



In This Issue

State Government Finances in 2009 **2**

Typically, *Reports* ignores the annual Census Bureau report on state government finances, believing that a more complete understanding can be had by focusing on combined state and local finances. However, the release of the 2009 state finance series highlights the big changes that took place in response to the last recession, and the important role federal aid played in both state revenue and spending.

Technical Notes **13**

Please do not make unauthorized copies of *State Policy Reports*. Your subscription permits you to print your PDF version one time and route it, or route your hard copy. Forwarding or photocopying for other users is not permitted unless you have made prior arrangements with FFIS. FFIS offers rewards for information about unauthorized copying or distribution of *State Policy Reports*. FFIS also offers volume discounts for organizations that wish to purchase multiple copies of *State Policy Reports* for their employees. Please call 202-624-5849 for information.

STATE
POLICY
REPORTS

State Government Finances in 2009

Typically, *Reports* ignores the annual Census Bureau report on state government finances, arguing that a more complete understanding can be had by focusing on state and local finances. However, the release of the 2009 state finance series underscores the big changes that took place in response to the last recession, and the important role federal aid played in both state revenue and spending. These impacts can be seen by comparing the 2009 results with those for 2000, a year of generally strong state fiscal conditions.

Revenues

The Census Bureau reports on state revenues using the definitions described in the following table.

Total Revenue = General Revenue + Utility Revenue + Liquor Store Revenue + Insurance Trust Revenue
General Revenue = Intergovernmental Revenue + Taxes + Current Charges + Miscellaneous Revenue

It defines total revenue as the sum of general revenue, insurance trust revenue (which includes public pensions, unemployment compensation, workers' compensation, Social Security and disability) and two quasi-private activities (in selected states): utilities and liquor stores. The bulk of total revenues are accounted for by general revenues, which in 2009 exceeded total revenues because insurance trust revenues were negative.

General revenues are reported as the sum of intergovernmental revenue, current charges, miscellaneous revenue and the following taxes:

- General sales
- Selective sales
- License
- Individual income
- Corporate income
- Other taxes

The chart on the next page summarizes the distribution of general revenues in state fiscal year 2009. *Reports* has combined all sales taxes into a single category and included license taxes with other taxes.

Percent Distribution of State General Revenues, 2009

State	Inter-governmental	All Sales Taxes	Individual Income Taxes	Corporate Income Taxes	All Other Taxes	Charges and Misc. Revenue	Total
U.S. Average	33.3%	22.9%	16.4%	2.7%	5.8%	18.9%	100.0%
Alabama	39.2	19.1	12.1	2.2	4.3	23.0	100.0
Alaska	20.7	2.1	0.0	5.5	35.4	36.3	100.0
Arizona	39.6	28.1	9.8	2.3	5.0	15.3	100.0
Arkansas	32.5	24.7	14.7	2.3	7.4	18.4	100.0
California	32.5	19.5	23.8	5.1	5.8	13.3	100.0
Colorado	28.9	17.1	22.8	1.7	3.4	26.1	100.0
Connecticut	25.3	24.8	29.2	2.0	3.1	15.6	100.0
Delaware	23.5	7.1	13.6	3.1	18.1	34.6	100.0
Florida	32.8	41.8	0.0	2.9	5.1	17.4	100.0
Georgia	37.3	20.4	22.7	2.0	1.7	15.9	100.0
Hawaii	24.3	34.1	14.6	0.9	1.9	24.3	100.0
Idaho	33.6	24.6	18.3	2.2	4.4	16.9	100.0
Illinois	31.3	26.1	16.5	5.0	5.1	16.0	100.0
Indiana	31.3	29.6	14.4	2.8	3.0	18.9	100.0
Iowa	34.9	20.1	16.6	1.6	4.6	22.1	100.0
Kansas	28.1	22.4	20.1	2.7	4.0	22.6	100.0
Kentucky	34.8	21.7	15.4	1.8	6.5	19.8	100.0
Louisiana	46.3	18.6	10.9	2.3	5.4	16.6	100.0
Maine	38.1	20.2	16.8	1.8	4.1	19.0	100.0
Maryland	29.7	20.8	21.9	2.5	6.0	19.0	100.0
Massachusetts	29.5	14.8	25.7	4.3	2.9	22.7	100.0
Michigan	33.2	25.2	11.8	1.4	7.4	20.9	100.0
Minnesota	27.6	25.3	23.9	2.7	7.1	13.3	100.0
Mississippi	48.8	24.6	8.8	1.9	3.1	12.7	100.0
Missouri	39.2	18.8	19.5	1.1	2.8	18.5	100.0
Montana	36.7	9.3	14.5	2.9	15.5	21.1	100.0
Nebraska	33.0	24.0	19.1	2.4	2.2	19.4	100.0
Nevada	26.8	46.3	0.0	0.0	13.0	13.9	100.0
New Hampshire	34.1	14.5	1.7	8.6	12.3	28.7	100.0
New Jersey	25.3	23.8	21.4	5.2	4.9	19.5	100.0
New Mexico	37.5	18.5	6.9	1.5	9.0	26.6	100.0
New York	36.3	15.0	27.2	3.3	2.6	15.6	100.0
North Carolina	37.1	19.4	22.0	2.1	3.7	15.7	100.0
North Dakota	27.5	19.2	7.5	2.6	19.8	23.4	100.0
Ohio	35.4	22.3	15.3	1.0	5.4	20.6	100.0
Oklahoma	35.1	16.9	13.6	1.8	11.3	21.2	100.0
Oregon	32.5	4.1	30.1	1.4	5.4	26.4	100.0
Pennsylvania	30.2	24.9	15.7	2.9	6.1	20.3	100.0
Rhode Island	37.1	21.2	14.7	1.7	2.0	23.3	100.0
South Carolina	38.8	19.3	11.1	1.0	2.4	27.4	100.0
South Dakota	41.2	28.9	0.0	1.3	5.4	23.2	100.0
Tennessee	35.9	33.8	0.9	3.4	5.9	19.9	100.0
Texas	37.3	33.1	0.0	0.0	9.7	19.8	100.0
Utah	30.0	18.7	18.1	1.9	3.6	27.7	100.0
Vermont	31.6	16.5	10.7	1.7	21.4	18.0	100.0
Virginia	23.2	16.2	25.7	1.8	3.3	29.8	100.0
Washington	30.2	40.3	0.0	0.0	10.1	19.3	100.0
West Virginia	34.0	20.0	14.0	3.8	5.2	22.9	100.0
Wisconsin	29.9	22.6	20.3	2.2	3.8	21.2	100.0
Wyoming	38.6	18.6	0.0	0.0	27.2	15.7	100.0

