 million transfer from debt service fund unexpended appropriations. \$4.8 million transfer from Mental Health Trust Fund. \$58.7 million transfer from TennCare Reserve. -\$22.4 million transfer to Rainy Day Funds. Total \$141.7 million. Expenditure adjustments: \$64.3 million transfer to capital outlay projects fund. \$13.1 million transfer to state office buildings and support facilities fund. \$7.0 million transfer to reserves for unexpended appropriations. Total \$84.4 million. Ending balance: \$426.1 million reserve for appropriations 2012-2013. \$0.4 million undesignated balance. Total \$426.5 million.
<b>Texas</b>	Revenue adjustment is net of transfer to Rainy Day Fund (-\$1,115.6m), Comptroller adjustment to general fund dedicated account balances (+\$349.5m), and estimate of additional general funds due to FY2012 collections substantially exceeding most recent revenue estimate (+\$2,964.3).
<b>Utah</b>	Includes transfers from previous year balance, to/from Rainy Day Fund, and special revenue funds.
<b>Vermont</b>	Adjustments equals transfers in or out of the General Fund.
<b>Washington</b>	Revenue fund transfers between General Fund and other accounts.
<b>West Virginia</b>	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. Expenditures include regular, surplus and reappropriated funds and \$28.6 million of 31 day prior year expenditures. Revenue adjustments are prior year redeposits. 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, \$532.8; Tribal Gaming, \$24.3; prior year continuing balance, \$8.2; and General Fund Transfers, -\$370.4. Expenditure adjustments include Compensation Reserve of \$19.7 and Lapses, -\$434.2.

## Notes to Table 5

### Fiscal 2013 State General Fund, Appropriated

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.

<b>Alabama</b>	Revenue Adjustments include a one-time transfer of \$145.8M.
<b>Alaska</b>	Expenditure adjustments equals transfers/savings including the net of Public Education Fund draw (\$1,178.5) and future year funding \$1,139.7, Statutory Budget Reserve \$250.0; Rainy Day Fund is \$10,939.5 CBR + \$5,577.9 SBR.
<b>Arizona</b>	Positive adjustment to revenue include temporary one-cent sales tax increase and agency fund transfers; negative adjustment includes a transfer to the Rainy Day fund.
<b>Colorado</b>	Per HB12-1338, all of the excess FY 12-13 reserve (beyond the 4% reserve requirement) is transferred to the SEF at year end. For FY13, the year-end transfer to the SEF is \$717.1M.
<b>Delaware</b>	Figures based on enacted FY 2013 General Fund appropriations and revenue estimates contained in SJR 12 of the 146th General Assembly.
<b>Idaho</b>	Transfers from the General Fund include: an estimate of \$10.9 million to the Budget Stabilization Fund; \$500,000 to the Constitutional Defense Fund; and \$200,000 to the Legislative Legal Defense Fund.
<b>Illinois</b>	Revenue adjustment accounted for by statutory transfers in. Expenditure adjustments include: statutory transfers out, inter-fund borrowing repayment, pay down of accounts payable.
<b>Indiana</b>	Expenditure Adjustments: Automatic Taxpayer Refund; Pension Distributions; HEA 1072 Loans (Net of Repayments).
<b>Iowa</b>	FY13 Revenue reflects action taken by the Revenue Estimating Conference on October 11, 2012. Revenue adjustments include \$558.5 million of residual funds transferred to the General Fund after the Reserve Funds were filled to their statutorily set maximum amounts. Expenditure Adjustments include an estimated \$41 million supplemental appropriation for the Medicaid program. 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 their statutorily set maximum amounts, the remainder of the funds are transferred back to the General Fund in that subsequent fiscal year.
<b>Kentucky</b>	Revenue includes \$92.1 million in Tobacco Settlement funds. Adjustment for Revenues includes \$145.5 million that represents appropriation balances carried over from the prior fiscal year, and \$108.2 million from fund transfers into the General Fund. Adjustment to Expenditures represents appropriation balances forwarded to the next fiscal year.
<b>Louisiana</b>	Revenues Adjustments - Includes Transfer of \$155.4 from various Funds.
<b>Maine</b>	Revenue and expenditure adjustments reflect authorized transfers.
<b>Maryland</b>	The Maryland General Assembly passed a revenue package during the 2012 Special Session. For FY 2013 only, the majority of revenue generated through this legislation will be deposited in a special fund known as the Budget Restoration Fund. Therefore, the FY 2013 General Fund figures noted above are artificially low. Revenue will be directed to the General Fund beginning n FY 2014. Revenue adjustments include a \$6.8 million reimbursement from the reserve for Sustainable Community Tax Credits and \$8.0 million reimbursement from the reserve for Biotechnology Tax Credits.
<b>Massachusetts</b>	Includes budgeted fund balances.

<b>Michigan</b>	Fiscal 2013 revenue adjustments include the impact of federal and state law changes(\$430.5 million); revenue sharing payments to local government units (-\$370.6 million); and deposits from state restricted funds (\$1.2 million). Fiscal 2013 enacted spending includes one-time spending financed from one-time revenues of \$181.4 million and excludes \$140.0 million deposited to the budget stabilization fund.
<b>Minnesota</b>	Ending balance includes cash flow account of \$350 million, budget reserve account of \$612.2 million and stadium reserve account of \$34.3 million.
<b>Mississippi</b>	Revenue adjustment represents the statutory withholding of 2% of projected revenue and beginning cash.
<b>Missouri</b>	Revenues include \$40M from the national mortgage foreclosure settlement; revenue adjustments include transfers from other funds into the general revenue fund and \$15.9M of collection initiatives.
<b>Nebraska</b>	Revenue adjustments are transfers between the General Fund and other funds. Per Nebraska law, includes a transfer of \$104.8 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 \$78 million transfer to the General Fund from the Cash Reserve Fund (Rainy Day Fund) for budget stabilization. Expenditure adjustments are reappropriations (\$269.1 million) of the unexpended balance of appropriations from the prior fiscal year and a small amount (\$5 million) reserved for deficit/supplemental appropriations.
<b>New Hampshire</b>	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.
<b>New Jersey</b>	Transfers to other funds.
<b>New York</b>	The ending balance includes \$1.3 billion in rainy day reserve funds, \$422 million reserved to cover costs of potential retroactive labor settlements with certain unions, \$57 million in a community projects fund, \$13 million reserved for debt reduction, \$21 million reserved for litigation risks.
<b>North Carolina</b>	Adjustments: repair and renovation.
<b>North Dakota</b>	Revenue adjustments are a \$305.0 million transfer from the strategic investment and improvements fund.
<b>Ohio</b>	FY 2013 adjustments to expenditures includes a \$235.1 million transfer to the Budget Stabilization Fund. FY 2013 adjustment expenditures includes estimated encumbrances for the end of FY 2013.
<b>Oklahoma</b>	Unable to calculate revenue or expenditure adjustments at this time.
<b>Oregon</b>	Revenue adjustment transfers prior biennium ending GF balance to Rainy Day Fund (which can be up to 1% of total budgeted appropriation), less statutorily authorized carry-forward amounts (\$2.6 million).
<b>Pennsylvania</b>	Expenditure adjustment reflects a transfer of \$73.2 million (25% of ending balance) to the Rainy Day Fund.
<b>Puerto Rico</b>	Includes \$332.7 million from the Local Stabilization Fund to cover operational expenses.
<b>Rhode Island</b>	Enacted opening balance of \$94 million, however, the actual opening balance was \$115.5 million. Adjustments to revenues reflect a transfer to the Budget Stabilization Fund.
<b>South Carolina</b>	Rainy Day Balance equals 5% General Reserve (\$281.6) + 2% Capital Reserve (\$112.6) + Surplus Contingency Reserve (\$1) + Agency Appropriation Balances Carried Forward Next FY (\$165.9); Expenditures Includes FY11-12 Capital Reserve Fund and Supplemental Appropriations.

<b>South Dakota</b>	Adjustments in Revenues: \$75.7 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 \$47.9 million is unobligated cash from the FY2012 budget. Also, \$1.0 million addition to revenue is from a one-time receipt. Adjustments in Expenditures: \$47.9 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. The \$16.3 million of projected unobligated cash is included in the projected rainy day fund balance total of \$151 million.
<b>Tennessee</b>	Revenue adjustments: -\$50.0 million transfer to Rainy Day Fund. \$65.0 million transfer from TennCare Reserve. Total \$15.0 million. Expenditure adjustments: \$145.9 million transfer to capital outlay projects fund. \$135.9 million transfer to state office buildings and support facilities fund. \$5.2 million transfer to reserves for dedicated revenue appropriations. Total \$287.0 million. Ending Balance: \$10.2 million undesignated balance.
<b>Texas</b>	Adjustment is net of transfer to Rainy Day Fund (-\$793.6m) and Comptroller adjustment to general fund dedicated account balances (+\$341.1m).
<b>Utah</b>	Includes transfers from previous year balance and special revenue funds.
<b>Vermont</b>	Adjustments equals transfers in or out of the General Fund.
<b>Washington</b>	Revenue fund transfers between General Fund and other accounts.
<b>West Virginia</b>	Fiscal year 2013 beginning balance includes \$476.9 million in reappropriations, unappropriated surplus balance of \$101.9 million, and FY 2012 13th month expenditures of \$31.9M. Revenues are FY 13's official general revenue estimate. Expenditures include FY 13 regular general revenue, 13th month expenditures & FY 13 surplus appropriations. The ending balance is mostly the historically carried forward reappropriation amounts that will remain and be reappropriated to the next fiscal year, unappropriated balance, & unappropriated surplus balance.
<b>Wisconsin</b>	Revenue adjustments include Other Revenue, \$577.0; Tribal Gaming, \$28.6; prior year continuing balance, \$72.4; and General Fund Transfers, -\$137.6. Expenditure adjustments include Compensation Reserve, \$61.9; Sum Sufficient Reestimate, -\$16.4; and Lapses, -\$593.0.

## Notes to Table 6

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

<b>Michigan</b>	Fiscal 2012 and fiscal 2013 estimated expenditures exclude deposits to the Budget Stabilization Fund of \$326.7 million and \$140.0 million respectively. Including these deposits results in nominal percentage expenditure changes of 6.4 percent in fiscal 2012 and 4.3 percent in fiscal 2013.
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## Notes to Table 7

### Net Mid-Year Budget Cuts: Fiscal 2013

<b>Missouri</b>	Expenditure restrictions effective July 1, 2012.
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## Notes to Table 9

### Fiscal 2013 Mid-Year Program Area Adjustments By Dollar Value

**Illinois** By using his reduction veto power, Governor Quinn reduced funding for Illinois' prison system. He is seeking to reallocate that funding in a budget neutral manner this Fall veto session.

## Notes to Table 11

### Fiscal 2013 Enacted Program Area Adjustments By Dollar Value

**Arizona** Medicaid funding actually increases in FY13 compared to FY12; however we don't see that because FY12 budget includes a \$107 million one-time payment to end the previous payment deferral. All other—fiscal 2013 appropriations were lower than FY12 because there was a \$79 million one-time funding issue in FY12 to pay for the additional pay period in that year.

**California** The K-12 amount includes funding provided for the Quality Education Investment Act program. Effective July 1, 2011 and pursuant to enacted legislation, fiscal responsibility of various public safety programs shifted from the state to counties, resulting in \$5.6 billion decreased General Fund expenditures in fiscal year 2012-13 in the program areas listed. All other includes General Fund loan of \$300 million from Motor Vehicle Account.

**Colorado** Reflects the appropriated operating budget only. Does not include the capital budget.

**Florida** All Other—Includes a \$275m shift from trust funds to the General Revenue Fund for State Courts.

**Hawaii** No general funds were devoted to transportation.

**Illinois** While the overall general funds budget decreased by approximately \$557 million from enacted Fiscal Year 2012 to enacted Fiscal Year 2013, pension costs increased \$969.4 million.

**Maryland** The Maryland General Assembly passed a revenue package during the 2012 Special Session. For FY 2013 only, the majority of revenue generated through this legislation will be deposited in a special fund known as the Budget Restoration Fund. The Budget Restoration Fund is supporting certain appropriations that would normally be supported with General Funds, particularly K-12, Higher Education, and Medicaid. Therefore, the negative appropriation change noted above for these three program areas is artificially high.

**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 \$482.2 million and one-time spending from one-time revenue of \$476.7 million (fiscal 2012) and \$194.3 million (fiscal 2013).

**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.

**Oregon** Oregon budgets on a full biennial basis, not by fiscal year. The amount represents the change for the entire 2011-13 biennium (FY 2012 + FY 2013).

**Texas** Figure provided for change in K-12 Education is reflective of a deferral of state payments to school districts (from the end of FY 2013 to the beginning of FY2014) and savings resulting from changes to the calculation of Foundation School Program formulas. It does not include the possible acceleration of the deferred payment (\$1.9 billion, est.). Change in Medicaid funding does not include anticipated FY 2013 appropriation for supplemental funding needs (\$4.7 billion, est.).



## Notes to Table 12

### Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 2012

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<b>Arizona</b>	Other—Temporary revenue increase.
<b>California</b>	Layoffs for specific departments. For K-12 Education, the 2011-12 enacted budget included deferrals of general purpose funding for local education agencies and targeted cuts primarily in child care and development. The 2011-12 enacted Budget also included deferrals of general purpose funding for community college districts. Other strategies refer to Hospital fee and Nursing Home fee.
<b>Colorado</b>	Previously used in FY 11-12 budget balancing.
<b>Connecticut</b>	Other—Hiring limitations, wage freeze.
<b>Hawaii</b>	Other—Diversion of special fund revenues to the general fund.
<b>Maryland</b>	Other—Transfer of balance and interest from special funds to the general fund.
<b>Nebraska</b>	The projected variance from the 3% minimum reserve requirement calculated by the Legislative Fiscal Office for the 2011-2013 biennium, ending June 30, 2013, as of November 2010 was \$986 million. This projected variance was based on a series of expenditure growth assumptions announced publicly by the Legislative Fiscal Office. The Executive Budget Office did not project a shortfall as the actual level of appropriations for the 2011-2013 budget biennium were yet to be considered by the Governor and enacted by the Legislature.
<b>Nevada</b>	Other—Moved some services from state to counties.
<b>New York</b>	Other—After the FY 2012 Enacted Budget closed a \$10.001 billion budget gap, an estimated shortfall of \$350 million was identified in the FY 2012 Mid-Year Update to the State's Financial Plan. Based on an updated review conducted concurrently with preparation of the FY 2013 Executive Budget proposal, of disbursement patterns (as modified by ongoing spending controls), the availability of excess cash balances in other State funds, current-year costs associated with debt management activities, and other factors, it was expected that the State would end FY 2012 in balance on a cash basis.
<b>Tennessee</b>	Other—Base budget reductions.
<b>Wisconsin</b>	Other—Debt restructure.

## Notes to Table 13

### Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 2013

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<b>Arizona</b>	Other—Temporary revenue increase.
<b>California</b>	Layoffs for specific departments. Targeted cuts in the 2012-13 enacted budget include reductions to child care and preschool. Other strategies refer to Hospital fee and Nursing Home fee.
<b>Connecticut</b>	Other—Hiring limitations, wage freeze.
<b>Hawaii</b>	Other—Diversion of special fund revenues to the general fund.
<b>Maryland</b>	Other—Transfer of balance and interest from special funds to the general fund.
<b>Nevada</b>	Other—Moved some services from state to counties.

