State Budget Update: July 2010

(Preliminary Report)

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NCSL

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Contents

State Budget Update: July 2010 (Preliminary Report) 5
FY 2010 Tax Performance 6
Personal Income Taxes 6
General Sales Taxes 7
Corporate Income Taxes 7
Other Taxes 7
Estimated FY 2010 Year-End Balances 8
FY 2010 Revenue and Spending Changes 9
FY 2011 Budget Gaps: Initial Imbalances and Potential New Gaps 9
FY 2011 Tax Forecasts 11
Projected FY 2011 Year-End Balances 12
FY 2011 Revenue and Appropriations Changes 12
Projected Budget Gaps in FY 2012 and FY 2013 13
Summary of the State Fiscal Situation 14

LIST OF TABLES

Table 1. Performance of Major Tax Categories Through May 2010:
Personal Income Tax (Compared with the Latest Estimate) 15
Table 2. Performance of Major Tax Categories Through May 2010
General Sales Tax (Compared with the Latest Estimate) 18
Table 3. Performance of Major Tax Categories Through May 2010:
Corporate Income Tax (Compared with the Latest Estimate) 21
Table 4. Performance of Major Tax Categories Through May 2010:
Other (Compared with the Latest Estimate) 24
Table 5. Estimated FY 2011 Budget Gaps (During Enactment of the Budget) 28
Table 6. Potential New FY 2011 Budget Gaps (After the FY 2011 Budget was Enacted) 31
Table 7. Projected FY 2012 Budget Gaps 35
Table 8. Projected FY 2013 Budget Gaps 38
Table 9. Summary of the State Fiscal Situation 41

STATE BUDGET UPDATE: JULY 2010 (PRELIMINARY REPORT)

After hitting the apparent bottom of a deep revenue chasm, states are beginning their arduous uphill climb. The ascent is widely expected to be erratic as uncertainties loom around the strength of economic recovery and the related impact on tax performance. The end of federal stimulus funds complicates matters even further. Though not entirely clear when they will reach solid fiscal footing, state lawmakers are relieved that the trek to the bottom seems to have ended.

The recent state fiscal crisis has been almost entirely about revenues—or lack thereof. Steep revenue drop-offs have created budget gaps going back to fiscal year (FY) 2008. Even as policymakers were crafting their FY 2011 budgets, most struggled to close additional gaps and enact balanced budgets—tasks made harder by the shrinking options available to them.

In a sign that the worst may be behind them, however, numerous state officials report that revenues are starting to tick upward or, at the very least, they have slowed their rate of decline. Nearly every state expects FY 2011 tax revenues to surpass FY 2010 collections. But that does not mean states are in the clear. They are concerned about revenue growth being insufficient to replace the loss of federal stimulus funds at a time when spending pressures are mounting. As a result, many states are projecting budget gaps in FY 2012 and FY 2013.

This report provides complete or partial information on 49 states. Because it is missing complete information from California, Florida and New York, in particular, caution should be used in drawing conclusions about the overall state fiscal situation.[1]

This report is based on data collected from legislative fiscal officers in late June and July 2010. It includes information on:

- Revenue performance for major state tax categories through May.
- Estimated FY 2010 year-end balances.

[1] California and New York had not passed their FY 2011 budgets by the time this report was written. Florida did not provide information as officials there await new forecasts.

- FY 2010 revenue and spending changes.
- Projected FY 2011 budget gaps confronting states during budget deliberations.
- New FY 2011 potential gaps that emerged after the budget was enacted (largely due to assumptions about the six-month extension of enhanced Federal Medical Assistance Percentages—FMAP).
- Projected FY 2011 tax collections compared to FY 2010 estimated collections.
- Projected FY 2011 year-end balances.
- FY 2011 revenue and appropriations changes.
- Projected budget gaps in FY 2012 and FY 2013.
- A summary of the state fiscal situation.

FY 2010 Tax Performance

The grueling journey to state revenue recovery has begun in many states but conditions remain volatile. In March, NCSL reported that five states reduced their forecasts for all major tax categories and saw collections fail to meet lower targets; now three states (Georgia, Missouri and Nebraska) find themselves in this position. This glimmer of hope has officials noting that while revenues continue to underperform in some states, the declines have begun to soften.

A number of states are beginning to see some signs of improvement. Officials in Kentucky noted that while major taxes are still performing below the estimate year to date, revenue performance in May showed positive growth or significantly lesser rates of decline compared to May 2009. While not out of woods, the performance of revenues in many states has officials looking up instead of down.

The rest of this section provides a snapshot of recent state revenue performance for personal income, sales and corporate income taxes. Information on the performance of other taxes is included for those states that provided it. More details can be found in Tables 1 through 4.

Personal Income Taxes

Personal income tax collections account for nearly 35 percent of state own-source revenues. Nine states do not levy a broad-based personal income tax.[2]

- Twenty states reported that personal income tax collections were below the latest target. The forecast had not been revised in eight of these states. Eight additional states had reduced their personal income tax forecast, but receipts still were failing to meet the reduced targets.

[2] New Hampshire and Tennessee do not levy a personal income tax but tax interest income and dividends. No information was provided on these taxes.

- Fourteen states saw collections coming in on target, although six of those states had reduced their estimate in the course of FY 2010.
- Five state states saw collections exceed the latest estimate. Two of these states, Arkansas and Hawaii, had raised their estimates.

More information on personal income tax performance is shown in Table 1.

General Sales Taxes

General sales and use taxes represent about 31 percent of state collections. Five states—Alaska, Delaware, Montana, New Hampshire and Oregon—do not levy a state sales tax.

- General sales tax collections fell below the most recent forecast in 13 states. In nine of these states, the forecast had not been revised. The forecast had been reduced in Georgia, Missouri and Nebraska, yet collections still were below the lower estimate.
- Thirteen states saw collections coming in on target, although six of those states had reduced their estimate.
- Fifteen states saw sales tax receipts above the estimate. Of these, Rhode Island was the only state to increase the forecast.

More information on general sales tax performance is shown in Table 2.

Corporate Income Taxes

On average, corporate income taxes account for about 5.6 percent of state tax collections. But two states depend on them for more than 10 percent of collections.

- Corporate income tax collections were below the latest target in 15 states. Six states had reduced their forecast for corporate income tax collections, but were still failing to meet the reduced targets.
- Twelve states saw collections coming in on target, although four of those states had reduced their estimate.
- Fifteen sates saw corporate income tax receipts above estimate, including five states that raised the forecast.

More information on corporate income tax performance is shown in Table 3.

Other Taxes

States rely on a variety of miscellaneous tax sources for income. These include taxes on oil and gas production, real estate transfers, tobacco products, meals and rooms, insurance premiums, motor fuel, estates and others.

- Four states had reduced their forecast for miscellaneous tax collections, but were still failing to meet the reduced targets. Examples were motor fuel taxes (Georgia) and gaming percentage fees (Nevada).

- In 11 states other tax sources were coming in on target. Two states, Montana and Virginia, had revised their estimates upward and saw collections on target.
- Eleven states saw other taxes performing above estimate. Of these, energy-related taxes in four states were above the latest estimate.

Table 4 contains more information on these taxes.

Estimated FY 2010 Year-End Balances

Year-end balances, which combine general fund closing balances with amounts in rainy day funds, are an important indicator of state fiscal conditions. They are discussed here as a percentage of general fund spending to provide comparisons across states. Budget pressures have reduced ending balances for most states, though legally required balances in rainy day funds have helped preserve balances in quite a few.

State year-end balances have been difficult to evaluate since FY 2009 because of the influence of federal stimulus funds on state finances. Balances still declined, but without question, they would have fallen further had it not been for these additional federal funds. Further complicating the analysis is the effect of two states—Alaska and Texas—on the national totals. Together, these two states hold well over half of all state rainy day fund balances, so their substantial reserves skew the national figures. To illustrate their impact, year-end balances are shown with and without the reserves in those states.

- For the 45 states providing information,[3] the estimated FY 2010 year-end balance is 5.7 percent. This is a decline from the 7.0 percent balance at the end of FY 2009.
- When Alaska and Texas are excluded from consideration, the aggregate year-end balance falls to 1.8 percent. (The rainy day fund balances in these states are $12.1 billion and $7.7 billion, respectively.)
- Nine states expect to finish FY 2010 with balances in excess of 10 percent. These states, like Alaska, Montana, North Dakota, Oklahoma, Texas, West Virginia, and Wyoming, tend to levy energy-related taxes. As already noted, some of these states have sizeable rainy day funds.
- Seven states expect deficits at the end of FY 2010: In order of magnitude, they are Illinois, Oregon, Michigan, Kansas, Washington, Pennsylvania and South Carolina. It is important to note that FY 2010 will not be officially closed until later this year, so these estimates could change.
- Thirty-three states saw their balances fall from FY 2009 to the end of FY 2010. The largest declines were in Oklahoma and North Dakota. Four states expect to end the fiscal year with similar balances as in FY 2009. Nine states report increases.

[3] Arkansas, California, Florida, New York and Tennessee are not included in the summaries of FY 2010 or FY 2011 ending balances or spending and revenue changes.

FY 2010 Revenue and Spending Changes

Like year-end balances, there are challenges associated with analyzing year-over-year changes in revenues and spending. The changes may not be strictly comparable across states due to the various ways states budgeted federal American Recovery and Reinvestment Act (ARRA) funds. For instance, some states accounted for and expended the federal stimulus funds separately from the general fund while others did not. Having noted that, however, the data are still useful in assessing the revenue and spending changes driving state budgets.

- For the 45 states providing this information, general fund revenues fell 1.5 percent below FY 2009 levels.
- Twenty-six states reported year-over-year declines in FY 2010 general fund revenue, with four of these reporting double-digit drops: Oklahoma (-28.4 percent), Louisiana (-17.4 percent), Alabama (-15.5 percent) and Montana (-11.9 percent).
- Eighteen states reported higher revenues in FY 2010 compared with FY 2009. In Pennsylvania, Connecticut and Alaska, the increases exceeded 10 percent.

General fund spending in FY 2010 was dampened by lower-than-expected revenues and state actions to close budget gaps.

- Nationally, for the 45 reporting states, FY 2010 general fund spending fell 4.6 percent below FY 2009 expenditures.
- Thirty-four states reported year-over-year drops in FY 2010 spending. Eight states reported double-digit declines with the biggest drops in Louisiana (-16.8 percent), Illinois (-15.5 percent) and Alabama (-14.9 percent).
- Ten states increased general fund spending above FY 2009 amounts, with North Dakota reporting the largest increase (23.4 percent). The other increases ranged from less than 1 percent in South Carolina and Virginia to 7.9 percent in Alaska.

Estimated FY 2011 Budget Gaps: Initial Imbalances and Potential New Gaps

Most states enacted their FY 2011 budgets during their 2010 legislative sessions. The exceptions were biennial budget states that enacted their two-year budgets during their 2009 regular sessions (see table notes for more information.) This is particularly important this time around because of assumptions about congressional action to extend for six months enhanced Federal Medical Assistance Percentages (FMAP). This issue is discussed below.

The challenges associated with balancing FY 2011 budgets were exacerbated by the shrinking set of options available to state lawmakers: The least painful cuts had been made and many one-time revenue sources had already been tapped or exhausted. With the exception of California and New York, all other states have completed their FY 2011 budgets.

States faced a collective budget gap of at least $83.9 billion during enactment of their FY 2011 budgets.[4] Table 5 shows state-by-state amounts. The aggregate figure is slightly less than the original forecast made in March, which was $89 billion. For some states, the projections have shrunk as actions to close FY 2010 gaps also have reduced imbalances going forward.

