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STATES CONTINUE TO FEEL RECESSION'S IMPACT

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As a new fiscal year begins, the latest state budget estimates continue to show that states' ability to fund services remains hobbled by slow economic growth. The budget gaps that states have had to close for fiscal year 2013, the fiscal year that begins July 1, 2012, total $55 billion in 31 states. That amount is smaller than in past years, but still very large by historical standards. States' actions to close those gaps, in turn, are further delaying the nation's economic recovery.

The budget gaps result principally from weak tax collections. The Great Recession that started in 2007 caused the largest collapse in state revenues on record. Since bottoming out in 2010, revenues have begun to grow again but are still far from fully recovered. As of the first quarter of 2012, state revenues remained 5.5 percent below pre-recession levels, and are not growing fast enough to recover fully soon.

Meanwhile, states' education and health care obligations continue to grow. States expect to educate 540,000 more K-12 students and 2.5 million more public college and university students in the upcoming school year than in 2007-08.[1] And some 4.8 million more people are projected to be eligible for subsidized health insurance through Medicaid in 2012 than were enrolled in 2008, as employers have cancelled their coverage and people have lost jobs and wages.[2]

Consequently, even though the revenue outlook is trending upward, states have addressed large budget shortfalls by historical standards as they considered budgets for 2013. The vast majority of these shortfalls have been closed through spending cuts and other measures in order to meet balanced-budget requirements. As of publication all but five states have enacted their budgets, and those five will do so soon. To the extent these shortfalls are being closed with spending cuts, they are occurring on top of past years' deep cuts in critical public services like education, health care, and human services.

The additional cuts mean that state budgets will continue to be a drag on the national economy, threatening hundreds of thousands of private- and public-sector jobs, reducing the job creation that

[1] U.S. Department of Education, *Condition of Education 2012*, tables A-3-1, A-10-1, and A-11-1.

[2] CBPP calculations based on data from the Congressional Budget Office and Centers for Medicare and Medicaid Services.

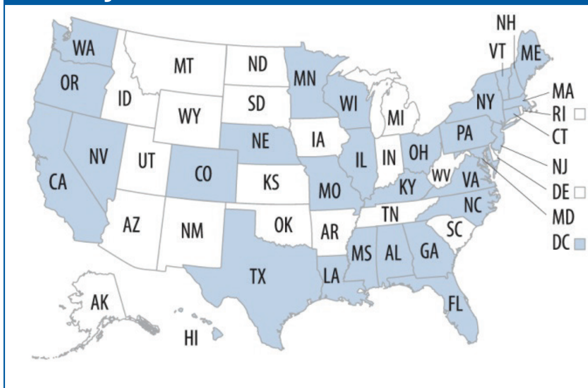
otherwise would be expected to occur. Potential strategies for lessening the impact of deep spending cuts include more use of state reserve funds in states that have reserves, more revenue through tax-law changes, and a greater role for the federal government.

Our survey of state fiscal conditions shows that:

States continue to face a major fiscal challenge. Thirty-one states projected (and in most cases now have closed) budget gaps totaling $55 billion for fiscal year 2013. (See Figure 1.) These shortfalls were all the more daunting because states' options for addressing them were fewer and more difficult than in recent years. Temporary aid to states enacted in early 2009 as part of the federal Recovery Act was enormously helpful in allowing states to avert some of the most harmful potential budget cuts in the 2009, 2010 and 2011 fiscal years. But the federal government allowed that aid to largely expire at the end of fiscal year 2011, leading to some of the deepest cuts to state services since the start of the recession. Far from providing additional assistance to states, the federal government is now moving ahead with spending cuts that will very likely make states' fiscal situation even worse.

Figure 1

31 States Have Addressed or Have Projected Shortfalls for Next Year



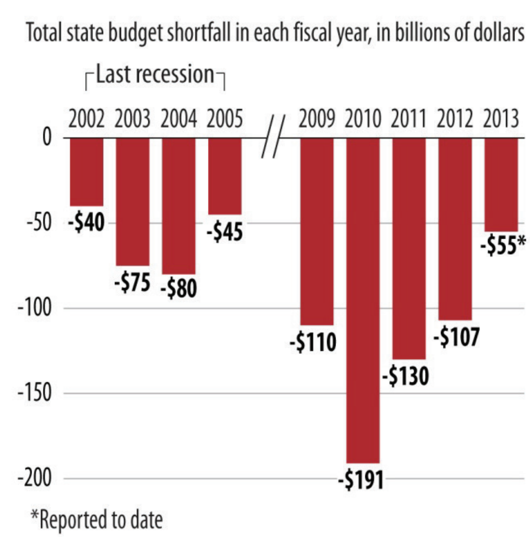
Source: CBPP survey

State finances are recovering, but slowly. The shortfall totals for fiscal year 2013 are smaller than the totals from the last few years. But they remain large by historical standards, as the economy remains weak and unemployment is still high. (Note that even if economic improvement accelerates, state fiscal recovery tends to lag recovery in the broader economy.)

The shortfalls that states have projected for fiscal year 2013 are in addition to the more than $540 billion in shortfalls that states have closed over the past four years.

Figure 2

Largest State Budget Shortfalls On Record



Source: CBPP survey, revised June 2012.

