

Sustaining the Recovery:

The Role of Federal Aid to State and Local Governments

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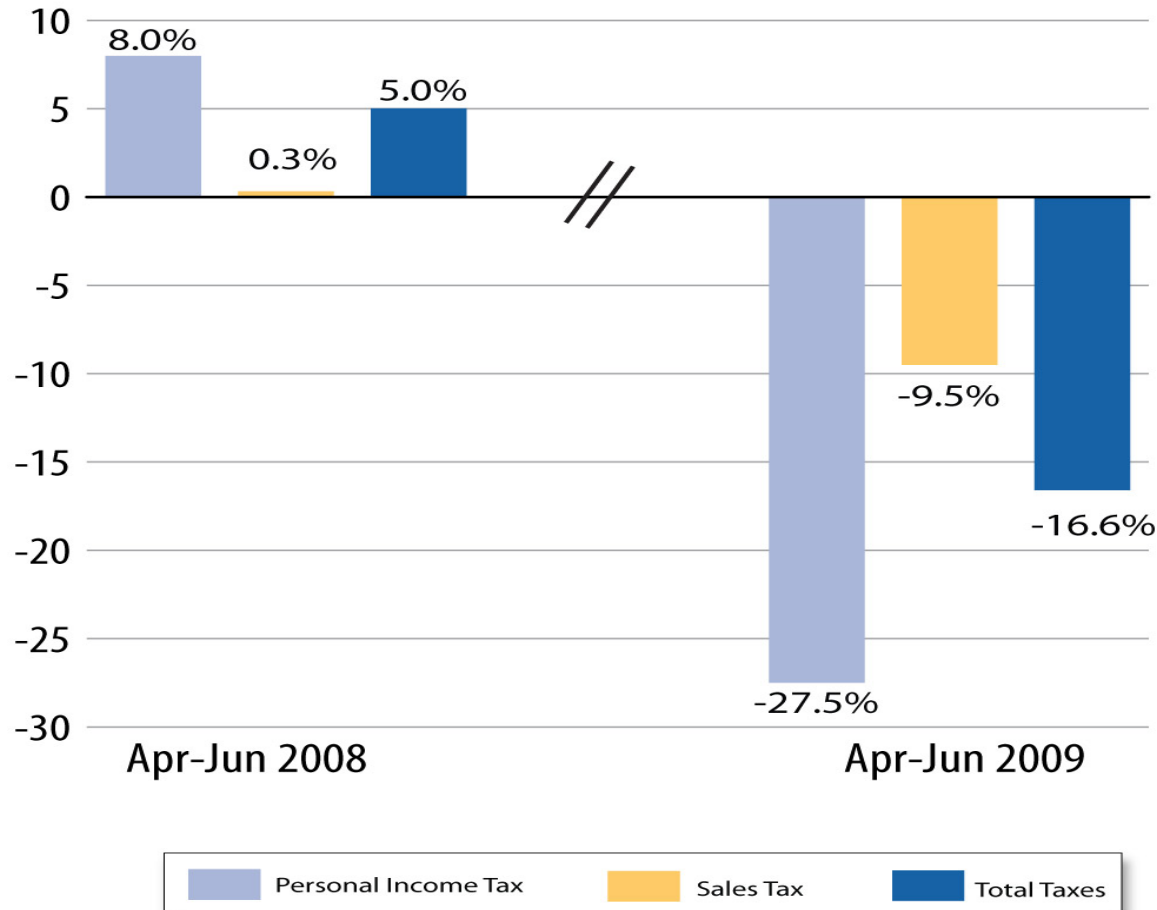
www.cbpp.org