Among the notable takeaways from the table:

- The largest single source of revenues was intergovernmental, accounting for one-third of state general revenues.

-
- State reliance on intergovernmental funds varied greatly, from a high of nearly one-half in **Mississippi** (48.8%) to a low of about one-fifth in **Alaska** (20.7%). The American Recovery and Reinvestment Act of 2009 (ARRA) explains the heightened role of intergovernmental revenues. That role was most pronounced in states with underlying high matching rates for Medicaid (and Mississippi's is the highest) and less pronounced in states where unemployment rates remained sufficiently low to limit the state's access to the portion of Medicaid assistance that was unemployment-based (Alaska was such a state).
 - Sales taxes were the largest source of tax revenues. More states levy a broad-based sales tax than a broad-based income tax (45 versus 41), and the table shows that even states without a broad-based sales tax (**Alaska, Delaware, Montana, New Hampshire** and **Oregon**) collect revenues from selective sales taxes.
 - Personal income taxes were the third-largest source of revenues. Their share was undoubtedly diminished by the recession and its impact on both capital gains and employment-based withholding.
 - Corporate income taxes have become a very minor source of state general revenues, accounting for just 2.7% in 2009. Four states list no collections from this tax—**Nevada, Texas, Washington** and **Wyoming**—while **New Hampshire** relied on it most heavily, at 8.6% of general revenues.
 - Other taxes were a minor share of state general revenues on average (5.8%), but a significant share in some states. To a large degree, this category captures the idiosyncrasies of state tax structures, like sector-specific taxes (such as **Alaska's** taxes on oil companies), or non-income based business taxes (such as **Washington's** gross receipts tax).
 - Charges and miscellaneous revenues are an important source of state revenues, representing almost one-fifth of state general revenues (18.9%), and ranging from 36.3% in **Alaska** to 12.7% in **Mississippi**. These revenues often escape the scrutiny given to taxes, even though they play an important role in state finance.

The chart on the following page shows the same table for 2000, and helps to highlight the important role ARRA played in state finances in 2009. Specifically, it shows that intergovernmental revenues increased by 5.5 percentage points between 2000 and 2009, a change largely attributable to ARRA.