- Forty-one states reported a budget gap during the enactment of their FY 2011 budgets. With only a couple of exceptions, these gaps have been closed.
- Twenty-four states reported FY 2011 gaps at 10 percent or more of their general fund budgets. The largest gaps were reported by Nevada (45 percent), New Jersey (28 percent), Arizona (27.2 percent), Maine (26 percent) and North Carolina (25 percent). Three others had also had gaps above 20 percent.
- Five states that previously did not project FY 2011 imbalances indicated that gaps had opened. Those states are Alabama, Idaho, Pennsylvania, Missouri and South Dakota.
- Eight states indicated that they did not face gaps for FY 2011.

While it is possible—and in a volatile economy likely—that new budget gaps will open after the fiscal year begins, it is unusual for states to report new budget gaps between the time when the budget is enacted and when the new fiscal year begins. But that is the case this year.

States and the federal government share responsibility for funding Medicaid. The funding split is based on a formula that determines the FMAP rate for each state. As part of the American Recovery and Reinvestment Act of 2009, the federal government enhanced its share of the program's cost through Dec. 31, 2010 (the first six months of FY 2011 for most states). Because earlier in 2010 both houses of Congress passed bills extending enhanced FMAP for six months, many states built their budgets on the assumption that those extra funds would be available to them. But as congressional deliberations ensued, the extra funds became increasingly uncertain. Lack of these funds will generate new FY 2011 gaps for any state that budgeted the enhanced FMAP funds. Biennial budget states that did not convene to reconsider the second year of the biennium are largely unaffected by this development.

At least 29 states face potential new gaps in their FY 2011 budgets. Table 6 contains more information. In total, states expect the new gap to exceed $12 billion. In the overwhelming majority of these states, the gaps are directly traceable to states' assumption of a continued enhanced FMAP. A couple of states did note other causes of new gaps as well.

- At least 25 states assumed an extension of enhanced FMAP in their FY 2011 budgets.

[4] The tally for FY 2011 excludes Florida, which did not provide information. However, Florida reported a potential FY 2011 budget gap of $2.2 billion in the March "State Budget Update" report. This report uses the budget gap figures for FY 2011, FY 2012 and FY 2013 that California and New York provided for the March report because they have not yet passed their FY 2011 budgets.

- The potential new gaps range from $1.5 billion in California to $9 million in Vermont. Twenty-one states project gaps in excess of $100 million, with several above $500 million. Texas, North Carolina and New York join California with potential new gaps above $1 billion.
- Some states have developed contingency plans in case the extra funds do not materialize. For instance, Idaho would use tobacco settlement money to backfill the potential shortfall. Rhode Island officials adopted language to allow for across-the-board cuts if the enhanced FMAP extension is not adopted.
- Although Colorado was one of the states that assumed enhanced FMAP funds in the FY 2011 budget, lower-than-expected revenues also are contributing to the new shortfall. Montana did not assume these extra funds when the biennial budget was enacted in 2009, but since that time a new gap has opened.

FY 2011 Tax Forecasts

FY 2010 tax collections are expected—and widely hoped—to be the bottom of the revenue trough. Based on their latest forecasts, most states expect tax growth in FY 2011, though six states project collections will be flat and one forecasts a decline.[5]

- Of the 44 states providing FY 2011 tax forecast information, half project growth between 1 percent and 4.9 percent[6].
- A dozen states expect tax collections to grow between 5 percent and 9.9 percent. Among these states, Oklahoma forecasts 9 percent tax growth that is driven in part by an estimated 43.4 percent increase in natural gas gross production taxes. Notwithstanding this positive development, state officials report that there is significantly less cash on hand to apply to the FY 2011 budget compared to previous years, which explains the state's projected FY 2011 budget gap.
- Three states project tax collections will rise more than 10 percent above FY 2010 collections. All three point to tax increases as the cause. The largest growth is expected in Washington (14 percent) where tax collections in FY 2011 include about $700 million in tax increases. Oregon expects high growth rates across several tax categories, with total taxes expected to rise 12.1 percent. The double-digit growth assumes economic recovery, but also includes substantial revenue from voter-approved measures to boost personal and corporate income tax rates. Colorado's estimated 10.8 percent increase, which reflects total general revenue growth, includes the effects of sales tax base expansion and a substantial expected boost in severance taxes.

[5] This information compares FY 2011 forecasted collections to FY 2010 estimated collections since most states did not have final FY 2010 tallies.

[6] Information is not included for California, Florida, New York, South Dakota, Utah and West Virginia.

- Alaska is the only state currently forecasting a drop in tax collections in FY 2011. Officials project petroleum revenue, the biggest single driver of tax collections, to decline 6 percent—the same decline expected for the state's total taxes.

More information on states' projected FY 2011 tax growth, including details on major tax categories, is forthcoming in, "Projected Tax Collections in FY 2011." That report also will include information on longer-term tax forecasts and state expectations for their return to pre-recession revenue collections.

Projected FY 2011 Year-End Balances

It comes as no surprise that year-end balances are expected to fall from FY 2010 levels. Again, vast reserves in Alaska and Texas skew the national figures, so the national figure is shown with and without the rainy day funds in these two states.

- For the 45 states providing this information, the estimated FY 2011 year-end balance is 4.0 percent. This is a decline from the 5.7 percent balance at the end of FY 2010.
- When Alaska and Texas are excluded from consideration, the aggregate year-end balance falls to 1.1 percent. (The rainy day fund balances in these states are $13 billion and $8.2 billion, respectively.)
- Five states project double-digit balances at the end of FY 2011.The states with the largest year-end reserves once again tend to be the ones with natural resource-based economies. As already noted, many of them also have sizeable rainy day funds.
- Two states—Illinois and Oregon—currently project deficits at the end of FY 2011. Three states expect to end the fiscal year with a zero balance.
- Twenty-six states expect their balances to fall from FY 2010 to the end of FY 2011. The largest declines are expected in North Dakota and Texas. Eight states project their balances to remain roughly the same. Ten states expect their balances to rise.

FY 2011 Revenue and Appropriations Changes

Budgeting for FY 2011 presented another set of tough challenges. With expectations that revenues would recover after hitting bottom in FY 2010, however, lawmakers had a little more room to maneuver.

- For the 45 reporting states, general fund revenues are projected to rise 3.7 percent above FY 2010 levels.
- Thirty-three states expect year-over-year growth in revenue collections, although in three the increase is less than 1 percent. Five states project double-digit increases: Illinois (17.9 percent), Alabama (16.0 percent), Washington (14.1 percent), North Dakota (13 percent) and Kansas (10.2 percent).

- Eleven states expect lower revenues in FY 2011 compared with FY 2010. Some of the largest declines are expected in Louisiana (-9.0 percent) and Idaho (-7.3 percent).

General fund appropriations for FY 2011 were built on the expectations that revenues would grow. Nationally, spending is budgeted to rise above FY 2010 levels.

- For the 45 reporting states, FY 2011 general fund spending is budgeted to grow 3.7 percent, the same growth rate expected for revenues.
- Thirty states plan to spend more in FY 2011 than last year. Four of these boosted appropriations by more than 10 percent, with the largest increases in Illinois (15.1 percent) and Texas (14.8 percent).
- Fifteen states have budgeted less in FY 2011 than was spent in FY 2010. In several instances the decline is less than 1 percent, so spending is staying essentially flat in those states. In several others, the drop is more than 5 percent. The largest appropriation declines are projected in Louisiana (-9.0 percent), New Mexico (-6.9 percent) and Idaho (-6.5 percent).

Projected Budget Gaps in FY 2012 and FY 2013

Two-thirds of the states already forecast a budget gap in FY 2012. Many of the remaining states either do not have long-term forecasts or do not project a gap. In a classic case of "pouring salt on the wound," many states are facing another round of double-digit gaps. Table 7 provides state-by-state amounts.

- Thirty-three states forecast gaps in FY 2012, with 30 of them providing estimates.
- The cumulative tally for FY 2012 gaps is $72.1 billion.
- Eighteen states expect to address gaps in excess of 10 percent of their general fund budgets.

Although most states do not have budget forecasts extending to FY 2013, nearly half do. Table 8 provides more information.

- So far, 23 states project budget gaps for FY 2013, with 19 of them providing estimates.
- The sum of these FY 2013 gaps is $64.3 billion.
- Ten states foresee double-digit gaps.

States noted that projected budget gaps in FY 2012 and FY 2013 can be traced in part to the end of federal ARRA funds. The expectation of lackluster revenue recovery coupled with mounting spending pressures explains the rest.

Summary of the State Fiscal Situation

The current state fiscal situation is mixed. While many states appear to be in a more stable situation—the revenue freefall has abated—they are far from clearing the hurdles wrought by the recession. The revenue chasm was so deep that climbing out of it is going to take some time. While state taxes are expected to increase in FY 2011, they are growing from a dramatically lower base. There is also concern about the long-term sustainability of tax growth. Factor in the end of ARRA funds, the potential that enhanced FMAP will not be extended and mounting spending pressures, and the challenges confronting lawmakers become clear.

Here are some state examples that illustrate the mixed situation. Table 9 provides more information.

The good news:

- FY 2010 is expected to close with a $242 million surplus, which had not been previously forecasted (Connecticut).
- The latest indications suggest that conditions have leveled off and unemployment has stabilized (Idaho).
- FY 2010 revenues are running ahead of estimates (Maryland).

Good news/bad news:

- The rate of revenue decline is slowing (multiple states).
- Recent signs indicate revenues are beginning to stabilize. State economic news continues to give mixed signals that recovery in not yet firmly underway (Tennessee).
- General revenue has declined in FY 2009 and FY 2010, and is predicted to decline in FY 2011. Recovery is predicted to begin in FY 2012 (West Virginia).

The bad news:

- Loss of federal stimulus money will be a problem (multiple states).
- FY 2010 revenue tracking suggests revenues will fall below forecast. Broad-based revenues, especially general sales taxes, are particularly weak (New Mexico).
- State economists still believe there is a risk of a double-dip recession (Vermont).

States budgets are in transition, apparently improving as state revenues stabilize and begin their slow march to pre-recession levels. But many uncertainties lurk, with their impact poised to hit state budgets next year. FY 2011 may turn out to be the calm before the next fiscal tempest.

Table 1. Performance of Major Tax Categories Through May 2010:
Personal Income Tax (Compared with the Latest Estimate)

State/Jurisdiction	Revised			Performance			Comment
	No	Up	Down	Above Estimate	On Target	Below Estimate	
Alabama			✓			✓	The personal income tax estimate for FY 2010 was a decline of 1 percent. Through May, personal income tax receipts were 4.2 percent below last year.
Alaska (N/A)							
Arizona			✓		✓		The adopted revenue forecast is $174 million below the original budget forecast. Based on preliminary May numbers, collections are running at, or slightly above, this reduced estimate.
Arkansas		✓		✓			
California (N/R)							
Colorado		✓				✓	Performance is based on the revenue forecast released in March 2010, which was increased across the board relative to the December 2010 forecast because revenue was coming in stronger than expected through February. However, since then, estimated personal income tax payments have come in well below the amount expected in March. It is believed that many small-sized and medium-sized businesses are struggling and are not profitable enough to owe more taxes than last year. Therefore, the personal income tax forecast was reduced in June.
Connecticut	✓				✓		
Delaware		✓			✓		
Florida (N/A)							
Georgia			✓			✓	Tax collections across the board continue to decline (though the decline has softened).
Hawaii		✓		✓			Council on Revenues projections represents an aggregate for all revenue categories. That projection was raised from -2.5 percent to 4 percent on May 27, 2010.
Idaho			✓			✓	The personal income tax was $58.2 million below forecast. Total taxes were $79 million below forecast. The latest executive forecast was -4.7 percent; through May, collections were tracking at -7.9 percent.
Illinois					✓		
Indiana	✓				✓		
Iowa	✓			✓			
Kansas			✓			✓	Performance of the personal income tax mainly reflects larger than anticipated end-of-year refunds.
Kentucky	✓					✓	While major taxes are still performing below the estimate year to date, revenue performance for May showed positive growth rates or significantly lesser rates of decline compared to May 2009.
Louisiana						✓	Reflects worse than expected employment drops and larger than expected income tax cut impacts.

