

## NCSL

(Summary of States Measures to Balance FY 2010 Budgets - October 21, 2009)

### ACROSS THE BOARD BUDGET CUTS & OTHER MISCELLANEOUS CUTS

- 13 states have taken across the board budget cuts.
- The cuts range from 2.5% to 15% of the general fund budget.
- The amount in dollars range from \$67.8 million to \$900 million.
- 3 other states have proposed taking across the board budget cuts.

### CORRECTIONS

- States have enacted or proposed the following changes:
  - Cutting the budget of the corrections departments.
  - Selling the rights to operate state prisons. (Generate revenue of about \$100 million)
  - Closing prisons. (Savings range from \$2.8 million to \$70 million)
  - Cutting fees paid to private prison operators.
  - Routing drug users to treatment centers instead of prison.
  - Eliminating corrections positions.
  - Releasing of certain offenders. (Savings of about \$19 million)
  - Instituting an agricultural work program to offset the costs of feeding the inmate population. (In FY 2009 this measure garnered \$888,000 in profit from sales.)
  - Imposing a processing charge for criminals seeking to expunge their records.

### EDUCATION

- States have enacted or proposed the following changes:
  - Cutting the budget of the education departments.
  - Terminating teachers.
  - Cutting transportation costs.
  - Shortening of the school year.
  - Cutting bonuses for teachers who attained national board certification. (Savings estimated at \$7.2 million)
  - Closing schools for the deaf, visually impaired and rehabilitation education.
  - Cutting early childhood grants, reductions to math and science centers, and elimination of certain programs, such as school bus inspections.
  - Cutting of teacher pay.
  - Cutting the amount of financial aid for administrative costs, textbooks, and instructional materials for private schools.

## **STATE EMPLOYEE ACTIONS**

- States have enacted or proposed the following changes:
- Furloughing and laying off employees. (Savings range from \$1.2 million to \$23 million)
- Eliminating vacant job positions.
- Freezing of new hires and salaries.
- Cutting of state employee salaries.
- Offering early retirement options.
- Restricting state employee travel.
- Raising health care co-payments or premiums paid by state employees.
- Discontinuing life insurance for state employees.
- Increasing state employee contributions for retirement.
- Lowering the state-funded portion of vision, dental and life benefits.
- Repealing of statutes that provide annual cost-of-living salary increases.
- A combination of raising health care co-payments and early retirement packages is estimated to save \$700 million over three years.

## **HEALTH CARE**

- In the area of Medicaid, states have enacted or proposed the following changes:
- Eliminating certain optional benefits, such as dental services.
- Cutting aid to people with disabilities.
- Changing the definition of what is "medically necessary". (Estimated \$4.5 million savings)
- Reducing payments/rates to Medicaid providers.
- Denying Medicaid claims for "unnecessary emergency room care".
- Cutting research funding.
- Reducing Medicaid eligibility for the elderly and disabled.
- Limiting Medicaid drug therapy and requiring doctors to use less expensive drugs.
- Imposing new application requirements that would drop people from the Medicaid program.
- Creating a new hospital assessment tax on hospital general revenues.
- In the area of general health care, states have enacted or proposed the following changes:
- Cutting the number of free HIV/AIDS medications given to poor and uninsured patients.
- Increasing licensing fees for health care, child care, and other facilities regulated by the state, with the goal of having licensing divisions become self-funded through fees.
- Freezing enrollment in state's low cost insurance program for children and teens.
- Increasing co-payments and premiums of state's low cost insurance program for children and teens.
- Cutting pharmacy rates for medication.

- Cutting payment rates to mental health and development-disability service.
- Closing of nursing home facilities.
- Closing of children, adolescent, and geriatric units.
- Discontinuing a program that provides money to needy and disabled people while they wait for federal assistance.
- Abolishing the agency which oversees the state's public hospitals and transferring control of hospitals back into the state health department.
- Allowing public hospitals to convert to nonprofit or for-profit status to become more competitive.
- Terminating employees.
- Reducing the state funding for group health plans for state employees and retirees.
- Ending addiction treatment for teens and adults.
- Eliminating community care programs for low-income seniors.
- Eliminating grants to local health departments for food, water, sewage, and infections disease services.
- Closing of mental health institutions.
- Implementing a single statewide health insurance system for public employees and retirees. (Estimated savings of \$900 million per year.)
- Increasing taxes on hospitals.
- Taxing of hospitals and insurers for adding uninsured children and adults to state health plan.
- Cutting state payments to nursing homes and hospitals.

