

STATE SPENDING

In the 2007 fiscal year, state general expenditures increased by more than 9 percent compared to the 2006 fiscal year.

- ▶ The 2007 fiscal year marked the fourth consecutive year that state general fund expenditures grew at a higher rate than the previous year. This rate of growth is partly the result of states using budget surpluses and rainy day funds.¹
- ▶ Eighteen states reported general fund expenditure growth rates of 10 percent or higher for the 2007 fiscal year, 31 states reported growth rates less than 10 percent, and only one state's expenditures decreased.¹
- ▶ Elementary and secondary education remains the largest category in state general funds for 2007 at 34.4 percent.¹
- ▶ Medicaid surpassed elementary and secondary education as the largest component of total state spending in the 2003 fiscal year. In the 2007 fiscal year, Medicaid is estimated to account for 21.1 percent of total state expenditures, ranging from 8 percent to 31.4 percent among the states.¹



The 2008 fiscal year marked a turning point for states with fiscal difficulties.

- ▶ Whereas only one state enacted a negative growth budget in the 2007 fiscal year, seven states enacted negative growth budgets in the 2008 fiscal year.¹
- ▶ As of April 2008, 16 states and Puerto Rico faced budget shortfalls for the 2008 fiscal year totaling \$11.7 billion.²
- ▶ Thirteen states were forced to reduce enacted budgets in the 2008 fiscal year, in contrast to only two states making cuts to their enacted budget in the 2006 fiscal year and three states reducing their enacted budgets in the 2007 fiscal year.³
- ▶ To add perspective, in the last fiscal downturn of the early 2000s, the peak years of reduction occurred in 2002 and 2003 when 37 states made mid-year budget reductions. These years of peak cuts were after the national economic downturn ended.³
- ▶ States addressing budget cuts in the 2008 fiscal year relied mostly on targeted cuts, across-the-board cuts and use of rainy day funds.³

Fiscal conditions in the states will likely continue to decline into the 2009 fiscal year.

- ▶ At least 29 states expect to face budget shortfalls in the 2009 fiscal year.
- ▶ State general fund spending in governors' proposed 2009 fiscal year budgets are 1 percent above 2008 fiscal year estimated spending, well below the 30-year historical average growth rate of 6.4 percent.¹
- ▶ Medicaid spending from state funds is expected to increase by 4.4 percent in 2009, more than four times the rate of growth for the overall general fund.³
- ▶ Despite the weakening of state fiscal conditions during 2008, nearly half the states have proposals to increase coverage of the uninsured in 2009 proposed budgets.³
- ▶ Six states are recommending increases to their 2009 fiscal year cash assistance levels under the Temporary Assistance for Needy Families programs, ranging from 0.1 percent to 30 percent.³
- ▶ Eighteen states have recommended general fund spending below the previous year for the 2009 fiscal year.³

¹ The Council of State Governments, "State Budgets in 2007 and 2008: Rapid Growth of Prior Years Gives Way to Declining Fiscal Conditions," Book of the States 2008.

² Families USA, "Precarious Position: States Must Balance Declining Revenues With a Growing Need for Medicaid," July 2008.

³ National Governors Association, National Association of State Budget Officers, "The Fiscal Survey of States: June 2008."