Table 1. Performance of Major Tax Categories Through May 2010:
Personal Income Tax (Compared with the Latest Estimate)

State/Jurisdiction	Revised: No	Revised: Up	Revised: Down	Performance: Above Estimate	Performance: On Target	Performance: Below Estimate	Comment
Maine		✓			✓		Most major revenue sources are performing at or above revised estimates. Through May, total general fund revenue had accumulated a $48.1 million (2.1 percent) positive variance and year-to-date revenue has declined by 2.4 percent from FY 2009.
Maryland	✓			✓			
Massachusetts			✓			✓	Year-to-date, personal income tax collections are down.
Michigan					✓		The state is operating on a consensus revenue estimate that was revised in mid-May. Collection of major taxes in May and June are basically consistent with the estimate.
Minnesota						✓	The latest estimate is the budget forecast released in February 2010. The comparison is for revenue collections in February, March, April and May since that forecast was released. There is major concern that when the data are final for individual income taxes for calendar year 2009, collections will be "materially" below the forecasted amount.
Mississippi			✓		✓		
Missouri			✓			✓	
Montana			✓			✓	
Nebraska			✓			✓	Performance is compared to the February 2010 forecast, which was lower than the previous forecasts. Year to date, the personal income tax is 2.1 percent below forecast. Total tax collections are 1.4 percent below forecast. It appears there is the potential for revenue to fall short in FY 2010 by $30 million to $40 million.
Nevada (N/A)							
New Hampshire (N/A)							
New Jersey			✓		✓		FY 2010 executive estimates were reduced in March and May 2010. Through May, revenues are performing on target compared to the revised estimates.
New Mexico	✓					✓	The personal income tax is 2.3 percent below estimate.
New York	✓						As of July 20, 2010, New York does not have a completed budget or new fiscal plan for the next fiscal year. The latest estimate is from the February 2010 executive budget 21 day amendments adjustment. The Consensus Forecast agreement (Mar. 1, 2010) adjusted total receipts down by $854 million but the reduction was not attributed to any specific revenue source. For the first quarter of the fiscal year, total general fund tax collections are 3 percent higher than the same quarter last year (unadjusted) with increases in personal income, sales and other taxes, and a decrease in business taxes. Part of the increase in personal income taxes is due to tax increases enacted in 2009, which only affected 20 of the 3 months of the first quarter of 2009.
North Carolina			✓		✓		The most recent forecast was April 2010.

Table 1. Performance of Major Tax Categories Through May 2010: Personal Income Tax (Compared with the Latest Estimate)

	Revised			Performance			
State/Jurisdiction	No	Up	Down	Above Estimate	On Target	Below Estimate	Comment
North Dakota	✓					✓	Through May 2010, individual income tax collections were $18.3 million (6.0 percent) less than forecasted.
Ohio		✓				✓	April income tax revenue was $229 million (6.3 percent) below estimate. Through May, income tax receipts were $277 million (4.1 percent) below estimate. Withholding receipts were slightly (0.2 percent) above estimate. The weakness is in estimated quarterly payments and in payments with annual returns. This is likely due to weak business and investment income.
Oklahoma			✓		✓		
Oregon			✓		✓		The forecast released on May 25, 2010, had substantial reductions in the personal income tax forecast based on much lower than expected final payments from 2009 returns. The result was a 7 percent reduction in the personal income tax estimate for FY 2010.
Pennsylvania	✓					✓	Through May 2010, the personal income tax was 3.4 percent below estimate year to date.
Rhode Island	✓					✓	
South Carolina			✓	✓			
South Dakota (N/A)							
Tennessee (N/A)							
Texas (N/A)							
Utah	✓					✓	Revenue estimates anticipated an increase in final individual income tax payments associated with past changes in withholding tables. Those final payments did not materialize.
Vermont	✓					✓	The state ended the fiscal year $7.5 million over forecast with the personal income tax falling short by 1 percent.
Virginia	✓				✓		
Washington (N/A)							
West Virginia	✓					✓	The personal income tax is $71.9 million below estimate.
Wisconsin	✓				✓		In aggregate, collections are projected to meet estimates.
Wyoming (N/A)							
Total	15	6	15	5	14	20	

Key: (N/A) = Not applicable. States with no personal income tax: Alaska, Florida, Nevada, South Dakota, Texas, Washington and Wyoming. New Hampshire and Tennessee have limited individual income taxes with only interest income and dividends being taxed.

Source: NCSL survey of legislative fiscal offices, July 2010.

Table 2. Performance of Major Tax Categories Through May 2010: General Sales Tax (Compared with the Latest Estimate)

	Revised			Performance			
State/Jurisdiction	No	Up	Down	Above Estimate	On Target	Below Estimate	Comment
Alabama	✓				✓		No growth was forecast for the sale tax in FY 2010. Through May, sales tax receipts were 1 percent below last year.
Alaska (N/A)							
Arizona			✓		✓		The adopted revenue forecast is $360 million below the original budget forecast. Based on preliminary May numbers, collections were running at, or slightly above, this reduced estimate.
Arkansas	✓			✓			
California (N/R)							
Colorado		✓			✓		Performance is based on the revenue forecast released in March 2010, which was increased across the board relative to the December 2010 forecast because revenue was coming in stronger than expected through February. Sales taxes were on target with the March forecast on a cash basis through May. In June however, the forecast was reduced because of large negative accounting adjustments for tax refunds and deferred revenue making its way through the tax auditing and resolution process.
Connecticut	✓			✓			
Delaware (N/A)							
Florida (N/R)							
Georgia			✓			✓	Tax collections across the board continue to decline (though the decline has softened).
Hawaii		✓				✓	Council on Revenues projection represents an aggregate for all revenue categories. That projection was raised from -2.5 percent to 4 percent on May 27, 2010.
Idaho			✓	✓			Through May, there was a positive variance in the sale tax of $5.6 million. Total taxes were $79 million below forecast. The latest executive forecast was -4.7 percent; through May, collections were tracking at -7.9 percent.
Illinois					✓		
Indiana	✓				✓		
Iowa	✓			✓			
Kansas			✓	✓			
Kentucky	✓					✓	While major taxes are still performing below the estimate year to date, revenue performance for May showed positive growth rates or significantly lesser rates of decline compared to May 2009.
Louisiana				✓			
Maine			✓	✓			Most major revenue sources are performing at or above revised estimates. Through May, total general fund revenue had accumulated a $48.1 million (2.1 percent) positive variance and year-to-date revenue has declined by 2.4 percent from FY 2009.

Table 2. Performance of Major Tax Categories Through May 2010:
General Sales Tax (Compared with the Latest Estimate)

State/Jurisdiction	Revised: No	Revised: Up	Revised: Down	Performance: Above Estimate	Performance: On Target	Performance: Below Estimate	Comment
Maryland	✓			✓			
Massachusetts			✓	✓			Sales tax collections are performing above the benchmark, but if a sales tax increase adopted last year is factored out, collections would be down from FY 2010.
Michigan					✓		The state is operating on a consensus revenue estimate that was revised in mid-May. Collection of major taxes in May and June were basically consistent with the estimate.
Minnesota				✓			The latest estimate is the budget forecast released in February 2010. The comparison is for revenue collections in February, March, April and May since that forecast was released.
Mississippi			✓		✓		
Missouri			✓			✓	
Montana (N/A)							
Nebraska			✓			✓	Performance is compared to the February 2010 forecast, which was lower than previous forecasts. Year-to-date, the sales tax is 0.5 percent below forecast. Total tax collections are 1.4 percent below forecast. It appears there is the potential for revenue to fall short in FY 2010 by $30 million to $40 million.
Nevada			✓	✓			
New Hampshire (N/A)							
New Jersey			✓		✓		FY 2010 executive estimates were reduced in March and May 2010. Through May, revenues were performing on target compared to the revised estimate.
New Mexico	✓					✓	The general sales tax is 3.5 percent below estimate.
New York	✓						As of July 20, 2010, New York does not have a completed budget or new fiscal plan for the next fiscal year. The latest estimate is from the February 2010 executive budget 21 day amendments adjustment. The Consensus Forecast agreement (Mar. 1, 2010) adjusted total receipts down by $854 million but the reduction was not attributed to any specific revenue source. For the first quarter of the fiscal year, total general fund tax collections are 3 percent higher than the same quarter last year (unadjusted) with increases in personal income, sales and other taxes, and a decrease in business taxes.
North Carolina			✓		✓		The most recent forecast was April 2010.
North Dakota	✓					✓	Through May, sales tax collections were $24.3 million (4.7 percent) less than forecasted.
Ohio	✓			✓			
Oklahoma			✓		✓		
Oregon (N/A)							
Pennsylvania	✓					✓	Through May 2010, the sales tax was 4.9 percent below estimate.

Table 2. Performance of Major Tax Categories Through May 2010: General Sales Tax (Compared with the Latest Estimate)

State/Jurisdiction	Revised			Performance			Comment
	No	Up	Down	Above Estimate	On Target	Below Estimate	
Rhode Island		✓		✓			
South Carolina			✓	✓			
South Dakota			✓	✓			
Tennessee			✓		✓		
Texas	✓					✓	FY 2010 sales and motor vehicle sales tax collections are trending below estimate.
Utah	✓					✓	
Vermont	✓				✓		The state ended the fiscal year $7.5 million over forecast.
Virginia	✓				✓		
Washington			✓				General sales taxes are weak.
West Virginia	✓					✓	Sales and use taxes are $37.8 million below estimate.
Wisconsin	✓					✓	In aggregate, collections are projected to meet estimates.
Wyoming	✓					✓	Sales and use taxes are lagging by about 5 percent year to date.
Total	19	3	17	15	13	13	

Key:
(N/A) = Not applicable. States with no sales tax: Alaska, Delaware, Montana, New Hampshire and Oregon.

Source: NCSL survey of legislative fiscal offices, July 2010.

Table 3. Performance of Major Tax Categories Through May 2010:
Corporate Income Tax (Compared with the Latest Estimate)

	Revised			Performance			
State/Jurisdiction	No	Up	Down	Above Estimate	On Target	Below Estimate	Comment
Alabama			✓			✓	No growth was forecast for the corporate income tax in FY 2010. Through May, corporate income tax receipts were 12.5 percent below last year.
Alaska	✓				✓		All revenue sources are close to the latest projections.
Arizona			✓		✓		The adopted revenue forecast is $216 million below the original budget forecast. Based on preliminary May numbers, collections are running at, or slightly above, this reduced estimate.
Arkansas			✓	✓			
California (N/R)							
Colorado		✓		✓			Performance is based on the revenue forecast released in March 2010, which was increased across the board relative to the December 2010 forecast because revenue was coming in stronger than expected through February. Corporate income taxes had been coming in above the March forecast on a cash basis through May. In June however, the forecast was reduced because of large negative accounting adjustments for tax refunds and deferred revenue making its way through the tax auditing and resolution process.
Connecticut	✓				✓		
Delaware		✓			✓		
Florida (N/R)							
Georgia			✓			✓	Tax collections across the board continue to decline (though the decline has softened).
Hawaii		✓		✓			Council on Revenues projections represents an aggregate for all revenue categories. That projection was raised from -2.5 percent to 4 percent on May 27, 2010.
Idaho			✓			✓	Through May, the corporate income tax was $31.6 million below forecast. Total taxes were $79 million below forecast. The latest executive forecast was -4.7 percent; through May collections were tracking at -7.9 percent.
Illinois					✓		
Indiana	✓					✓	Corporate tax collections were about 3 percent below the revised forecast through May.
Iowa	✓			✓			
Kansas		✓				✓	The corporate income tax failed to meet expected increases.
Kentucky	✓					✓	While major taxes are still performing below the estimate year to date, revenue performance for May showed positive growth rates or significantly lesser rates of decline compared to May 2009.
Louisiana						✓	This reflects large net operating loss deductions taken by corporations.
Maine		✓		✓			Most major revenue sources are performing at or above revised estimates. Through May, total general fund revenue had accumulated a $48.1 million (2.1 percent) positive variance, and year-to-date revenue has declined by 2.4 percent from FY 2009.