<b>New York</b>	Other—In December 2011, prior to the submission of the Executive Budget and subsequent enactment of the FY 2013 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 and employment 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. Through June 2012, the State's largest uniformed and non-uniformed employee unions had ratified multi-year labor agreements with the State, which provided wage and benefit changes necessary to meet planned savings in the FY 2013 Enacted Budget. Under these agreements, there are no general salary increases during FY 2013, employee health insurance premiums will increase for individual and family coverage, and employee compensation will be temporarily reduced by an amount commensurate to nine days of wages spanning a portion of FY 2012 (in some cases retroactively) through FY 2013 with employees receiving nine days of compensatory Deficit Reduction Leave credits valid through FY 2013. The temporarily reduced wages will be repaid to employees who continue State service beyond the expiration of their current contractual agreement. Other savings counted toward closing the FY 2013 budget gap reflect administrative efficiencies related to the Governor's ongoing agency redesign effort, a one-year extension of the tax modernization initiative, the net impact of various forecast revisions and other measures.
<b>Tennessee</b>	Other—Base budget reductions.
<b>West Virginia</b>	Other—Use onetime surplus from general revenue & lottery funds from previous fiscal years.

## Notes to Table 14

### Strategies Used to Reduce or Eliminate Budget Gaps, Fiscal 2014

<b>Arizona</b>	Other—Temporary revenue increase.
<b>California</b>	Layoffs for specific departments. Other strategies refer to Hospital fee and Nursing Home fee.
<b>Tennessee</b>	Other—Base budget reductions.
<b>West Virginia</b>	Other—Use onetime surplus from general revenue & lottery funds from previous fiscal years.

## Notes to Table 15

### Number of Filled Full-Time Equivalent Positions Fiscal 2011 to Fiscal 2013, in All Funds

<b>California</b>	In California, the TANF program is administered at the local level by counties under state oversight.
<b>Colorado</b>	These are FY 2011, FY 2012, and FY 2013 appropriated.
<b>Massachusetts</b>	<p>Fiscal 2011 figure includes operating budget, federal grant, trust and capital funded FTEs. Fiscal 2012 figure includes operating budget, federal grant, trust and capital funded FTEs. Fiscal 2013—The Executive of Office for Administration only forecast numbers of FTES supported by the state operating budget, and not what may be supported by capital, federal and trust funds.</p> <p>Since FY08 the number of FTEs on the Commonwealth's payroll has dropped significantly after adjusting for shifts in the way certain FTEs are accounted for and for entities that were absorbed by the state in FY09 and FY10. In FY09, the state switched approximately 2,500 Higher Education employees to the Commonwealth's payroll system. In FY10, approximately 1,330 employees of the former Massachusetts Turnpike Authority and the Tobin Bridge were transferred to the Massachusetts Department of Transportation (MassDOT). Also in FY10, the sheriff departments of Barnstable, Bristol, Dukes, Nantucket, Norfolk, Plymouth and Suffolk were brought onto the state's accounting and payroll systems, with approximately 2,770 employees. These increases were offset by reductions in state employment due to a combination of employee attrition and layoffs, as the state responded to lower tax revenues caused by the recession. Adjusting for the 6,600 employees brought onto the state payroll system as a result of these accounting changes and reorganizations, state employment levels dropped by a total of approximately 5,800 FTEs between June 30, 2008 and June 30, 2012.</p>

<b>Nebraska</b>	Appropriations bills do not limit authorized FTE to a specific number.
<b>New Hampshire</b>	Fiscal 2011 includes Community College System of NH (CCSNH) Effective 7/1/11, 883 CCSNH employees were removed from the State's payroll system.
<b>North Carolina</b>	Reported FTE's figures refer to the General Fund and the Highway Fund.

## Notes to Table 17

### Enacted Cost-of-Living Changes for Cash Assistance Benefit Levels Under the Temporary Assistance For Needy Families Block Grant, Fiscal 2013

<b>Nebraska</b>	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).
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# STATE REVENUE DEVELOPMENTS

## CHAPTER TWO

### Overview

States forecast that general fund revenue collections will increase again in fiscal 2013, marking a third consecutive annual increase. State revenue collections typically lag the economic cycle, sometimes taking several years to fully recover from a recession. The recent downturn was particularly severe and prolonged, which is why state general fund revenues had yet to surpass fiscal 2008 peak levels. However, this is expected to change in fiscal 2013 with general fund revenues projected to reach \$692.8 billion, \$12.5 billion greater than revenue collections in fiscal 2008. Fiscal 2013 enacted budgets forecast general fund revenues to increase by 3.9 percent from fiscal 2012, making the fiscal 2013 revenue growth more substantial than the 2.6 percent increase in fiscal 2012. Most of the increase in general fund revenues in fiscal 2013 will be attributable to higher personal income tax collections.

### Revenues

According to the Rockefeller Institute of Government, total state revenue collections have increased for 10 consecutive quarters or two and a half calendar years. However, tax collections slowed in the second quarter of calendar year (CY) 2012, putting state tax revenues 2.0 percent lower in the second quarter of CY 2012 than in the same quarter in CY 2008. Despite this softening in the second quarter of CY 2012, state tax revenues surpassed pre-recession highs in the last quarter of CY 2011 and the first quarter of CY 2012.

The Rockefeller findings show that relative to fiscal 2008, total state tax collections ended fiscal 2012 1.7 percent higher than in fiscal 2008. In contrast, NASBO data included in this survey refer only to general fund revenues, which did not surpass pre-recession highs in fiscal 2012. However, for fiscal 2013, both general fund revenues and total state tax collections are projected to surpass pre-recession highs set in fiscal 2008. Early

reporting from 44 states in the latest Rockefeller revenue report show that total tax collections increased by 8.7 percent in July and August of CY 2012 compared to CY 2011.

This Fiscal Survey report finds that general fund revenues are forecast to increase in fiscal 2013 to \$692.8 billion, a 3.9 percent increase from fiscal 2012 levels. Continued slow improvement in fiscal 2013 will likely result with general fund revenue collections \$12.5 billion above the \$680.2 billion collected in fiscal 2008. General fund revenue collections slowly increased by 2.5 percent in fiscal 2012 after rising by 6.6 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 \$553.5 billion in fiscal 2013, 4.0 percent above 2012 levels. States' enacted budgets for fiscal 2013 show collections in these three sources of revenue projected to surpass fiscal 2008 levels by \$21.4 billion or 4.0 percent. (*See Tables 18 and 19*)

Continued revenue growth from all sources, which includes sales, personal income, corporate income and all other taxes and fees, has led to collections greater than projections in many states. Thirty-four states reported that fiscal 2012 revenue collections were higher than originally forecasted, and 16 states reported that revenues are greater than forecasts used to enact fiscal 2013 budgets. A nearly equivalent number of states reported higher revenue collections in the fall of 2011 for both reported years, indicating that state budgets are remaining relatively stable. Despite widespread revenue growth, 10 states reported that fiscal 2012 collections were below original forecasts, and nine states are collecting less revenue than projected in fiscal 2013. With rising tax collections, a number of states ended fiscal 2012 with slight surpluses, and while surpluses are a positive sign, such surpluses likely resulted from conservative revenue forecasts and cuts in spending. (*See Tables 12 and 15*)

### Projected Collections in Fiscal 2013

Collections of sales, personal income, and corporate income taxes in fiscal 2013 are estimated to be \$553.5 billion, 4.0 percent above fiscal 2012 collections. Specifically, personal income tax collections are projected to be 5.5 percent higher than fiscal 2012 collections, sales tax collections are projected to be 2.8 percent higher and corporate income tax collections are expected to be little changed. (See Table 19)

### Collections in Fiscal 2012

Collections of sales, personal income, and corporate income taxes in fiscal 2012 were 4.2 percent above fiscal 2011 collections. Specifically, personal income tax collections in fiscal 2012 were 7.8 percent higher than collections in fiscal 2011, while sales tax collections and corporate income tax collections were little changed. (See Table 19)

**TABLE 18**  
**Number of States With Revenues Higher, Lower, and On Target with Projections\***

	Fiscal 2012	Fiscal 2013
Lower	10	9
On Target	5	19
Higher	34	16

*\*Fiscal 2012 reflects whether revenues from all sources came in higher, lower, or on target with final projections. Fiscal 2013 reflect whether Fiscal 2013 collections thus far have been coming in higher, lower, or on target with projections.*

TABLE 19

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

Region/State	Sales Tax		Personal Income Tax		Corporate Income Tax		Revenue Collection***
	Original Estimate	Current Estimate	Original Estimate	Current Estimate	Original Estimate	Current Estimate	
Alabama	\$2,022	\$2,010	\$2,785	\$2,974	\$321	\$382	L
Alaska	NA	NA	NA	NA	640	715	H
Arizona	3,614	3,655	3,058	3,092	618	648	H
Arkansas	2,162	2,111	2,277	2,402	359	379	T
California*	19,009	18,921	50,408	52,958	9,012	8,208	L
Colorado	1,888	2,093	4,666	4,956	403	449	H
Connecticut	3,789	3,830	8,661	8,311	708	717	L
Delaware	NA	NA	1,054	1,042	138	119	L
Florida	17,436	17,422	NA	NA	2,112	2,011	H
Georgia	5,333	5,335	7,979	8,142	685	591	T
Hawaii	2,590	2,699	1,487	1,541	51	73	H
Idaho	1,044	1,027	1,205	1,206	136	187	H
Illinois	7,100	7,226	15,062	15,512	2,354	2,461	H
Indiana	6,518	6,622	4,774	4,766	687	959	H
Iowa	2,008	1,979	2,976	2,967	297	341	H
Kansas	2,450	2,462	2,955	2,908	250	284	T
Kentucky	3,031	3,052	3,470	3,512	237	374	H
Louisiana	2,672	2,639	2,815	2,486	255	141	H
Maine	1,009	1,023	1,436	1,445	204	219	H
Maryland	4,164	4,039	6,688	7,115	622	646	H
Massachusetts	5,007	5,059	11,768	11,911	1,807	1,771	H
Michigan	6,646	7,024	6,798	6,966	1,065	1,182	H
Minnesota	4,624	4,678	7,877	7,973	947	1,044	H
Mississippi	1,817	1,855	1,389	1,489	432	505	H
Missouri*	1,823	1,845	4,815	4,914	331	341	L
Montana	61	60	809	899	115	128	H
Nebraska	1,425	1,437	1,758	1,823	200	234	H
Nevada	833	876	NA	NA	NA	NA	H
New Hampshire	NA	NA	NA	NA	259	255	T
New Jersey	8,539	8,214	11,132	10,900	2,543	2,438	L
New Mexico	2,325	2,442	1,095	1,120	283	283	H
New York	11,173	11,126	39,059	38,767	6,101	5,760	L
North Carolina	5,293	5,258	9,800	10,272	1,000	1,133	O
North Dakota	756	1,154	266	430	62	199	H
Ohio	7,869	8,087	8,147	8,433	220	117	H
Oklahoma	1,747	1,830	1,893	2,107	203	343	H
Oregon	NA	NA	5,925	5,853	440	427	L
Pennsylvania	8,788	8,772	11,000	10,801	2,232	2,022	L
Rhode Island	847	850	1,010	1,061	121	123	H
South Carolina	2,251	2,355	2,322	2,592	187	212	H
South Dakota	720	744	NA	NA	NA	NA	H
Tennessee	6,658	6,900	201	185	1,548	1,865	H
Texas	20,993	24,100	NA	NA	NA	NA	H
Utah	1,522	1,583	2,248	2,479	267	272	H
Vermont	337	342	595	597	78	86	H
Virginia	2,974	3,122	10,137	10,613	838	860	T
Washington	7,649	7,206	NA	NA	NA	NA	L
West Virginia	1,242	1,277	1,742	1,784	178	192	H
Wisconsin	4,270	4,289	6,868	7,042	881	907	H
Wyoming	435	490	NA	NA	NA	NA	H
TERRITORIES							
Puerto Rico	680	543	2,109	2,143	1,515	1,441	H
<b>Total</b>	<b>\$206,462</b>	<b>\$211,118</b>	<b>\$272,405</b>	<b>\$278,345</b>	<b>\$42,427</b>	<b>\$42,604</b>	

NOTES: NA indicates data are not available because, in most cases, these states do not have that type of tax. \*See Notes to Table 19 on page 49. \*\*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 20

## Comparison of Tax Collections in Fiscal 2011, Fiscal 2012, and Enacted Fiscal 2013 (Millions)\*\*

Region/State	Sales Tax			Personal Income Tax			Corporate Income Tax		
	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2011	Fiscal 2012	Fiscal 2013
Alabama	\$1,928	\$2,010	\$2,085	\$2,790	\$2,974	\$2,975	\$291	\$382	\$401
Alaska	NA	NA	NA	NA	NA	NA	700	715	783
Arizona	3,467	3,655	3,785	2,864	3,092	3,230	560	648	677
Arkansas	2,056	2,111	2,174	2,270	2,402	2,381	351	379	362
California	26,983	18,921	20,605	49,446	52,958	60,268	9,614	8,208	8,488
Colorado	2,044	2,093	2,086	4,496	4,956	4,880	394	449	454
Connecticut	3,353	3,830	4,046	7,246	8,311	8,554	794	717	793
Delaware	NA	NA	NA	997	1,042	1,086	168	119	176
Florida	16,638	17,422	18,101	NA	NA	NA	1,875	2,011	2,159
Georgia	5,081	5,335	5,561	7,659	8,142	8,605	670	591	735
Hawaii	2,496	2,699	2,851	1,231	1,541	1,529	50	73	59
Idaho	972	1,027	1,083	1,153	1,206	1,295	169	187	182
Illinois	6,833	7,226	7,335	11,225	15,512	15,273	1,851	2,461	2,550
Indiana	6,218	6,622	6,796	4,586	4,766	5,051	705	959	692
Iowa	1,936	1,979	2,051	2,845	2,967	3,102	248	341	352
Kansas	2,253	2,462	2,575	2,710	2,908	2,871	225	284	270
Kentucky	2,896	3,052	3,075	3,418	3,512	3,564	301	374	360
Louisiana	2,610	2,639	2,768	2,405	2,486	2,627	262	141	156
Maine	972	1,023	1,009	1,393	1,445	1,436	193	219	204
Maryland	3,656	4,039	4,126	6,643	7,115	7,306	571	646	734
Massachusetts	4,905	5,059	5,310	11,576	11,911	12,721	1,951	1,771	1,734
Michigan	6,711	7,024	7,194	6,418	6,966	7,908	2,098	1,182	287
Minnesota	4,403	4,678	4,738	7,529	7,973	8,385	925	1,044	853
Mississippi	1,791	1,855	1,887	1,383	1,489	1,480	448	505	463
Missouri	1,760	1,845	1,891	4,640	4,914	5,072	386	341	352
Montana	65	60	62	816	899	860	119	128	128
Nebraska	1,373	1,437	1,485	1,735	1,823	1,870	155	234	230
Nevada	826	876	858	NA	NA	NA	NA	NA	NA
New Hampshire	NA	NA	NA	NA	NA	NA	249	255	267
New Jersey	8,144	8,214	8,820	10,617	10,900	11,767	2,463	2,438	2,831
New Mexico	2,333	2,442	2,442	1,061	1,120	1,115	230	283	373
New York	10,782	11,126	11,414	36,209	38,767	40,256	5,279	5,760	6,038
North Carolina	5,872	5,258	5,456	9,735	10,272	10,518	1,014	1,133	1,075
North Dakota	782	1,154	1,198	428	430	443	147	199	178
Ohio	7,578	8,087	8,425	8,120	8,433	8,970	237	117	150
Oklahoma	1,668	1,830	1,924	1,832	2,107	2,057	274	343	321
Oregon	NA	NA	NA	5,524	5,853	6,116	469	427	396
Pennsylvania	8,590	8,772	9,219	10,436	10,801	11,286	2,132	2,022	2,205
Rhode Island	813	850	888	1,021	1,061	1,081	85	123	133
South Carolina	2,245	2,355	2,466	2,396	2,592	2,732	183	212	190
South Dakota	710	744	763	NA	NA	NA	NA	NA	NA
Tennessee*	6,494	6,900	7,049	184	185	215	1,580	1,865	1,733
Texas	21,401	24,100	21,944	NA	NA	NA	NA	NA	NA
Utah	1,601	1,583	1,611	2,298	2,479	2,597	261	272	257
Vermont	326	342	353	553	597	642	90	86	81
Virginia	3,012	3,122	3,066	9,944	10,613	10,526	822	860	828
Washington	7,154	7,206	8,265	NA	NA	NA	NA	NA	NA
West Virginia	1,210	1,277	1,261	1,689	1,784	1,817	307	192	253
Wisconsin	4,109	4,289	4,387	6,701	7,042	7,222	853	907	877
Wyoming	471	490	489	NA	NA	NA	NA	NA	NA
TERRITORIES									
Puerto Rico	532	543	691	2,187	2,143	2,107	1,677	1,441	1,623
<b>Total</b>	<b>\$209,521</b>	<b>\$211,118</b>	<b>\$216,976</b>	<b>\$258,223</b>	<b>\$278,345</b>	<b>\$293,687</b>	<b>\$42,746</b>	<b>\$42,604</b>	<b>\$42,819</b>

NOTES: NA indicates data are not available because, in most cases, these states do not have that type of tax. \*See Notes to Table 20 on page 49. \*\* Unless otherwise noted, fiscal 2011 figures reflect actual tax collections, fiscal 2012 figures reflect preliminary actual tax collections estimates, and fiscal 2013 figures reflect the estimates used in enacted budgets. Totals include only those states with data for all years.

