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SEE FOR YOURSELF: State General Fund Spending Over the Past Two Decades

*Timely,
accessible,
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analysis of
state and local
budget and tax
issues*

KEY FINDINGS:

- **After a precipitous decline during and following the 2001 recession**, General Fund spending per capita peaked in fiscal year 2007-08 at \$2,318 per person. This amount is similar to the peak reached immediately prior to the 2001 recession, when state spending per person rose to \$2,231. Per capita spending for the current fiscal year (2008-09) is projected to be \$1,984, or \$334 less than the peak spending year.
- **Assuming a General Fund budget were adopted for fiscal year 2009-10** that set spending at the projected baseline revenue forecast of \$17.6 billion, state spending per person would drop to \$1,880 - a level not experienced since fiscal year 1995-96.
- **Moreover, General Fund spending as a share of Total Personal Income (TPI)**, an alternative way to assess spending levels over time, shows that spending for the current year (5.82% of TPI) is lower than any year during the period from 1990 to 2010.

Overview

Much of the debate surrounding the various budget proposals for the upcoming biennium has to do with assessments of the extent to which state spending has increased or decreased over time. It is widely recognized that making such assessments requires using an adequate number of years so that at least one full business cycle is included and interpreting the data based on population (inflation-adjusted) or relative to the state's Total Personal Income. Making these adjustments allows for fair and reasonable comparisons.

The following tables show General Fund actual spending since 1990 and estimates for fiscal years 2008-09 and 2009-10, adjusted for inflation and population growth (**Table 1 – SEE REVERSE**) and as a share of Total Personal Income (**Table 2 – SEE REVERSE**).

Conclusion

State General Fund spending ebbs and flows with business cycles, but reasonable comparisons of the data over time clearly show that spending per person and spending relative to the state's collective income has not increased in the past two decades. Moreover, if taxes are not increased as part of the current budget negotiations, spending will decline substantially by any measure.

FIGURE 1. Inflation-adjusted General Fund Spending Per Capita (FY 1990-2010)

Fiscal Year	Actual General Fund Expenditures	Inflation-adjusted Actual Expenditures	Population	Inflation-adjusted spending Per capita
1989-1990	\$ 6,923,212,860	\$ 11,905,692,825	6,568,810	\$1,812
1990-1991	\$7,429,617,079	\$12,121,587,957	6,662,473	\$1,819
1991-1992	\$7,652,318,443	\$11,980,766,408	6,782,573	\$1,766
1992-1993	\$7,879,046,057	\$11,975,251,470	6,894,973	\$1,737
1993-1994	\$9,003,619,540	\$13,286,725,472	7,040,342	\$1,887
1994-1995	\$9,967,684,132	\$14,342,165,751	7,185,097	\$1,996
1995-1996	\$9,809,354,769	\$13,725,372,775	7,342,026	\$1,869
1996-1997	\$10,466,775,861	\$14,225,208,952	7,497,863	\$1,897
1997-1998	\$11,436,138,797	\$15,194,032,630	7,653,854	\$1,985
1998-1999	\$12,961,718,694	\$16,956,790,763	7,807,095	\$2,172
1999-2000	\$13,853,708,453	\$17,732,081,576	7,948,901	\$2,231
2000-2001	\$13,445,510,386	\$16,649,945,614	8,078,824	\$2,061
2001-2002	\$13,741,135,020	\$16,554,574,190	8,199,913	\$2,019
2002-2003	\$13,855,522,493	\$16,423,299,702	8,311,263	\$1,976
2003-2004	\$14,704,184,520	\$17,040,871,234	8,409,660	\$2,026
2004-2005	\$15,798,359,545	\$17,833,997,826	8,523,199	\$2,092
2005-2006	\$17,065,090,604	\$18,632,667,283	8,661,061	\$2,151
2006-2007	\$18,662,078,726	\$19,739,591,605	8,845,343	\$2,232
2007-2008	\$20,376,388,298	\$20,956,010,074	9,041,594	\$2,318
2008-2009 projected	\$18,471,002,609	\$18,294,016,323	9,222,414	\$1,984
2009-2010 baseline revenue forecast	\$17,600,000,000	\$17,600,000,000	9,360,750	\$1,880

Sources: Office of State Budget and Management (expenditures and population data), Consumer Price Index from US Bureau of Labor statistics; Notes on methodology: 1) inflation adjustments assume the CPI value for calendar year beginning Jan. 1 of the the 2nd half of the fiscal year; 2) all years are adjusted to most current 2009 CPI index; 3) assumes 1.5% population growth for 2009 and 2010; and 4) 2008-09 projected spending does not include AARA FMAP increase or stabilization funds.

FIGURE 2. General Fund Spending as Share of Total Personal Income (FY 1990-2010)

	General Fund Actual Expenditures	Total Personal Income	General Fund as Share of Total Personal Income
1989-1990	\$6,923,212,860	\$108,309,311,000	6.39%
1990-1991	\$7,429,617,079	\$114,926,195,000	6.46%
1991-1992	\$7,652,318,443	\$119,926,801,000	6.38%
1992-1993	\$7,879,046,057	\$129,957,195,000	6.06%
1993-1994	\$9,003,619,540	\$137,864,707,000	6.53%
1994-1995	\$9,967,684,132	\$146,620,116,000	6.80%
1995-1996	\$9,809,354,769	\$156,407,339,000	6.27%
1996-1997	\$10,466,775,861	\$167,416,478,000	6.25%
1997-1998	\$11,436,138,797	\$180,163,072,000	6.35%
1998-1999	\$12,961,718,694	\$193,222,654,000	6.71%
1999-2000	\$13,853,708,453	\$203,186,797,000	6.82%
2000-2001	\$13,445,510,386	\$218,668,022,000	6.15%
2001-2002	\$13,741,135,020	\$225,395,011,000	6.10%
2002-2003	\$13,855,522,493	\$228,684,499,000	6.06%
2003-2004	\$14,704,184,520	\$234,983,485,000	6.26%
2004-2005	\$15,798,359,545	\$250,920,718,000	6.30%
2005-2006	\$17,065,090,604	\$268,511,813,000	6.36%
2006-2007	\$18,662,078,726	\$285,444,855,000	6.54%
2007-2008	\$20,376,388,298	\$305,022,357,000	6.68%
2008-2009 projected	\$18,471,002,609	\$317,612,906,000	5.82%
2009-2010 baseline revenue forecast	\$17,600,000,000	\$317,612,906,000	5.54%

Sources: Office of State Budget and Management (expenditures), and Bureau of Economic Analysis (Total Personal Income); Note on methodology: assumes Total Personal Income for the year beginning Jan. 1 of each fiscal year; assumes no growth in Total Personal Income in 2009 or 2010; 2008-09 projected spending does not include AARA FMAP increase or stabilization funds.