Table 3. Performance of Major Tax Categories Through May 2010: Corporate Income Tax (Compared with the Latest Estimate)

	Revised			Performance			
State/Jurisdiction	No	Up	Down	Above Estimate	On Target	Below Estimate	Comment
Maryland	✓			✓			
Massachusetts			✓	✓			
Michigan					✓		The state is operating on a consensus revenue estimate that was revised in mid-May. Collection of major taxes in May and June are basically consistent with the estimate.
Minnesota				✓			The latest estimate is the budget forecast released in February 2010. The comparison is for revenue collections in February, March, April and May since that forecast was released.
Mississippi	✓				✓		
Missouri			✓			✓	
Montana			✓	✓			
Nebraska			✓			✓	Performance is compared to the February 2010 forecast, which was lower than previous forecasts. Year to date, the corporate income tax is 2.1 percent below forecast. Total tax collections are 1.4 percent below forecast. It appears there is the potential for revenue to fall short in FY 2010 by $30 million to $40 million.
Nevada (N/A)							
New Hampshire						✓	Business taxes are off 10 percent.
New Jersey			✓		✓		FY 2010 executive estimates were reduced in March and May of 2010. Through May, revenues are performing on target compared to the revised estimates.
New Mexico	✓					✓	The corporate income tax is 31 percent below estimate.
New York	✓						As of July 20, 2010, New York does not have a completed budget or new fiscal plan for the next fiscal year. The latest estimate is from the February 2010 executive budget 21 day amendments adjustment. The Consensus Forecast agreement (Mar. 1, 2010) adjusted total receipts down by $854 million but the reduction was not attributed to any specific revenue source. For the first quarter of the fiscal year, total general fund tax collections are 3 percent higher than the same quarter last year (unadjusted) with increases in personal income, sales and other taxes, and a decrease in business taxes.
North Carolina	✓				✓		The most recent forecast was April 2010.
North Dakota	✓					✓	Through May, corporate income tax collections were approximately $30.4 million (31.6 percent) less than forecasted.
Ohio	✓			✓			
Oklahoma			✓		✓		
Oregon		✓			✓		
Pennsylvania	✓					✓	Through May 2010, the corporate income tax was 4.8 percent below estimate year to date.
Rhode Island		✓		✓			
South Carolina			✓			✓	Corporate income tax collections were 16 percent below the April 2010 estimate.

Table 3. Performance of Major Tax Categories Through May 2010:
Corporate Income Tax (Compared with the Latest Estimate)

	Revised			Performance			
State/Jurisdiction	No	Up	Down	Above Estimate	On Target	Below Estimate	Comment
South Dakota (N/R)							
Tennessee			✓		✓		
Texas (N/A)							
Utah	✓			✓			Corporate income taxes are likely to somewhat offset the overestimate of the individual income tax.
Vermont	✓			✓			The state ended the fiscal year $7.5 million over forecast with the corporate income tax exceeding the target by 19 percent.
Virginia		✓		✓			
Washington (N/A)							
West Virginia	✓					✓	The corporate income tax is $1.8 million below estimate.
Wisconsin	✓			✓			In aggregate, collections are projected to meet estimates.
Wyoming (N/A)							
Total	17	8	13	15	12	15	

Key:
(N/A) = Not applicable. States that do not levy corporate income taxes: Nevada, Texas, Washington and Wyoming.

Source: NCSL survey of legislative fiscal offices, July 2010.

Table 4. Performance of Major Tax Categories Through May 2010:
Other (Compared with the Latest Estimate)

State/ Jurisdiction	Tax	Revised			Performance			Comment
		No	Up	Down	Above Estimate	On Target	Below Estimate	
Alabama (N/R)								
Alaska	Petroleum	✓				✓		All revenue sources are close to the latest projections.
Arizona				✓		✓		The adopted revenue forecast is $6 million below the original budget forecast. Based on preliminary May numbers, collections are running at, or slightly above, this reduced estimate.
Arkansas (N/R)								
California (N/R)								
Colorado (N/R)								
Connecticut (N/R)								
Delaware (N/R)								
Florida (N/R)								
Georgia	Motor fuel			✓			✓	Tax collections across the board continue to decline (though the decline has softened).
Hawaii	Not specified		✓		✓			The Council on Revenues projection represents an aggregate for all revenue categories. That projection was raised from -2.5 percent to 4 percent on May 27, 2010.
Idaho	Insurance premium and product	✓				✓		Through May, total taxes were $79 million below forecast. The latest executive forecast was -4.7 percent; through May, collections were tracking at -7.9 percent.
Illinois	Federal sources						✓	Due to spending plan changes, some federal sources will be pushed into FY 2011, causing a drop from earlier estimates for FY 2010.
Indiana	Not specified	✓				✓		
Iowa	Insurance premium, inheritance, cigarette, tobacco, beer and franchise	✓					✓	The insurance premium tax decline is the result of greater use of tax credits, including credits earned through an insurance company's own activities as well as transferable tax credits purchased from others. Economic conditions, Iowa's indoor smoking ban and an increase in the federal cigarette tax are potential contributors to the tax revenue decline.
Kansas (N/R)								
Kentucky	Property	✓			✓			
Louisiana	Not specified					✓		
Maine (N/R)								

Table 4. Performance of Major Tax Categories Through May 2010: Other (Compared with the Latest Estimate)

State/ Jurisdiction	Tax	Revised			Performance			Comment
		No	Up	Down	Above Estimate	On Target	Below Estimate	
Maryland (N/R)								
Massachusetts	Alcohol			✓	✓			
Michigan (N/R)								
Minnesota	Various				✓			The latest estimate is the budget forecast released in February 2010. The comparison is for revenue collections in February, March, April and May since that forecast was released.
Mississippi	Gaming			✓		✓		
Missouri	Not specified			✓			✓	
Montana	Oil and gas production		✓			✓		Video gaming taxes and revenues from state investments, are failing to meet revised projections.
Nebraska	Miscellaneous			✓			✓	Performance is compared to the February 2010 forecast, which was lower than previous forecasts. Year-to-date, miscellaneous taxes are 1.5 percent below forecast. Total tax collections are 1.4 percent below forecast. It appears there is the potential for revenue to fall short in FY 2010 by $30 million to $40 million.
Nevada	Gaming percentage fees			✓			✓	Gaming percentage fee revenues for the first 10 months of FY 2010 are approximately 3 percent below the latest revenue forecast made in January 2010.
New Hampshire	Interest and dividends, gambling winnings and tobacco settlement						✓	Interest and dividends are off 26.9 percent, gambling winnings taxes are off 13 percent, and tobacco settlement revenues are off 10.5 percent.
New Jersey	Inheritance, insurance and realty			✓		✓		FY 2010 executive estimates were revised downward in March and May 2010. Through the end of May, revenues are performing on target compared to the revised estimates.
New Mexico	Oil and gas revenue	✓			✓			

Table 4. Performance of Major Tax Categories Through May 2010: Other (Compared with the Latest Estimate)

State/ Jurisdiction	Tax	Revised			Performance			Comment
		No	Up	Down	Above Estimate	On Target	Below Estimate	
New York	Unspecified	✓						As of July 20, 2010, New York does not have a completed budget or new fiscal plan for the next fiscal year. The latest estimate is from the February 2010 executive budget 21 day amendments adjustment. The Consensus Forecast agreement (Mar. 1, 2010) adjusted total receipts down by $854 million but the reduction was not attributed to any specific revenue source. For the first quarter of the fiscal year, total general fund tax collections are 3 percent higher than the same quarter last year (unadjusted) with increases in personal income, sales and other taxes, and a decrease in business taxes.
North Carolina (N/R)								
North Dakota	Oil and gas	✓			✓			
Ohio	Cigarette	✓			✓			
Oklahoma	Natural gas			✓		✓		
Oregon (N/R)								
Pennsylvania	Inheritance	✓					✓	Through May 2010, the inheritance tax was 2.5 percent below estimate. The realty transfer tax was 4.6 percent above estimate.
Rhode Island (N/R)								
South Carolina (N/R)								
South Dakota	Not specified			✓	✓			
Tennessee (N/R)								
Texas	Oil and gas	✓			✓			FY 2010 oil and natural gas tax revenues are trending above estimates.
Utah	Severance	✓			✓			
Vermont								
Virginia	Recordation		✓			✓		
Washington	Real estate excise			✓				Real estate excise taxes are weak.
West Virginia (N/R)								
Wisconsin	Not specified	✓				✓		In aggregate, collections are projected to meet estimates.
Wyoming	Not specified				✓			

Table 4. Performance of Major Tax Categories Through May 2010: Other (Compared with the Latest Estimate)								
		Revised			Performance			
State/ Jurisdiction	Tax	No	Up	Down	Above Estimate	On Target	Below Estimate	Comment
Total		13	3	11	11	11	8	

Key: (N/R) = No response.
(N/A) = Not applicable.

Source: NCSL survey of legislative fiscal offices, June 2010.

Table 5. Estimated FY 2011 Budget Gaps (During Enactment of the Budget)

State	FY 2011 Estimate (in millions)	Percent of General Fund Budget	Comment
Alabama	$379.4	23.7%	The anticipated FMAP extension of $197 million was used to close the gap for FY 2011. If Congress does not provide the extension, additional spending cuts will have to be made.
Alaska	N/A		The FY 2011 capital budget ($750 million) was designed to spend the entire projected FY 2011 surplus. Vetoes have left about $160 million unspent.
Arizona	$2,580.0	27.2%	A balanced budget was enacted for FY 2011 in March 2010.
Arkansas	N/A		
California	*$13,800.0*	*13.4%*	Estimate is based on the governor's proposed FY 2011 budget.
Colorado	$700.1	9.4%	
Connecticut	$725.7	4.1%	
Delaware	$86.1	2.6%	The previously reported gap was $300 million (9.6 percent). Revenue estimates increased by $213.9 million from the time when the budget gap was estimated to the final estimate. The $86 million gap estimate is 2.6 percent of the FY 2011 general fund (before adjustments for statutory transfers).
Florida (N/R)			
Georgia	$1,058.5	5.7%	
Hawaii	$465.9	9.3%	
Idaho	$241.6	9.6%	
Illinois	$6,142.0	22.2%	The financial plan calls for actions that will maintain a deficit of $6.142 billion for FY 2011 (the same as the current FY 2010 estimate). However, that assumes a number of yet-to-be enacted items, namely, congressional action to extend ARRA, and the passage of a $3.7 billion pension obligation bond sale.
Indiana	$1,277.3	9.0%	The December 2009 revenue forecast for FY 2011 is $12.836 billion, with original FY 2011 appropriations set at $14.133 billion. It is anticipated that the gap will be closed with budget cuts and reversions and the use of reserve funds.
Iowa	$1,071.2	19.8%	
Kansas	$639.1	11.4%	Gap figure includes budgeted ARRA expenditures.
Kentucky	$395.0	4.5%	
Louisiana	$1,304.0	14.5%	
Maine	$918.0	26.0%	The final estimate reflects original current services structural gap estimates in January 2009, and all revenue revisions through FY 2010. It does not reflect any legislative changes or corrective actions enacted during the 2009 and 2010 sessions.
Maryland	$2,266.0	17.2%	
Massachusetts	$2,800.0	10.0%	
Michigan	$1,100.0	13.0%	The budget gap is still estimated at $1.1 billion. No final decisions have been made on how to eliminate the gap.