TABLE 21

## Percentage Changes in Tax Collections in Fiscal 2011, Fiscal 2012, and Enacted Fiscal 2013\*\*

State	Sales Tax			Personal Income Tax			Corporate Income Tax		
	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2011	Fiscal 2012	Fiscal 2013
Alabama	4.1%	4.3%	3.7%	7.9%	6.6%	0.0%	-29.9%	31.2%	5.1%
Alaska	NA	NA	NA	NA	NA	NA	32.5	2.2	9.5
Arizona	1.3	5.4	3.6	18.5	8.0	4.5	35.6	15.6	4.6
Arkansas	4.6	2.7	3.0	8.6	5.8	-0.9	-3.1	7.9	-4.5
California	0.9	-29.9	8.9	10.2	7.1	13.8	5.5	-14.6	3.4
Colorado	12.0	2.4	-0.3	10.1	10.2	-1.5	5.9	14.0	1.1
Connecticut	4.7	14.2	5.6	10.0	14.7	2.9	19.1	-9.8	10.7
Delaware	NA	NA	NA	16.9	4.5	4.3	91.3	-29.2	47.9
Florida	3.9	4.7	3.9	NA	NA	NA	4.7	7.3	7.4
Georgia	4.4	5.0	4.2	9.2	6.3	5.7	-2.1	-11.9	24.4
Hawaii	7.8	8.1	5.6	-19.4	25.1	-0.8	-15.1	45.7	-19.3
Idaho	1.7	5.6	5.4	8.5	4.7	7.3	74.2	10.7	-2.5
Illinois	8.3	5.8	1.5	19.0	38.2	-1.5	12.2	33.0	3.6
Indiana	5.1	6.5	2.6	18.3	3.9	6.0	19.1	36.0	-27.8
Iowa	-15.6	2.2	3.7	-12.1	4.3	4.5	-36.3	37.7	3.3
Kansas	21.3	9.3	4.6	12.1	7.3	-1.3	0.0	26.2	-4.9
Kentucky	3.7	5.4	0.8	8.3	2.8	1.5	26.5	24.3	-3.7
Louisiana	10.5	1.1	4.9	8.7	3.4	5.7	49.9	-46.2	10.6
Maine	1.9	5.2	-1.4	7.3	3.7	-0.6	10.3	13.5	-6.8
Maryland	3.8	10.5	2.1	7.5	7.1	2.7	-17.1	13.2	13.5
Massachusetts	6.3	3.2	5.0	14.5	2.9	6.8	22.0	-9.2	-2.1
Michigan*	8.6	4.7	2.4	16.0	8.5	13.5	12.6	-43.7	-75.8
Minnesota	5.4	6.2	1.3	15.3	5.9	5.2	39.2	12.9	-18.4
Mississippi	0.6	3.6	1.7	3.2	7.7	-0.6	11.2	12.8	-8.4
Missouri	1.6	4.9	2.5	4.7	5.9	3.2	33.9	-11.6	3.3
Montana	-1.8	-7.2	2.6	13.7	10.1	-4.3	35.2	7.4	0.2
Nebraska	6.4	4.7	3.3	14.5	5.1	2.6	0.6	51.2	-1.8
Nevada	5.4	6.0	-2.0	NA	NA	NA	NA	NA	NA
New Hampshire	NA	NA	NA	NA	NA	NA	-4.1	2.7	4.5
New Jersey	3.1	0.9	7.4	2.8	2.7	8.0	8.3	-1.0	16.1
New Mexico	11.1	4.7	0.0	10.9	5.6	-0.5	83.8	23.2	31.9
New York	9.2	3.2	2.6	4.2	7.1	3.8	-1.7	9.1	4.8
North Carolina	5.5	-10.5	3.8	7.6	5.5	2.4	-15.4	11.7	-5.1
North Dakota	28.2	47.5	3.9	-0.1	42.6	3.0	66.5	35.6	-10.5
Ohio	8.3	6.7	4.2	8.6	3.8	6.4	136.6	-50.5	28.1
Oklahoma	10.0	9.7	5.2	10.7	15.0	-2.4	63.3	25.2	-6.6
Oregon	NA	NA	NA	11.8	6.0	4.5	30.5	-8.8	-7.3
Pennsylvania	7.0	2.1	5.1	4.7	3.5	4.5	19.0	-5.1	9.0
Rhode Island	1.2	4.6	4.4	13.7	3.9	1.9	-42.5	45.8	8.1
South Carolina	2.5	4.9	4.8	10.4	8.2	5.4	66.0	16.3	-10.3
South Dakota	8.9	4.8	2.5	NA	NA	NA	NA	NA	NA
Tennessee	5.5	6.3	2.2	6.4	0.5	16.2	12.9	18.0	-7.1
Texas	9.2	12.6	-8.9	NA	NA	NA	NA	NA	NA
Utah	14.1	-1.2	1.8	9.2	7.8	4.8	1.0	4.5	-5.7
Vermont	4.7	5.0	3.2	11.1	7.9	7.6	42.4	-4.2	-5.7
Virginia	-2.3	3.6	-1.8	9.4	6.7	-0.8	1.9	4.6	-3.7
Washington	4.6	0.7	14.7	NA	NA	NA	NA	NA	NA
West Virginia	5.9	5.5	-1.3	9.5	5.7	1.8	29.7	-37.4	31.5
Wisconsin	4.2	4.4	2.3	10.1	5.1	2.6	2.2	6.3	-3.3
Wyoming	14.0	4.0	-0.2	NA	NA	NA	NA	NA	NA
TERRITORIES									
Puerto Rico	-1.3	2.2	27.2	-15.1	-2.0	-1.7	0.0	-14.1	12.7
<b>Total</b>	<b>5.6%</b>	<b>0.8%</b>	<b>2.8%</b>	<b>8.9%</b>	<b>7.8%</b>	<b>5.5%</b>	<b>8.6%</b>	<b>-0.3%</b>	<b>0.5%</b>

NOTES: NA indicates data are not available because, in most cases, these states do not have that type of tax. \*See Notes to Table 21 on page 49. \*\* Unless otherwise noted, fiscal 2011 figures reflect actual tax collections, fiscal 2012 figures reflect preliminary actual tax collections estimates, and fiscal 2013 figures reflect the estimates used in enacted budgets. Totals include only those states with data for all years.



## Enacted Fiscal 2013 Revenue Changes

States enacted \$6.9 billion in net revenue increases for fiscal 2013. However, the majority share of this increase comes from California, New York, and Arizona. In all, 11 states enacted a net increase, and 20 states enacted net decreases in revenue. In addition to these tax and fee changes, states also enacted \$2.5 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-2](#)) 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 tax 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 enacted changes in fiscal 2013 is attributable to personal income taxes (\$5.9 billion), followed by sales taxes (\$1.2 billion). States also increased cigarette and tobacco taxes by \$248 million and fees by \$371 million. Corporate income taxes, alcohol taxes, motor fuel and other taxes were decreased in fiscal 2013.

**Sales Taxes**—Five states enacted sales tax increases and 12 enacted decreases. The result is a net revenue increase of \$1.2 billion. Much of this change is due to an increased sales tax rate in California and Arizona. Arizona's sales tax increase is set to expire at the end of fiscal 2013.

**Personal Income Taxes**—Five states enacted personal income tax increases while 13 enacted decreases for a net increase of \$5.9 billion. Much of the enacted increases are attributable to higher marginal rates for personal income taxes in New York and California.

**Corporate Income Taxes**—Two states enacted corporate income tax increases while nine enacted decreases for a net decrease of \$108 million. Elimination of some corporate taxes in Arizona and West Virginia accounted for the majority of the net decrease.

**Cigarette and Tobacco Taxes**—Four states enacted a cigarette tax increase for a net increase of \$248 million. Increases in Illinois accounted for \$237 million of the total.

**Motor Fuel Taxes**—Hawaii enacted a motor fuel tax increase and Minnesota enacted a decrease, resulting in a net decrease of \$1.6 million.

**Alcohol Taxes**—Florida enacted a decrease in the state alcohol tax for a net decrease of \$6.3 million.

**Other Taxes**—Five states enacted other tax increases, while 11 states enacted decreases in other taxes for a net decrease of \$572 million.

**Fees**—Ten states enacted fee increases, and one state decreased fees for a net increase of \$371 million.

**TABLE 22**  
**Enacted State Revenue Changes,**  
**Fiscal 1979 to Fiscal 2013**

Fiscal Year	Revenue Change (Billions)
2013	\$6.9
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 2013**

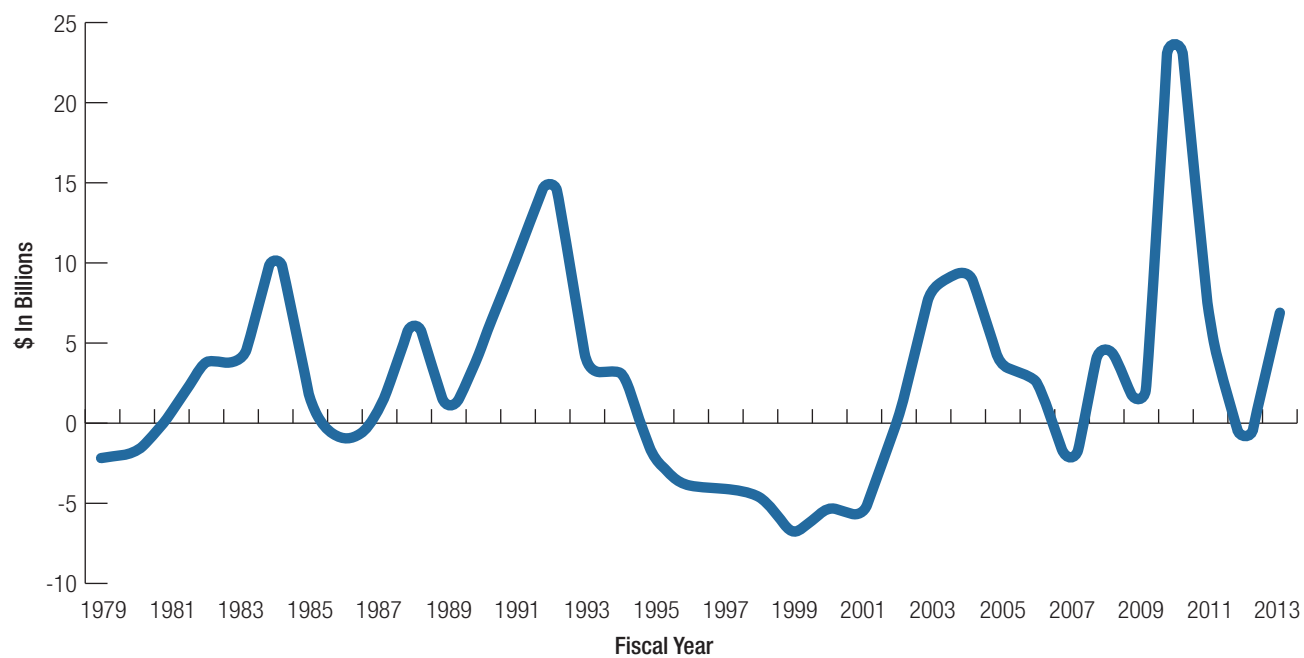


TABLE 23

## Enacted 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	976.0	4.8	-38.7						942.1
Arkansas									0.0
California*	605.0	4735.0							5340.0
Colorado									0.0
Connecticut				2.1				-15.0	-12.9
Delaware							-3.6	1.3	-2.3
Florida	-46.1		-11.2			-6.3	-2.2		-65.8
Georgia	-281.2	-61.0					-16.6	264.0	-94.8
Hawaii	-5.0	-1.1			1.9				-4.2
Idaho	-0.9	-30.9	-4.8				-0.2		-36.8
Illinois				237.0			11.0		248.0
Indiana	-3.4						-14.8		-18.2
Iowa									0.0
Kansas		-249.2					18.0		-231.2
Kentucky									0.0
Louisiana									0.0
Maine	5.6	-84.3	-5.8				14.2		-70.3
Maryland		247.3	7.4	5.0				1.2	260.9
Massachusetts	-20.9						82.2	3.5	64.8
Michigan	-1.0	-103.0					-6.5		-110.5
Minnesota					-3.5		35.2	4.8	36.5
Mississippi									0.0
Missouri									0.0
Montana									0.0
Nebraska	-5.0	-7.9							-12.9
Nevada									0.0
New Hampshire*									0.0
New Jersey									0.0
New Mexico	-16.5								-16.5
New York*		1931.0					-310.0		1621.0
North Carolina									0.0
North Dakota		-60.0	-12.5				-4.5		-77.0
Ohio		-446.0							-446.0
Oklahoma									0.0
Oregon									0.0
Pennsylvania	-4.9		-12.0				-357.8		-374.7
Rhode Island	9.7			4.1				2.6	16.4
South Carolina		-20.3							-20.3
South Dakota									0.0
Tennessee	-22.0		12.5				-15.5	20.7	-4.3
Texas									0.0
Utah	5.8								5.8
Vermont		-3.6						11.6	8.0
Virginia		0.5	-1.6						-1.1
Washington								60.0	60.0
West Virginia	-40.5	-0.6	-35.0				-1.0	16.0	-61.1
Wisconsin		-5.8	-6.0						-11.8
Wyoming									0.0
TERRITORIES									
Puerto Rico									0.0
<b>Total</b>	<b>\$1,154.7</b>	<b>\$5,844.9</b>	<b>-\$107.7</b>	<b>\$248.2</b>	<b>-\$1.6</b>	<b>-\$6.3</b>	<b>-\$572.1</b>	<b>\$370.7</b>	<b>\$6,930.8</b>

NOTE: \*See Notes to Table 24 on page 49. See Appendix Table A-1 for details on specific revenue changes.