State Budget Shortfalls in 2012 and 2013

States already have addressed extraordinarily large shortfalls as they developed and implemented spending plans for fiscal years 2009, 2010, 2011, and 2012. Shortfalls are the extent to which states' revenues fall short of the cost of providing services. Every state except Vermont has some sort of balanced-budget law. So the shortfalls for 2009 through 2012 — which totaled more than $540 billion combined — have already been closed through a combination of spending cuts, withdrawals from reserves, revenue increases, and use of federal stimulus dollars. The substantial shortfalls projected for FY2013 have also been largely closed.

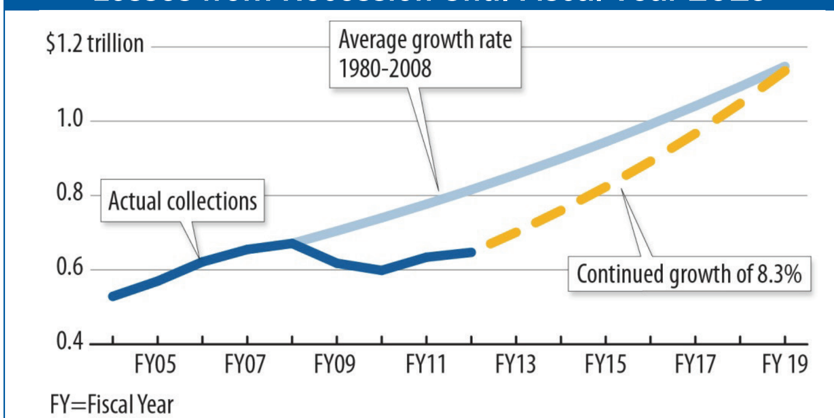
Figure 2 compares the size and duration of the shortfalls that resulted from the recession during the first decade of the 2000s to shortfalls reported to date following the onset of the latest recession. In the early 2000s, as in the early 1990s and early 1980s, state fiscal problems lasted for several years after the recession ended. The same has proven to be the case this time. The most recent recession was more severe — deeper and longer — than the previous one. State fiscal problems also have proven to be worse and are likely to remain so for the foreseeable future.

States' fiscal conditions are improving along with the broader economy. But states are coming out of a very deep hole. Figure 3 illustrates the magnitude of the problem. State revenues have begun to rebound. State tax intake grew 8.3 percent in the 12-month period ending in June 2011 — the 2011 fiscal year for most states. This encouraging growth offers a glimmer of hope that states are beginning to climb out of the fiscal hole caused by the recession. Unfortunately, that hole was so deep that even if revenues continue to grow at last year's rate — which is highly unlikely, as explained below — it would take *seven years* to get them back on a normal track.

In other words, revenues probably won't come close to what states need to restore the programs that they cut during the recession unless states raise taxes, at least temporarily, or receive additional federal aid while the economy slowly recovers. As noted below, additional federal aid is unlikely.

Figure 3

Continued Growth of 8.3% Per Year Would Not Restore Losses from Recession Until Fiscal Year 2019



Source: CBPP calculations using NASBO revenue data.

Figure 3 shows how much states would be collecting if revenues had not dropped sharply due to the recession but instead had continued to grow at their historical rate of 5 percent. (The 5 percent rate is based on actual collections between 1980 and 2008, with adjustments for projected inflation and GDP growth.) It also shows that, at the 2011 rate of 8.3 percent, revenues wouldn't get back on a normal track until 2019.

State tax collections typically grow faster than normal after a recession as they recover from a reduced base. But states haven't seen sustained growth at an 8.3 percent level since the 1960s. Already, revenue growth for 2012 has slowed compared to 2011. Preliminary figures show growth of about 4 percent for the most recent quarter.

Beyond simply coming out of a deep hole, states face major obstacles that will slow their fiscal recovery. One is the shifting role of the federal government. It allowed emergency aid to states to largely expire at the end of fiscal year 2011, leaving states with fewer options to address their still substantial budget shortfalls in fiscal year 2012 and beyond. Moreover, the federal government has been moving ahead with spending cuts that will very likely reduce ongoing federal funding for state and local governments and make state fiscal conditions even worse.

Another major obstacle to recovery is sluggish economic growth. Unemployment remains above 8 percent, and many economists expect it to stay at high levels throughout 2012 and beyond. Continued slow job growth will restrain the rise in state tax receipts. This is especially true for the sales tax. High unemployment and economic uncertainty, combined with households' diminished wealth due to fallen property values, will continue to depress consumption, keeping sales tax receipts at low levels. If, as in past recessions, the incomes of the wealthy recover faster than those of low- and middle- income individuals and families, this would mitigate somewhat the effect of a sluggish job market on tax receipts, especially in states with progressive income taxes. Beyond depressing state revenue collections, the weak economy increases demand for Medicaid and other essential services that states provide. These factors suggest that state budget gaps will continue to be a problem for states for some time to come.

Estimates from the states, although incomplete, are consistent with this outlook.

Thirty-one states have addressed or are addressing shortfalls totaling $55 billion for FY2013, the fiscal year that begins July 1, 2012 (See Table 1).[3] These totals may be down somewhat from the daunting budget gaps of the last several years, but they are still very large by historical standards, especially four years after the recession ended.

