



WHY CONGRESS MUST PROVIDE AID FOR STATES

- Hit by declining revenues from sales taxes, property taxes and income taxes due to the failing economy and rising unemployment, states are facing dangerous budget shortfalls that jeopardize critical public services and jobs. At least 44 states have dealt with or must address budget shortfalls in their FY 2009 or FY 2010 budgets.¹
- Midyear budget gaps for 41 states and the District of Columbia in FY 2009 have already reached \$42 billion—on top of the \$48 billion combined shortfall that 29 states had to make up when enacting their FY 2009 budgets.² In total, 43 states and the District of Columbia have experienced FY 2009 budget gaps totaling \$89.2 billion.
- The size of the combined FY 2009 budget gaps is staggering. The gap for Arizona, as of the mid-year, represents 30.8 percent of its total general fund for the fiscal year. California's represents 35.6 percent, while budget gaps for Rhode Island, Florida and Nevada have reached 24.5 percent, 22.2 percent and 19.6 percent, respectively.
- All but a few states will be confronting FY 2010 budget gaps that will total more than \$145 billion.³ In FY 2010, New York's budget gap could hit 24.3 percent of its general fund budget, Arizona's could equal 21.9 percent, Florida's could reach 22.6 percent, Wisconsin is heading for 20.3 percent and California could reach 24.8 percent.⁴
- Most states are prohibited by their constitutions from deficit spending. When their budgets fall short, they must break into reserve funds, reduce services, raise taxes or use some combination. States generally took these steps when enacting their FY 2009 budgets. Additional cuts would endanger important public services further and do longer-term damage to state economies.⁵
- State cuts in spending on public services have a major impact on state economies. Workers who provided the services are laid off, companies that provided the services lose revenues and the people receiving financial assistance from the state government lose that income. This causes a further deepening of the state's economic problems, making matters even worse.⁶
- As Congress grapples with measures to get the American economy out of its tailspin, providing federal aid to state governments, along with extending unemployment benefits and food stamps, "would be the most effective spurs to economic growth."⁷
- The states are not alone in their fiscal crisis; economic problems are filtering down to our nation's municipalities as well. According to a September survey by the National League of Cities, city finance officers projected there would be a 2.8 percent budget gap for cities in 2008.⁸
- For the first time in years, cities are reporting concerns over revenue collected from property, sales and income taxes. These are the three major income sources for local governments.⁹
- New York City is facing an estimated \$4.3 billion budget gap for the next 18 months.¹⁰
- Unless Congress provides timely fiscal relief to states, the situation will grow far worse.

Impact of State Budget Crisis

- The last recession forced states to cut services significantly between 2002 and 2004. The results included loss of health care for more than 1 million people, reduced access to child care in 23 states and reduced aid to school districts in 34 states that caused higher textbook fees, shorter school days, reduced transportation and lost education jobs. The current recession is expected to be more severe, last longer and threaten state services even more.¹¹
- State budget crises are forcing 30 states to reduce services—including services relied upon by the most vulnerable.¹²
- Twenty states have either imposed or are considering across-the-board spending cuts.¹³ Thirty-four states have also cut or proposed cuts to their state government workforces.¹⁴ Twenty-three states are under hiring freezes for state government employees.¹⁵
- State health care and education programs, which make up more than 60 percent of state spending, are also on the chopping block in many states.¹⁶

Health Care

- At least 19 states have cut or are considering cutting health care programs for low-income children and families.¹⁷ For example:
 - Nevada has capped enrollment in the state health insurance program for low-income children (SCHIP) and is raising premiums.¹⁸
 - Utah has eliminated certain Medicaid-covered physical therapy, vision and hearing services.¹⁹
 - Hospitalization and other medical services are going to be cut for 30,000 to 40,000 seriously ill Tennesseans.²⁰
 - Rhode Island cut 1,000 parents from its Medicaid program and is raising Medicaid premiums for 7,800 low-income families.²¹
 - In California, state health care services may be eliminated for 162,000 children.²²