at the Economic Policy Institute

November 19, 2009

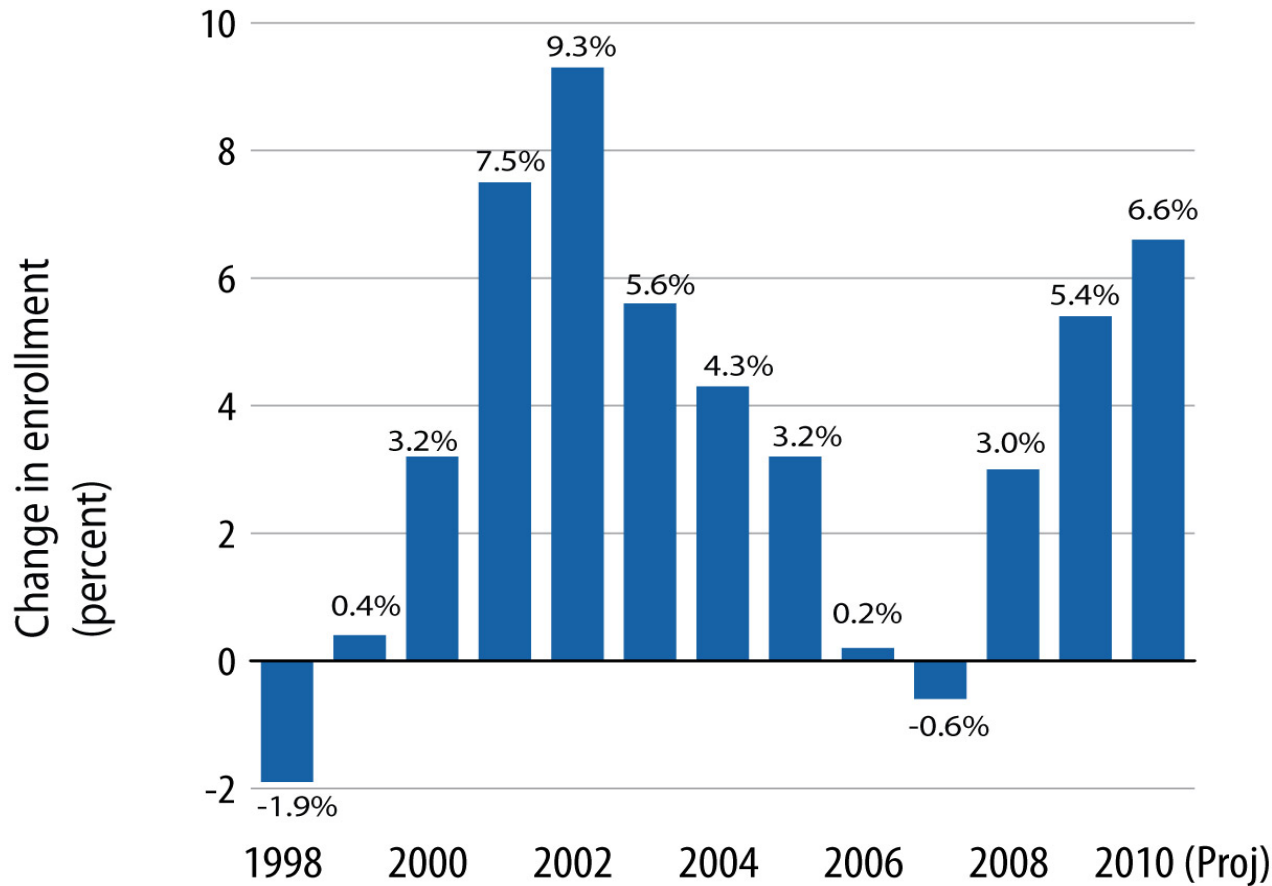
State Tax Revenues are Falling.

Percent change in April to June state revenue collections, 2007-2008 and 2008-2009.