There are factors that could make it particularly difficult for states to fully recover from the current fiscal situation. For example, housing markets have been slow to fully recover; their decline has depressed consumption and sales tax revenue as people refrain from buying furniture, appliances, construction materials and the like. The weakness in the housing market has also depressed property tax revenue, which largely funds schools and local governments. Property tax collections were 3.5 percent *lower* in the 12-month period ending in December 2011 than in the previous 12 months. This places a strain on local governments' budgets and makes it more likely that they will look to states to help them sustain funding for local services like education and police and fire protection. Of course, an unexpected acceleration in the economic recovery could speed the pace of state fiscal recovery.

Some states initially were not affected by the economic downturn, but the number has dwindled over time. Resource-rich states — such as New Mexico, Alaska and Montana — saw revenue growth in the beginning of the recession as a result of high oil prices. Later, however, the decline in oil prices affected revenues in these states. The economies of a handful of other states have so far been less affected by the national economic problems. Only two states, North Dakota and Montana, have not reported budget shortfalls in any of these years. One other state — Alaska— faced shortfalls in fiscal year 2010 but has not projected gaps for subsequent years.

The Consequences of Shortfalls

[3] All but five states have now completed their budgets. The remaining states are close to completion.

In states facing budget gaps, the consequences are severe in many cases — for residents as well as the economy. To date, budget difficulties have led at least 46 states to reduce services for their

Table 1

States That Have Addressed or Are Addressing FY2013 Gaps

	FY13 Budget Shortfall Closed Before Budget Adoption (States with 11-13 Budgets)	Current FY13 Gap Projected	Total Shortfall Amount	Shortfall as Percent of FY13 Budget
Alabama	**$0**	**$271 million**	**$271 million**	**4.0%**
California*	**$0**	**$15.0 billion**	**$15.0 billion**	**16.2%**
Colorado	**$0**	**$148 million**	**$148 million**	**2.0%**
Connecticut[a]	**$2.7 billion**	**$373 million**	**$3 billion**	**16.0%**
District of Columbia	**$0**	**$172 million**	**$172 million**	**2.6%**
Florida	**$0**	**$1.0 billion**	**$1 billion**	**4.1%**
Georgia	**$0**	**$300million**	**$300 million**	**1.6%**
Hawaii[a]	**$500 million**	**$0**	**$500 million**	**8.6%**
Illinois*	$0	$1.8 billion	$2 billion	5.5%
Kentucky	**$0**	**$371 million**	**$371 million**	**3.9%**
Louisiana	**$0**	**$1.2 billion**	**$1 billion**	**14.3%**
Maine[a]	**$369 million**	**$85 million**	**$454 million**	**15.4%**
Maryland	**$0**	**$1.1 billion**	**$1 billion**	**7.0%**
Massachusetts	$0	$1.3 billion	$1 billion	3.8%
Minnesota[a]	**$2 billion**	**$0**	**$2 billion**	**11.2%**
Mississippi	**$0**	**DK**	**DK**	**na**
Missouri	$0	$800 million	$800 million	10.0%
Nebraska[a]	**$347 million**	**$0.0**	**$347 million**	**9.8%**
Nevada*	**$1 billion**	**$0**	**$1 billion**	**36.2%**
New Hampshire[a]	**$250 million**	**$0.0**	**$250 million**	**19.9%**
New Jersey	$0	$506 million	$506 million	1.6%
New York	**$0**	**$2 billion**	**$2 billion**	**3.4%**
North Carolina[a]	**$2.0 billion**	**$288 million**	**$2 billion**	**11.5%**
Ohio*[a]	**$3 billion**	**$0**	**$3 billion**	**10.3%**
Oregon[a]	**$2 billion**	**$0**	**$2 billion**	**24.3%**
Pennsylvania	$0	$540 million	$540 million	2.0%
Texas*	**$9.0 billion**	**$0**	**$9.0 billion**	**24.2%**
Vermont	**$0**	**$51 million**	**$51 million**	**3.9%**
Virginia[a]	**$0**	**$145 million**	**$145 million**	**0.8%**
Washington*[a]	**$2.5 billion**	**$641 million**	**$3.1 billion**	**19.6%**
Wisconsin[a]	**$1.6 billion**	**$0**	**$1.6 billion**	**10.8%**
States Total	**$27.0 billion**	**$28.0 billion**	**$55.0 billion**	**9.5%**

States in bold have already adopted fiscal year 2013 budgets as of June 22, 2012. These states have, for the most part, closed the shortfalls listed in this table.(a) State has two-year budget ending in fiscal year 2013.

"DK" indicates that a shortfall is projected but magnitude is not yet reported.

***California**'s shortfall includes a $6.9 billion gap carried forward from FY12. Oregon's and Ohio's shortfalls are one half of the states' total projected shortfalls for the 2011-2013 biennium. **Georgia**'s gap is a mid-year FY2013 shortfall. **Illinois'** shortfall includes the estimated state share of the state's unfunded Medicaid liability, which totals $1.4 billion. It assumes the continuation of current policies and does not incorporate the changes the governor proposed in his executive budget. It does not include the backlog of previous years' General Fund Liabilities. Estimates of **Ohio**'s two-year shortfall range from $6 to $8 billion. **Nevada**'s shortfall is the midpoint of several estimates. **Texas** underfunded the state's Medicaid program when it enacted its FY12-13 biennial budget, leaving a roughly $4 billion budget hole that will need to be filled in FY13. **Washington**'s shortfall total assumes that three-fourths of the state's $855 million mid-biennium shortfall will be closed in FY13.

residents, including some of their most vulnerable families and individuals.[4] More than 30 states have raised taxes to at least some degree, in some cases quite significantly.