Table 5. Estimated FY 2011 Budget Gaps (During Enactment of the Budget)

State	FY 2011 Estimate (in millions)	Percent of General Fund Budget	Comment
Minnesota	$3,206.0	17.1%	The gap estimate is the problem dealt with in the 2010 legislative session. About 75 percent of the deficit is a result of the state Supreme Court ruling regarding unallotments implemented by the governor in July 2009. All of the budget problem created by the Supreme Court ruling is shown in the FY 2011 gap figure even though some of the solutions affected FY 2010. In addition to the amount shown, a $908 million budget problem in FY 2011 was resolved in the 2009 legislative session.
Mississippi	N/A		There is no official estimated gap for FY 2011.
Missouri	$350.0	4.5%	
Montana	N/A		Montana did not meet in legislative session this year. The previous gap estimate ($201.3 million) was based on current year-to-date information. The Legislature was constantly adjusting the budget based on new revenue forecasts until adjournment. Therefore, it would be difficult to determine what the real "gap" was.
Nebraska	$217.0	6.2%	The final estimate reported is the sum of two budget gaps. An initial gap of $166.9 million was closed by legislative actions during a fall 2009, special session. A second gap emerged during the 2010 regular session due to a downward revision of the revenue forecast in February. This additional $50.1 million gap was closed by legislative action in the 2010 regular legislative session.
Nevada	$1,807.0	45.0%	Actions to close the estimated FY 2011 budget gap were approved by the Legislature in the 2009 session and the 26th special session in February 2010.
New Hampshire	$121.8	7.6%	
New Jersey	$10,736.5	28.0%	The final estimate is based on the executive's March 2010 estimate using a projected spending level of $38,402.4 million for FY 2011.
New Mexico	$583.0	11.0%	The current estimate is larger than the previous estimate ($330 million) due to including one-time funding in the base.
New York	$9,200.0	15.6%	The general fund percent is based on pre-gap closing actions. However, the FY 2011 budget is not completely enacted as of July 20, 2010 (for the fiscal year beginning on Apr. 1, 2010).
North Carolina	$5,653.0	25.0%	The previously reported gap was $4,431.0 million. During the 2010 session, the General Assembly addressed an additional budget gap of $1,222.0 million.
North Dakota	N/A		
Ohio	$566.3	2.2%	The budget gap is due to a state Supreme Court decision to delay the implementation of video lottery terminals. The budget for FY 2011 was enacted in July 2009. Since then, the only change to official revenue estimates was due to a delay in a cut in income tax rates from tax year 2009 to tax year 2011. This delay was in response to the Supreme Court decision.
Oklahoma	$1,201.0	18.2%	
Oregon	N/A		The state budgets on a biennial basis. The 2009-2011 budget was enacted in June 2009. At that time there was no projected budget gap for FY 2011.
Pennsylvania	$1,500.0	5.2%	This estimate represents the gap between expected revenues and spending as proposed in the executive budget. This includes the revenue shortfall carried forward from FY 2010.
Rhode Island	$392.5	13.3%	

Table 5. Estimated FY 2011 Budget Gaps
(During Enactment of the Budget)

State	FY 2011 Estimate (in millions)	Percent of General Fund Budget	Comment
South Carolina	$747.0	14.9%	
South Dakota	$17.4	1.5%	This includes legislative reductions to the governor's budget with included adjustments to agency requests; no reserves were used.
Tennessee	$1,763.0	13.8%	
Texas	$3,300.0	7.8%	In addition to the FY 2011 share of the biennial gap ($3.3 billion covered by ARRA), the state now expects $1.3 billion in FY 2011 supplemental needs in Medicaid and correctional health care.
Utah	$482.0	11.0%	
Vermont	$280.1	23.0%	
Virginia	$2,206.0	13.9%	The budget gap has been closed.
Washington	$1,395.0	9.0%	The combined gap for FY 2010 and FY 2011 (this estimate was not calculated by fiscal year) that the Legislature faced in the 2010 session was $2,790 million. This gap, over the two years, results from increased spending demands and lower revenue forecasts that have taken place since the 2009 legislative session (when the original budget for FY 2010/FY 2011 was established). For the purposes of this table, the two-year estimate has been split evenly over FY 2010 and FY 2011.
West Virginia	$180.0	4.8%	A balanced budget was enacted for FY 2011 in March 2010. The gap was closed with reductions in spending and the use of ARRA funds.
Wisconsin	N/A		
Wyoming	N/A		
Total	**$83,854.4**		

Key:
(N/A) = Not applicable—no FY 2011budget gap.

(N/R) = No response.

Source: NCSL survey of state legislative fiscal offices, July 2010.

Table 6. Potential New FY 2011 Budget Gaps (After the FY 2011 Budget was Enacted)

State	FY 2011 Estimate (in millions)	Percent of General Fund Budget	Comment
Alabama	$197.0	12.0%	The anticipated FMAP extension of $197 million was used to close the gap for FY 2011. If Congress does not provide the extension, additional spending cuts will have to be made.
Alaska	$60.0	<1.0%	The shortfall represents the yet-to-be approved six-month extension of the enhanced FMAP.
Arizona	$394.0	4.6%	The figure for the unresolved budget gap reflects the inclusion of the yet-to-be approved six-month extension of the enhanced FMAP. Gap could increase another $469 million if fund transfers are rejected by voters in November.
Arkansas	N/A		
California*	$1,500.0		If the state does not receive increased federal funds from the extension of enhanced FMAP and other federal funds initiatives, the governor proposes to eliminate some Medi-Cal eligibility categories and optional benefits. It is unlikely that much of the governor's savings proposal is still viable due to Medicaid maintenance of effort requirements included in the Patient Protection and Affordable Health Care Act.
Colorado	$369.0	5.3%	The unaddressed shortfall incorporates a lower revenue forecast in FY 2011 than previously expected ($124 million). This figure reflects the inclusion of the yet-to-be approved six-month extension of the enhanced FMAP ($245 million). The shortfall does not incorporate budgetary pressures from increased caseloads, inflation or any measures passed during the 2010 legislative session.
Connecticut	$263.5	1.5%	The budget plan is based on the receipt of enhanced FMAP funds, which were used to help close the FY 2011 gap.
Delaware	N/A		
Florida	N/A		
Georgia	$370.5	2.5%	The shortfall represents the yet-to-be approved six-month extension of the enhanced FMAP.
Hawaii	$86.0	1.7%	Anticipated FMAP extension was used to close FY 2011 budget gap to the extent that a 6-year balanced financial plan must be adopted. Projected FY 2011 ending balance is approximately $200 million, thus an emergency appropriation could be made to cover the immediate shortfall. The problem is in FY 2013 where a projected $40 million deficit could occur once $86 million in additional general funds are spent for Medicaid. There will be enough time to make additional expenditure or revenue adjustments during the next session
Idaho	$68.0	2.8%	Although the FY 2011 budget was set under the assumption that the higher FMAP would be extended, a contingency plan is in place. It is understood that the Millennium Fund (tobacco settlement agreement money balance estimated at $78 million) will be used to backfill the potential $68 million FY 2011 shortfall. Further action to resolve the additional gap, caused by the lack of action in Congress, will still be necessary.
Illinois	$737.0	2.7%	An additional $737 million (2.7 percent) gap (on top of the projected $6,142 million gap) would occur if the enhanced FMAP is not extended for six months.
Indiana	N/A		
Iowa	$115.9	2.1%	The figure represents the inclusion of the yet-to-be approved six-month extension of the enhanced FMAP.

Table 6. Potential New FY 2011 Budget Gaps (After the FY 2011 Budget was Enacted)

State	FY 2011 Estimate (in millions)	Percent of General Fund Budget	Comment
Kansas	$219.0		The figure includes $131 million from the yet-to-be approved six-month extension of enhanced FMAP.
Kentucky	$257.0	3.1%	The shortfall represents the yet-to-be approved six-month extension of the enhanced FMAP.
Louisiana	N/A		
Maine	$100.0	3.7%	Of the potential unresolved gap, $85.1 million (3.1 percent) is attributable to the proposed extension of enhanced FMAP. A provision for a statewide reduction to allotments will go into effect no later than Oct. 1, 2010, if the extension is not approved by July 1, 2010.
Maryland	$389.0	3.0%	A provision in separate budget reconciliation legislation permits the transfer of $200 million to the general fund from a local income tax reserve account (the remaining $189 million is covered by a projected general fund balance) which the state would repay in future years, but only if the FMAP extension is not approved by Dec. 31, 2010.
Massachusetts	N/A		
Michigan	$558.0	7.0%	The shortfall represents the yet-to-be approved six-month extension of the enhanced FMAP.
Minnesota	N/A		
Mississippi	N/A		
Missouri	N/A		
Montana	$201.3	10.8%	The gap estimate ($201.3 million) was based on current year to date information (the budget does not assume the extension of enhanced FMAP). The Legislature was constantly adjusting the budget based on new revenue forecasts until adjournment. Therefore, it would be difficult to determine what the real "gap" was. Because Montana did not meet in legislative session this year the gap is unresolved.
Nebraska	N/A		Any additional gap will emerge as the result of adverse revenue performance this year, which is yet to be determined.
Nevada	$88.5	2.2%	Although the enhanced FMAP funds have not been authorized in the legislature's approved budget, they have been included in the current plan to close the FY 2011 budget shortfall.
New Hampshire	N/A		That state anticipated $48 million (which is 3.3 percent of the general fund) from the extension of the enhanced FMAP.
New Jersey	$490.0		The figure represents the inclusion of the yet-to-be approved six-month extension of the enhanced FMAP.
New Mexico	$180.0		The shortfall represents the yet-to-be approved six-month extension of the enhanced FMAP.
New York*	$1,100.0		The figure represents the inclusion of the yet-to-be approved six-month extension of the enhanced FMAP.

Table 6. Potential New FY 2011 Budget Gaps (After the FY 2011 Budget was Enacted)

State	FY 2011 Estimate (in millions)	Percent of General Fund Budget	Comment
North Carolina	$1,222.0	6.1%	A gap of $4,431 million was addressed during the 2009 legislative session. The General Assembly had to address an additional budget gap of $1,222 million during the 2010 short session. This additional gap consisted of a revenue shortfall ($703 million), loss of estate tax revenue ($85 million), additional Medicaid requirements ($431 million) and higher education enrollment requirements ($87 million). The recently enacted budget assumes the receipt of $518.9 million in enhanced FMAP, which constitutes 2.7 percent of the general fund operating budget. In the event Congress fails to authorize the extension, contingent language included in the law, triggers a combination of cuts and transfers from other sources to cover the gap.
North Dakota	N/A		
Ohio	N/A		Ohio does biennial budgeting; the FY 2011 budget was enacted in July 2009.
Oklahoma	N/A		
Oregon	$577.1	4.3%	The state budgets on a biennial basis. The 2009-2011 budget was enacted in June 2009. At that time there was no projected budget gap for FY 2011. The June 2010 revenue forecast projects a budget gap of $577.1 million for the 2009-2011 biennium. The budget did not count on an FMAP extension.
Pennsylvania	$848.5		The unresolved budget gap amount is due to no Congressional action regarding the enhanced FMAP extension.
Rhode Island	$107.6		The amount shown does not reflect an unresolved gap because state officials adopted language to allow for across-the-board reductions should the enhanced FMAP extension or similar program not be adopted by Congress.
South Carolina	N/A		The state budgeted $213 million in a supplemental Part IV appropriation contingent upon the enactment of the additional FMAP extension. However, the governor vetoed these appropriations, which were sustained by the General Assembly. Therefore, the budget is balanced regardless of whether Congress passes the extension or not.
South Dakota	N/A		
Tennessee	N/A		
Texas	$1,300.0	3.0%	In addition to the FY 2011 share of the biennial gap ($3.3 billion covered by ARRA), the state now expects $1.3 billion in FY 2011 supplemental needs in Medicaid and correctional health care.
Utah	Amount Unknown		Any unresolved FY 2011 gap would occur because FY 2010 collections are low by between $50 million and $150 million. As the FY 2010 deficit occurs in ongoing sources like individual income and sales taxes, it is expected to impact FY 2011. It is not related to enhanced FMAP.
Vermont	$9.0	0.1%	The unresolved budget gap amount is due to a bill being vetoed and no congressional action regarding the enhanced FMAP extension.
Virginia	N/A		The state did not appropriate the $417 million potential enhanced FMAP extension. Cuts to Medicaid providers and eligibility have been scheduled should the FMAP extension not pass.