Percent Distribution of State General Revenues, 2000

State	Inter-governmental	All Sales Taxes	Individual Income Taxes	Corporate Income Taxes	All Other Taxes	Charges and Misc. Revenue	Total
U.S. Average	27.9%	25.6%	19.8%	3.3%	6.1%	17.3%	100.0%
Alabama	33.9	22.9	14.7	1.7	6.3	20.5	100.0
Alaska	16.4	1.9	0.0	6.0	11.6	64.2	100.0
Arizona	28.9	32.6	16.1	3.7	4.5	14.3	100.0
Arkansas	30.0	25.9	16.1	2.6	8.8	16.6	100.0
California	26.6	21.8	29.1	4.9	5.9	11.7	100.0
Colorado	25.5	21.0	28.1	2.6	3.0	19.7	100.0
Connecticut	20.9	31.1	24.5	2.6	4.4	16.4	100.0
Delaware	19.1	6.7	16.9	5.5	20.1	31.7	100.0
Florida	24.7	45.9	0.0	2.8	10.8	15.8	100.0
Georgia	27.6	24.6	27.2	3.0	2.9	14.6	100.0
Hawaii	19.7	35.8	18.6	1.3	2.5	22.1	100.0
Idaho	25.6	25.1	23.0	3.0	5.5	17.9	100.0
Illinois	26.4	28.0	19.7	5.8	5.2	14.9	100.0
Indiana	26.3	26.7	19.9	4.9	2.1	20.2	100.0
Iowa	27.6	25.1	19.1	2.2	6.1	20.0	100.0
Kansas	28.0	26.9	21.7	3.2	4.8	15.3	100.0
Kentucky	29.6	24.0	18.4	2.1	8.0	17.8	100.0
Louisiana	32.2	25.0	10.6	1.5	6.7	24.0	100.0
Maine	29.5	22.6	20.4	2.8	4.6	20.0	100.0
Maryland	23.2	24.3	25.7	2.4	5.3	19.1	100.0
Massachusetts	21.1	18.5	33.0	4.8	2.7	20.0	100.0
Michigan	23.7	24.8	18.2	6.0	8.6	18.6	100.0
Minnesota	21.2	27.5	26.5	3.8	5.8	15.2	100.0
Mississippi	36.0	32.7	10.4	2.4	3.4	15.1	100.0
Missouri	31.9	24.5	21.5	1.6	4.4	16.1	100.0
Montana	34.5	9.8	14.8	2.9	12.9	25.2	100.0
Nebraska	27.5	25.3	20.6	2.5	3.9	20.3	100.0
Nevada	19.3	57.6	0.0	0.0	10.3	12.8	100.0
New Hampshire	29.9	14.3	1.7	8.1	19.7	26.4	100.0
New Jersey	24.0	25.4	22.4	4.2	4.3	19.7	100.0
New Mexico	27.7	25.4	11.2	2.0	8.8	24.8	100.0
New York	38.4	15.7	27.4	3.3	2.9	12.4	100.0
North Carolina	30.9	21.4	26.0	4.3	3.5	13.9	100.0
North Dakota	35.8	23.4	7.1	2.8	8.6	22.3	100.0
Ohio	27.9	25.0	22.8	1.7	4.8	17.7	100.0
Oklahoma	28.3	20.2	19.8	1.8	12.3	17.6	100.0
Oregon	33.2	5.2	29.1	2.9	5.1	24.6	100.0
Pennsylvania	25.4	25.1	16.2	4.1	8.5	20.7	100.0
Rhode Island	28.3	24.4	20.2	1.8	3.1	22.1	100.0
South Carolina	32.9	24.3	18.4	1.7	3.5	19.2	100.0
South Dakota	34.8	32.1	0.0	2.0	6.6	24.6	100.0
Tennessee	38.4	36.4	1.1	3.9	7.2	13.0	100.0
Texas	31.0	40.2	0.0	0.0	9.4	19.4	100.0
Utah	24.5	25.0	21.5	2.3	3.0	23.8	100.0
Vermont	31.2	16.4	14.7	1.5	17.8	18.4	100.0
Virginia	19.7	19.2	30.1	2.5	4.0	24.7	100.0
Washington	24.4	45.6	0.0	0.0	13.6	16.5	100.0
West Virginia	34.2	25.6	13.7	3.1	5.1	18.2	100.0
Wisconsin	22.4	24.1	28.1	2.7	4.4	18.3	100.0
Wyoming	36.3	20.2	0.0	0.0	20.7	22.8	100.0

To further highlight changes between the two years, the table on page 7 shows the percentage-point change in the distribution of state revenues for each state between 2000 and 2009. Every revenue source except intergovernmental, charges and miscellaneous revenue declined as a share of state general revenue between the two years, although state-by-state experiences varied. Among the highlights:

- Three states—**Arizona, Louisiana and Mississippi**—saw double-digit increases in the share of revenue accounted for by intergovernmental aid. At the same time, five states saw intergovernmental revenues decline as a share of the total: **New York, North Dakota, Oregon, Tennessee and West Virginia**.
- On average, sales taxes declined by 2.7 percentage points as a share of state general revenues. **Nevada** recorded the largest decline (-11.4 percentage points). Six states saw this tax source increase as a share of general revenues: **Alaska, Delaware and New Hampshire** (none of which has a general sales tax), and **Indiana, Michigan and Vermont**. Most of the changes were small, except in Indiana, where the sales tax rate increased from 6% to 7% on April 1, 2008.
- Five states saw increases in the share of total revenues accounted for by personal income taxes between 2000 and 2009. The largest increase was in **Connecticut** (4.7 percentage points), where personal income tax rates increased on January 1, 2009.
- The most notable change in other taxes was a large increase in **Alaska** (23.8 percentage points), reflecting a 2007 increase in the taxes levied on oil companies.

Spending

The Census Bureau reports on state spending using the definitions described in the table on page 8. It defines total expenditures as the sum of general expenditures, insurance trust expenditures (which include public pensions, unemployment compensation, workers' compensation, Social Security and disability) and two quasi-private activities (in selected states): utilities and liquor stores.

General expenditures consist of two components: direct and intergovernmental expenditures. Such general expenditures can also be described by function, as listed on page 8. For the purposes of this comparison, *Reports* combined health and hospitals; police and corrections; and natural resources, parks and recreation, since none of the individual categories accounted for a large share of state spending.