If revenues remain depressed, as is expected in many states, additional spending and service cuts are likely. Indeed, a number of states have made substantial cuts to balance their budgets for fiscal year 2013. While data are not yet available that would show the mix of state actions to resolve their budget gaps for 2013, the data through 2012 show that states have enacted more and more spending cuts every year since 2008. Federal aid and state tax increases have played diminishing roles in addressing the gaps, as the emergency federal aid ended and the elections of 2010 changed the political leadership in a number of states.[5]

Spending cuts are problematic during an economic downturn because they reduce overall demand and can make the downturn deeper. When states cut spending, they lay off employees, cancel contracts with vendors, eliminate or lower payments to businesses and nonprofit organizations that provide direct services, and cut benefit payments to individuals. In all of these circumstances, the companies and organizations that would have received government payments have less money to spend on salaries and supplies, and individuals who would have received salaries or benefits have less money for consumption. This directly removes demand from the economy.

Tax increases also remove demand from the economy by reducing the amount of money people have to spend. However, to the extent these increases are on upper-income residents, that effect is minimized. This is because these residents tend to save a larger share of their income, and thus much of the money generated by a tax increase on upper income residents comes from savings and so does not diminish economic activity. At the state level, a balanced approach to closing deficits — raising taxes along with enacting budget cuts — is needed to close state budget gaps in order to maintain important services while minimizing harmful effects on the economy.

Ultimately, the actions needed to address state budget shortfalls place a considerable number of jobs at risk.

The roughly $55 billion shortfall that states have faced for fiscal year 2013 equals about 0.36 percent of GDP. Assuming that economic activity declines by one dollar for every dollar that states cut spending or raise taxes, and based on a rule of thumb that a one percentage point loss of GDP costs the economy 1 million jobs, the state shortfalls projected to date could prevent the creation of 360,000 public- and private-sector jobs next year.

The Role of the Federal Government

Federal assistance lessened the extent to which states needed to take actions that further harmed the economy. The American Recovery and Reinvestment Act (ARRA), enacted in February 2009,

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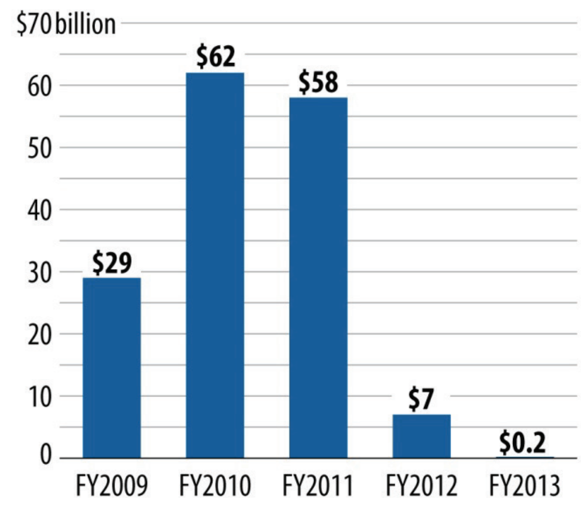
[4] For more detailed information, see "An Update on State Budget Cuts," http://www.cbpp.org/cms/index.cfm?fa=view&id=1214.

[5] For information on how states have closed budget shortfalls since 2008 see "Out of Balance: Cuts in Services Have Been States' Primary Response to Budget Gaps, Harming the Nation's Economy," http://www.cbpp.org/cms/index.cfm?fa=view&id=3747.

included substantial assistance for states. The amount in ARRA to help states maintain current activities was about $135 billion to $140 billion over a roughly 2½-year period — or between 30 percent and 40 percent of projected state shortfalls for fiscal years 2009, 2010, and 2011. Most of this money was in the form of increased Medicaid funding and a "State Fiscal Stabilization Fund." (There were also other streams of funding in the Recovery Act flowing through states to local governments or individuals, but these will not address state budget shortfalls.) This money reduced the extent of state spending cuts and state tax and fee increases.

Figure 4

Few Recovery Act Funds (Including August Extension) Available After 2011



Source: CBPP analysis using data from U.S. Department of Health and Human Services, U.S. Department of Education, and Congressional Budget Office.

In addition, H.R. 1586 — the August 2010 jobs bill — extended enhanced Medicaid funding for six months, through June 2011, and added $10 billion to the State Fiscal Stabilization Fund. Even with this extension, federal assistance largely ended before state budget gaps had fully abated. The Medicaid funds expired in June 2011, the end of the 2011 fiscal year in most states,[6] and states had drawn down most of their State Fiscal Stabilization Fund allocations by then as well. So even though significant budget gaps remained in 2012, there was little federal money available to close them. Partially as a result, states' final 2012 budgets contained some of the deepest spending cuts since the start of the recession.

One way to avert these kinds of cuts, as well as additional tax increases, would have been for the federal government to reduce state budget gaps by extending the Medicaid funds for as long as state fiscal conditions are expected to be problematic. But far from extending this aid, federal policymakers are moving ahead with plans to *cut* ongoing federal funding for states and localities, thereby making state fiscal conditions even worse. The federal government has already cut non-defense discretionary spending by nine percent in real terms since 2010. Discretionary spending caps established in the federal debt limit deal this past summer will result in an additional six percent cut by the end of the next decade. The additional cut by the end of the next decade would grow to 11 percent if sequestration — the automatic, across-the-board cuts also established in the debt limit deal — is allowed to take effect.