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State	State Spending FY 2005	State Spending FY 2006	Percent Increase from FY 2005	Estimated State Spending FY 2007	Percent Increase from FY 2006
Alabama	\$ 32,096	\$ 33,673	4.91%	\$ 38,734	15.0%
Alaska	\$ 9,104	\$ 9,628	5.76%	\$ 11,874	23.3%
Arizona	\$ 23,888	\$ 25,376	6.23%	\$ 27,443	8.1%
Arkansas	\$ 14,290	\$ 15,303	7.09%	\$ 18,265	19.4%
California	\$ 59,716	\$ 173,181	8.43%	\$ 192,522	11.2%
Colorado	\$ 14,218	\$ 15,380	8.17%	\$ 16,276	5.8%
Connecticut	\$ 20,650	\$ 22,580	9.35%	\$ 24,026	6.4%
Delaware	\$ 5,067	\$ 5,570	9.93%	\$ 5,745	3.1%
Florida	\$ 58,332	\$ 61,597	5.60%	\$ 73,637	19.5%
Georgia	\$ 32,711	\$ 33,414	2.15%	\$ 34,685	3.8%
Hawaii	\$ 8,752	\$ 9,475	8.26%	\$ 11,299	19.3%
Idaho	\$ 4,801	\$ 5,030	4.77%	\$ 5,868	16.7%
Illinois	\$ 40,744	\$ 43,422	6.57%	\$ 48,226	11.1%
Indiana	\$ 21,520	\$ 21,831	1.45%	\$ 22,464	2.9%
Iowa	\$ 13,875	\$ 14,669	5.72%	\$ 15,641	6.6%
Kansas	\$ 10,585	\$ 11,433	8.01%	\$ 12,372	8.2%
Kentucky	\$ 19,332	\$ 21,027	8.77%	\$ 22,903	8.9%
Louisiana	\$ 19,113	\$ 21,917	14.67%	\$ 31,167	42.2%
Maine	\$ 6,754	\$ 7,100	5.12%	\$ 7,437	4.7%
Maryland	\$ 24,281	\$ 26,380	8.64%	\$ 29,689	12.5%
Massachusetts	\$ 37,970	\$ 39,207	3.26%	\$ 39,357	0.4%
Michigan	\$ 40,584	\$ 41,728	2.82%	\$ 43,151	3.4%
Minnesota	\$ 24,515	\$ 25,753	5.05%	\$ 27,592	7.1%
Mississippi	\$ 13,047	\$ 14,803	13.46%	\$ 17,284	16.8%
Missouri	\$ 19,110	\$ 19,661	2.88%	\$ 21,990	11.8%
Montana	\$ 4,098	\$ 4,455	8.71%	\$ 5,074	13.9%
Nebraska	\$ 7,517	\$ 7,973	6.07%	\$ 9,698	21.6%
Nevada	\$ 6,893	\$ 7,404	7.41%	\$ 8,131	9.8%
New Hampshire	\$ 4,417	\$ 4,470	1.20%	\$ 4,511	0.9%
New Jersey	\$ 41,503	\$ 42,304	1.93%	\$ 45,856	8.4%
New Mexico	\$ 11,122	\$ 11,842	6.47%	\$ 11,940	0.8%
New York	\$ 100,668	\$ 104,342	3.65%	\$ 112,764	8.1%
North Carolina	\$ 34,809	\$ 35,205	1.14%	\$ 36,677	4.2%
North Dakota	\$ 3,185	\$ 3,295	3.45%	\$ 3,684	11.8%
Ohio	\$ 50,665	\$ 53,448	5.49%	\$ 54,550	2.1%
Oklahoma	\$ 14,027	\$ 16,243	15.80%	\$ 19,193	18.2%
Oregon	\$ 19,316	\$ 20,215	4.65%	\$ 20,840	3.1%
Pennsylvania	\$ 51,321	\$ 53,911	5.05%	\$ 56,755	5.3%
Rhode Island	\$ 6,103	\$ 6,716	10.04%	\$ 7,123	6.1%
South Carolina	\$ 17,991	\$ 17,960	-0.17%	\$ 19,614	9.2%
South Dakota	\$ 2,841	\$ 2,979	4.86%	\$ 3,173	6.5%
Tennessee	\$ 23,860	\$ 23,598	-1.10%	\$ 25,749	9.1%
Texas	\$ 65,996	\$ 70,873	7.39%	\$ 75,259	6.2%
Utah	\$ 8,493	\$ 8,904	4.84%	\$ 10,174	14.3%
Vermont	\$ 4,118	\$ 4,946	20.11%	\$ 5,138	3.9%
Virginia	\$ 30,468	\$ 31,822	4.44%	\$ 34,834	9.5%
Washington	\$ 26,180	\$ 27,839	6.34%	\$ 32,449	16.6%
West Virginia	\$ 17,738	\$ 20,403	15.02%	\$ 18,660	-8.5%
Wisconsin	\$ 31,875	\$ 33,481	5.04%	\$ 34,474	3.0%
Wyoming	\$ 6,209	\$ 6,208	-0.02%	\$ 5,658	-8.9%
U.S. Total	\$ 1,266,468	\$ 1,339,974	5.80%	\$ 1,461,625	9.1%

Source: The Council of State Governments, Book of the States 2008. Data not available for District of Columbia and U.S. territories.