Percentage-Point Change in Distribution of State General Revenues, 2000 to 2009

State	Inter-governmental	All Sales Taxes	Individual Income Taxes	Corporate Income Taxes	All Other Taxes	Charges and Misc. Revenue
U.S. Average	5.5	-2.7	-3.3	-0.6	-0.4	1.5
Alabama	5.3	-3.8	-2.6	0.5	-2.0	2.5
Alaska	4.4	0.2	0.0	-0.5	23.8	-27.9
Arizona	10.7	-4.4	-6.3	-1.4	0.5	1.0
Arkansas	2.6	-1.3	-1.4	-0.3	-1.3	1.8
California	5.9	-2.3	-5.3	0.2	-0.1	1.6
Colorado	3.4	-3.9	-5.3	-0.9	0.3	6.4
Connecticut	4.3	-6.3	4.7	-0.6	-1.3	-0.9
Delaware	4.4	0.4	-3.3	-2.4	-2.0	2.9
Florida	8.2	-4.1	0.0	0.0	-5.8	1.7
Georgia	9.7	-4.2	-4.5	-1.0	-1.3	1.2
Hawaii	4.6	-1.7	-4.0	-0.5	-0.6	2.2
Idaho	8.0	-0.5	-4.6	-0.8	-1.1	-1.0
Illinois	5.0	-2.0	-3.2	-0.9	-0.1	1.2
Indiana	5.1	2.9	-5.5	-2.1	0.9	-1.3
Iowa	7.3	-4.9	-2.5	-0.5	-1.5	2.1
Kansas	0.1	-4.5	-1.6	-0.5	-0.8	7.3
Kentucky	5.2	-2.3	-3.0	-0.3	-1.6	1.9
Louisiana	14.2	-6.4	0.2	0.8	-1.3	-7.4
Maine	8.6	-2.4	-3.6	-1.1	-0.5	-1.0
Maryland	6.5	-3.5	-3.7	0.1	0.7	-0.1
Massachusetts	8.4	-3.6	-7.3	-0.4	0.2	2.7
Michigan	9.5	0.4	-6.4	-4.6	-1.2	2.2
Minnesota	6.3	-2.2	-2.5	-1.1	1.4	-1.8
Mississippi	12.8	-8.1	-1.6	-0.4	-0.3	-2.4
Missouri	7.3	-5.6	-2.0	-0.5	-1.5	2.4
Montana	2.2	-0.6	-0.3	0.0	2.6	-4.0
Nebraska	5.5	-1.3	-1.5	-0.1	-1.7	-0.8
Nevada	7.4	-11.4	0.0	0.0	2.7	1.2
New Hampshire	4.3	0.2	0.0	0.6	-7.4	2.3
New Jersey	1.3	-1.7	-1.0	1.0	0.6	-0.2
New Mexico	9.8	-7.0	-4.3	-0.5	0.2	1.7
New York	-2.1	-0.7	-0.1	0.0	-0.3	3.2
North Carolina	6.1	-2.0	-3.9	-2.2	0.2	1.8
North Dakota	-8.3	-4.2	0.4	-0.2	11.2	1.1
Ohio	7.5	-2.7	-7.5	-0.8	0.6	2.9
Oklahoma	6.9	-3.3	-6.2	0.0	-1.0	3.6
Oregon	-0.7	-1.0	1.0	-1.5	0.4	1.8
Pennsylvania	4.8	-0.2	-0.5	-1.2	-2.4	-0.4
Rhode Island	8.8	-3.2	-5.5	-0.2	-1.1	1.2
South Carolina	5.9	-5.0	-7.2	-0.7	-1.2	8.2
South Dakota	6.4	-3.2	0.0	-0.7	-1.2	-1.4
Tennessee	-2.5	-2.6	-0.2	-0.4	-1.2	6.9
Texas	6.3	-7.0	0.0	0.0	0.3	0.4
Utah	5.5	-6.3	-3.4	-0.3	0.6	4.0
Vermont	0.4	0.1	-4.0	0.2	3.6	-0.4
Virginia	3.5	-2.9	-4.4	-0.7	-0.7	5.2
Washington	5.8	-5.2	0.0	0.0	-3.4	2.9
West Virginia	-0.2	-5.6	0.3	0.7	0.1	4.7
Wisconsin	7.5	-1.5	-7.8	-0.5	-0.6	2.9
Wyoming	2.3	-1.7	0.0	0.0	6.5	-7.2

<p>Total Expenditure</p> <p>=</p> <p>General Expenditure + Utility Expenditure + Liquor Store Expenditure + Insurance Trust Expenditure</p>
<p>General Expenditure</p> <p>=</p> <p>Direct Expenditure + Intergovernmental Expenditure</p>
<p>General Expenditure by Function</p> <p>=</p> <p>Education + Public Welfare + Health + Hospitals + Highways + Police + Corrections + Natural Resources + Parks and Recreation + Government Administration + Interest + Other</p>

The next table shows the results for 2009. One shortcoming of the data is that census does not report Medicaid as its own spending function; instead, it reports Medicaid spending within the public welfare category. For this reason, some analysts prefer the spending report issued by the National Association of State Budget Officers (NASBO), which includes Medicaid as a stand-alone spending function. On the other hand, census data offer greater comparability among years and also account for a larger total share of total state spending in the specified categories, leaving only 8.4% as “other.” In contrast, NASBO’s *State Expenditure Report* typically accounts for more than 30% of total state spending as “other.”

The table shows the dominance of education and public welfare spending in the states, with the two categories combined accounting for 64.6% of total spending in 2009. These two categories include K-12 and higher education, as well as Medicaid, Temporary Assistance for Needy Families (TANF) and other “safety net” programs.

As with other aspects of public finance, there are wide variations in state spending. **Georgia** devoted the largest share to education, 46.1%, and **Alaska** the smallest (22.2%).