Fully *one-third* of non-defense discretionary spending flows through state and local governments in the form of funding for education, health care, human services, law enforcement, infrastructure, and other services that states and localities administer. Large cuts in federal funding to states and localities would worsen state budget problems, deepen the size of cuts in spending, increase state taxes and fees, and thus slow economic recovery even further than is already likely to occur.

[6] Most states operate on a July-June fiscal year. The exceptions are New York (April-March), Texas (September-August), and Alabama and Michigan (both October-September).

Table 2				
Total FY2012 Budget Gaps				
	FY2012 Shortfall Closed When Budget Adopted	FY2012 Mid-Year Shortfall	FY2012 Total	Shortfall as Percent of FY12 Budget
Alabama	$979 million	$188 million	$1.2 billion	15.9%
Arizona	$1.5 billion	$0	$1.5 billion	18.2%
California	$23 billion	$930 million	$23.9 billion	27.8%
Colorado	$450 million	$0	$450 million	6.3%
Connecticut	$2.9 billion	$285 million	$3.2 billion	17.1%
District of Columbia	$322 million	$0	$322 million	5.0%
Florida	$3.7 billion	$0	$3.7 billion	15.8%
Georgia	$1.3 billion	$0	$1.3 billion	7.6%
Hawaii	$540 million	$0	$540 million	9.6%
Idaho	$92 million	$0	$92 million	3.6%
Illinois	$5 billion	$1 billion	$6.4 billion	18.5%
Iowa	$149 million	$0	$149 million	2.5%
Kansas	$492 million	$0	$492 million	8.1%
Kentucky	$780 million	$190 million	$970 million	10.5%
Louisiana	$1.6 billion	$471 million	$2.1 billion	25.1%
Maine	$422 million	$121 million	$504 million	16.6%
Maryland	$1.4 billion	$0.0	$1.4 billion	9.5%
Massachusetts	$1.8 billion	$0	$1.8 billion	5.5%
Michigan	$767 million	$0	$767 million	3.5%
Minnesota	$3.8 billion	$0	$3.8 billion	22.4%
Mississippi	$634 million	$0	$634 million	13.7%
Missouri	$704 million	$0.0	$704 million	8.8%
Nebraska	$166 million	$0	$166 million	4.8%
Nevada	$1.2 billion	$0.0	$1.2 billion	37.0%
New Hampshire	$250 million	$0	$250 million	20.0%
New Jersey	$10 billion	$550 million	$11.0 billion	37.5%
New Mexico	$450 million	$0.0	$450 million	8.3%
New York	$10.0 billion	$350 million	$10.4 billion	18.2%
North Carolina	$2 billion	$0	$2.4 billion	12.2%
Ohio	$3.0 billion	$0	$3.0 billion	10.8%
Oklahoma	$500 million	$0	$500 million	9.0%
Oregon	$1.7 billion	$0.0	$1.7 billion	24.0%
Pennsylvania	$3.7 billion	$0	$3.7 billion	13.5%
Rhode Island	$219 million	$0	$219 million	6.9%
South Carolina	$630 million	$0	$630 million	11.1%
South Dakota	$127 million	$0	$127 million	11.0%
Tennessee	DK	$0.0	NA	NA
Texas	$9.0 billion	$0	$9.0 billion	20.4%
Utah	$390 million	$0	$390 million	8.2%
Vermont	$176 million	$0	$176 million	14.2%
Virginia	$2.0 billion	$0	$2.0 billion	12.2%
Washington	$2.5 billion	$214 million	$2.7 billion	16.9%
Wisconsin	$1.6 billion	$0	$1.6 billion	11.3%

States Total	$102.9 billion	$4.4 billion	$107.3 billion	15.5%

Notes: **California**'s shortfall includes an $8.2 billion shortfall carried forward from FY2011. **California**'s mid-year shortfall is the amount of the "trigger" cuts that the state is making in fiscal year 2012. **Illinois** mid-year' shortfall total reflects the anticipated shortfall between spending and revenues at the end of the fiscal year. It includes the estimated state share of the state's unfunded Medicaid liability, which totals $750 million. It does not include a backlog of previous years' General fund liabilities of more than $5 billion. **Kentucky** and **Virginia** have two-year budgets. They closed their FY2012 shortfalls when they enacted their budgets for the FY2011-FY2012 biennium. **Oregon** and **Ohio**'s shortfalls are one half of the states' total projected shortfalls for the 2011-2013 biennium. Estimates of Ohio's two-year shortfall range from $6 to $8 billion. Nevada's shortfall is the midpoint of several estimates. "DK" indicates that a shortfall is projected but magnitude is not yet reported. **Washington** state's mid-year shortfall total assumes that one-fourth of the state's $855 million mid-biennium shortfall will be closed in fiscal year 2012.