Table 6. Potential New FY 2011 Budget Gaps
(After the FY 2011 Budget was Enacted)

State	FY 2011 Estimate (in millions)	Percent of General Fund Budget	Comment
Washington	$480.0	N/R	An unresolved budget gap will be present if the enhanced FMAP is not extended. Since the 2010 session, the June revenue forecast reduced projected reserves from approximately $456 million to $248 million. This assumes the state gets the full $480 million in ARRA funds. Without the funds, there will be an additional shortfall.
West Virginia	N/A		
Wisconsin	N/A		Wisconsin operations on a two-year budget cycle. The biennial budget did not assume enhanced FMAP would be extended past Dec. 31, 2010.
Wyoming	N/A		
Total	**$12,287.9**		

Key:

* Data from California and New York is from NCSL's *FMAP Extension and the Impact on State* report (Apr. 29, 2010).
(N/A) = Not applicable—no FY 2011budget gap.

(N/R) = No response.

Source: NCSL survey of state legislative fiscal offices, July 2010.

Table 7. Projected FY 2012 Budget Gaps

State	No Gap	No Forecast	FY 2012 Estimate (in millions)	Percent of General Fund Budget	Comment
Alabama		✓			No projections have been made beyond FY 2011.
Alaska	✓				
Arizona			$788.3	8.1%	
Arkansas		✓			No projections have been made beyond FY 2011.
California			*$21,262.0*	*20.1%*	Gap estimate is based on the California Fiscal Outlook report from the Legislative Analyst's Office in November 2009.
Colorado			$475.4	6.9%	The increase in the budget shortfall for FY 2012 is relative to FY 2011. It does not incorporate any actions taken to balance the budget during the 2010 legislative session. It does incorporate the budget cliff caused by a full year of enhanced FMAP in FY 2011 no longer being available in FY 2012. This number will change if the full year of enhanced FMAP is not extended by Congress. This shortfall increased relative to the last estimate ($363.1 million) because of slightly lower expectations for revenue. This figure does not incorporate additional budget cliffs of close to $600 million for the loss of one-time stimulus funds, other funding and budgetary pressures from increased caseloads and inflation.
Connecticut			$3,373.2	17.6%	
Delaware		✓			No estimate is possible at this time. If revenue grows as it has in the last six months, there may be no budget gap.
Florida (N/R)					
Georgia			$1,952.8	12.7%	
Hawaii			$1,731.4	30.7%	The projected gap was closed by actions in 2010.
Idaho			$275.0	11.5%	Backfill reserves, FMAP, ARRA funding, alternative funding shift for state police, and replace insurance reserves.
Illinois		✓			No official projection.
Indiana	✓				
Iowa			$850.0	14.5%	While a gap for FY 2012 is anticipated, there have been no specific estimates made yet. A range of $800 million (14 percent) to $900 million (15 percent) is the projected amount. For the purposes of this table, the mid-point estimate was used.
Kansas			$594.0	10.6%	
Kentucky			$751.0	8.3%	
Louisiana			$1,500.0	15.0%	Official re-estimation of out-year budget gaps will not be completed for several weeks. Figures provided are rough projections based on an estimate of the FY 2011 budget plan.
Maine			Amount Unknown		The estimate is pending and currently not available.
Maryland			$1,757.0	11.4%	The difference between the previous gap estimate ($2,362.0 million) and the current projected gap is largely due to adjustments to mandated spending changes in the 2010 session.
Massachusetts			$1,050.0	4.0%	
Michigan	✓				

Table 7. Projected FY 2012 Budget Gaps

State	No Gap	No Forecast	FY 2012 Estimate (in millions)	Percent of General Fund Budget	Comment
Minnesota			$4,093.0	20.6%	Some of the budget solutions for FY 2011 worsened the FY 2012 budget deficit.
Mississippi		✓			There is no official gap estimate for FY 2012.
Missouri		✓			No estimate of the FY 2012 gap is available since the FY 2012 revenue estimate is not produced until December 2010.
Montana			$210.8	10.8%	
Nebraska			$340.0	8.2%	All amounts are one-half of the projected biennial imbalance, projected to June 30, 2013.
Nevada		✓			The governor requested agencies reduce their revised FY 2011 appropriations by 10 percent when developing their budget requests for FY 2012 and FY 2013. Even with those reductions, total general fund agency requests would total approximately $5.95 billion for the 2011-2013 biennium. The latest estimates for FY 2011 are that revenues will continue total approximately $5.03 billion into the 2011-2013 biennium. In addition, the proposed budget will need to cover the cost of not having employee furloughs and the cost of restoring employee merit pay and longevity payments beginning in FY 2012.
New Hampshire		✓			
New Jersey			Amount Unknown		No official estimate has been made at this time. However, to fund programs at statutory or continuation levels in FY 2012 would yield a budget gap with a similar order of magnitude to the projected FY 2011 gap ($10,736.5 million).
New Mexico			$236.0	4.4%	
New York			*$14,481.0*	*21.4%*	This is the gap projection reported in March 2010. Without a completed FY 2011 budget and no fiscal plan it is unclear how the out years will be affected by actions that will come with a completed budget (particularly revenue changes).
North Carolina			$3,200.0	16.8%	The majority of the projected budget gap results from the loss of $1.0 billion in federal ARRA funds and the expiration of $1.4 billion in temporary state taxes.
North Dakota	✓				
Ohio		✓			There are no official projections yet for FY 2012.
Oklahoma			Amount Unknown		
Oregon			$1,257.6	18.8%	Oregon has a biennial budget. The total budget gap projected for the 2011-2013 biennium, when compared to the amount needed to maintain current services, is about $2.6 billion. This amount has been pro-rated between FY 2012 and FY 2013.
Pennsylvania		✓			No estimates or budget established for 2012 yet. The 2012 budget could potentially face a budget gap due to the loss of federal ARRA funding of $2.76 billion, while at the same time significant increases in pension costs are expected.
Rhode Island			$343.2	10.3%	The previous estimate ($362.2 million) was from the governor's FY 2011 budget submission (five-year forecast). The new estimate is updated to reflect the enacted budget.

Table 7. Projected FY 2012 Budget Gaps					
State	No Gap	No Forecast	FY 2012 Estimate (in millions)	Percent of General Fund Budget	Comment
South Carolina			$919.0	18.1%	
South Dakota			$108.0	8.4%	
Tennessee			$140.0	1.2%	
Texas			$5,400.0	12.4%	The current projected gap, before assumptions on spending demands and revenue growth, is $10.8 billion on an $87 billion biennial general revenue budget. The gap is evenly split between FY 2012 and FY 2013 for illustrative purposes. The biennial gap is likely to widen to $15 billion, or higher, based on current revenue trends and the likelihood that spending demands will exceed revenue projections.
Utah		✓			No revenue estimates prepared for FY 2012 or beyond.
Vermont			$110.0	9.0%	The July 2010 estimate will continue to refine projections over the next few months.
Virginia			$2,279.0	14.4%	
Washington			$1,156.0	6.5%	A budget for FY 2012 will be enacted in the 2011 session. The estimate provided is from the governor's Office of Financial Management and uses the official revenue forecast for FY 2011 and estimates of maintaining current programs (including caseload increases, state employee COLAs and vendor rate increases at the rate of the implicit price deflator, and the restoration of I-728 and I-732 that were temporarily suspended in the 2009-2011 biennium).
West Virginia			$190.0	2.5%	
Wisconsin			$1,232.0	9.2%	
Wyoming	✓				
Total	5	11	**$72,055.7**		

Key:
(N/A) = Not applicable—no FY 2012 budget gap.

(N/R) = No response.

Source: NCSL survey of state legislative fiscal offices, July 2010.

Table 8. Projected FY 2013 Budget Gaps

State	No Gap	No Forecast	FY 2013 Estimate (in millions)	Percent of General Fund Budget	Comment
Alabama		✓			No projections have been made beyond FY 2011.
Alaska	✓				
Arizona			$475.8	4.7%	
Arkansas		✓			No projections have been made beyond FY 2011.
California			*$22,976.0*	*20.1%*	Gap estimate is based on the California Fiscal Outlook report from the Legislative Analyst's Office in November 2009.
Colorado		✓			There is no forecast for FY 2013.
Connecticut			$3,165.9	16.0%	
Delaware		✓			No estimate possible at this time. If revenue grows as it has in the last six months, there may be no budget gap.
Florida (N/R)					
Georgia	✓				
Hawaii			$2,064.4	35.9%	The projected gap was closed by actions in 2010.
Idaho		✓			No estimate available.
Illinois		✓			No official projection.
Indiana	✓				
Iowa		✓			Too early to predict.
Kansas		✓			The first projection for FY 2013 will be made in November when the consensus revenue estimates are completed.
Kentucky		✓			There is no official revenue forecast for FY 2013 at this time.
Louisiana			$1,300.0	13.0%	Official re-estimation of out-year budget gaps will not be completed for several weeks. Figures provided are rough estimates based on an estimate of the FY 2011 budget plan.
Maine			Amount Unknown		Estimate is pending, currently not available.
Maryland			$1,623.0	10.2%	Difference between the previous gap estimate ($2,133.0 million) and current projected gap is largely due to adjustments to mandated spending changes in the 2010 session.
Massachusetts			Amount Unknown		Too far to predict anything for FY 2013, but based on the loss of all ARRA funds, tax revenue performance and slow recovery, it is a reasonable assumption that there will be a gap in FY 2013.
Michigan	✓				
Minnesota			$1,679.0	8.9%	
Mississippi		✓			No official gap estimate for FY 2013.
Missouri		✓			No estimate of the FY 2013 gap is available since the FY 2012 revenue estimate is not produced until December 2011.