Education

- At least 20 states have cut or are considering cuts in K-12 and early education programs, and at least 26 states have cut or are considering cuts in funding for public colleges and universities.²³
 - Washington may slash \$1 billion in school funding over the next two years.²⁴
 - Nevada is considering a 25 percent increase in fees for state colleges.²⁵
 - Funding for California schools and community colleges will be cut by as much as \$2.5 billion through June 2010. The state also could run out of funds for reduced-price school lunches for low-income children.²⁶

Public Safety

- Minnesota is considering cutting state aid to local governments to close its budget gap. The loss of this aid would result in serious cuts in services for cities and could result in cuts in public safety services such as police and fire protection.²⁷
- The federal government has cut funding for state and local preparedness for health emergencies by 25 percent since FY 2005. Eleven states and the District of Columbia

had to cut their public health budgets in FY 2007. Additional cuts “could lead to a disaster for the nation’s disaster preparedness.”²⁸

- Atlanta is planning to cut an additional fire station in the city to help address the city’s budget gap. Another fire station was closed in July to balance the city’s budget.²⁹
- 87 sheriff’s deputies are being laid off in Hamilton County, Ohio, as part of an effort to close the county’s budget gap.³⁰
- To address New York City’s growing budget gap, the city’s fire department is cutting by two-thirds the number of firefighters it is scheduled to hire. The city is also eliminating overnight shifts (from 6 p.m. to 9 a.m.) for firefighters at four fire houses—meaning they will not operate during this time—and closing one fire station.³¹

Endnotes

¹ Center on Budget and Policy Priorities, “State Budget Troubles Worsen,” updated Dec. 23, 2008, <http://www.cbpp.org/9-8-08sfp.htm>

² Center on Budget and Policy Priorities, “State Budget Troubles Worsen”

³ Center on Budget and Policy Priorities, “State Budget Troubles Worsen”

⁴ Center on Budget and Policy Priorities, “State Budget Troubles Worsen”

⁵ Center on Budget and Policy Priorities, “State Budget Troubles Worsen”

⁶ Center on Budget and Policy Priorities, “Facing Deficits, Many States Are Imposing Cuts that Hurt Vulnerable Residents,” updated Dec. 23, 2008

⁷ Mark Zandi, chief economist and co-founder of Moody’s Economy.com, testimony before the U.S. Senate Budget Committee, Nov. 19, 2008

⁸ Michael Pagano and Christopher W. Hoene, “City Fiscal Conditions in 2008,” Research in Brief on America’s Cities, National League of Cities, September 2008

⁹ National League of Cities, “City Officials Issue Statement on Financial Crisis”, Oct. 1, 2008, <http://www.nlc.org/PRESSROOM/PRESSRELEASEITEMS/FinancialCrisisStatement.aspx>

¹⁰ “Part-time firehouses—Our Opinion. The Issue: Four engine companies to be out of service overnight,” *Staten Island Advance*, Dec. 7, 2008

¹¹ Center on Budget and Policy Priorities, “State Budget Troubles Worsen”; Center on Budget and Policy Priorities, “Facing Deficits, Many States Are Imposing Cuts that Hurt Vulnerable Residents”

¹² Center on Budget and Policy Priorities, “State Budget Troubles Worsen”

¹³ Pamela M. Prah, “State budget gaps balloon to \$97 billion,” Stateline.org, www.stateline.org, Dec. 5, 2008, <http://www.stateline.org/live/details/story?contentId=360296>

¹⁴ Center on Budget and Policy Priorities, “State Budget Troubles Worsen”

¹⁵ Center on Budget and Policy Priorities, “Facing Deficits, Many States Are Imposing Cuts that Hurt Vulnerable Residents”

¹⁶ Pamela M. Prah, “State budget gaps balloon to \$97 billion,” Stateline.org

¹⁷ Center on Budget and Policy Priorities, “State Budget Troubles Worsen”

¹⁸ Center on Budget and Policy Priorities, “Facing Deficits, Many States Are Imposing Cuts that Hurt Vulnerable Residents”