Table 3
Total FY2011 Budget Gaps

	FY2011 Shortfall Closed When Budget Adopted*	FY2011 Mid-Year Shortfall	FY2011 Total	Total Shortfall as Percent of FY2011 General Fund
Alabama	$586 million	$275 million	$861 million	12.3%
Arizona	$3.1 billion	$211 million	$3.3 billion	39.0%
California*	$17.9 billion*	See Note	$17.9 billion*	20.7%
Colorado	$1.5 billion	$257 billion	$1.8 billion	25.1%
Connecticut	$5.1 billion	$0	$5.1 billion	28.8%
Delaware	$377 million	$0	$377 million	11.4%
District of Columbia	$104 million	$175 million	$279 million	4.5%
Florida	$4.7 billion	$0	$4.7 billion	19.5%
Georgia	$4.2 billion	$0	$4.2 billion	25.4%
Hawaii	$594 million	$220 million	$814 million	16.2%
Idaho	$84 million	$0	$84 million	3.5%
Illinois	$13.5 billion	$0	$13.5 billion	40.2%
Indiana	$1.3 billion	$0	$1.3 billion	9.4%
Iowa	$1.1 billion	$0	$1.1 billion	20.3%
Kansas	$510 million	$60 million	$570 million	10.1%
Kentucky	$780 million	$0	$780 million	9.1%
Louisiana	$1.0 billion	$108 million	$1.1 billion	14.3%
Maine	$940 million	$0	$940 million	34.7%
Maryland	$2.0 billion	$0	$2.0 billion	15.3%
Massachusetts	$2.7 billion	$0	$2.7 billion	8.6%
Michigan	$2.0 billion*	$0	$2.0 billion*	9.3%
Minnesota	$4.0 billion	$0	$4.0 billion	25.0%
Mississippi	$716 million	$0	$716 million	15.9%
Missouri	$730 million	$0	$730 million	9.4%
Nebraska	$329 million	$0	$329 million	9.7%
Nevada	$1.8 billion	$0	$1.8 billion	54.5%
New Hampshire	$365 million	$0	$365 million	27.2%
New Jersey	$10.7 billion	$0	$10.7 billion	38.2%
New Mexico	$333 million	$159 million	$492 million	9.1%
New York	$8.5 billion*	$0	$8.5 billion*	15.9%
North Carolina	$5.8 billion	$0	$5.8 billion	30.6%
Ohio	$3.0 billion	$0	$3.0 billion	11.0%
Oklahoma	$725 million	$0	$725 million	13.7%
Oregon*	See Table 4	$378 million	See Table 3	See Table 3
Pennsylvania	$4.1 billion	$0	$4.1 billion	16.2%
Rhode Island	$395 million	$0	$395 million	13.4%
South Carolina	$1.3 billion	$0	$1.3 billion	26.1%
South Dakota	$102 million	$0	$102 million	8.8%
Tennessee	$1.0 billion	$0	$1.0 billion	9.4%
Texas	$4.6 billion	$4.3 billion	$8.9 billion	20.9%
Utah	$700 million	$0	$700 million	14.7%
Vermont	$338 million	$0	$338 million	31.3%
Virginia	$1.3 billion	$0	$1.3 billion	8.5%
Washington	$3.5 billion	1.1 billion	$4.6 billion	29.6%
West Virginia	$134 million	$0	$134 million	3.6%
Wisconsin	$3.4 billion	$137 million	$3.5 billion	24.9%
Wyoming	$147 million	$0	$147 million	10.3%
States Total	**$122.6 billion**	**$7.4 billion**	**$130.0 billion**	**19.9%**

Note: **California's** shortfall does not include $1.2 billion in proposed reserve replenishment. **Oregon** has a two-year budget. See Table 3 for additional gap information.