Distribution of State General Expenditures by Function, 2009

State	Education	Public Welfare	Health-Hospitals	Highways	Police-Corrections	Natural Resources-Parks & Recreation	Government Administration	Interest	Other	Total
U.S. Average	36.5%	28.1%	7.7%	6.9%	4.1%	1.8%	3.5%	2.9%	8.4%	100.0%
Alabama	45.3	23.4	10.1	7.0	3.1	1.4	2.5	1.5	5.7	100.0
Alaska	22.2	16.0	3.6	13.5	3.5	3.4	6.0	3.1	28.7	100.0
Arizona	31.8	31.5	6.4	8.3	5.0	1.4	2.6	1.8	11.0	100.0
Arkansas	44.8	26.3	7.2	6.3	2.5	1.9	3.5	1.1	6.4	100.0
California	34.7	30.1	8.6	5.1	5.1	2.4	4.0	2.8	7.2	100.0
Colorado	41.5	23.0	7.6	5.9	5.8	2.6	4.4	3.8	5.4	100.0
Connecticut	28.6	28.5	11.4	4.4	4.4	0.8	5.4	6.7	9.8	100.0
Delaware	34.7	22.8	6.8	8.0	5.7	2.0	6.7	4.3	8.9	100.0
Florida	33.5	28.1	6.9	9.4	4.7	2.7	4.2	2.5	8.0	100.0
Georgia	46.1	27.5	5.0	4.9	4.7	1.9	2.2	1.8	5.8	100.0
Hawaii	35.4	16.8	12.3	4.5	2.6	2.0	5.0	4.3	17.0	100.0
Idaho	40.2	24.7	2.9	10.3	4.4	3.4	5.2	2.5	6.4	100.0
Illinois	29.3	32.6	6.0	9.2	3.0	1.0	2.2	5.2	11.6	100.0
Indiana	43.8	26.0	2.9	7.2	3.2	1.4	2.1	3.1	10.2	100.0
Iowa	38.0	26.4	9.0	10.0	2.4	2.3	3.6	1.6	6.9	100.0
Kansas	42.5	23.2	8.8	8.8	3.3	1.9	3.2	2.4	5.8	100.0
Kentucky	38.5	29.7	8.4	8.3	3.0	1.9	3.5	2.3	4.4	100.0
Louisiana	33.4	17.6	6.2	9.6	4.3	3.4	3.5	3.5	18.6	100.0
Maine	26.2	36.1	7.0	6.6	2.8	2.6	4.0	3.5	11.3	100.0
Maryland	35.3	25.7	8.3	7.9	6.0	2.6	4.0	3.3	6.8	100.0
Massachusetts	27.6	32.2	3.8	4.7	4.7	1.5	4.3	8.9	12.3	100.0
Michigan	43.3	28.5	7.1	5.4	4.2	0.9	1.8	2.3	6.5	100.0
Minnesota	40.9	31.5	3.3	6.7	2.9	2.3	2.8	1.7	8.1	100.0
Mississippi	31.7	29.9	8.4	7.0	2.8	1.8	2.1	1.3	15.0	100.0
Missouri	35.2	28.4	10.7	9.0	3.9	1.7	2.2	3.4	5.4	100.0
Montana	33.0	22.8	3.4	11.8	4.2	4.6	7.6	3.1	9.5	100.0
Nebraska	36.6	25.4	7.7	8.3	3.7	2.8	2.5	1.3	11.8	100.0
Nevada	41.5	18.9	5.0	8.0	5.2	1.7	3.8	2.1	13.7	100.0
New Hampshire	34.2	30.4	2.7	8.2	2.8	1.6	3.9	6.7	9.5	100.0
New Jersey	34.1	27.3	7.2	5.5	4.0	2.2	4.0	4.4	11.2	100.0
New Mexico	33.7	24.9	8.6	6.8	3.4	2.0	4.0	2.1	14.5	100.0
New York	31.6	33.8	10.8	3.4	3.0	0.9	4.2	3.2	9.2	100.0
North Carolina	42.6	26.5	7.5	6.8	4.3	2.6	3.4	1.5	4.8	100.0
North Dakota	33.7	20.2	2.1	13.4	2.4	4.9	3.4	3.6	16.4	100.0
Ohio	38.0	29.3	8.4	5.8	3.6	0.9	2.5	2.6	9.0	100.0
Oklahoma	40.7	28.2	5.8	9.1	4.4	1.9	3.2	2.4	4.4	100.0
Oregon	36.8	25.4	8.6	8.1	4.5	2.9	4.9	2.4	6.5	100.0
Pennsylvania	32.6	31.3	7.6	11.4	3.9	1.4	4.5	2.8	4.5	100.0
Rhode Island	28.0	36.5	4.1	3.7	4.1	0.8	6.0	7.3	9.4	100.0
South Carolina	34.2	26.9	10.7	4.7	2.9	1.5	4.5	2.5	12.1	100.0
South Dakota	32.5	24.0	5.2	12.9	3.9	4.6	6.0	3.6	7.3	100.0
Tennessee	34.6	33.8	6.7	8.5	3.8	2.0	3.4	0.9	6.1	100.0
Texas	45.2	27.1	6.4	6.9	4.5	1.1	1.7	1.3	5.9	100.0
Utah	45.6	17.6	9.5	9.5	3.3	1.7	5.6	1.7	5.4	100.0
Vermont	45.1	27.0	3.7	6.7	3.9	1.8	3.3	3.3	5.4	100.0
Virginia	39.0	20.8	10.9	7.9	5.9	0.9	3.6	2.4	8.7	100.0
Washington	41.9	22.4	10.0	7.9	4.1	2.9	2.1	3.0	5.6	100.0
West Virginia	37.4	27.5	3.9	11.6	3.4	2.3	4.2	2.4	7.2	100.0
Wisconsin	35.5	25.6	5.7	7.2	4.2	2.2	2.2	4.2	13.1	100.0
Wyoming	34.6	14.2	6.0	9.7	4.5	8.2	5.2	1.3	16.3	100.0

The latter result is probably driven by a dearth of school-age population as much as anything. **Rhode Island** devoted the largest share to public welfare (36.5%), while **Wyoming** devoted the smallest (14.2%).