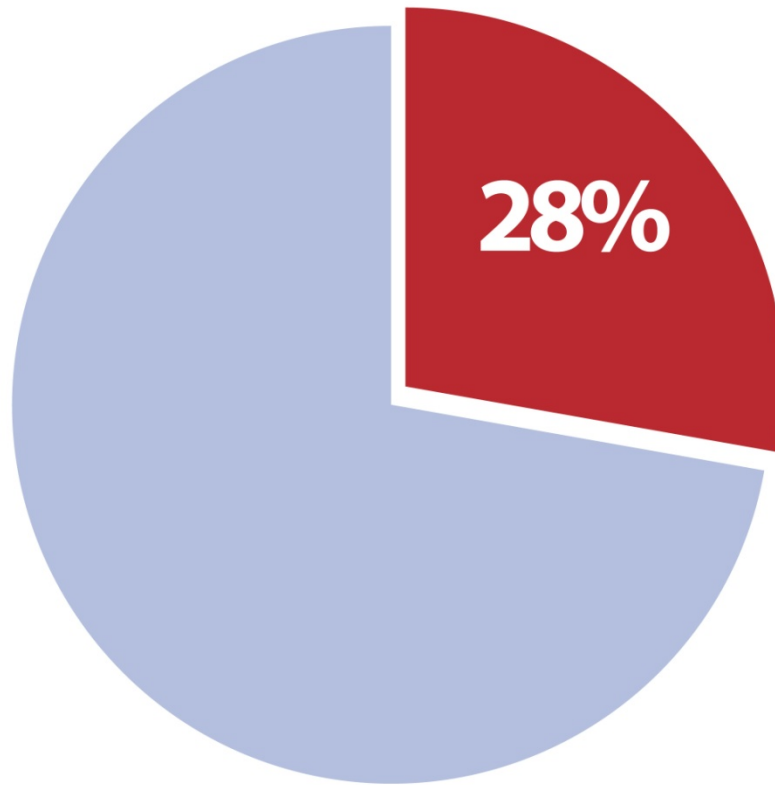


Source: The Census Bureau.

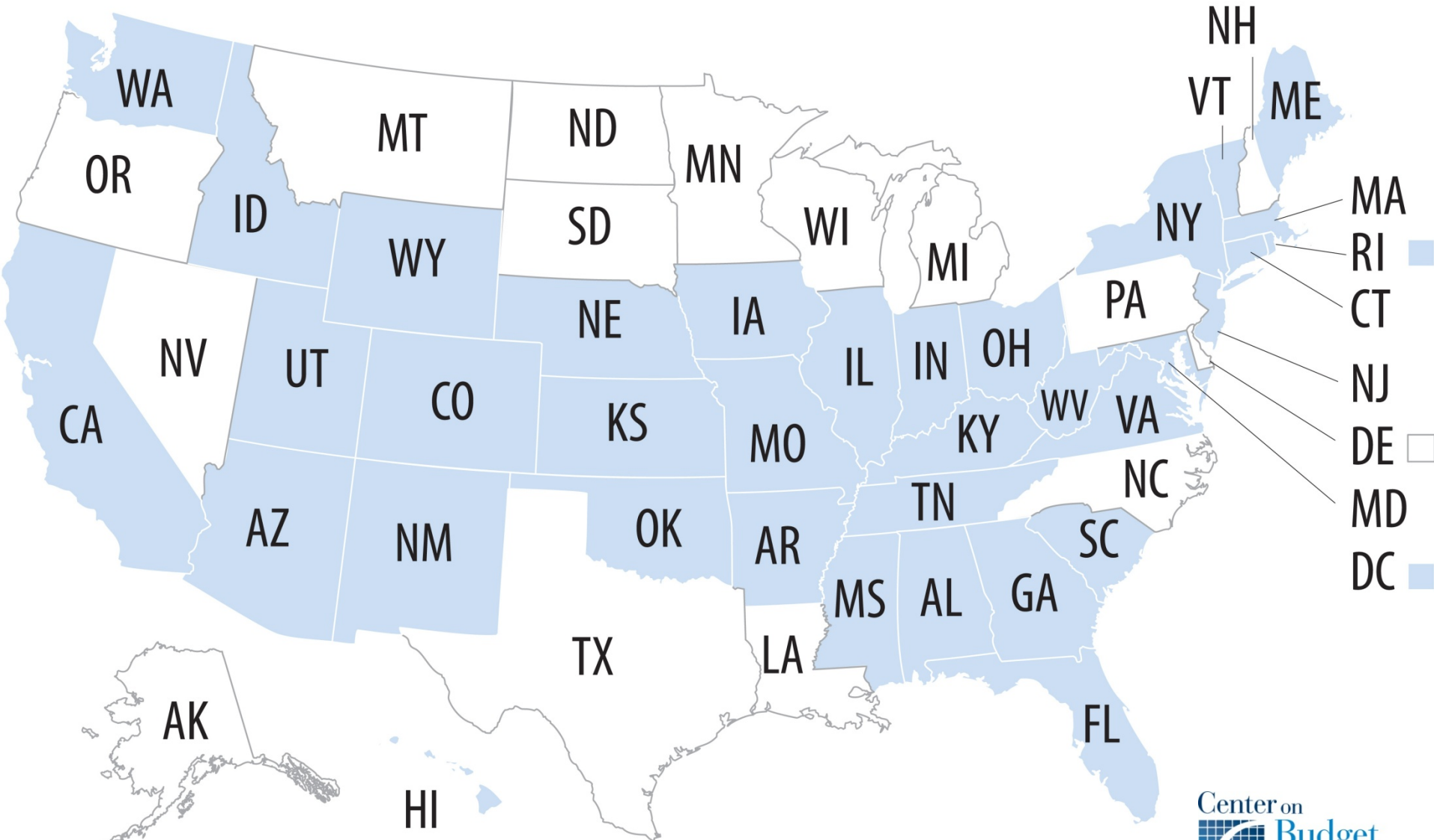
Medicaid Enrollment Is Rising.