¹⁹ Pamela M. Prah, “State budget gaps balloon to \$97 billion,” Stateline.org

²⁰ Center on Budget and Policy Priorities, “Facing Deficits, Many States Are Imposing Cuts that Hurt Vulnerable Residents”

²¹ Center on Budget and Policy Priorities, “Facing Deficits, Many States Are Imposing Cuts that Hurt Vulnerable Residents”

²² Pamela M. Prah, “State budget gaps balloon to \$97 billion,” Stateline.org

²³ Center on Budget and Policy Priorities, “State Budget Troubles Worsen”

²⁴ Pamela M. Prah, “State budget gaps balloon to \$97 billion,” Stateline.org

²⁵ Pamela M. Prah, “State budget gaps balloon to \$97 billion,” Stateline.org

²⁶ Pamela M. Prah, “State budget gaps balloon to \$97 billion,” Stateline.org

²⁷ Bill Salisbury, “State aid to cities, counties likely to be cut; Pawlenty announces salary freeze for state employees,” *St. Paul Pioneer Press*, Dec. 9, 2008

²⁸ Pamela M. Prah, “Economy could imperil state readiness,” Stateline.org, Dec. 9, 2008

²⁹ Eric Sturgus, “Budget cuts trigger fire alarm; Less service in Atlanta could affect public safety, warns state commissioner,” *The Atlanta Journal-Constitution*, Dec. 4, 2008

³⁰ Deborah Yetter and Joseph Gerth, “Cities facing painful cutbacks,” *The Courier Journal*, Dec. 7, 2008

³¹ “Part-time firehouses—Our Opinion,” *Staten Island Advance*

STATES WITH FY 2009 BUDGET GAPS

	Total Gap (Gap Before Enacted Budget and Mid-Year Budget Gap)	As a Percent of FY 2009 General Fund
Alabama	\$1.2 billion	15.0%
Arizona	\$3.1 billion	30.8%
Arkansas	\$107 million	2.4%
California	\$36 billion	35.6%
Colorado	\$604 million	7.7%
Connecticut	\$542 million	3.2%
Delaware	\$369 million	10.1%
District of Columbia	\$227 million	3.6%
Florida	\$5.7 billion	22.2%
Georgia	\$2.7 billion	12.9%
Hawaii	\$232 million	4.0%
Idaho	\$131 million	4.4%
Illinois	\$3.8 billion	13.4%
Indiana	\$763 million	5.8%
Iowa	\$450 million	7.0%
Kansas	\$141 million	2.2%
Kentucky	\$722 million	7.8%
Louisiana	\$341 million	3.7%
Maine	\$265 million	8.6%
Maryland	\$1.5 billion	10.0%
Massachusetts	\$3.3 billion	11.5%
Michigan	\$617 million	2.7%
Minnesota	\$1.4 billion	7.9%
Mississippi	\$114 million	2.2%
Missouri	\$342 million	3.8%
Nevada	\$1.4 billion	19.6%
New Hampshire	\$250 million	8.0%
New Jersey	\$3.7 billion	11.4%
New Mexico	\$454 million	7.5%
New York	\$6.4 billion	11.7%
North Carolina	\$800 million	3.7%
Ohio	\$1.9 billion	6.8%
Oklahoma	\$114 million	1.7%
Oregon	\$142 million	2.1%
Pennsylvania	\$1.6 billion	5.6%
Rhode Island	\$802 million	24.5%
South Carolina	\$804 million	11.7%
South Dakota	\$27 million	2.2%
Tennessee	\$1.4 billion	12.0%
Utah	\$620 million	10.4%
Vermont	\$125 million	10.3%
Virginia	\$2.3 billion	13.8%
Washington	\$509 million	3.4%
Wisconsin	\$998 million	7.1%
Total	\$89.2 billion	13.6%

Source: Center on Budget and Policy Priorities, "State Budget Troubles Worsen," updated Dec. 23 2008, <http://www.cbpp.org/9-8-08sfp.htm>