Spending on police and corrections represented a small share of average state spending, 4.1% in 2009. **Maryland** devoted the largest share to these activities (6%), while **Iowa** and **North Dakota** devoted the smallest share (2.4%). In spite of these low numbers, corrections has emerged as an area where many states are striving to reduce spending commitments.

Distribution of State General Expenditures by Function, 2000

State	Education	Public Welfare	Health-Hospitals	Highways	Police-Corrections	Natural Resources-Parks & Recreation	Government Administration	Interest	Other	Total
U.S. Average	35.9%	24.8%	7.7%	7.7%	4.7%	2.1%	3.7%	3.0%	10.4%	100.0%
Alabama	43.2	24.2	11.2	7.5	2.8	1.4	2.4	1.9	5.4	100.0
Alaska	22.1	15.3	2.8	10.7	4.0	4.3	5.7	4.2	30.9	100.0
Arizona	34.8	20.2	7.4	12.1	5.8	1.4	3.2	1.1	14.0	100.0
Arkansas	44.3	22.2	7.5	8.3	3.9	3.2	3.8	1.3	5.5	100.0
California	37.2	27.2	8.1	4.4	4.1	2.0	4.0	1.9	11.2	100.0
Colorado	39.7	23.4	3.7	10.0	6.2	2.1	2.9	2.0	10.1	100.0
Connecticut	26.0	21.8	11.0	5.3	4.7	1.3	6.0	7.3	16.7	100.0
Delaware	36.0	14.0	7.1	8.5	7.5	3.0	7.7	5.6	10.6	100.0
Florida	33.8	21.6	7.7	9.0	6.1	3.8	4.5	2.5	11.0	100.0
Georgia	45.3	23.7	6.5	6.9	5.2	2.8	2.5	1.7	5.5	100.0
Hawaii	31.0	17.3	9.9	3.8	2.7	2.1	5.3	8.1	19.9	100.0
Idaho	41.2	18.9	3.5	11.6	4.7	4.0	5.1	3.1	8.0	100.0
Illinois	32.7	26.5	7.9	6.7	4.7	1.9	3.2	4.9	11.6	100.0
Indiana	40.3	21.1	3.8	10.5	3.9	1.6	3.1	1.9	13.7	100.0
Iowa	39.7	20.9	8.3	13.5	3.4	2.7	4.0	1.2	6.2	100.0
Kansas	44.3	15.7	5.4	16.2	4.4	2.1	6.5	0.6	4.8	100.0
Kentucky	36.5	28.7	6.1	10.7	4.2	2.7	3.9	2.5	4.6	100.0
Louisiana	36.5	21.0	12.5	7.4	5.2	3.8	3.1	2.8	7.5	100.0
Maine	26.5	32.3	6.6	8.6	2.8	3.1	4.4	4.7	11.0	100.0
Maryland	32.3	22.7	8.2	7.5	7.1	3.8	4.7	4.6	9.1	100.0
Massachusetts	21.1	24.4	7.3	10.4	4.5	1.4	4.0	7.9	19.1	100.0
Michigan	44.8	20.6	9.8	6.7	4.7	1.4	2.3	2.4	7.3	100.0
Minnesota	37.0	25.6	3.2	7.0	2.4	3.0	3.3	1.7	16.8	100.0
Mississippi	34.6	25.2	8.9	9.6	3.2	2.8	2.2	1.8	11.7	100.0
Missouri	37.6	25.3	7.5	9.4	4.3	2.1	3.2	3.4	7.2	100.0
Montana	34.5	16.5	7.8	13.1	4.3	5.1	6.0	4.3	8.5	100.0
Nebraska	36.1	25.2	7.6	10.0	4.2	3.3	2.5	1.9	9.2	100.0
Nevada	39.8	15.3	3.8	10.9	5.2	1.9	2.9	2.2	18.1	100.0
New Hampshire	34.4	27.6	4.5	9.1	3.2	1.4	4.5	8.0	7.3	100.0
New Jersey	34.1	20.3	6.8	5.5	5.6	2.3	4.3	4.1	17.0	100.0
New Mexico	39.6	18.3	8.3	10.9	3.7	2.3	4.1	2.2	10.6	100.0
New York	25.7	38.1	8.4	4.1	3.6	1.1	4.4	4.5	10.2	100.0
North Carolina	41.4	21.4	7.8	8.5	4.7	2.6	2.8	2.1	8.7	100.0
North Dakota	34.2	21.3	3.3	13.9	1.7	3.6	3.2	3.0	15.8	100.0
Ohio	36.7	25.1	7.9	8.3	5.2	1.5	3.3	2.8	9.3	100.0
Oklahoma	49.6	10.0	5.8	13.4	5.9	3.0	4.5	2.6	5.3	100.0
Oregon	34.5	23.1	10.8	7.2	5.5	2.7	6.1	3.5	6.6	100.0
Pennsylvania	30.4	31.5	7.8	8.4	5.4	1.8	3.3	3.0	8.4	100.0
Rhode Island	29.5	29.2	6.9	5.5	4.4	1.4	6.4	7.0	9.8	100.0
South Carolina	35.3	24.4	10.0	8.3	4.6	2.2	2.4	1.8	11.0	100.0
South Dakota	31.0	21.4	4.9	16.6	3.6	4.4	4.4	5.4	8.3	100.0
Tennessee	34.8	32.9	6.3	9.5	3.6	2.2	2.9	1.2	6.5	100.0
Texas	42.1	21.8	8.4	8.9	5.7	1.5	2.6	1.9	7.2	100.0
Utah	45.1	18.4	7.8	11.3	4.0	2.1	5.1	2.3	3.7	100.0
Vermont	43.5	23.1	2.5	7.7	3.4	3.3	4.5	4.0	8.0	100.0
Virginia	38.6	17.8	9.2	10.4	7.2	1.1	4.4	3.5	7.8	100.0
Washington	41.0	23.1	8.9	7.1	4.5	3.0	2.3	2.8	7.4	100.0
West Virginia	35.4	27.1	3.7	12.9	3.2	3.2	5.2	3.2	6.1	100.0
Wisconsin	36.5	17.4	5.9	7.4	4.6	2.1	3.1	3.4	19.5	100.0
Wyoming	35.0	12.7	5.0	16.2	4.1	6.3	3.7	2.9	14.1	100.0