Table 8. Projected FY 2013 Budget Gaps

State	No Gap	No Forecast	FY 2013 Estimate (in millions)	Percent of General Fund Budget	Comment
Montana			$186.0	9.2%	
Nebraska			$340.0	8.2%	All amounts are one-half of the projected biennial imbalance, projected to June 30, 2013.
Nevada		✓			The governor requested agencies reduce their revised FY 2011 appropriations by 10 percent when developing their budget requests for FY 2012 and FY 2013. Even with those reductions, total general fund agency requests would total approximately $5.95 billion for the 2011-2013 biennium. The latest estimates for FY 2011 are that revenues will continue total approximately $5.03 billion into the 2011-2013 biennium. In addition, the proposed budget will need to cover the cost of not having employee furloughs and the cost of restoring employee merit pay and longevity payments beginning in FY 2012.
New Hampshire		✓			
New Jersey			Amount Unknown		Amount is unknown pending the outcomes of FY 2011 and FY 2012.
New Mexico		✓			No FY 2013 gap forecast is currently prepared.
New York			*$18,501.0*	*25.2%*	This is the gap projection reported in March 2010. Without a completed FY 2011 budget and no fiscal plan it is unclear how the out years will be affected by actions that will come with a completed budget (particularly revenue changes).
North Carolina		✓			No estimates yet for FY 2013.
North Dakota	✓				
Ohio		✓			No official projections yet for FY 2013.
Oklahoma			Amount Unknown		
Oregon			$1,362.4	19.2%	Oregon has a biennial budget. The total budget gap projected for the 2011-2013 biennium, when compared to the amount needed to maintain current services, is about $2.6 billion. This amount has been pro-rated between FY 2012 and FY 2013.
Pennsylvania		✓			No estimates or budget established for FY 2013.
Rhode Island			$366.9	10.6%	The previous estimate ($413.2 million) was from the governor's FY 2011 budget submission (five-year forecast). The new estimate is updated to reflect the enacted budget.
South Carolina			$1,438.4	27.2%	
South Dakota			$112.0	8.3%	
Tennessee			$71.0	0.6%	

Table 8. Projected FY 2013 Budget Gaps

State	No Gap	No Forecast	FY 2013 Estimate (in millions)	Percent of General Fund Budget	Comment
Texas			$5,400.0	12.4%	The current projected gap, before assumptions on spending demands and revenue growth, is $10.8 billion on an $87 billion biennial general revenue budget. The gap is evenly split between FY 2012 and FY 2013 for illustrative purposes. The biennial gap is likely to widen to $15 billion, or higher, based on current revenue trends and the likelihood that spending demands will exceed revenue projections.
Utah		✓			No revenue estimates prepared for FY 2012 or beyond.
Vermont			$85.0	6.5%	Depending on actions taken to close the FY 2012 gap, the gap for FY 2013 could be eliminated.
Virginia		✓			No actions have been taken to forecast the FY 2013 outlook.
Washington			$1,897.0	9.9%	A budget for FY 2013 will be enacted in the 2011 session. The estimate provided is from the governor's Office of Financial Management and uses the official revenue forecast for FY 2011 and estimates of maintaining current programs (including caseload increases, state employee COLAs and vendor rate increases at the rate of the implicit price deflator, and the restoration of I-728 and I-732 that were temporarily suspended in the 2009-2011 biennium).
West Virginia	✓				
Wisconsin			$1,279.0	9.6%	
Wyoming	✓				
Total	7	19	**$64,322.8**		

Key:
(N/A) = Not applicable—no FY 2012 budget gap.

(N/R) = No response.

Source: NCSL survey of state legislative fiscal offices, July 2010.

Table 9. Summary of the State Fiscal Situation	
State/Jurisdiction	Comments
Alabama	Officials are no longer seeing big reductions in major tax receipts.
Alaska	Despite projected surpluses through FY 2015, steadily declining oil production will inevitably reduce revenue. The Legislature is making an effort to restrain expenditure growth in order to mitigate future gaps.
Arizona	The fiscal situation appears to be stabilizing.
Arkansas	General revenue collections were $38.3 million above the current forecast for May 2010. However, this is after the forecast was reduced $41 million on May 4, 2010, which was the third reduction for the fiscal year.
California (N/R)	
Colorado	While the state's economy has begun to slowly recover, the state's fiscal situation faces serious challenges in the years ahead. The FY 2011 budget presumed that Congress would extend the enhanced FMAP through June 2011. If that does not occur, the state will face an additional shortfall of $245 million in FY 2011. Also, the cumulative shortfall for FY 2012 could be as high as $1 billion (14 percent), because many one-time sources of money and one-time expenditure decreases either will not or may not be available in FY 2012.
Connecticut	The current outlook is stable (officials are not predicting any further erosion of the fiscal situation). FY 2010 is expected to close with a $242 million surplus, which had previously not been forecast (much of FY 2010 was spent on deficit mitigation). For FY 2011, it is still too early to tell, but it is anticipated that no significant deficit or surplus will occur. This outlook does not include non-budgeted years beyond FY 2011.
Delaware	Personal income and realty transfer taxes seem to have bottomed out and have started to grow. The bank franchise tax also seems to have nowhere to go but up. However, competition from surrounding state lotteries is a worry.
Florida (N/R)	
Georgia	Through May 2010, revenues continued to decline (though the rate of decline has slowed).
Hawaii	The situation is mixed. Based on the June preliminary report for FY 2010, nearly all tax categories are showing double-digit growth. Most of this was expected due to targeted tax increases (hotel rooms, cigarettes, higher-income earners; adjustment of tax credits and deductions). However, the general excise tax, which accounts for more than 50 percent of state revenue, fell 4.4 percent. Aside from personnel actions, the administration's biggest strategy to reduce expenditures in FY 2010 was to delay individual income tax refunds. At its May 27, 2010, meeting, the Council on Revenues attempted to adjust its projections based on information released by the governor in media reports. As a result, the council increased the FY 2010 projection from -2.5 percent to 4 percent. Without the refund delay, the council would have projected 0.5 percent growth. Actual (preliminary) FY 2010 information was released recently indicating that approximately $186 million in refunds remain to be paid. Accounting for this amount, real tax collections would have been down -0.5 percent.
Idaho	Latest indications suggest that conditions have leveled off and unemployment has stabilized.
Illinois	For a multitude of reasons, both financial as well as political, the fiscal situation is tenuous at best. So much so, that Moody's recently downgraded the state's debt rating.
Indiana	The fiscal situation appears to be stabilizing.
Iowa	Officials are very cautiously optimistic. Until the state experiences job growth, income and sales taxes will be slow to recover and have dipped to very low levels. The climb back to previous levels will take a long time.
Kansas	The situation is showing some improvement based on revenue increases projected in April 2010.

Table 9. Summary of the State Fiscal Situation

State/Jurisdiction	Comments
Kentucky	After declining throughout most of FY 2010, there has been some modest growth in general fund revenues in recent months. It remains unclear whether this growth will be sustained. With the loss of ARRA funds in FY 2012 and the estimated increased costs in health care benefits and Medicaid benefits, the FY 2012 budget was difficult to balance. The General Assembly made every attempt to maintain funding levels for its highest priorities: education and Medicaid. The FY 2012 budget should establish a good base of state expenditures moving forward into the next biennium.
Louisiana	Loss of federal stimulus funding will be a problem in FY 2012. The Gulf oil spill has proved disruptive and has distorted FY 2011. Additionally, a drilling moratorium will likely have a negative impact on FY 2011 and FY 2012 if it goes fully into effect.
Maine	Revenue collections have been performing better than projections in recent months by approximately 2 percent. This revenue surplus will begin to replenish general fund reserves depleted during the last two years. However, the state counted on the savings from the extension of the enhanced FMAP that has been delayed in Congress. If Congress fails to enact the extension of the enhanced FMAP, the state will need to curtail spending to address this potential shortfall.
Maryland	FY 2010 revenues are running ahead of estimates. In addition, there have been a couple of months of increased revenues (on a year-over-year basis) for major sources like the sales tax and income tax withholding.
Massachusetts	The state has experienced positive and negative revenue months and is neither improving nor declining. It is still too early to tell.
Michigan	The economy and revenues are stabilizing. The big issue is the six-month enhanced FMAP extension.
Minnesota	With the exception of 2009 individual income tax collections, revenues appear to be meeting the forecasted levels. Given the projected deficits for FY 2012 and FY 2013, the next Legislature will have a substantial challenge in balancing the budget during the 2011 session.
Mississippi	At this time, it seems that monthly general fund collections compared to prior year monthly collections have stabilized.
Missouri	Revenues are expected to be down 10 percent in FY 2010, but withholding tax collections have increased in each of the last three months. Sales tax collections increased in May for the first time in more than three years.
Montana	The revenue decline projected in February 2010 has not declined further. However, this does not change the fact that the next Legislature will have a significant task in developing the 2013 biennial budget.
Nebraska	The current estimate shows a biennial imbalance of $680 million to June 30, 2013. Despite this forecasted imbalance, there are emerging positives: Revenue performance is showing signs of improvement for the personal income tax and the sales tax; the general fund balance should remain positive for the foreseeable future; there is no indication of cash-flow problems. Past actions of the Legislature have rebalanced the general fund budget over several iterations since the 2009 regular session. Thus, in some aspects, the state's financial environment is stabilizing.
Nevada	The overall rate of decline of the year-over-year percentage change in monthly receipts for the two major general fund sources appears to have slowed. It is expected that actual collections for the fourth quarter for a majority of the general fund revenue sources will be at or above the forecasted amount.
New Hampshire	The rate of decline of actual vs. monthly plan revenue is decreasing. Another positive is that the real estate transfer tax shows signs of stabilizing.
New Jersey	The sharp revenue declines of FY 2009 and FY 2010 have apparently ended and signs of some modest revenue growth have begun. However, the strength and duration of any growth is uncertain.
New Mexico	FY 2010 revenue tracking suggests revenues will fall below forecast. Broad-based revenues, especially general sales taxes, are particularly weak.

Table 9. Summary of the State Fiscal Situation

State/Jurisdiction	Comments
New York	No major initiatives to make up for the loss of federal stimulus funds, with multiple billions of dollars of tax increases already enacted with more anticipated for the current fiscal year.
North Carolina	Year-over-year declines have slowed or flattened. The last quarter of the fiscal year is showing signs that key tax collections are no longer in an accelerated decline and while net positive results have yet to be posted, significant year-over-year losses have abated.
North Dakota	To date, revenues for the 2009-2011 biennium are ahead of revenues for the same period in the 2007-2009 biennium. However, revenues through May 2010 are less than forecasted.
Ohio	In recent months, year-over-year comparisons have turned positive for income tax withholding and for the sales and use tax.
Oklahoma	Revenues have met the revised estimates for several months.
Oregon	This may be more wishful thinking than reality, but there are signs that after several consecutive declining forecasts, revenues are stabilizing. There are still concerns about the status of employment in the state, and only a gradual improvement to employment numbers has been incorporated into current financial projections.
Pennsylvania	Tax revenues are expected to increase during FY 2011; however, the FY 2011 budget depends on ARRA funding, which will not be available the following fiscal year.
Rhode Island	Revenues are stabilizing. The loss of ARRA funds will negatively impact the state's fiscal position.
South Carolina	Revenues appear to be stabilizing; the latest general fund collections for FY 2010 are ahead of the Board of Economic Advisors' April 2010 revised estimate.
South Dakota (N/R)	
Tennessee	Recent signs indicate revenues are beginning to stabilize. State economic news continues to give mixed signals that recovery is not yet firmly underway.
Texas	After 14 months of year-over-year monthly declines in sales tax receipts, April and May 2010 receipts were slightly higher than the same months in 2009. However, FY 2010 receipts are still significantly below the estimates used to support FY 2010-2011 biennial appropriations. Officials anticipate a fairly significant budget gap going into the 2012-2013 biennium.
Utah	The fiscal situation appears to be stabilizing.
Vermont	State economists still believe there is a risk for a double dip recession depending on how the economy responds to declining stimulus and the European credit crisis; but they are finally seeing some of the "green shoots" that were not yet visible six and 12 months ago.
Virginia	Withholding, which reflects jobs, has seen two positive months. Job loss has slowed. Also, there has been some pickup in sales tax activity.
Washington	The fiscal situation is unclear for the current biennium. The recent revenue forecast was fairly stable (down $203 million in 2009-2011 but up by a similar amount in 2011-2013), as was the most recent caseload forecast (projected to save $41 million in 2009-2011). On the other hand, the budget assumes $480 million from an extension of the enhanced FMAP (not yet adopted at the federal level), and several initiatives with fiscal impact appear likely to qualify for the fall general election ballot. The current estimate for the 2011-2013 biennium indicates a new shortfall. Budget actions taken in both the 2010 and 2011 legislative sessions contained a number of one-time actions. Some of those included the suspension of voter-approved initiatives, use of one-time ARRA funds, use of (now depleted) reserves and one-time fund transfers. These combined with moderate revenue growth and increasing expenditure pressures, lead to a projected shortfall in the 2011-2013 biennium.
West Virginia	General revenue has declined in FY 2009 and FY 2010 and is predicted to decline in FY 2011. Recovery is predicted to begin in 2012.