# CHAPTER 2 NOTES

## Notes to Table 19

### Fiscal 2012 Tax Collections Compared With Projections Used in Adopting Fiscal 2012 Budgets

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California	Compared to projection at 2011-12 Budget Act.
Missouri	Does not include additional revenue that was budgeted from tax amnesty and other collection efforts.

## Notes to Table 20

### Comparison of Tax Collections in Fiscal 2011, Fiscal 2012, and Enacted Fiscal 2013

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Tennessee	Sales tax, personal income tax, and corporate income tax are shared with local governments.
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## Notes to Table 21

### Percentage Changes in Tax Collections in Fiscal 2011, Fiscal 2012 and Enacted Fiscal 2013

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Michigan	Revenue decline for corporate income tax collections reflects the recently enacted business tax reduction that replaced the Michigan Business Tax with a Corporate Income Tax.
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## Notes to Table 23

### Enacted Fiscal 2013 Revenue Actions by Type of Revenue and Net Increase or Decrease

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California	<p>Proposition 30 (Nov. 2012 ballot) would increase sales use tax rates by 1/4 percent for tax years 2013 to 2016. The amount of revenue increase in fiscal 2013 is \$605.0 million. The effective date is January 1, 2013.</p> <p>Proposition 30 (Nov. 2012 ballot) would increase personal income tax rates for tax years 2012 to 2018. The amount of revenue increase in fiscal 2013 is \$4,735 million. The effective date is January 1, 2012.</p> <p>The net revenue increase for fiscal 2013 of Proposition 30 is \$5,340.0</p>
New York	In December 2011, prior to submission of FY 2013 Executive Budget and the subsequent enactment of the FY 2013 Budget, the State enacted tax reform legislation to amend existing tax structure, the result of which produced additional revenue necessary to reduce the estimated FY 2013 budget gap by approximately \$1.5 billion.
New Hampshire	Cigarette—Ten cent per pack of cigarettes reduction (\$1.78 per to \$1.68 per ) became effective 7/1/11. Impact on revenues was expected to be zero as decline in revenue was expected to be offset by increased cigarette sales. (Actual impact was a resultant loss of tax revenue in FY 2012 of approximately \$12 million).



# TOTAL BALANCES

## CHAPTER THREE

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 total 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, in some cases much higher than five percent. State officials often try to 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 the recession, states built up fairly significant balance levels. By 2006, total balances reached a peak at \$69 billion or 11.5 percent of general fund expenditures. However, the severe deterioration in state revenues and rising expenditure pressures in fiscal 2009 and 2010 resulted in balance levels falling to 5.2 percent of expenditures by the end of fiscal 2010. States have made significant progress rebuilding budget re-

serves since the decline at the end of the recession. (See [Figures 6, 7, and 8](#)) Balance levels were greatly increased in fiscal 2011 from fiscal 2010, bringing total balances to 7.1 percent of expenditures. Those levels increased again in fiscal 2012, rising to \$50.9 billion or 7.6 percent of general fund expenditures. In fiscal 2013, states project balances to increase to \$61.3 billion or 9.0 percent of general fund expenditures. (See [Tables 24, 25, and 26](#))

Total balance levels at \$61.3 billion or 9.0 percent of general fund expenditures appear to indicate that budget reserves are fairly sufficient across states, but the totals can be misleading. The combined balance levels for Texas and Alaska, at \$12.7 billion and \$17.1 billion respectively, account for 48.5 percent of total state balances. The concentration of total budget reserves being disproportionately held by two states means that the average balance level as a percent of expenditures is much lower for the other 48 states. If you remove Texas and Alaska from total balance levels, the remaining 48 states have average balance levels representing only 5.0 percent of expenditures.

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 2013, five states estimate balance levels below one percent of expenditures and 19 states estimate balance levels greater than one percent, but less than five percent. (See [Table 25](#)) 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 may arise towards the end of the fiscal year.

**TABLE 24**  
**Total Year-End Balances,**  
**Fiscal 1979 to Fiscal 2013**

Fiscal Year	Total Balance (Billions)	Total Balance (Percentage of Expenditures)
2013**	\$61.3	9.0%
2012*	50.9	7.6
2011	45.7	7.1
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
<b>Average</b>	<b>—</b>	<b>6.0%</b>

NOTE: \*Figures for fiscal 2012 are preliminary actual; \*\*Figures for fiscal 2013 are based on enacted budgets.

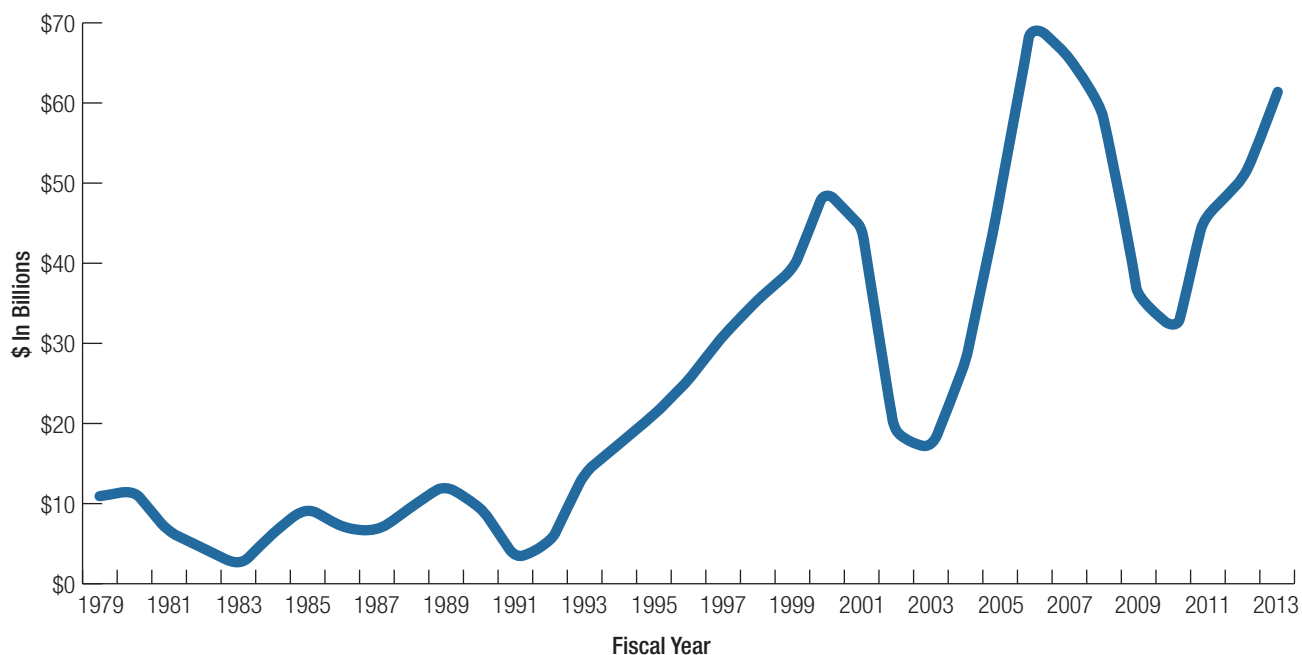


**TABLE 25****Total Year-End Balances as a  
Percentage of Expenditures,  
Fiscal 2011 to Fiscal 2013**

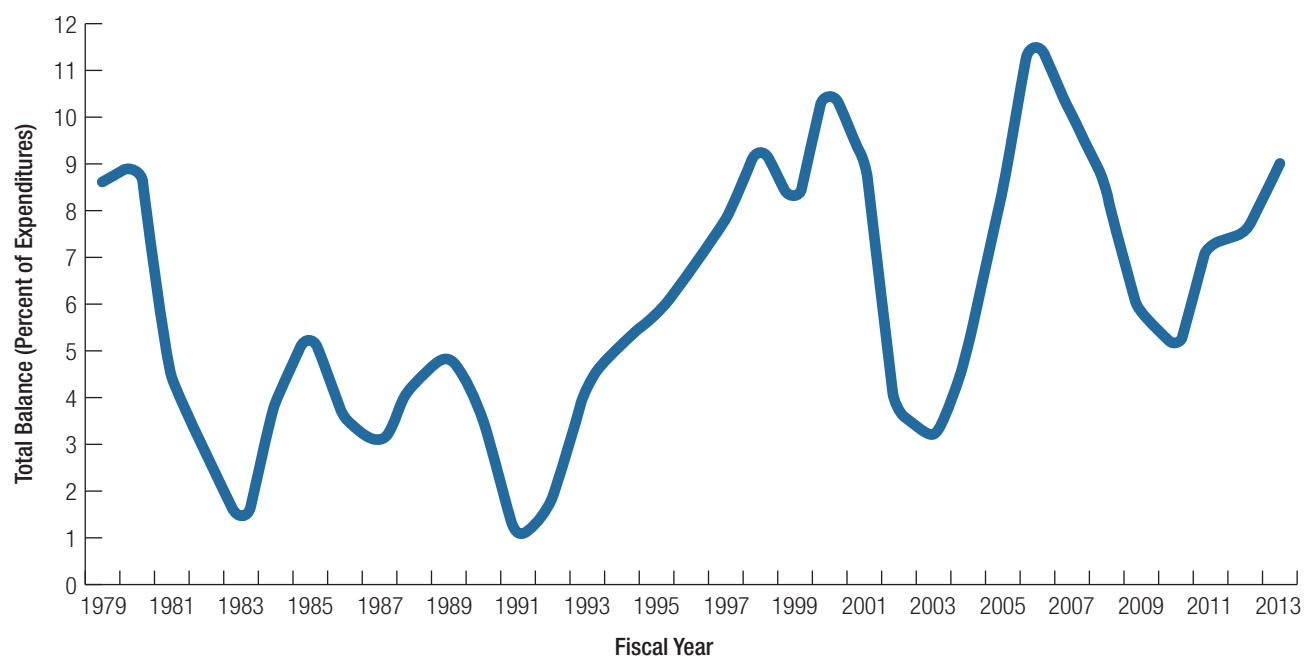
Percentage	Number of States		
	Fiscal 2011 (Actual)	Fiscal 2012 (Preliminary Actual)	Fiscal 2013 (Appropriated)
Less than 1.0%	7	5	5
1.0% to 4.9%	15	17	19
5.0% to 9.9%	17	12	12
10% or more	11	16	14

*NOTE: The average for fiscal 2011 (actual) was 7.1 percent; the average for fiscal 2012 (preliminary actual) is 7.6 percent; and the average for fiscal 2013 (appropriated) is 9.0 percent.*

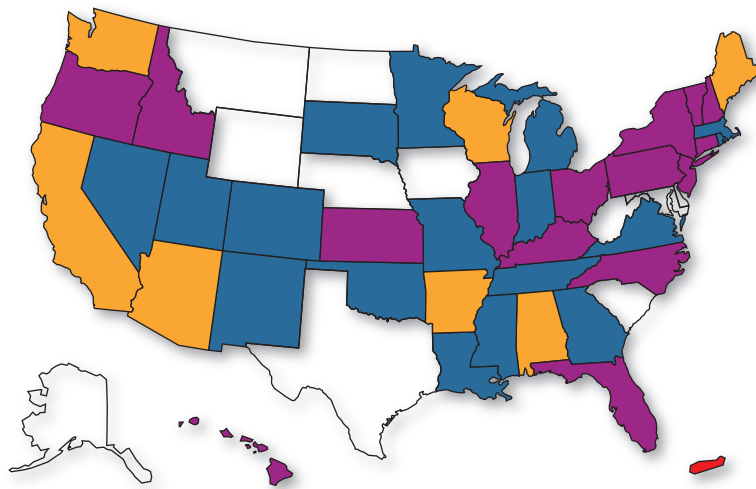
**FIGURE 4:**  
**Total Year-End Balances Fiscal 1979 to Fiscal 2013**



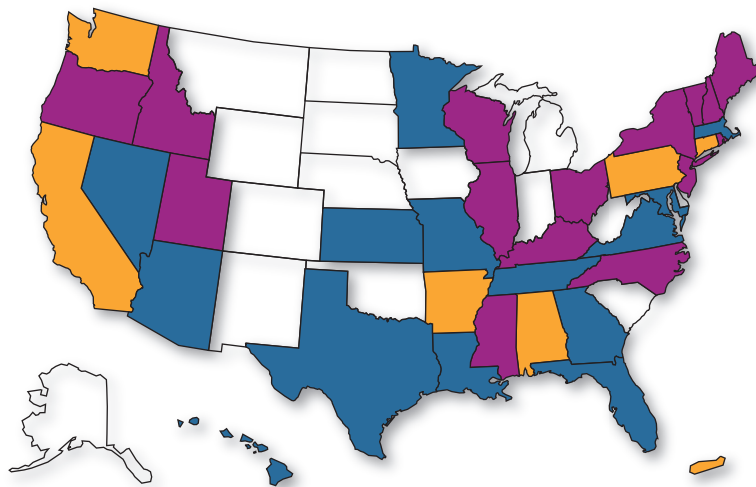
**FIGURE 5:**  
**Total Year-End Balances as a Percentage of Expenditures Fiscal 1979 to Fiscal 2013**



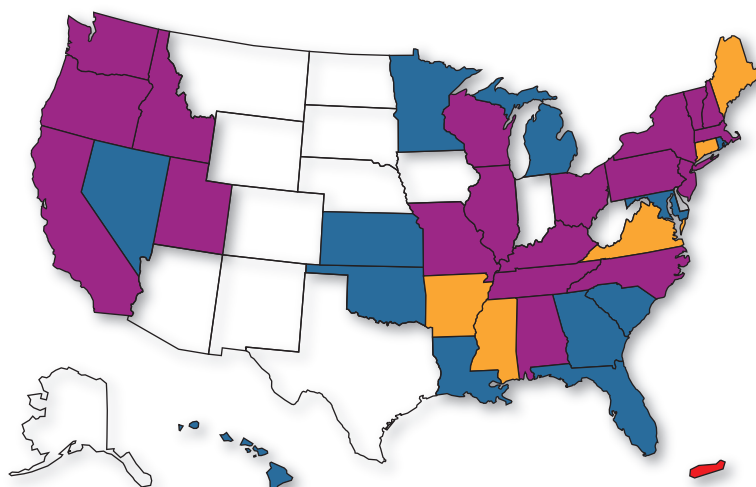
## Changing Balance Levels 2011, 2012, 2013