The table above lists the comparable data for 2000. It shows that education and welfare together represented 60.7% of total state general expenditures in 2000, 3.9 percentage points less than in 2009. The next table shows the change between the two years for each state and each spending category (with slight variations due to rounding).

Percentage-Point Change in Distribution of State General Expenditures by Function, 2000 to 2009

State	Education	Public Welfare	Health-Hospitals	Highways	Police-Corrections	Natural Resources-Parks & Recreation	Government Administration	Interest	Other
U.S. Average	0.6	3.4	-0.1	-0.8	-0.5	-0.3	-0.2	-0.1	-1.9
Alabama	2.0	-0.8	-1.1	-0.5	0.4	0.0	0.1	-0.5	0.4
Alaska	0.1	0.7	0.8	2.8	-0.4	-1.0	0.3	-1.1	-2.2
Arizona	-2.9	11.3	-1.0	-3.8	-0.8	0.0	-0.6	0.8	-2.9
Arkansas	0.5	4.2	-0.3	-2.0	-1.3	-1.3	-0.3	-0.2	0.9
California	-2.5	2.9	0.5	0.7	1.0	0.4	0.1	0.8	-4.0
Colorado	1.8	-0.5	3.9	-4.1	-0.3	0.6	1.5	1.8	-4.6
Connecticut	2.6	6.7	0.4	-0.8	-0.3	-0.5	-0.6	-0.6	-6.9
Delaware	-1.3	8.8	-0.3	-0.5	-1.8	-1.0	-1.0	-1.3	-1.7
Florida	-0.3	6.5	-0.9	0.5	-1.4	-1.1	-0.2	-0.0	-3.1
Georgia	0.8	3.8	-1.5	-1.9	-0.5	-0.9	-0.3	0.2	0.4
Hawaii	4.4	-0.5	2.4	0.8	-0.1	-0.1	-0.3	-3.8	-2.8
Idaho	-1.0	5.9	-0.6	-1.4	-0.3	-0.6	0.1	-0.6	-1.6
Illinois	-3.4	6.1	-2.0	2.5	-1.6	-0.9	-1.0	0.2	0.0
Indiana	3.5	4.9	-0.9	-3.3	-0.7	-0.2	-1.0	1.2	-3.5
Iowa	-1.7	5.5	0.7	-3.6	-1.0	-0.4	-0.4	0.3	0.7
Kansas	-1.8	7.5	3.5	-7.4	-1.1	-0.3	-3.2	1.9	1.0
Kentucky	2.0	1.0	2.3	-2.5	-1.2	-0.8	-0.4	-0.3	-0.1
Louisiana	-3.1	-3.3	-6.3	2.2	-1.0	-0.5	0.3	0.7	11.0
Maine	-0.3	3.8	0.3	-2.0	-0.0	-0.5	-0.4	-1.2	0.3
Maryland	3.0	3.0	0.1	0.4	-1.1	-1.2	-0.6	-1.3	-2.3
Massachusetts	6.5	7.9	-3.5	-5.7	0.2	0.1	0.3	1.0	-6.7
Michigan	-1.4	7.9	-2.7	-1.3	-0.5	-0.5	-0.5	-0.1	-0.9
Minnesota	3.8	5.9	0.0	-0.4	0.4	-0.6	-0.5	0.0	-8.7
Mississippi	-2.9	4.7	-0.5	-2.6	-0.4	-1.0	-0.1	-0.5	3.4
Missouri	-2.3	3.1	3.2	-0.4	-0.4	-0.3	-1.0	-0.0	-1.7
Montana	-1.6	6.3	-4.3	-1.2	-0.1	-0.5	1.6	-1.2	1.0
Nebraska	0.5	0.2	0.1	-1.7	-0.5	-0.6	-0.0	-0.7	2.6
Nevada	1.7	3.6	1.2	-2.8	-0.0	-0.2	0.9	-0.1	-4.3
New Hampshire	-0.2	2.8	-1.8	-0.9	-0.4	0.2	-0.6	-1.3	2.3
New Jersey	-0.1	7.0	0.3	0.1	-1.5	-0.0	-0.3	0.3	-5.7
New Mexico	-6.0	6.6	0.4	-4.1	-0.3	-0.3	-0.1	-0.1	3.9
New York	5.9	-4.3	2.4	-0.7	-0.6	-0.2	-0.2	-1.4	-0.9
North Carolina	1.2	5.1	-0.4	-1.7	-0.3	-0.1	0.6	-0.6	-3.9
North Dakota	-0.5	-1.1	-1.3	-0.5	0.7	1.3	0.2	0.6	0.6
Ohio	1.3	4.2	0.5	-2.5	-1.6	-0.6	-0.8	-0.2	-0.3
Oklahoma	-8.9	18.2	0.0	-4.3	-1.6	-1.1	-1.3	-0.2	-0.9
Oregon	2.3	2.3	-2.2	0.8	-0.9	0.1	-1.2	-1.2	-0.1
Pennsylvania	2.2	-0.3	-0.1	3.0	-1.4	-0.4	1.2	-0.2	-4.0
Rhode Island	-1.5	7.3	-2.7	-1.8	-0.3	-0.6	-0.4	0.4	-0.4
South Carolina	-1.1	2.5	0.7	-3.6	-1.7	-0.7	2.0	0.7	1.1
South Dakota	1.5	2.6	0.3	-3.7	0.3	0.3	1.5	-1.8	-1.0
Tennessee	-0.2	0.9	0.4	-1.0	0.3	-0.2	0.6	-0.3	-0.5
Texas	3.1	5.3	-2.0	-2.0	-1.2	-0.4	-0.9	-0.6	-1.3
Utah	0.5	-0.8	1.6	-1.8	-0.7	-0.4	0.5	-0.6	1.8
Vermont	1.6	3.9	1.2	-1.0	0.5	-1.5	-1.2	-0.8	-2.6
Virginia	0.4	3.0	1.7	-2.5	-1.4	-0.2	-0.8	-1.1	0.9
Washington	0.9	-0.7	1.1	0.8	-0.4	-0.1	-0.2	0.3	-1.7
West Virginia	2.1	0.4	0.2	-1.3	0.2	-0.8	-0.9	-0.8	1.0
Wisconsin	-1.0	8.3	-0.2	-0.3	-0.4	0.1	-0.9	0.8	-6.4
Wyoming	-0.5	1.5	1.1	-6.5	0.4	1.9	1.5	-1.6	2.2