### **TAPPED RAINY DAY FUNDS OR OTHER FUNDS**

- Four states have enacted budgets that tap into the states' rainy day funds. The amount of money ranges from \$90 million to \$1.4 billion.
- Other states have proposed to tap into the states' rainy day funds.
- Some states have enacted or proposed to tap into other special funds, such as the following:
  - Transferring money from the tobacco settlement into the general fund. (\$65 million)
  - Borrowing money. (\$1.3 billion)
  - Transferring interest money on special funds into the general fund.
  - Transferring money from medical malpractice insurance, oil and gas lease, tobacco endowment, and auto insurance funds to the general fund.

### **OTHER ACTIONS**

- One state has decided to sell and lease back certain government buildings. Lawmakers hope to generate as much as \$735 million from the sale and leaseback.
- Some states are consolidating agencies and abolishing commissions.

## GAMBLING

- Some states have enacted or proposed the following changes:
- Expanding of bingo and slot machines.
- Borrowing money against future lottery proceeds. (Borrow \$5 billion)
- Allowing sports betting at casinos, and sports bars or restaurants. (Generate \$53 million in first year.)
- Taxing lottery or gambling winnings. (Generate \$5.9 to \$8 million in FY2010)
- Allowing the negotiation of a gambling compact with Indian nations.
- Prohibiting taxpayers from reducing the amount of their gambling winnings by the amount of their gambling losses. (Generate \$300,000 in first year.)
- Expanding gambling to allow slot machines in airport terminals.
- Allowing the state to operate a gambling facility.

## MOTOR FUEL AND VEHICLE TAXES/FEEES

- Motor Fuel Tax - Some states have enacted or proposed to increase the state's motor fuel tax, or to freeze the tax and not allow a scheduled decrease. The increase in tax ranges from one cent to nineteen cents.
- Rental Cars - Some states have enacted or proposed to raise the car rental tax. Examples of increases include an increase of \$2 a day, or an increase from 10% to 12.5%. Depending upon the tax increase, some states expect the increases to generate \$13.2 million in FY2010, or \$8 million in FY2010, or \$18 million in FY 2010.
- Vehicle Registration - Some states have enacted or proposed to increase the vehicle-license fee, motor vehicle registration fee, vehicle title fees, and license plate fees. Also, one state has proposed that registration and renewals will require the purchase of new plates. Depending upon the increase, some states expect to raise between \$1.7 million to \$53 million.
- Other - Some states have enacted or proposed to increase the following:
  - Charges for freight trucks passing through the state.
  - Fees, fines, and surcharges on motor vehicle registrations and other vehicle fees.
  - Costs to renew a driver's license.
  - Fines on speeding violations.
  - Fees on truck registration.
- Some states have enacted or proposed the following changes:
  - Allowing counties/parishes to charge for driver's licenses for local road maintenance.
  - Imposing a sales tax on limousine rentals.
  - Taxing the in-state use of out-of-state vehicles.

## **SALES, CORPORATE INCOME AND PERSONAL INCOME TAXES**

- Sales - Some states have enacted or proposed the following changes:
  - Increasing the sales tax by one cent. (About \$1 billion in revenue in 1<sup>st</sup> year)
  - Eliminating the vendor fee for retailers collecting sales tax. (\$68.2 million in revenue in FY2010)
  - Eliminating the sales tax exemption on cigarettes, clothing and other products. (About \$79.5 million per year beginning FY 2011)
  - Raising taxes on sugary sports and energy drinks, certain fruit drinks, and certain candy. (Raise about \$40 million over the first year)
  - Raising tax on personal hygiene products.
  - Reducing the statute of limitations for sales/use tax refunds. (\$13.7 million revenue)
  - Raising sales tax on alcohol beverages.
  - Broadening and raising the sales tax base on "meals and lodging tax."
  - Imposing sales tax on tickets to concerts, and pro and college sporting events. (\$87 million revenue)
  - Imposing sales tax on vending machine sales. (\$29 million revenue)
  - Imposing sales tax on certain service contracts. (\$28 million revenue)
  - Imposing sales tax on cable, satellite TV and radio.
  - Imposing sales tax on digital downloads, such as music files, computer software and electronic books. "Amazon tax"
  - Imposing sales tax on theater, dance, music, and performing arts admissions.
  - Imposing sales tax on online gambling and some Internet-based commerce.
- Corporate Income - Some states have enacted or proposed the following changes:
  - Increasing the corporate tax. (\$350 million - \$373 million revenue)
  - Implementing a temporary 30% corporate tax surcharge. (Revenues - \$160 million in FY 2010, \$106 million in FY 2011 and \$49 million in FY 2012)
  - Limiting the total value of corporation tax credits.
  - Scaling back business write-off for net operating losses. (\$8 - \$18 million revenue in FY 2010)
  - Increasing the modified business tax while lowering rates for certain small businesses. (\$173.3 million revenue in FY 2010)
  - Changing the business profits tax filing threshold.
  - Changing the classification of for-profit HMOs to be defined as insurance corporations. (\$150 million revenue)
  - Decoupling from federal legislation regarding a "bonus depreciation" (\$40 million revenue in FY 2010) or bank debt write-offs (\$20 million revenue in FY 2010).
  - Imposing a two-year 5% tax on banks, corporations, insurance companies and cooperatives.
  - Implementing a two-year moratorium on tax credits to businesses.
  - Eliminating the ability of businesses to claim the federal tax deduction for domestic production activities income. (\$27.3 million revenue in FY 2010)