Table 9. Summary of the State Fiscal Situation	
State/Jurisdiction	Comments
Wisconsin	In the 2007-2009 state budget, $200 million was transferred from the Injured Patients and Families Compensation Fund to assist the general fund. On July 20, 2010, the state Supreme Court handed down a decision that ruled against the transfer and required repayment to the fund.
Wyoming	It appears that revenues are no longer in decline.
Source: NCSL survey of legislative fiscal offices, July 2010.	

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State Tax Update: July 2010

(Preliminary Report)

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STATE TAX UPDATE: JULY 2010 (PRELIMINARY)

The impact of the severe economic recession that began in 2007 continued to create substantial revenue shortfalls during 2010 legislative sessions. As a result, state legislatures were prompted to increase taxes and fees for the ninth consecutive year as they worked to shore up state budgets.

To date, 45 states have provided data about tax changes in 2010, largely affecting revenue collection in fiscal year (FY) 2011. States that have not yet reported are California, Georgia, Hawaii, Michigan and Pennsylvania. For purposes of this report, Massachusetts and New York are counted as reporting states, but it should be noted that the information for both states is partial, with several significant tax measures still pending.

The actions taken by the 45 reporting states resulted in a net tax increase of $3 billion. The tax increases represent 0.4 percent of total state tax collections. Nine states increased taxes by more than 1 percent, while only one state cut taxes by more than 1 percent[7]. Thirty-five states made no significant tax policy changes.

In a reversal from 2009, when states relied heavily on income taxes to generate new revenue, the personal income tax category saw a net decrease through actions taken in 2010, primarily due to expiring temporary increases. All other tax categories show a net increase. Sales and use tax increases of $1.5 billion account for the largest gains because of tax rate increases in a few states.

The biggest trend in 2010 was a general broadening of state tax bases by eliminating or reducing tax credits and exemptions. A few states targeted specific items such as candy and gum. Some states even curtailed green economic incentives, slowing a recent tendency to encourage renewable energy and transportation innovations through tax policy.

Another 2010 trend was the attention given to economic development. Several states adopted tax policies designed to jump-start local economies with new incentives for job creation and small business development.

[7] The nine states that increased taxes are: Arizona, Colorado, Kansas, New Mexico, Oklahoma, South Carolina, Tennessee, Utah and Washington. New Jersey was the only reporting state to cut taxes by more than one percent.

As in past years, states continued to target non-resident taxpayers and out-of-state sales. They also increased their reliance on tobacco taxes—although not nearly as much as in past years—and there were more new assessments on the health care industry.

Revenues were also generated through fees, accelerations and other nontax actions. A number of states adopted new compliance measures and at least four states will offer tax amnesty programs for FY 2011.

Personal Income Tax (Net decrease: $789.6 million)

Six states increased income taxes by at least $1 million each, while nine states reduced them. This was the only tax category with a net decrease in 2010, and it was mostly due to a large cut in New Jersey.

The tax increases include:

- Arizona adopted a measure that will generate an additional $22 million by requiring nonresident taxpayers to pro-rate their standard deductions.
- New Mexico imposed a withholding tax on non-resident shareholders in pass-through entities and another measure that adds back state income tax deducted from federal taxable income, for a combined $81.6 million.
- Minnesota and Oklahoma cut back on credits.

One state adopted a revenue neutral reform package:

- Rhode Island lawmakers replaced 20 taxable income brackets with three new brackets and established a top tax rate of 5.99 percent. They eliminated the alternative flat tax and the alternative minimum tax and will continue to treat capital gains as ordinary income. The reform measure replaced itemized deductions with a larger standard deduction. Personal and dependent exemptions and deductions were set at $3,500 and will grow with inflation; deductions and exemptions phase out beginning with $180,000 of taxable income. Last, only eight credits will be allowed against future tax liability.

Other states made targeted income tax reductions:

- New Jersey let a tax on high-income taxpayers expire after one year, resulting in a revenue reduction of more than $900 million.
- Idaho continued phasing in a tax credit for groceries.
- Kansas expanded the tax credit for sales taxes paid on food, for a $10.9 million revenue reduction.
- Iowa continued phasing out the tax on social security benefits for a cut of $17.3 million.
- Connecticut adopted new credits for small businesses that create jobs and for "angel investors."

- Minnesota cut $17 million by adopting new credits for investment in small businesses.
- Arizona approved a tax credit for investment in renewable energy capital.

Corporation and Business Taxes (Net increase: $563.1 million)

Ten of the reporting states raised business taxes and eight cut them.

Among the tax increases:

- Washington raised an additional $223 million in revenue by temporarily increasing the business and occupation tax by 0.3 percent.
- Oregon limited the business energy tax credit by capping the total of potential credits and placing new restrictions on eligibility, resulting in a $54 million tax increase.
- Colorado capped the amount of net operating loss that can be taken in a year and limited the credit for eco-friendly vehicles.
- Kentucky and New Jersey capped tax credits for film production.
- Oklahoma reduced several business tax credits for more than $47 million in new revenue, including the tax credit for electric vehicles.

Some states, however, reduced business taxes:

- Florida approved a new tax credit of $1,000 per employee for businesses in targeted industries and Maryland enacted a tax credit for job creation.
- Indiana and Wisconsin authorized a number of new economic development incentives and programs.
- Arizona and Virginia approved incentives specifically for renewable and other green jobs.
- North Carolina expanded the credit for film production and Virginia adopted new film credits.

Sales and Use Tax (Net increase: $1.46 billion)

Eight states increased general sales taxes, though only three raised rates. Four states cut sales taxes.

Among the sales tax increases:

- Arizona voters approved a three-year sales tax rate increase from 5.6 percent to 6.6 percent, which is expected to generate $918 million in new revenue.
- Kansas increased the sales tax rate by 1 percent for an additional $339 million.
- New Mexico increased the sales tax rate by 0.125 percent, going from a rate of 5.0 percent to a rate of 5.125 percent, for $60 million in additional revenue.
- Colorado and New Mexico took actions to impose the sales tax on out-of-state retailers.

- Colorado eliminated the sales tax exemption for candy and soft drinks for $18 million.
- Washington removed the sales tax exemption on candy, gum and bottled water. In addition, Washington lawmakers imposed a new tax on carbonated beverages.

At the same time, some states cut sales taxes:

- Illinois adopted a new sales tax holiday and Florida approved a back-to-school sales tax holiday.
- New Mexico approved a sales tax deduction for solar power plant construction for a revenue reduction of $4.3 million.
- Ohio adopted a temporary sales tax exemption for materials used to construct eligible convention centers.

Health Care Provider and Industry Taxes (Net increase: $826.9 million)

Ten states increased health care provider and industry taxes. For example:

- Alabama increased the nursing home bed tax to generate $20 million.
- Maine approved a one-time hospital assessment and updated the tax base year from 2006 to 2008.
- Tennessee adopted a new hospital assessment fee and anticipates $286 million in additional revenue.
- Washington increased hospital assessments for $352 million in additional revenue.

Tobacco Taxes (Net increase $591.9 million)

Seven states raised taxes on cigarettes or other tobacco products:

- New York raised the cigarette tax by $1.60, bringing the total state tax to $4.35 per pack—the highest in the nation to date.
- New Mexico raised the cigarette tax by $0.75 per pack.
- South Carolina raised tobacco taxes by $125 million.
- Nevada, Utah, Vermont and Washington also raised tobacco taxes.

Alcohol-Related Taxes (Net increase: $34.2 million)

One state raised alcohol taxes and another state cut them:

- Washington raised the tax on beer for three years.
- Florida cut the alcoholic beverage tax by allowing a credit against it for funding non-profit scholarship organizations.

Motor Fuel and Vehicle Taxes (Net increase: $43.4 million)

Two states raised taxes on motor fuel:

- Alaska generated $30 million by letting the motor fuel tax suspension expire.
- New Jersey modified the motor fuels tax.

One state cut vehicle taxes:

- Kentucky extended the new car trade-in tax credit against the motor vehicle usage tax for a loss of $4.8 million.

Miscellaneous Taxes (Net increase: $295.2)

Six states increased miscellaneous taxes, for example:

- Florida imposed new gambling taxes for $120 million as a result of a new Indian gaming compact.
- Minnesota temporarily reduced the state property tax refund for renters.
- Ohio adopted legislation in response to a voter approved constitutional amendment authorizing casinos that imposes a 33 percent tax on gross casino receipts.

By contrast, two states cut them:

- Alaska cut the tax assessed on cruise ship passengers.
- Maine lowered the statewide emergency 911 surcharge from $0.52 to $0.45.

Fees and Other Nontax Changes (Net increase: $1.29 billion)

Eighteen states reported various fee increases in 2010, while four states accelerated revenue into the fiscal year. In addition, eight states turned to non-tax revenue sources such as enhanced compliance efforts. For example:

- Ohio adopted new casino licensing fees for more than $200 million.
- Minnesota delayed payments of certain tax refunds.
- Tax amnesty programs were approved in several states, including Florida, Illinois, Kansas and Nevada.

Overall, through mid-July, the responding states made tax, fee and other revenue changes resulting in an anticipated $4.3 billion revenue increase for FY 2011.

Figure 1. Net State Tax Changes by Year of Enactment, 1997–2010

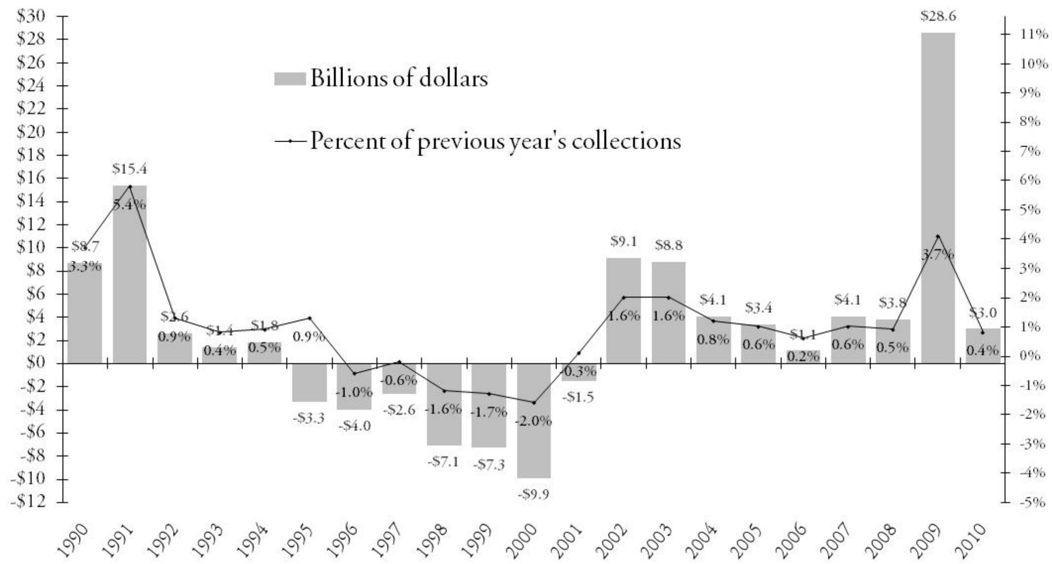

Table 1. FY 2009 Net State Tax Changes by Type of Tax		
Type of Tax	**Dollars** (in millions)	**Percent of Total**
Personal Income	-$789.6	-26.1%
Corporate Income	$563.1	18.6%
Sales and Use	$1,459.2	48.2%
Health Care	$826.9	27.3%
Tobacco	$591.9	19.6%
Motor Fuel	$43.4	1.4%
Alcoholic Beverage	$34.2	1.1%
Miscellaneous	$295.2	9.8%
Net Change	**$3,024.3**	100%

Source: National Conference of State Legislatures, 2009.

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