Just as intergovernmental revenues grew as a share of total state revenues between 2000 and 2009, so did the major programs supported by those revenues—education and welfare—grow as a share of total state expenditures.

Among the notable information on the table:

- Education—and especially K-12 education—is both the largest and the most intergovernmental of state spending programs. That makes it difficult to draw broad conclusions about what explains large shifts in a state’s share of state spending on it. Certainly the substantial aid provided by ARRA sheltered K-12 education from deep state spending cuts, especially since the aid included a maintenance-of-effort provision. Moreover, the trends in K-12 and higher education have been divergent. While K-12 education has been shielded from the largest budget cuts, higher education is often the first place states go to implement such cuts. Since this census category includes both types of education spending, those competing influences come into play. Accordingly, the table shows 24 states where education spending declined as a share of total state spending between 2000 and 2009, versus 26 states where it increased.
- The same is not true for public welfare, which saw the largest increase in its share of total state spending, and for which only nine states recorded declining shares. But again, a state’s results reflect a host of factors. For all states, the federal matching rate provided under ARRA was at least 6.2 percentage points higher than it would have been absent the law. But most states’ matching rates fluctuate each year. For example, **North Dakota’s** federal Medicaid matching rate was 70.42% in 2000, but it declined to 63.15% in 2009 (excluding ARRA). Given the state’s underlying strong economy, it also may have seen its TANF and Medicaid rolls decline, helping to explain its declining share for welfare.
- Every other category of state spending saw its share of the total decline. The result for highways is notable because it was experienced broadly (39 states show a negative number) and because ARRA’s third-largest funding target was transportation. That said, highway programs can take a longer time to implement, so ARRA funding for highways may be reflected in data for later fiscal years.
- Also of interest is the drop in the catch-all category “other.” It is the largest decline on the table and it means that the functions not specified in the table suffered more than those listed.

Life After ARRA

These tables suggest that the federal funding provided to states in ARRA—combined with underlying costs and economic trends—tended to shift state spending away from most program areas and into education and welfare activities. They also shifted the mix of state revenues toward a heavier reliance on federal funding relative to other sources. But the additional federal aid provided by ARRA has nearly run its course, and the economy is in a slow but steady recovery, with many states reporting revenue collections that exceed expectations.

At the same time, the prospect for increased or even steady federal aid for states has dimmed considerably. Trimming the size of the federal budget deficit has moved to the forefront of most policy debates, and reduced aid for states has been a prominent feature of some reduction proposals. As such, ensuing census reports on state government finances are likely to show a shift away from intergovernmental revenues after 2011. What is unknown is whether that shift in revenues will be accompanied by a similar shift away from the two programs that most benefitted from recent federal aid: education and welfare.

Technical Notes

State Spending. The Census Bureau series on state government finances can be found at the following link: <http://www.census.gov/govs/state/>. NASBO's *State Expenditure Report* can be found at www.nasbo.org.

State Policy Reports (ISSN #8750-6637) is published by Federal Funds Information for States (FFIS) at an annual subscription rate of \$420. Editor: Marcia Howard, 444 North Capitol Street, NW, Suite 642, Washington, DC 20001 (phone: 202-624-5848, fax: 202-624-7745, e-mail: mhoward@ffis.org, website: www.ffis.org). For ordering and subscription services, contact Carol Ryder at FFIS (phone: 202-624-5849, e-mail: ryder@ffis.org).

**State Policy Reports
c/o Federal Funds Information for States
444 N. Capitol St., NW, Suite 642
Washington, DC 20001**