Table 4

Total FY2010 Budget Gaps

	FY2010 Shortfall Closed When Budget Adopted	Additional FY2010 Mid-Year Gap	FY2010 Total	Total Shortfall as Percent of FY2010 General Fund
Alabama	$1.2 billion	$400 million	$1.6 billion	23.7%
Alaska	$1.3 billion	0	$1.3 billion	28.9%
Arizona	$3.2 billion	$1.9 billion	$5.1 billion	65.0%
Arkansas	$146 million	$247 million	$395 million	9.1%
California*	$45.5 billion	Yes*	$45.5 billion	52.8%
Colorado	$1.0 billion	$600 million	$1.6 billion	23.8%
Connecticut	$4.2 billion	$513 million	$4.7 billion	27.0%
Delaware	$557 million	0	$557 million	18.2%
District of Columbia	$650 million	$167 million	$817 million	13.0%
Florida	$5.9 billion	$147 million	$6.0 billion	28.5%
Georgia	$3.1 billion	$1.4 billion	$4.5 billion	28.8%
Hawaii	$682 million	$533 million	$1.2 billion	25.2%
Idaho	$411 million	$151 million	$562 million	22.4%
Illinois	$9.3 billion	$5.0 billion	$14.3 billion	43.7%
Indiana	$1.1 billion	$309 million	$1.4 billion	10.6%
Iowa	$779 million	$533 million	$1.3 billion	22.6%
Kansas	$1.4 billion	$459 million	$1.8 billion	33.9%
Kentucky	0	$1.2 billion	$1.2 billion	14.5%
Louisiana	$1.8 billion	$777 million	$2.5 billion	27.8%
Maine	$640 million	$209 million	$849 million	28.0%
Maryland	$1.9 billion	$936 million	$2.8 billion	20.3%
Massachusetts	$5.0 billion	$600 million	$5.6 billion	20.4%
Michigan	$2.8 billion	$454 million	$3.3 billion	15.8%
Minnesota	$3.2 billion	$209 million	$3.4 billion	22.7%
Mississippi	$480 million	$437 million	$917 million	19.3%
Missouri	$780 million	$931 million	$1.7 billion	22.7%
Nebraska	$150 million	$155 million	$305 million	9.2%
Nevada	$1.2 billion	$384 million	$1.5 billion	46.8%
New Hampshire	$250 million	$180 million	$430 million	28.6%
New Jersey	$8.8 billion	$2.2 billion	$11 billion	40.0%
New Mexico	$345 million	$650 million	$995 million	18.2%
New York	$17.9 billion	$3.2 billion	$21.0 billion	38.8%
North Carolina	$4.6 billion	$391 million	$5.0 billion	26.2%
Ohio	$3.3 billion	$296 million	$3.6 billion	13.9%
Oklahoma	$777 million	$864 million	$1.6 billion	28.4%
Oregon*	$4.2 billion	0	$4.2 billion	32.4%
Pennsylvania	$4.8 billion	$1.1 billion	$5.9 billion	23.6%
Rhode Island	$590 million	$400 million	$990 million	34.8%
South Carolina	$725 million	$439 million	$1.2 billion	21.5%
South Dakota	$32 million	15.8 million	$48 million	4.3%
Tennessee	$1.0 billion	$170 million	$1.2 billion	12.1%
Texas	$3.5 billion	0	$3.5 billion	10.7%
Utah	$721 million	$279 million	$1.0 billion	22.1%
Vermont	$278 million	$28 million	$306 million	28.3%
Virginia	$1.8 billion	$1.8 billion	$3.6 billion	24.1%
Washington*	$3.4 billion	$1.4 billion	$4.8 billion	23.2%
West Virginia	$184 million	$120 million	$304 million	8.2%
Wisconsin	$3.2 billion	0	$3.2 billion	23.7%
Wyoming	0	$32 million	$32 million	1.8%
Total	**$158.5 billion**	**$32.3 billion**	**$190.8 billion**	**29.0%**

Notes: * California's mid-year gap is included in the total shown for FY2011 in Table 3. **Oregon** has a two-year budget. For Oregon, the size of the combined shortfall before budget adoption for FY2010 and FY11 is shown here.

Table 5
Total FY2009 Budget Gaps

	FY2009 Shortfall Closed When Budget Adopted	Additional Mid-Year Gap	FY2009 Total	Total Shortfall as Percent of FY2009 General Fund
Alabama		$1.1 billion	$1.1 billion	12.7%
Alaska		$360 million	$360 million	6.8%
Arizona[1]	$1.9 billion	$1.8 billion	$3.7 billion	36.8%
Arkansas	$107 million		$107 million	2.4%
California	$22.2 billion	$14.9 billion	$37.1 billion	36.7%
Colorado		$1.1 billion	$1.1 billion	14.2%
Connecticut	$150 million	$2.5 billion	$2.7 billion	15.5%
Delaware	$217 million	$226 million	$443 million	12.2%
District of Columbia	$96 million	$583 million	$679 million	10.8%
Florida	$3.4 billion	$2.3 billion	$5.7 billion	22.2%
Georgia[1]	$245 million	$2.2 billion	$2.4 billion	11.5%
Hawaii		$417 million	$417 million	7.3%
Idaho		$452 million	$452 million	15.3%
Illinois	$1.8 billion	$2.5 billion	$4.3 billion	15.1%
Indiana		$1.2 billion	$1.2 billion	9.1%
Iowa	$350 million	$134 million	$484 million	7.6%
Kansas		$186 million	$186 million	2.9%
Kentucky	$266 million	$456 million	$722 million	7.8%
Louisiana		$341 million	$341 million	3.7%
Maine	$124 million	$140 million	$265 million	8.6%
Maryland	$808 million	$691 million	$1.5 billion	10.0%
Massachusetts	$1.2 billion	$4.0 billion	$5.2 billion	18.5%
Michigan	$472 million	$1.5 billion	$2.0 billion	8.5%
Minnesota	$935 million	$654 million	$ 1.6 billion	9.2%
Mississippi[1]	$90 million	$363 million	$453 million	8.9%
Missouri		$542 million	$542 million	6.0%
Nevada	$898 million	$561 million	$1.6 billion	19.9%
New Hampshire	$200 million	$50 million	$250 million	8.0%
New Jersey[1]	$2.5 billion	$3.6 billion	$6.1 billion	18.8%
New Mexico		$454 million	$454 million	7.5%
New York	$4.9 billion	$2.5 billion	$7.4 billion	13.2%
North Carolina		$3.2 billion	$3.2 billion	14.9%
Ohio[1]	$733 million	$1.9 billion	$2.6 billion	9.4%
Oklahoma	$114 million		$114 million	1.7%
Oregon		$442 million	$442 million	6.6%
Pennsylvania		$3.2 billion	$3.2 billion	11.3%
Rhode Island	$430 million	$442 million	$872 million	26.6%
South Carolina	$250 million	$871 million	$1.1 billion	16.3%
South Dakota		$27 million	$27 million	2.2%
Tennessee[1]	$468 million	$1.0 billion	$1.5 billion	13.4%
Utah		$620 million	$620 million	10.4%
Vermont	$59 million	$82 million	$141 million	11.6%
Virginia	$1.2 billion	$1.1 billion	$2.3 billion	13.8%
Washington		$1.3 billion	$1.3 billion	8.5%
Wisconsin	$652 million	$1.0 billion	$1.7 billion	11.7%
Wyoming		$119 million	$119 million	6.8%
TOTAL	**$46.8 billion**	**$63.1 billion**	**$109.9 billion**	**15.2%**

[1] These states provided a range of estimates for their FY2009 gaps; this table shows only the low end of the estimates. For more detail see *29 States Faced Total Budget Shortfall of At Least $48 billion in 2009,* available at http://www.cbpp.org/1-15-08sfp.htm.
Note: In most cases these shortfalls have already been addressed.