**FIGURE 6:**  
**Total State Balance Levels 2011**



**FIGURE 7:**  
**Total State Balance Levels 2012**



**FIGURE 8:**  
**Total State Balance Levels 2013**

TABLE 26

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

Region/State	Total Balance (\$ in Millions)**			Total Balances as a Percent of Expenditures		
	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2011	Fiscal 2012	Fiscal 2013
Alabama	\$51	\$35	\$262	0.7%	0.5%	3.7%
Alaska	14,950	15,601	17,071	274.3	222.5	225.1
Arizona	3	646	973	0.0	7.7	11.3
Arkansas	0	0	0	0.0	0.0	0.0
California	-3,079	-2,882	1,667	-3.4	-3.3	1.8
Colorado	446	864	1,015	6.4	12.0	13.1
Connecticut	237	-50	97	1.3	-0.3	0.5
Delaware	798	565	504	24.4	15.7	13.4
Florida	1,026	1,494	2,286	4.3	6.3	9.2
Georgia	1,131	1,131	1,131	6.6	6.5	6.2
Hawaii	126	275	348	2.5	5.0	6.1
Idaho	69	100	40	2.8	3.9	1.5
Illinois	469	316	316	1.6	1.1	1.1
Indiana	1,182	2,155	2,007	9.1	15.9	14.3
Iowa	995	1,284	1,401	18.6	21.4	22.5
Kansas	188	466	470	3.3	7.6	7.6
Kentucky	290	212	174	3.3	2.2	1.8
Louisiana	633	595	447	8.1	7.2	5.4
Maine	\$19	87	0	0.7	2.8	0.0
Maryland	1,615	1,223	1,145	12.2	8.2	7.8
Massachusetts	1,901	1,990	1,400	5.9	6.1	4.1
Michigan	556	1,093	505	6.8	13.0	5.6
Minnesota	1,297	1,098	1,609	8.5	6.5	9.3
Mississippi	241	108	0	5.3	2.3	0.0
Missouri	627	454	351	8.2	5.7	4.4
Montana	342	453	397	19.6	25.5	20.8
Nebraska	816	927	601	24.6	26.9	16.5
Nevada	324	243	244	9.5	7.8	7.7
New Hampshire	27	23	37	2.1	1.9	2.9
New Jersey	870	569	648	3.1	1.9	2.1
New Mexico	501	705	733	9.4	12.4	12.8
New York	1,376	1,787	1,819	2.5	3.2	3.1
North Carolina	878	813	632	4.7	4.2	3.1
North Dakota	1,383	1,681	1,891	83.8	75.6	89.2
Ohio	431	617	1,034	1.6	2.3	3.6
Oklahoma	342	685	403	6.3	11.8	6.7
Oregon	87	87	277	1.4	1.3	4.1
Pennsylvania	1,073	659	293	3.8	2.4	1.1
Rhode Island	199	269	187	6.7	8.6	5.7
South Carolina	712	956	561	13.8	17.3	9.4
South Dakota	107	183	167	9.3	15.1	13.4
Tennessee	879	733	366	8.8	6.4	3.1
Texas	6,148	7,473	12,654	15.9	17.0	34.1
Utah	293	233	244	6.2	4.8	4.8
Vermont	54	58	63	4.7	4.6	4.8
Virginia	841	675	49	5.4	4.1	0.3
Washington	-91	-285	318	-0.6	-1.9	2.1
West Virginia	1,452	1,462	1,385	38.5	35.3	32.6
Wisconsin	86	342	339	0.6	2.5	2.3
Wyoming	752	752	765	47.6	47.6	47.2
TERRITORIES						
Puerto Rico	0	10	0	0.0	0.1	0.0
<b>Total**</b>	<b>\$45,650</b>	<b>\$50,957</b>	<b>\$61,324</b>	<b>7.1%</b>	<b>7.6%</b>	<b>9.0%</b>

NOTES: NA indicates data not available. \*Fiscal 2011 are actual figures, fiscal 2012 are preliminary actual figures, and fiscal 2013 are appropriated figures. \*\*Total balances include both the ending balance and Rainy Day Funds.

TABLE 27

# 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)**			Rainy Day Fund Balance as a Percent of Expenditures		
	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2011	Fiscal 2012	Fiscal 2013
Alabama	\$0	\$0	\$115	0.0%	0.0%	1.6%
Alaska	12,981	14,783	16,518	238.20	210.8	217.8
Arizona	0	250	450	0.0	3.0	5.2
Arkansas	0	0	0	0.0	0.0	0.0
California	-3,797	-3,601	948	-4.1	-4.1	1.0
Colorado	157	281	298	2.3	3.9	3.8
Connecticut	0	93	93	0.0	0.5	0.5
Delaware	186	186	199	5.7	5.2	5.3
Florida	279	494	709	1.2	2.1	2.8
Georgia	328	328	328	1.9	1.9	1.8
Hawaii	0	0	0	0.0	0.0	0.0
Idaho	0	24	35	0.0	0.9	1.3
Illinois	0	276	276	0.0	0.9	1.0
Indiana	57	352	355	0.4	2.6	2.5
Iowa	440	596	622	8.2	9.9	10.0
Kansas*	0	0	0	0.0	0.0	0.0
Kentucky	0	122	122	0.0	1.3	1.3
Louisiana	647	442	442	8.3	5.4	5.4
Maine	0	45	45	0.0	1.4	1.5
Maryland	624	672	713	4.7	4.5	4.9
Massachusetts	1,379	1,652	1,392	4.3	5.1	4.0
Michigan	2	365	505	0.0	4.4	5.6
Minnesota	9	658	612	0.1	3.9	3.5
Mississippi	191	100	0	4.2	2.1	0.0
Missouri	247	248	251	3.2	3.1	3.1
Montana	0	0	0	0.0	0.0	0.0
Nebraska	313	429	384	9.4	12.4	10.6
Nevada	0	38	38	0.0	1.2	1.2
New Hampshire	9	9	10	0.7	0.7	0.8
New Jersey	0	0	0	0.0	0.0	0.0
New Mexico	501	705	733	9.4	12.4	12.8
New York	1,206	1,306	1,306	2.2	2.3	2.2
North Carolina	296	419	419	1.6	2.1	2.1
North Dakota	386	386	386	23.4	17.4	18.2
Ohio	0	246	482	0.0	0.9	1.7
Oklahoma	249	578	0	4.6	10.0	0.0
Oregon	16	85	85	0.3	1.2	1.2
Pennsylvania	0	0	73	0.0	0.0	0.3
Rhode Island	130	153	171	4.4	4.9	5.2
South Carolina	712	956	561	13.8	17.3	9.4
South Dakota	107	135	151	9.3	11.2	12.1
Tennessee	284	306	356	2.8	2.7	3.0
Texas	5,012	6,899	8,084	12.9	15.7	21.8
Utah	233	233	244	4.9	4.8	4.8
Vermont	54	58	63	4.7	4.6	4.8
Virginia	0	0	0	0.0	0.0	0.0
Washington	1	130	267	0.0	0.8	1.7
West Virginia	659	851	900	17.5	20.6	21.2
Wisconsin	0	0	0	0.0	0.0	0.0
Wyoming	752	752	765	47.6	47.6	47.2
TERRITORIES						
Puerto Rico	0	0	0	0.0	0.0	0.0
<b>Total**</b>	<b>\$24,651</b>	<b>\$33,038</b>	<b>\$40,505</b>	<b>3.8%</b>	<b>5.0%</b>	<b>5.9%</b>

NOTES: NA indicates data not available. \*See Notes to Table 27 on page 58. \*\*Fiscal 2011 are actual figures, fiscal 2012 are preliminary actual figures, and fiscal 2013 are appropriated figures.

# CHAPTER 3 NOTES

## Notes to Table 27

### Rainy Day Fund Balances and Rainy Day Fund Balances as a Percentage of Expenditures, Fiscal 2011 to Fiscal 2013

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#### Kansas

Kansas does not have a "Rainy Day" fund. However, the balanced budget provision of the constitution requires revenues to finance the approved budget.

# OTHER STATE BUDGETING CHANGES

## CHAPTER FOUR

### Enacted Changes to Budgeting and Financial Management Practices

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For fiscal 2013, a number of states enacted changes to their budgeting and financial management practices to increase efficiency and improve performance of government agencies and programs. Several states reported the implementation of new IT budgeting systems that enable better performance management by helping agencies align resources with goals. The most commonly cited changes were additional emphasis on performance management, consolidation and reorganization, and IT budgeting system upgrades. With the potential for cost and efficiency savings, IT consolidation remains a primary driver for organizational reform. Reforms were also made to minimize future budgetary risks from long-term liabilities such as pensions and fiscally unsustainable patterns in health care expenditures. Enacted changes to state fiscal administration continue to reflect the current limited resource environment. *(See Table 28)*

### Enacted Changes in Aid to Local Governments, Fiscal 2013

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In contrast to fiscal 2009 and fiscal 2010, more states increased aid to local governments in fiscal 2013. Twenty-four

states reported that enacted budgets contained changes in state aid to local governments in fiscal 2013 and many of the changes resulted in increased state aid for local governments. Enacted changes varied considerably, but the number of states that increased aid to local governments was greater than those that decreased aid. Specific programs which are run by local governments including K-12 education or road maintenance account for the majority of increased state dollars. Local governments faced severe fiscal pressures during the recession and property taxes, the primary source of local government revenue, have continued to be impacted by declines in the housing market. Increased state aid in fiscal 2013 will likely provide welcome relief, but in many cases local government fiscal challenges remain. In fiscal 2013, state enacted changes for local government aid reflect greater emphasis on program reform. Several states reported an increase in state aid tied to performance, specifically in the area of education. Increased local government aid in fiscal 2013 will help address falling property tax revenues, but the amount of aid is likely not enough to offset the historic decline in property tax collections. According to the National League of Cities, property tax collections are estimated to fall by 2.1 percent in calendar year 2012, marking the third consecutive year of declines. *(See Table 29)*

TABLE 28

## Enacted Changes to Budgeting and Financial Management Practices

California	Eliminating redevelopment agencies to increase funding for schools, police, fire, and other core local services.
Colorado	<p>HB12-1283 codified the consolidation of Colorado's homeland security functions, personnel, and resources, enacted under Executive Order D 2011-030, into a new Division of Homeland Security and Emergency Management (DHSEM) within the Department of Public Safety (DPS). The bill reduces the budget for Colorado State University by \$620,090 total funds, including \$310,045 and 35.4 FTE in FY 2012-13. These resources are transferred to the Division of Fire Prevention and Control in the Department of Public Safety.</p> <p>Amendment S was initiated by House Concurrent Resolution 12-1001. Amendment S proposes an amendment to the Colorado Constitution concerning the state personnel system. It also expands the veterans' preference, increases the number of candidates eligible to be appointed to a position, changes the amount of time for allowable temporary employment, allows flexibility to remove some positions from the system, modifies the residency requirement, adjusts the terms of service for members of the state personnel board, and requires merit-based appointments to be made through a comparative analysis process.</p> <p>TBD ("To Be Determined") Colorado is a "nonpartisan, collaborative effort designed to create informed and constructive conversations among Coloradans about some of the biggest issues facing the state. TBD Colorado hosted more than 60 community meetings with 1,000 + people throughout Colorado in April and May and will hold six multi-region summits in June. No state dollars will be spent on TBD Colorado."</p> <p>Colorado implemented the SMART Act (State Measurement for Accountable, Responsive, and Transparent—SMART—Government Act), pursuant to HB10-1119. For FY 13-14, the Governor's Office of State Planning and Budgeting believes that departments should craft strategic operational plans that can be used in their daily management. For FY 13-14, OSPB will direct departments to modify strategic operational planning activities to focus on the "specific identification of major programs, the business processes that drive those programs, and output-oriented performance measures to demonstrate the effectiveness of those programs.... For the Fiscal year 2014-2015 budget cycle, OSPB intends to tie these output-oriented measures to the outcome-oriented goals envisioned in the SMART Government Act, including (but not limited to) goals aimed at increased efficiency and cost savings. These goals will be reached by applying process improvement tools to areas in State government that fall short of performance goals. We expect that specific guidance surrounding these sorts of outcome-oriented goals will be published in instructions for the Fiscal Year 2014-2015 budget cycle."</p> <p>In his FY 12-13 budget, the Governor requested to fund a revamp of Colorado's COFRS system (accounting system) included a component for electronic budgeting.</p> <p><b>Debt Policy.</b> Senate Bill 150 was passed in the 2012 Session. This legislation requires the State Treasurer to act as the issuing manager for most state agencies when the loan is at least \$1 million and paid from state sources. The bill also requires the State Treasurer to develop and issue rules for a state public financing policy.</p> <p><b>Management and Efficiency.</b> To achieve our goal of making government more efficient, effective, and elegant, the Office of State Planning and Budgeting began leading the implementation of Lean management principles in nearly all executive branch state departments in October 2011. Lean management refers to a set of tools and processes to streamline operations and eliminate waste, all with the goal of improving customer value. Using the last of the ARRA dollars allocated to the State, some existing resources, as well as donated funds, 40 separate improvement efforts in 15 executive branch agencies are currently underway, with a multitude of improvement opportunities queuing up for action by trained staff and facilitators. Examples of specific projects include process improvements in permitting activities with the Department of Transportation, evaluating the process and forms supporting housing choice vouchers with the Department of Local Affairs, enhancing call center services in the Department of Regulatory Agencies, and supporting efforts to ensure adequate staffing is available to serve some of the most vulnerable citizens with the Department of Human Services.</p>

Table 28 continues on next page.



TABLE 28 (CONTINUED)

**Enacted Changes to Budgeting and Financial Management Practices**

<b>Illinois</b>	Governor Quinn led the effort for a comprehensive overhaul of the state's Medicaid system. While not yet complete, Governor Quinn remains committed to overhauling the pension system and bringing stability back to the budget. Governor Quinn restructured the Government's operations by closing correctional facilities, rebalancing the care of Illinois' most vulnerable citizens, consolidating state police communication centers. Furthermore, he continued to consolidate lease space while still be committed to providing the same level of service to Illinois' residents.
<b>Indiana</b>	The Indiana State Budget Agency implemented Oracle's Hyperion Public Sector Planning and Budgeting EPM software for submission, modeling, development and presentation of statewide agency and program budgets, and to better leverage the state's existing investment in PeopleSoft Financials and Time and Labor.
<b>Maine</b>	The administration's policy is to continue it's effort to reduce the size of the state's work force. The Department of Agriculture, Food and Rural Resources and the Department of Conservation were merged to form the Department of Agriculture, Conservation and Forestry effective 7/1/13. The former State Planning Office was restructured, forming the Office of Policy and Management and transferring other functions to several other state departments and agencies. The Legislature enacted the bill that implemented the recommendations of the Streamline and Prioritize Core Government Services Task Force. The Legislature passed legislation creating the Fund for a Healthy Maine as a separate fund, requiring a programming change to our Budget and Financial Management System.
<b>Massachusetts</b>	<p><b>Long Term Fiscal Policy:</b> On May 8, 2012, in keeping with the Patrick-Murray Administration's commitment to responsible fiscal management, the Executive Office for Administration and Finance today released the Commonwealth's first formal policy to ensure long-term fiscal sustainability. The Long-Term Fiscal Policy Framework includes five-year budgetary forecasts, identifies the fiscal challenges to sustaining vital government programs, and articulates specific policies to address these challenges</p> <p><b>State Finance Reform:</b> On July 27th, 2012, Governor Patrick signed into law legislation that makes fundamental changes in the operations of state government, updating antiquated finance laws and implementing performance measurement requirements for all government agencies and programs to improve efficiency, transparency and accountability.</p> <p><b>Payment Reform Legislation:</b> On August 6, 2012, the Governor approved comprehensive health payment reform legislation which was a compromise version of the bill he had filed in February, 2011. The law will move providers and payers away from fee-for-service payments toward alternative payment structures that are designed to reward integration and coordination of care for patients, reduce costs and improve quality. In addition, the new law will extend the presumptive disapproval criteria of the state Division of Insurance for premium rates in the small and non-group market. A newly created Health Policy Commission will oversee policy development necessary for the implementation of the law. The law establishes a cost growth target for the Commonwealth based on Potential Gross State Product (PGSP), which is estimated to be 3.6% for the 2012-2013 period. The growth rate of PGSP is the long-run average growth rate of the Commonwealth's economy, ignoring fluctuations due to business cycles. The cost growth target equals PGSP for the period from 2013 through 2017, PGSP minus 0.5% for the period from 2018 through 2022 and PGSP from 2023 on. However, the Health Policy Commission and the Legislature have some ability to change those growth targets after 2018. Insurers and providers with cost growth exceeding the growth target may be required by the Health Policy Commission to file performance improvement plans describing specific strategies, adjustments and action steps they propose to implement to improve cost performance. If cost growth targets are met, it is estimated that the new law could result in statewide savings of up to \$200 billion over the next 15 years.</p>

Table 28 continues on next page.