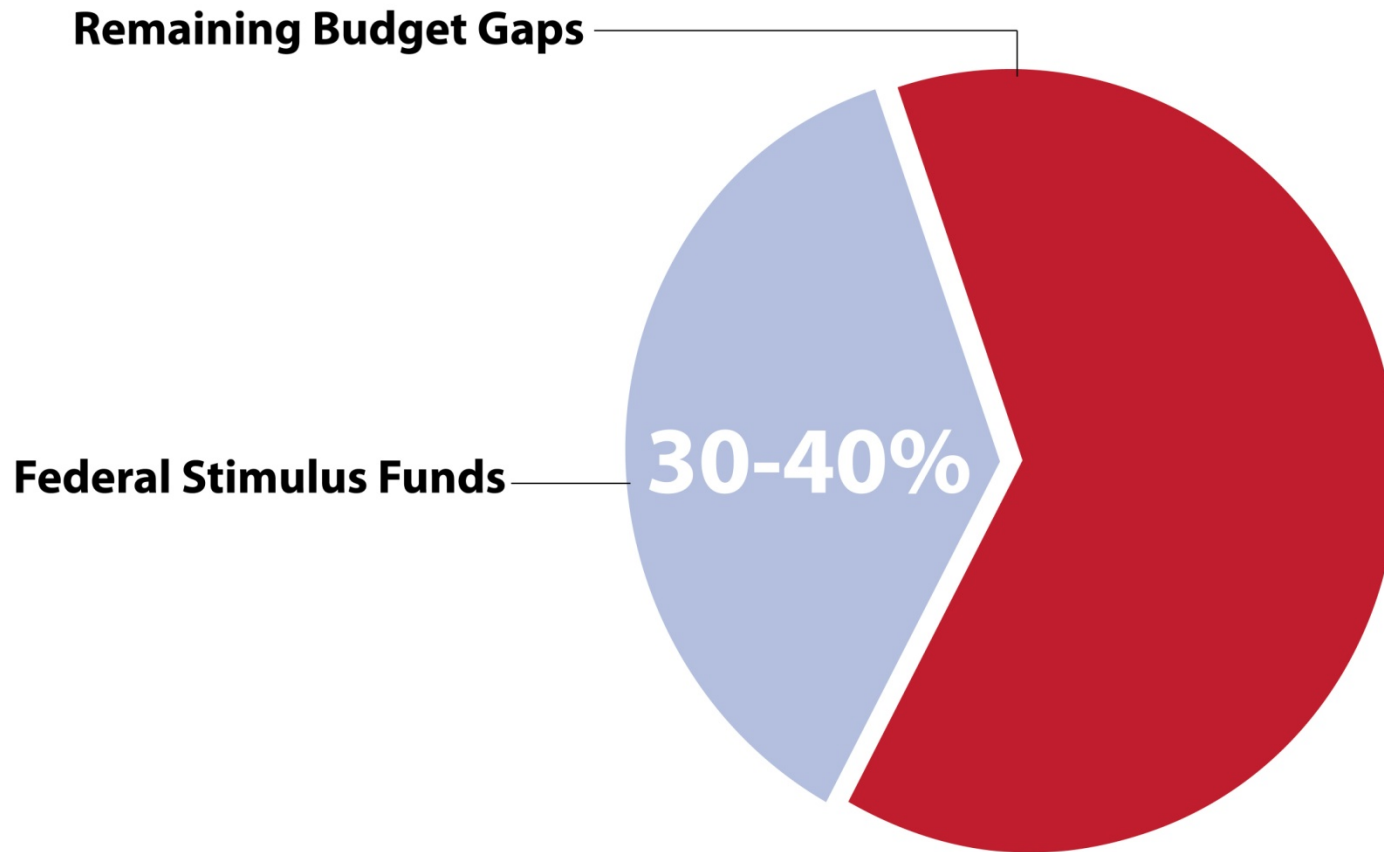
2010 Shortfalls As a Share of State Budgets



35 States Have FY 2010 Mid-Year Gaps



Even with Federal Stimulus, Large Budget Gaps Remain.