- Personal Income - Some states have enacted or proposed the following changes:
- Raising income taxes either across the board or on a graduated scale based on level of income. (\$200 million - \$703 million revenue in FY 2010)
- Imposing an income tax on lottery winnings. (\$1 million revenue in FY 2010)
- Reducing income tax credits for two years. (\$9.2 million revenue)
- Implementing a 5% capital gains tax on certain earnings. (\$15 million revenue in FY 2010)
- Limiting the number of itemized deductions a taxpayer can list on returns. (\$140 million revenue in FY2010)

### **SELECTIVE TAXES**

- Alcohol - Some states have enacted or proposed to increase the taxes on alcohol. Depending upon the type of increase, states will receive between \$3.2 million and \$78.8 million in revenue.
- Tobacco - Some states have enacted or proposed to increase the taxes on tobacco. Depending upon the type of increase, states will receive between \$1.6 million and \$946.1 million in revenue.

### **OTHER REVENUE ACTIONS, TAXES/FEEES**

- Taxes - Some states have enacted or proposed the following changes:
- Implementing a fee on net patient revenue from all private hospitals for 2 years. (\$200 million revenue each fiscal year)
- Reducing the dependent credit. (\$1.44 billion revenue)
- Implementing a gross premium tax on certain health insurers. (\$157 million revenue per year)
- Legalizing marijuana and levy a tax on retail sales of it and subject it to sales tax.
- Implementing a tax on oil extraction.
- Eliminating a senior citizen property tax exemption.
- Collecting provider fees from hospitals for the purpose of obtaining federal financial participation for the state's medical assistance programs. (\$336.5 million revenue in FY 2010)
- Establishing a tax amnesty program.
- Establishing an estate tax. (\$5 million revenue in FY 2010)
- Raising the corporate franchise tax. (\$124.6 million revenue in FY 2010)
- Raising the public utility tax by adding satellite TV in the public utility tax. (\$7.1 million revenue in FY 2010)
- Providing for taxation of documents which transfer real property between related entities. (\$27.7 million revenue in FY 2010)
- Increasing the unemployment compensation by increasing the wages cap and the recoupment period. (\$304.3 million revenue in FY 2010)
- Establishing a "pole tax" that would charge gentlemen's club patrons a \$5 tax at the door.

- Raising the hotel tax.
  - Eliminating an ethanol tax exemption.
  - Increasing the unemployment insurance tax. (\$147.6 million revenue in FY 2010)
  - Scaling back a media production tax credit.
  - Increasing the meals tax and allowing cities to raise the meals tax. (\$60.7 million revenue in FY 2010)
  - Enabling communities to levy personal property taxes on poles and wires owned by telecommunications companies on public right-of-ways.
  - Imposing a 5% tax on customers of satellite television services. (\$25.9 million revenue in FY 2010)
- Fees - Some states have enacted or proposed fee increases in the following areas:
- Vital statistics. (\$1.2 million revenue)
  - Registration of investment professionals and for registration of securities. (\$2.5 million revenue)
  - Licensing fees for health care, child care, and other facilities regulated by the state health department.
  - Required deposits on containers. Consumers would pay an estimated \$295 million more per year.
  - Concealed carry weapons permits.
  - Motor vehicle department fees.
  - State park entrance fees.
  - Foreclosure and civil proceedings fees.
  - Out-of-state hunters and anglers fees. (\$2.5 million revenue)
  - Recreational boats fees. (\$1.5 million revenue)
  - Nursing home quality assurance fee. (\$33 million revenue)
  - Business registration fees. (\$50 million revenue)
  - New York - the enacted budget creates or expands various fees to raise approximately \$640.4 million in FY 2010