TABLE 28 (CONTINUED)

**Enacted Changes to Budgeting and Financial Management Practices**

	<p><b>Performance Management:</b> On February 14, 2012, Governor Patrick signed Executive Order 540, which requires strategic planning and performance management for all executive departments. Building on the Administration's commitment to improving government performance, accountability and transparency, EO 540 calls on state government to align resources with strategic goals and utilize objective performance measures to demonstrate results. Through the Office of Commonwealth Performance, Accountability and Transparency (CPAT), A&amp;F is leading efforts to change the way state government does business – creating a more strategic, responsive and results-oriented government, where managing performance is the rule and not the exception. As the first step in developing and implementing a performance management framework, EO 540 requires each Secretariat to publish a two-year strategic plan alongside the Governor's fiscal year 2014 Budget Recommendation. A&amp;F is pleased to release our strategic plan which will be issued in final form in January 2013.</p>
<b>Michigan</b>	<p>In December 2011, pension and retiree health care reform laws were enacted, reducing \$5.6 billion in long-term unfunded liabilities. The State of Michigan refunded collections of 3 percent of state employees' pay to fund future retiree health costs. Alternatively, state employees voluntarily pay 4 percent of their salary to remain in the state's defined benefit retirement program or opt for the state's defined contribution (DC) plan and forego the 4 percent payment. State employees also have options for managing their retiree health care. Employees in the DC system hired before January 2012 choose to remain in the current graded health care subsidy plan or receive an amount paid directly to a tax-deferred account. Workers choosing the tax-deferred account option and employees hired after January 2012 receive a state matching contribution up to 2 percent of their compensation in lieu of the retiree health care benefit.</p> <p>Reinventing Michigan's government is guided by the "good government" principle, focusing on performance management, service/process optimization, employee engagement, and change management. The state's priorities are tracked through dashboards and goals of cabinet-level scorecards. Strategies of the various organizational subunits, together with shared competencies and objectives of individual performance management plans, enable each employee to recognize how their work aligns with statewide goals and strategies. Funding decisions are tied to performance outcomes as a way to ensure Michigan government is moving to provide better service and economic growth. Employees are encouraged to participate in Bureaucracy Busters, using a blog to share ideas for improvement and innovation and vote to implement. Additional information may be located at <a href="http://www.michigan.gov/openmichigan">http://www.michigan.gov/openmichigan</a>.</p>
<b>Missouri</b>	Targeted reviews of expenditures; Healthcare cost containment including Medicaid, offender healthcare and state employee healthcare.
<b>Nevada</b>	Nevada's most recent Legislative session was in the spring of 2011. All changes took effect in FY 2012. The departments of personnel and information technology were folded into the Department of Administration. Divisions of the Department of Cultural Affairs (Museums and History, Library and Archives, Historical Preservation, etc.) were folded into other departments. The departments of personnel and information technology were folded into the Department of Administration. Nevada also made changes to the automated budget system to accommodate performance budgeting.
<b>New York</b>	Beginning on April 1st, 2012, the State implemented use of the new Statewide Financial System (SFS), which is a single source accounting system to streamline government financial transactions, increase operational efficiency, and facilitate better financial analysis and decision-making.
<b>Ohio</b>	Authority was granted to sell some state correctional facilities to private operators. Also, many economic development activities were transferred to a newly created non-profit entity outside of state government. While major adjustments were enacted to the state's public employee collective bargaining law, these changes were repealed in a voter referendum in November 2011.

Table 28 continues on next page.

**TABLE 28 (CONTINUED)**

**Enacted Changes to Budgeting and Financial Management Practices**

	<p>Ohio is a biennial budget state that passes budgets for two fiscal years at a time, a mid-biennial budget review process was conducted to review the expenditures and activities of all state agencies. From this process numerous adjustments were made to existing policies and operations as well as appropriations authorized for each year of the current biennium. Also, near the end of FY 2012, revenue estimates for 2013 were recast and adjusted based on updated economic forecasts. As mentioned above, for the first time a mid-biennial budget review process was conducted and numerous policy, operational, and spending adjustments occurred. While aggregate appropriation levels were modestly adjusted, widespread fine tuning of appropriations occurred with some line items receiving additional spending authority and some having their original authority reduced as a result of the review.</p>
<b>Oklahoma</b>	<p>Oklahoma is continuing the Governor's initiative to flatten and "right-size" government services. This legislative session, appropriations were held to 3.9% growth which left \$16 million of General Revenue monies unappropriated, after several years of significant cuts. Additional legislation was enacted to support state-wide consolidation of IT services and other on-going consolidation efforts. In keeping with the Governor's goals, our Budget division has purchased and will be implementing the Oracle Hyperion budgeting, financial and data management system to more fully and efficiently integrate all elements of the budget and performance management process for savings of time and money.</p>
<b>Rhode Island</b>	<p>Effective July 1, 2012, an Office of Management and Budget was created. In addition to the State Budget Office, the new OMB will include a Grants Management Office, a Performance Management Office, and an Office of Regulatory Reform.</p> <p>The new Performance Management Office was created during FY 2012 and is in the process of being staffed. The Performance Management Office, along with members of the Budget Office and the Governor's Office, review performance measures with agencies and departments on a quarterly basis. This is a major initiative by the Governor to improve the quality/performance of state government.</p>
<b>South Carolina</b>	<p>Public Employee Benefit Authority (PEBA) was set up (Act No. 278) to manage employee insurance program and retirements systems. Functions previously fell under different entity. Additionally, the Legislature funded a new budget formulation system, which is planned to be in place for development of the FY14-15 budget.</p>
<b>Texas</b>	<p>The Texas Youth Commission and Texas Juvenile Probation Commission were consolidated into the Texas Juvenile Justice Department (a new agency) and the Department of Rural Affairs consolidated into the Department of Agriculture. The Governor and Texas Legislature enacted additional public hearing and reporting requirements regarding State revenue, State appropriations and fiscal condition, current economic trends, and other related topics. Texas is continuing to develop an enterprise architecture to track financial and human resource data at certain large agencies.</p>
<b>Vermont</b>	<p>Executive driven strategic planning process underway. Sections E.100.1 and E.100.2 of Act 162 (FY13 Approps Act) identify various goals for the outcomes and processes of the State budget. Sec E.100.1 of Act 162 (FY 13 Approps Act) also expresses support for the "continuous evaluation of the raising and spending of public funds by systems of outcome measurement based on indicators that measure success in accomplishing the purposes of the state budget." Additionally, implementation of new budget system is currently underway for FY 2014 cycle.</p>

TABLE 29

**Enacted Changes in Aid to Local Governments, Fiscal 2013**

<b>Arizona</b>	Stop the county transfer that took place during the last several years.
<b>California</b>	<p>1) The 2013 Budget includes a \$20 million grant for cities due to poor economic conditions that has resulted in cuts to police services. 2) The 2013 Budget also includes an additional \$500 million of lease revenue bond financing authority for the acquisition, design, and construction of local facilities to help counties manage their offender population as a result of realignment. 3) The 2013 Budget includes a \$525 million reduction (21.0 percent) to Trial Court operations. The 2013 Budget includes the redirection of various funds and the use of local trial court reserves to offset this reduction. Furthermore, beginning in 2014, local trial court reserves will be reduced to 1 percent of the courts operating budget. 4) Of the General Fund revenues raised by Proposition 30, \$2.9 billion would be used to fund local school districts and community college districts in the 2012-13 fiscal year (approximately 7.9% of the total General Fund for K-12 and community colleges direct instruction, Proposition 98).</p> <p>Chapter 40, Statutes of 2012 established a permanent funding structure for 2011 Realignment. 2011 Realignment, enacted as part of the 2012 Budget, transferred program and fiscal responsibility of certain public safety programs from the state to local governments. The 2013 Budget provides \$2.2 billion to local school districts and community college districts to pay back deferrals in the 2012-13 fiscal year (21.2% of total K-12 and community college deferrals as of the 2011-12 enacted Budget). Legislation was enacted (Chapter 26, Statutes of 2012) that creates a mechanism for the Successor Agencies to the former Redevelopment Agencies (RDAs) to remit to the affected taxing entities (i.e. cities, counties, schools, and special districts) the unencumbered cash assets of the former RDAs. Over \$1.4 billion is expected to be received in 2012-13 by the affected taxing entities. These cash shifts were required by previous law; Chapter 26, Statutes of 2012 creates the framework to ensure the cash is actually shifted in the current fiscal year.</p>
<b>Connecticut</b>	Municipal aid increased \$50.1 million in FY 13, a 1.78% increase over FY 12. Beginning with FY 2013, the state will relax the minimum budget requirement (MBR) associated with the state's main education formula grant (Education Cost Sharing) for municipalities with high performing school districts. This is estimated to affect up to \$10.5 million or 1.5% of the ECS grants for those districts.
<b>Florida</b>	Revision of the collection method for medical hospital fees billed to the counties for both past due and future billings resulting in a \$75.2m increase in local payments to the state.
<b>Hawaii</b>	Act 103, SLH 2011, limited the amount of transient accommodations taxes distributed to the counties to \$93 million per fiscal year from FY 2012 to FY 2015.
<b>Kentucky</b>	Repealed \$19,000,000 earmark from coal severance tax receipts for workers' compensation special fund; thereby increasing state aid to local governments by \$9,500,000.
<b>Maine</b>	<p>State-Municipal Revenue Sharing. The State provides funds to municipalities to stabilize the municipal tax burden and to aid in financing all municipal services. Revenue sharing payments were reduced by a fixed amount that will be transferred to the General Fund as undedicated revenue. The revenue transfer amount for FY 2013 is \$44 million.</p> <p>General Purpose Aid to Local Schools- K-12 Education. Funding was increased by 19.6 million from FY 2012 to FY 2013 which represented a State share percent for essential programs and services for K-12 public education of 46.60%.</p> <p>The Tax &amp; Rent Circuit Breaker program provides property tax relief to certain low and middle residents &amp; renters is limited to 80% of the amount resulting in a \$10.3 m decrease to benefits and expenditure reduction to the General Fund.</p>

Table 29 continues on next page.

TABLE 29 (CONTINUED)

**Enacted Changes in Aid to Local Governments, Fiscal 2013**

<b>Maryland</b>	<p>The 2013 Budget provides \$6.7 billion in aid to local governments, an additional \$134.0 million over 2012. The increases include an additional \$132 million for direct K-12 education aid and \$16.1 million in local Highway User Revenue. The increase is offset by a \$136.6 million reduction in the State's contribution to teacher retirement. Legislation was approved under which the counties will pay a portion of teacher retirement costs. The FY 2013 budget includes \$27.7 million in additional funding to help certain counties offset these costs.</p> <p>Actions in the FY 2013 budget will generate \$67.2 million in additional revenue to local governments to include: income tax changes to rates and exemptions (\$31.5 million) and closing the indemnity mortgage tax loophole (\$35.7 million). The FY 2013 budget also includes a provision repealing required repayments to the Local Income tax Reserve saving local governments \$36.7 million.</p>
<b>Massachusetts</b>	<p>The fiscal 2013 budget provides \$5.07 billion in state-funded local aid to municipalities. The budget includes state funding for chapter 70 education aid of \$4.17 billion, an increase over the \$ 3.99 billion in state funding for chapter 70 in fiscal 2012. The fiscal 2013 budget level funded unrestricted general government aid at \$898 million.</p> <p>On July 12, 2011, Governor Patrick signed municipal health care reform legislation that in its first year of implementation has provided significant and immediate savings to cities and towns, while preserving a meaningful role for organized labor in the process and protecting health care quality for retirees and municipal employees. Political cooperation - first among state leaders to pass the law and then between municipal officials and employee unions to implement it - has enabled savings to far surpass an initial estimate of \$100 million statewide as a result of the reform. Changes made in FY12, the first year of the new reform, will likely produce as much as \$200 million in savings for local governments who have used the new reform process to negotiate changes or used traditional collective bargaining, with the new law providing additional leverage. More municipalities are expected to achieve health insurance savings in FY13.</p>
<b>Michigan</b>	<p>Effective for fiscal 2013 (October 2012): incentive payments (\$110 million) to school districts that meet district performance standards or best practices criteria; \$50 million for technology infrastructure grants; \$10 million to local and intermediate school districts to defray costs associated with consolidation or shared services efforts; incentive-based funding (\$2.0 million) for intermediate school districts meeting 4 of 5 best practices criteria; \$15 million to local governmental units to help with costs of merging government operations; and \$26.1 million for a county incentive-based program similar to the Economic Vitality Incentive Program implemented in fiscal 2012 for cities, villages, and townships.</p>
<b>Missouri</b>	<p>\$1.4M (18.7%) reduction to local public health agencies; \$1.3M (12.0%) reduction to county assessors for assessment maintenance.</p>
<b>Nebraska</b>	<p>State General Fund Only (All July 1, 2012 - June 30, 2013): Aid to K-12 Schools: \$40.3 million; 3.9% increase Homestead Exemption Reimbursement: \$4.4 million; 6.5% increase.</p>
<b>New Jersey</b>	<p>Municipal Aid: Increased Consolidated Municipal Property Tax Relief Aid by \$48.2 million (10%) to \$553.6 million. This program provides general State Aid to municipalities.</p> <p>Reduced Transitional Aid to Localities program funding by \$61.4 million (36%) to \$108.7 million. This program provides assistance to municipalities facing fiscal distress, primarily aiding the state's large urban centers.</p> <p>Other Local Aid: Increased County College Aid by \$4.8 million to \$214.2 million (2%). This program provides aid to the county college system, including funding for operating aid, fringe benefits, and debt service funding.</p> <p>Increased Aid to County Psychiatric Hospitals by \$1.8 million (1%) to \$133.5 million. This program supports patients in county psychiatric hospitals by reimbursing allowable costs incurred by counties.</p>

Table 29 continues on next page.