Table 6	
Source of Gap Estimates	
State	**Source**
Alabama	Governor's Office/ Arise Policy Project
Alaska	Legislative Fiscal Office/Legislative Finance Division Overview of proposed budget
Arizona	Joint Legislative Budget Committee, Financial Advisory Committee
Arkansas	Governor's proposed budget, Dept of Finance and Administration/ Arkansas Advocates for Children and Families
California	Governor's budget, Legislative Analysts Office, Dept of Finance, Controller
Colorado	Colorado Fiscal Policy Institute/CO Legislative Council
Connecticut	CT Voices for Children analysis of Office of Fiscal Analysis data/ Comptroller/ Office of Policy and Management
Delaware	Governor's proposed budget
District of Columbia	Chief Financial Officer/ Mayor's Budget for Fiscal year 2013/ DC Fiscal Policy Institute
Florida	Revenue Estimating Conference/Office of Economic and Demographic Research
Georgia	State budget, Georgia State University/ Georgia Budget and Policy Institute
Hawaii	Council on Revenues forecast/Governor's Office/ Department of Budget and Finance
Idaho	Legislative summary of adopted budget/Governor's budget office/Press Reports
Illinois	State budget/Voices for Illinois Children analysis
Indiana	State Budget Committee/Governor's Budget Proposal
Iowa	Fiscal Services Division/Revenue Estimating Conference
Kansas	State Budget and Legislative Research Department
Kentucky	Consensus Forecasting Group/Governor's office/Kentucky Center for Economic Policy
Louisiana	Revenue Estimating Conference/Governor's budget/Louisiana Budget Project
Maine	Revenue Forecasting Committee/Office of Fiscal and Program Review/Bureau of Budget/Maine Center for Economic Policy
Maryland	Department of Legislative Services/ State Board of Rev Estimates/ Office of the Governor/ Maryland Budget and Tax Policy Institute
Massachusetts	MA Budget & Policy Center
Michigan	Consensus Revenue Forecast, Senate Fiscal Agency, Michigan League for Human Services
Minnesota	Management and Budget forecast
Missouri	Governor's budget office and Missouri Budget Project
Mississippi	Governor's office
Montana	CBPP analysis of Leg. Fiscal Div. Legislative Budget Analysis: 2013 Biennium
Nebraska	Governor's office/Tax Rate Review Committee/General Funds Financial Status
Nevada	Division of Budget and Planning/Board of Examiners and Jan Economic Forum FY12 Press Reports
New Hampshire	Budget Director/Press reports of revenue shortfalls, court case/New Hampshire Fiscal Policy Institute
New Jersey	Governor's office/ Office of Legislative Services—Latest FY2012 estimate is from July, 2010/ Dept. of the Treasury
New Mexico	Consensus Revenue Estimate/NM Voices for Children/Leg Finance Committee
New York	Division of Budget/ Fiscal Policy Institute
North Carolina	North Carolina Fiscal Research Division/ FY12, FY13 NC Budget and Tax Center
Ohio	Office of Budget and Management/ FY12 and FY13 Press Reports
Oklahoma	State Tax Commission/OK Policy Institute/ FY12 Fiscal Services Division
Oregon	Jt. Committee on Ways & Means/September Revenue Forecast/ FY12 OR Reset Report/OR Center for Public Policy
Pennsylvania	Governor's office/ Budget Director/Pennsylvania Budget and Policy Center/ Independent Fiscal Office
Rhode Island	Governor's budget/The Economic Progress Institute
South Carolina	State Budget and Control Board and revised revenue projections
South Dakota	Governor's proposed budget/South Dakota Budget and Policy Project
Tennessee	Press reports of State Funding Board meeting
Texas	Center on Public Policy Priorities analysis of Legislative Budget Board, Comptroller and HHS Commission data/News Accounts of Estimates from Texas Elected Officials
Utah	Governor's proposed budget, Legislative Fiscal Analyst, press reports/Voices for Utah Children
Vermont	State budget office /Public Assets Institute analysis of Joint Fiscal Office data
Virginia	House Appropriations/Governor's office/Commonwealth Institute for Fiscal Analysis
Washington	Governor's Budget/WA Budget and Policy Center/FY12 OFM Six Year Outlook/Economic and Revenue Forecast Council
West Virginia	Department of Revenue/Governor's budget/FY12 Budget Director (press)/West Virginia Center on Budget and Policy
Wisconsin	Legislative Fiscal Bureau/Wisconsin Budget Project
Wyoming	Consensus Revenue Estimating Group

For source information for the original shortfall estimates, see *29 States Faced Total Budget Shortfall of At Least $48 Billion in 2009,* available at http://www.cbpp.org/1-15-08sfp.htm.