**TABLE 29 (CONTINUED)**

**Enacted Changes in Aid to Local Governments, Fiscal 2013**

<b>New Mexico</b>	Distribution formula to small cities and counties revised to allow larger distributions beginning in FY14. The larger distributions were necessary to offset revenue declines due to the antipyridding legislation. The effect is estimated to increase distributions to small cities by \$5 million annually and to small counties by \$1 million annually.
<b>New York</b>	<p>The FY 2013 Enacted Budget will have an estimated \$1.1 billion positive impact on municipalities in local fiscal years ending in 2013—the first full-annual local fiscal year affected by changes in the FY 2013 Enacted Budget.</p> <p>Major Enacted Budget program changes and one-year impact for local fiscal years ending in 2013 are as follows:</p> <ul style="list-style-type: none"> <li>• Increased school aid funding for the 2012-13 school year (\$755 million);</li> <li>• Competitive performance grants to school districts (\$125 million);</li> <li>• Acceleration of AIM payments to certain cities (\$64 million);</li> <li>• Creation of a new Pension Tier VI (\$44 million);</li> <li>• Increased Red Light Cameras for Suffolk and Nassau counties (\$34 million);</li> <li>• State takeover of local Medicaid growth expenses (\$24 million);</li> <li>• Increased transit assistance for downstate county transit systems (\$18 million); and,</li> <li>• Eliminate NYC Shelter Supplement Funding (\$15 million).</li> </ul> <p>In addition to \$125 million in competitive performance grants for school districts, the FY 2013 Enacted Budget will have the following impact:</p> <ul style="list-style-type: none"> <li>• School districts outside of New York City will realize a \$490 million positive impact in the 2012-13 school year driven mostly by a \$462 million increase in school aid (exclusive of the competitive performance grants). School districts will also experience \$28 million in savings from the creation of a new Pension Tier VI.</li> <li>• New York City will realize a \$302 million positive impact due primarily to \$293 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 an \$11 million net decrease for human services programs.</li> <li>• County governments will realize an estimated \$71 million net positive impact in 2013, primarily due to \$34 million in increased revenue from additional red light camera authorization in Nassau and Suffolk counties, \$14 million from the takeover of the Medicaid growth factor, and \$10 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, and \$1 million in savings from Early Intervention program reforms.</li> <li>• Other cities, towns and villages will experience a \$71 million positive impact in local fiscal years ending in 2013 attributed to \$64 million in accelerated Aid and Incentives for Municipalities (AIM) assistance to certain cities and \$7 million in savings from the creation of a new Pension Tier VI.</li> </ul>
<b>North Dakota</b>	For the 2011-13 biennium, mill levy reduction grants were increased by \$42.6 million, or 14.2%, and state school aid grants were increased by \$93.3 million, or 10.2%.

Table 29 continues on next page.



TABLE 29 (CONTINUED)

**Enacted Changes in Aid to Local Governments, Fiscal 2013**

<b>Ohio</b>	Payments through the Local Government Fund (LGF) were reduced from 3.68% of total state GRF tax revenue to 50% of the FY 2011 allocation in FY 2013 (estimated FY 13 savings \$334.7 million). Payments to local libraries were limited to 95% of the amounts provided in FY 2011 in 2013 (FY 13 savings \$23.6 million).
<b>Pennsylvania</b>	The FY 2012-2013 budget for the Department of Public Welfare includes a human services block grant pilot program. Twenty counties will be selected to participate in the pilot which will allow the counties the flexibility to combine funding streams for a number of human services program and use the funds outside of their strict categorical purposes while still providing needed services under a locally designed plan. Counties will also benefit from streamlined reporting requirements for programs included in the block grant.
<b>Rhode Island</b>	Education aid to LEAs increased by \$32 million, or 5.4 percent, in FY 2013 compared to FY 2012. This relieved some of the financial pressure on local governments.
<b>South Carolina</b>	Full funding of local government fund was suspended (4% of Most Recent Closed FY Revenue Required by Statute). Funded at \$210,619,411. Required by Statute: \$253,477,411.
<b>Tennessee</b>	The percentage of sales tax revenue distributed to city governments was increased from 4.5925% to 4.603% to compensate for the reduced revenue from lowering the sales tax on grocery food from 5.5% to 5.25%. The change will increase the sales tax distributed to cities by approximately \$700,000.
<b>Texas</b>	The Texas budget is written and balanced on a biennial (two-year) basis. The Texas Legislature enacted various changes impacting aid to local governments for the FY 2012-2013 cycle--for example reductions to local continuing education grants, aid to local libraries, and local parks grants--however only minimal differences exist between FY 2012 and FY2013.
<b>Washington</b>	Eliminate liquor profits sharing (effective 7/1/12), \$45 million. Eliminate liquor excise tax sharing (effective 7/1/12), \$29 million.
<b>West Virginia</b>	State will share 1% (\$4.0 million) of net State Coal Severance Tax collections with coal producing county governments.
<b>Wisconsin</b>	<p>Act 32, the 2011-13 biennial budget bill, includes reductions in FY 2013 for various local government programs. Compared to FY 2011, FY 2013 funding for county and municipal aid decreased by \$76.8 million. Of this amount, payments to towns, villages, and cities were reduced by \$47.7 million or 7.0%, and payments to counties were reduced by \$29.1 million, a reduction of 19.2%. Under 2011 Wisconsin Act 32, funding for school aids (general and categorical) decreased over the biennium by \$792.2 million (7.4%). Compared to FY 2011 school aid funding levels, 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 \$9.8 million for FY 2013. General transportation aids for municipalities were reduced by 5.97% or \$19.6 million for FY 2013. From the transportation fund, mass transit operating assistance was reduced by 10% for FY 2013 or \$9.3 million. From the transportation fund, an additional \$5 million in funding for the local roads improvement program for towns was added for FY 2013 and thereafter an increase of 783 % over FY 2012 levels.</p> <p>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. Act 32 also adopted the provisions of the Governor's proposed budget modifying the expenditure restraint program budget test, affecting eligibility. A county and municipal levy limit increase of 0% for 2012-13 property taxes was imposed, under most circumstances, which is the same limit as 2011-2012.</p>

# APPENDIX

TABLE A-1

## Enacted Revenue Changes by Type of Revenue, Fiscal 2013

State	Tax Change Description	Effective Date	Fiscal 2013 Revenue Changes (\$ in Millions)
<b>SALES TAXES</b>			
Arizona	Enacted in 2010, a temporary 3-year sales tax increase, worth \$836 million in FY11, \$916m in FY12, and \$976m (est) in FY13.	05-10	\$976.0
California	Proposition 30 (Nov. 2012 ballot) would increase SUT rates by 1/4 percent for tax years 2013 to 2016.	01-13	605.0
Florida	3 day back to school sales tax holiday Elimination of paper filers' collection allowance Urban high crimes jobs tax credit Expansion in exemptions for M&E and aircraft repair Corporate scholarship tax credit.	07-12	-46.1
Hawaii	Act 219, 2012 - Repeals Act 155, 2010, which requires all businesses with excise tax exemptions to register to do business in Hawaii, file their tax returns in a timely manner, and creates a personal trust liability for businesses and ensure that those funds are paid to the state.		-5.0
Idaho	HB 485 Revises the eligibility criteria for taking a state income tax deduction for installing energy efficient upgrades within existing residences.	07-12	-0.9
Indiana	Sales and use tax exemption for certain aircraft	01-09	-3.4
Georgia	Energy Sales Tax Exemptions for business, sales tax holiday	01-13	-281.2
Maine	Establishes a Use Tax Compliance Program from July 1, 2012 through Dec. 30, 2012 covering purchases made in calendar years 2006-2011. Taxpayers are absolved from further liability prior to 1/1/12 and criminal prosecution if forms and payments are submitted as required.	07-12	5.6
Massachusetts	Cost of a sales tax holiday on August 11-12, 2012.	08-12	-20.9
Michigan	Retroactively exempts items made in MI but attached to property in other states	01-06	-1.0
Nebraska	Exemptions for health clinics, data centers, mental health centers, biochips, and joint governmental entities	07-12	-5.0
New Mexico	Antipyrarniding legislation: Gross receipts tax (GRT) deduction for certain service inputs used in construction GRT deduction for consumables used in manufacturing, phased in over 5 years	01-13	-16.5
Pennsylvania	Allow a licensee whose tax reported in the third quarter of the prior year exceeds \$25,000 but is less than \$100,000 to make a prepayment equal to or greater than 50% of the current month instead of 50% of the prior year.	10-12	-4.9
Rhode Island	Repeal Clothing Exemption >\$250.	10-12	7.3
	Lost Revenue from SSUTA Non-Compliance.	10-12	-1.4
	Apply Sales Tax to Ground Transportation.	10-12	2.5
	Apply Sales Tax to Pet Services.	10-12	0.9
	Repeal Sales Tax on Package Tours, etc.	07-12	-0.6
	Apply sales tax to the Retail Sale of Medical Marijuana.	07-12	0.8
	Increase Sales Tax revenue from increasing the cigarette tax to \$3.50 per pack.	07-12	0.1
Tennessee	Reduce tax on grocery food from 5.5% to 5.25%.	07-12	-22.0
Utah	Expands the types of sellers who are required to pay or collect and remit sales and use taxes.	07-12	5.8
West Virginia	Sales tax on groceries reduced from 3% to 2% as of 1/1/12 and to 1% as of 7/1/12.	01-12	-40.5
<b>Total Revenue Changes—Sales Tax</b>			<b>\$1,154.7</b>

Table A-1 continues on next page.



TABLE A-1 (CONTINUED)

## Enacted Revenue Changes by Type of Revenue, Fiscal 2013

State	Tax Change Description	Effective Date	Fiscal 2013 Revenue Changes (\$ in Millions)
<b>PERSONAL INCOME TAXES</b>			
Arizona	Enacted in 2011, expand the private school tuition tax credit, impact -\$4m each year starting FY13, long-term care premium tax deduction, -\$4m impact each year starting FY13.	01-12	-\$8.0
	Enacted in 2012, eliminate clean election tax credit.	01-12	12.8
California	Proposition 30 (Nov. 2012 ballot) would increase PIT rates for tax years 2012 to 2018.	01-12	4,735.0
Georgia	Increase personal exemption for married filers by \$2000	01-13	-61.0
Hawaii	Act 185, 2012 (affects both Personal and Corporate taxes)—prohibits penalties for substantial understatements or misstatements and erroneous claims for refund or credit from being added to tax underpayments on which other penalties have been imposed.		-1.1
Idaho	HB 563 Reduces the Idaho personal income tax rate for taxable income over \$20,000 from 7.8 % to 7.4%.	07-12	-30.9
Kansas	Consolidates 3 tax brackets into 2, reduces rates, eliminates many tax credits, and makes other structural changes.	01-13	-249.2
Maine	Conforms to Federal Standard deduction & eliminates tax additions starting January 2012. It establishes new income tax rate schedules that contain a 6.5% rate bracket and reduces the 8.5% rate bracket to 7.95% for tax years beginning on or after January 1, 2013.	07-11	-78.8
	Provides a credit equal to 10% of the federal bonus depreciation on property placed in service in Maine during tax years beginning 2011 and 2012, excluding certain utility and telecommunications property.	07-11	-1.2
	Repeals the income tax additions modifications related to the federal section 179 business expensing thresholds for tax years beginning on or after January 1, 2011.	07-11	-1.7
	Provides new minimum taxability thresholds for non residents to permit greater income earning activity by non residents in the State before Maine income tax liability is triggered. It also excludes from the determination of taxability in the State up to 24 days of personal services related to certain training, management functions, equipment upgrades and new investment.	07-11	-2.5
Maryland	Increased State income tax rates for certain income groups and established new State income tax brackets. Reduced and eliminated income tax personal exemptions for certain tax payers.	01-12	247.3
Michigan	Accelerated scheduled cut in tax rate by 3 months and increased the personal exemption	10-12	-103.0
Nebraska	Lower certain tax rates and expand tax brackets	01-13	-7.9
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 tax rates.	01-12	-60.0
Ohio	Final installment of delayed income tax reduction which started in Fiscal Year 2012. This was delayed for FY 2010-11. The revenue decrease identified for FY 2013 is relative to FY 2011.	07-11	-446.0
South Carolina	Reduces active trade or business income taxed from 5% to 4.33% in tax year 2012.		
	Taxes on this type of "Business" income are paid as Personal Income tax.	01-12	-20.3
Vermont	Cloud computing moratorium—Dec 31, 2006 to July 1, 2013.	07-12	-3.6
Virginia	Increase neighborhood assistance credit.	07-12	-1.5
	Maintain tax credit cap on equity/sub debt.	07-12	2.0
West Virginia	Increase Tax Credit for Apprenticeship Training.	01-12	-0.6

Table A-1 continues on next page.

TABLE A-1 (CONTINUED)

**Enacted Revenue Changes by Type of Revenue, Fiscal 2013**

State	Tax Change Description	Effective Date	Fiscal 2013 Revenue Changes (\$ in Millions)
<b>PERSONAL INCOME TAXES (continued)</b>			
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
<b>Total Revenue Changes—Personal Income Taxes</b>			<b>\$5,845.0</b>
<b>CORPORATE INCOME TAXES</b>			
Arizona	Enacted in 2010, tax credit for qualifying renewable energy production beginning 1/2011, cap at \$20 million/year till 2031.	01-11	-\$20.0
	Enacted in 2011, create/enhance tax credit for new jobs created, angel investment, R&D, eliminate enterprise zone tax credit, net impact -\$18.7m in FY13, increase to -\$60m impact when fully phased in.	07-11	-18.7
Florida	Exemption increase from \$25k to \$50k Renewable energy investment tax credit: Corporate scholarship tax credit	07-12	-11.2
Hawaii	Act 185, 2012 (affects both Personal and Corporate taxes)—prohibits penalties for substantial understatements or misstatements and erroneous claims for refund or credit from being added to tax underpayments on which other penalties have been imposed. Revenue impact was included in personal income tax change.		
Idaho	HB 563 reduced the maximum corporate income tax rate from 7.6% to 7.4%.	07-12	-4.8
Maine	Provides a credit equal to 10% of the federal bonus depreciation on property placed in service in Maine during tax years beginning 2011 and 2012, excluding certain utility and telecommunications property.	07-11	-5.8
Maryland	Repealed the corporate income tax credit for 60% of State and local property taxes paid on certain telecommunications property.	12-11	7.4
North Dakota	Reduced tax rates.	01-12	-12.5
Pennsylvania	Single Sales Factor—increases the weighting of the sales factor from 90% to 100% when apportioning income to Pennsylvania.	01-13	-12.0
Tennessee	Requires state approval to deduct intangible expense from taxable income.	07-12	12.5
Virginia	Increase neighborhood assistance credit.	07-12	-1.6
West Virginia	Corporate Income Tax Rate reduced from 8.5% to 7.75% & Franchise Tax rate reduced from 0.34% to 0.27%.	01-12	-35.0
Wisconsin	Domestic Production Activities Credit (-\$5.6) and Unemployed Veterans Credit (-\$0.4).	01-13	-6.0
<b>Total Revenue Changes—Corporate Income Taxes</b>			<b>-\$107.7</b>

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TABLE A-1 (CONTINUED)

**Enacted Revenue Changes by Type of Revenue, Fiscal 2013**

State	Tax Change Description	Effective Date	Fiscal 2013 Revenue Changes (\$ in Millions)
<b>ALCOHOLIC BEVERAGES</b>			
Florida	Corporate scholarship tax credit	07-12	-\$6.3
<b>Total Revenue Changes—Alcoholic Beverages</b>			<b>-\$6.3</b>
<b>CIGARETTE AND TOBACCO TAXES</b>			
Connecticut	Roll-Your-Own Changes	10-12	\$2.1
Illinois	\$1/pack cigarette tax increase.	07-12	237.0
Maryland	Increased the other tobacco tax rate from 15% to 30% for all products excluding cigars. Increased the tobacco tax rate for non-premium cigars from 15% to 70%. The tobacco tax rate for premium cigars continues to be 15%.	07-12	5.0
Rhode Island	Increase Cigarette Tax to \$3.50	07-12	1.7
	Redefine Little Cigars that weigh less than 4lbs per 1,000	07-12	2.4
<b>Total Revenue Changes—Cigarette and Tobacco Taxes</b>			<b>\$248.2</b>
<b>MOTOR FUELS TAXES</b>			
Hawaii	Act 188, 2012(Special Highway fund)—Extends the sunset provision relating to the tax on naphtha fuel sold for use in a power-generating facility from 12/31/2012 to 12/31/2017.		\$1.9
Minnesota	Gas tax exemptions for health providers.	01-11	-3.5
<b>Total Revenue Changes—Motor Fuel Taxes</b>			<b>-\$1.6</b>

Table A-1 continues on next page.

TABLE A-1 (CONTINUED)

## Enacted Revenue Changes by Type of Revenue, Fiscal 2013

State	Tax Change Description	Effective Date	Fiscal 2013 Revenue Changes (\$ in Millions)
<b>OTHER TAXES</b>			
Delaware	Gross Receipts Tax—Clarifies that certain transactions during refinery processes are exempt from this tax.	09-11	-\$3.6
Florida	Corporate scholarship tax credit.	07-12	-2.2
Idaho	HB 417 makes the taxation of parts installed on private aircraft owned by non-residents consistent with the taxation of parts installed as components of aircraft manufactured in Idaho and sold to non-residents, as well as parts installed on aircraft in commercial use. HB 489 exempts beverages, including wine and beer, from the payment of use tax if given as a free tasting to a potential customer.	07-12	-0.2
Illinois	\$11M for tobacco related products.	07-12	11.0
Indiana	Inheritance tax phase out.	01-12	-14.8
Georgia	Conservation Easement, R&D Credit.	Varies	-16.6
Kansas	Repeals the current 2 year severance tax exemption for new pool oil wells.	07-12	18.0
Maine	A one-time assessment on hospitals equal to 0.39% of net operating revenue as identified on the hospital's most recent audited financial statement for the hospital's fiscal year that ended during calendar year 2008.	07-12	14.2
Massachusetts	A one-year delay of the FAS 109 deductions (additional \$45.9 million) and enhanced tax enforcement initiatives (additional \$36.3 million).		82.2
Michigan	Limits lookback period for some taxes to 4 years.	06-12	-6.5
Minnesota	Expand lawful gambling taxes to E-Pulltabs, E-Bingo with new net receipts tax rate/structure changes to fund new professional football stadium.	07-12	35.2
New York	MTA Payroll Tax—Extended exemption and lowered tax rate for small tax payers in MTA region.	01-12 and 04-12	-310.0
North Dakota	Reduced financial institution and gaming tax rates.	01-12	-4.5
Pennsylvania	Continued phase-out of the Capital Stock and Franchise Tax.	01-13	-298.3
	Excludes from the Inheritance tax the transfer of real estate devoted to the business of agriculture between members of the same family.	07-12	-2.4
	Establish a new Education Improvement Tax Credit program (EITC2) for low- and moderate-income students residing within the attendance boundaries of a public school ranked in the lowest 15% of its designation as an elementary or secondary school.	07-12	-40.0
	Increases the annual cap on the amount of the Education Improvement Tax Credits from \$75 million to \$100 million.	07-12	-20.0
	Provides authority to attach bank accounts of delinquent businesses if the taxpayer is not in compliance with a deferred payment plan and there is a lien recorded in favor of the Commonwealth for taxes due.	07-12	2.9
Tennessee	Repeals gift tax on all transfers made on or after 1/1/2012. Inheritance Tax—Increases exemption from \$1 million to \$1.25 million—Decreases revenue by \$14.7 million in FY 2014—Effective date is 1/1/2013.	01-12	-15.5
West Virginia	Special Revenue: Extend Tax Holiday for Regular Timber Severance Tax until 2016.	07-12	-1.0
<b>Total Revenue Changes—Other Taxes</b>			<b>-\$572.1</b>

Table A-1 continues on next page.

TABLE A-1 (CONTINUED)

## Enacted Revenue Changes by Type of Revenue, Fiscal 2013

State	Tax Change Description	Effective Date	Fiscal 2013 Revenue Changes (\$ in Millions)
<b>FEES</b>			
Connecticut	Indian Gaming Compact Amendment.	Upon Passage	-\$15.0
Delaware	Nursing Home Provider Assessment Fee	06-12	1.3
Georgia	Motor Vehicle Title Fee replaces state and local sales taxes on motor vehicles.	03-13	264.0
Maryland	Increased certain vital records fees from \$12 to \$24 and increased Office of Administrative Hearings fee for appeals of a driver's license suspension or revocation.	06-12	1.2
Massachusetts	<p>Environmental Protection—Department of Environmental Protection (DEP) permitting and compliance activities ensure that private and public sector development meet Commonwealth environmental standards. The fees that DEP collects for these services have not been raised since 2004. This proposal raises fees by \$2.5 M in accordance with the Consumer Price Index from 2004-2011 (17%). All of the new revenue would be retained by DEP to support permitting and compliance activities.</p> <ul style="list-style-type: none"> <li>• Hospital Fees—DPH is required to license health care facilities operating in Massachusetts. A licensing fee is recovered to offset the state's associated costs. Over \$1 M will be generated from establishing a new fee charged for satellite locations or license amendments. The fee will be paid by approximately 433 nursing homes, 118 hospitals with 297 satellites and 323 clinics with 330 satellites.</li> </ul>		3.5
Minnesota	Extend operation of the MN specialty health system at Willmar.	07-12	2.7
	Gambling Control Board fees.	07-12	1.9
Rhode Island	Apply 4% surcharge on compassion center's net patient revenues	07-12	0.5
	Impose \$100 fee for the re-inspection of school buses	07-12	0.1
	Expand Beverage container letter fee to all beverage containers except milk	07-12	0.2
	Restructure various Department of Health fees.	07-12	1.8
Tennessee	Imposes expungement fees of various criminal records.	07-12	20.7
Vermont	Increase hospital provider assessment from 5.9% to 6.0% (\$1.9M) Motor vehicle license & reg fees (\$6.3M) Environmental permits, registrations & certifications (\$3.2M) other misc (\$0.2M).	07-12	11.6
Washington	Various fees relating to vehicle license renewals, request for driver license abstracts, new fee for electrical vehicle, and other fees.	10-12	33.0
	Various fees related to driver licenses are raised to fund facial recognition for the purpose of verifying identities.	10-12	27.0
West Virginia	Special Revenue: Increase Coal Reclamation Fee from 14.4 cents per ton to 27.9 cents per ton.	07-12	16.0
<b>Total Revenue Changes—Fees</b>			<b>\$370.5</b>

**TABLE A-2**  
**Enacted Revenue Measures, Fiscal 2013**

State	Description	Effective Date	Fiscal 2013 Recommended Changes (\$ in Millions)
California	Sales Ch. 37, Stats. 2012: Extends FIRM to the Board of Equalization (BOE).	01-13	\$3.0
	Personal Income Ch. 37, Stats. 2012: Extends FIRM to the Employment Development Department (EDD). Changes rules for FTB wage garnishment.	01-13	35.0
Connecticut	Sales Sunday and Certain Holidays Sale of Alcohol, Expand Enforcement at DRS, Roll-Your-Own Sales Tax Differential, Joint Ventures-Aviation Industry Exemption.	07-12	6.7
	Personal Income Expand enforcement at DRS.	07-12	3.0
	Corporate Income Expand enforcement at DRS.	07-12	1.0
	Alcohol Sunday and Certain Holidays Sale of Alcohol.	07-12	1.6
	Other Reduce GF Transfer to Transportation Fund Transfer Securities Fees from Banking Fund Mortgage Settlement Civil Penalties.	07-12	76.7
	Fees Increase Grocery Store Beer Permit Fee, Expand Childhood Vaccine Program, Roll-Your-Own Changes.	07-12	9.9
Delaware	Other Taxes Clarification that certain transactions engaged in by the Delaware City Refinery in the processes of acquiring raw materials, refining such materials, and distributing refined products are exempted from the Gross Receipts Tax.	09-11	-3.6
	Fees Nursing Home Provider Assessment Fee	06-12	1.3
Florida	Corporate Income June 2013 Installment Payment due date change.	07-12	100.0
	Other Redirection of revenues to debt service.	07-12	-2.6
	Fees Redirection of court filing fees and motor vehicle title fees Speed up of medical hospital fee collections.	Various	64.0
Hawaii	Other Act 59, 2009—reduces the allocation of conveyance tax to the General Fund from 45% to 35% after June 30, 2012.	07-12	-4.0
Idaho	Alcohol Transfers money to the new Alcohol Beverage Control fund instead of the General Fund.	07-12	-1.6
Illinois	Other Increased child care copays. The obligation for Illinois' residents to pay childcare co-pays is policy set forth by the Illinois Department of Human Services. The amount of the co-pay or legal obligation to do so is not enacted by law.	07-12	26.0
Kentucky	Other Tax Amnesty. Collection and compliance efforts.	09-12	68.2
Maine	Sales Enhancement of revenue discover and collection opportunities by authorizing the payment of overtime to Maine Revenue Services employees.	07-12	1.2
	Other Provides for a continued fixed amount to be credited as revenue to the General Fund in lieu of paying these funds out as revenue sharing to municipalities.		44.3
	Other Amends the Tax and Rent "Circuitbreaker" program to limit the amount of the benefit to 80% of the amount that would otherwise be available in FY 2012 and 2013.		10.3
	Other Amends distribution of net slot machine revenue such that resources that would otherwise be available to the Fund for a Healthy Maine are deposited to the General Fund.		4.5
Maryland	Motor Fuel Diverts a portion of revenue from the Chesapeake Bay 2010 Fund to the Budget Restoration Fund.	07-12	8.0
Michigan	Other Removes credit balances and other property from escheated property.	05-12	-5.4
Missouri	Sales Integrated tax reporting system.	07-12	6.4
	Personal Income Integrated tax reporting system.	07-12	6.4
	Corporate Integrated tax reporting system.	07-12	3.1
New York	Sales Extend mandatory e-filing requirements for one year.	04-12	1.0
	Personal Income Extend mandatory e-filing requirements for one year.	04-12	4.0

Table A-2 continues on next page.

TABLE A-2 (CONTINUED)

## Enacted Revenue Measures, Fiscal 2013

State	Description	Effective Date	Fiscal 2013 Recommended Changes (\$ in Millions)
North Carolina	Sales Refund for passenger air carriers.	07-12	-\$3.2
	Personal Income Tax deduction for educational supplies.	07-12	-1.8
	Motor Fuel Capped the gas tax at 37.5 cents/gallon.	07-12	-62.2
Ohio	Sales Redirection of existing non-auto sales tax receipts as a result of reducing Public Library Fund allocation of these receipts (\$11.8 million), as well as a sales and use tax amnesty (-\$12.0 million).	07-11	-0.2
	Personal Income Redirection of existing personal income tax receipts as a result of reducing Local Government Fund allocation of these receipts. Also enacted expanded motion picture tax credit for \$10.0 million in FY 2013.	07-11	337.2
	Other Redirection of kilowatt hour sales tax receipts to the General Revenue Fund as a result of reducing Public Library Fund allocation of these receipts (\$11.8 million) and increasing the portion of receipts deposited in the GRF instead of property tax replacement funds (\$123.7 million). Redirects natural gas consumption tax proceeds to the GRF (\$60.0 million). Additionally, Ohio has a commercial activity tax on most businesses for gross receipts. The budget redirected existing state revenue the General Revenue Fund. The amount additional commercial activity tax revenue to the GRF is estimated in 2013 to be \$669.8 million. Expanded job retention tax credit (-17.0 million) in FY 2013 against commercial activity tax and expanded historical preservation against commercial activity tax credit which has zero impact in FY 2013.	07-11	848.3
	Fees Reduction in allocation of liquor permit fees deposited in the General Revenue Fund. Beginning in FY 2013 fees will be deposited into funds to support liquor enforcement and permitting activities.	07-12	-16.0
Oklahoma	Sales Increased authority for collection of sales taxes from non-compliant tax payers and some small sales tax exemptions expanded.	11-12	15.1
	Other Reapportions a portion of Motor Vehicle Tax collections from the General Revenue Fund to the County Improvements for Roads and Bridges Fund beginning Jan 1, 2013.	07-12	-1.6
	Fees Delinquent registration and excise tax fees apportioned permanently to the General Revenue Fund and late tag fee waiver for inoperability eliminated approx \$400,000 in agency fees also eliminated or removed from the General Revenue Fund.	08-12	18.5

Table A-2 continues on next page.

TABLE A-2 (CONTINUED)

## Enacted Revenue Measures, Fiscal 2013

State	Description	Effective Date	Fiscal 2013 Recommended Changes (\$ in Millions)
Rhode Island	Sales Tax Amnesty for 75 days begins 9/1/2012.	09-12	\$4.4
	Personal Income Tax Amnesty for 75 days begins 9/1/2012.	09-12	3.0
	Personal Income Add to FTE Rev. Agent to Office Audit.	07-12	1.3
	Personal Income Tax Amnesty for inheritance and gift taxes for 75 days begins 9/1/2012.	09-12	0.2
	Corporate Income Tax Amnesty for insurance companies for 75 days begins 9/1/2012.	09-12	0.0
	Corporate Income Tax Amnesty for health care providers for 75 days begins 9/1/2012.	09-12	0.0
	Corporate Income Tax Amnesty for 75 days begins 9/1/2012—Hotel Tax portion.	09-12	0.0
	Corporate Income Tax Amnesty for 75 days begins 9/1/2012.	09-12	0.4
	Cigarette Add 4 FTE for Tobacco Enforcement.	07-12	2.9
	Fees Reinstute Hospital Licensing Fee at 5.35% 2011 Base with a 37.0% waiver for hospitals in Washington County, Rhode Island. This law sunsets each year.	07-12	141.3
	Fees Discontinue Waste-water treatment facility program—state run.	07-12	-0.1
	Fees Discontinue State run well drilling program.	07-12	0.0
	Fees Subject the regional greenhouse gas restricted receipt account to the State's 10.0% indirect cost recovery.	07-12	0.5
	Other Interest from Tax Amnesty period.	09-12	2.8
	Other Neighborhood Health Plan Grant for Dental Care.	07-12	1.8
	Other Lottery, Enhance Town of Lincoln NTI share for 24 hour operations.	07-12	-0.9
Texas	Sales Accelerated Collections.	Offset in FY 2014	231.2
	Motor Fuel Accelerated collection (67.1M) and delay transfer out of general fund (403M).	Offset in FY 2014	470.1
	Alcohol Accelerated Collections.	Offset in FY 2014	17.6
Virginia	Sales Modify accelerated collections.	07-12	-6.8
	Alcohol Removes current limitations on the operation of gov't ABC stores on Sunday.	07-12	1.3
	Other Restore interest to higher education.	07-12	-5.3
Wisconsin	Corporate Income 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			\$2,467.0



TABLE A-3

**Enacted Mid-Year Revenue Measures, Fiscal 2013**

State	Tax Change Description	Effective Date	Fiscal 2013 Recommended Changes (\$ in Millions)
Maryland	Authorizes video lottery terminal facilities to operate 24 hours/day and operate table games.	Contingent upon voter referendum on November 6, 2012	\$17.4
Total			\$17.4