State Budget Cuts

Health



28

**Elderly &
Disabled**



24

K-12



26

**Colleges &
Universities**



35

Employees

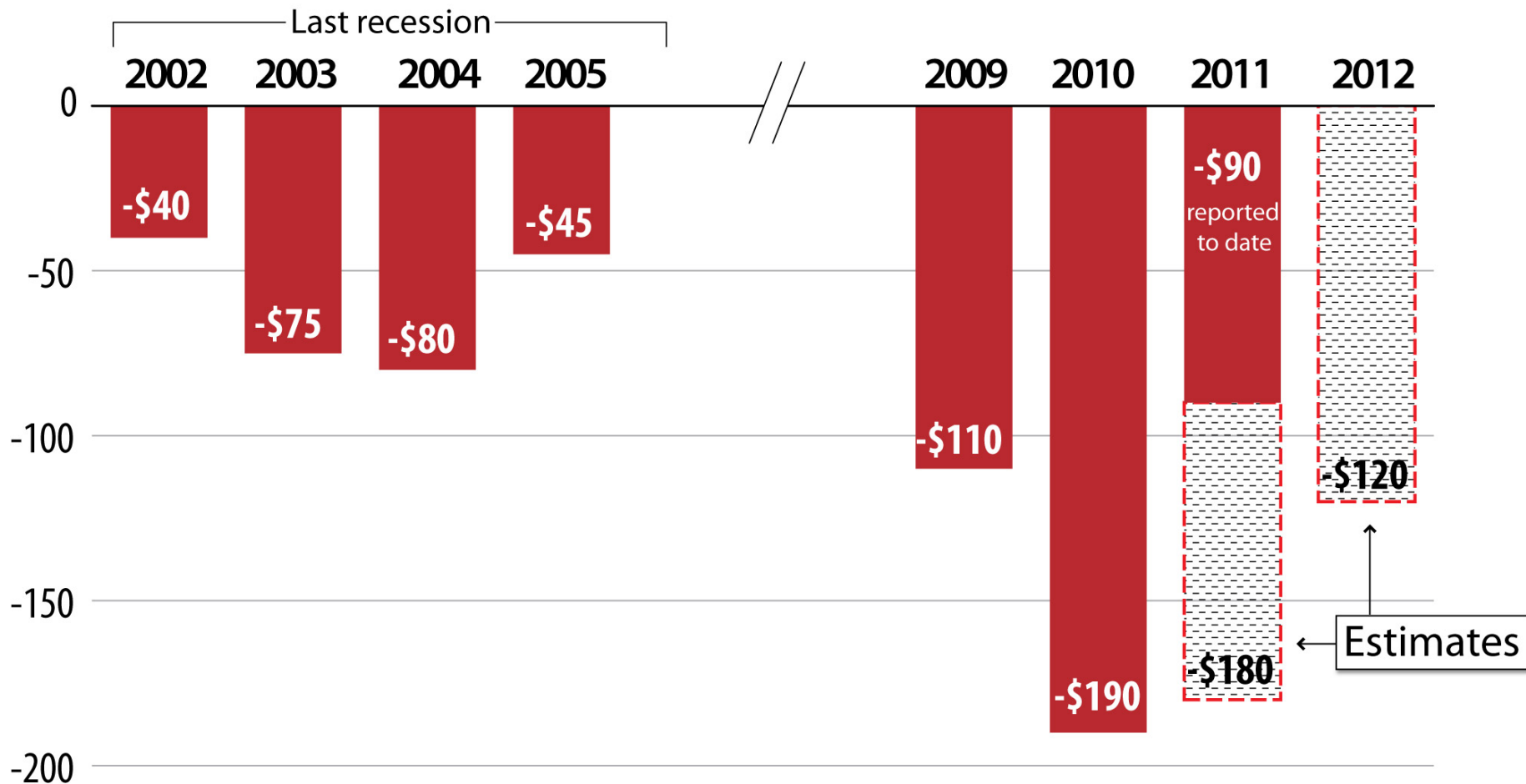


42

Budget cuts already enacted in this downturn

How Bad Will It Get?

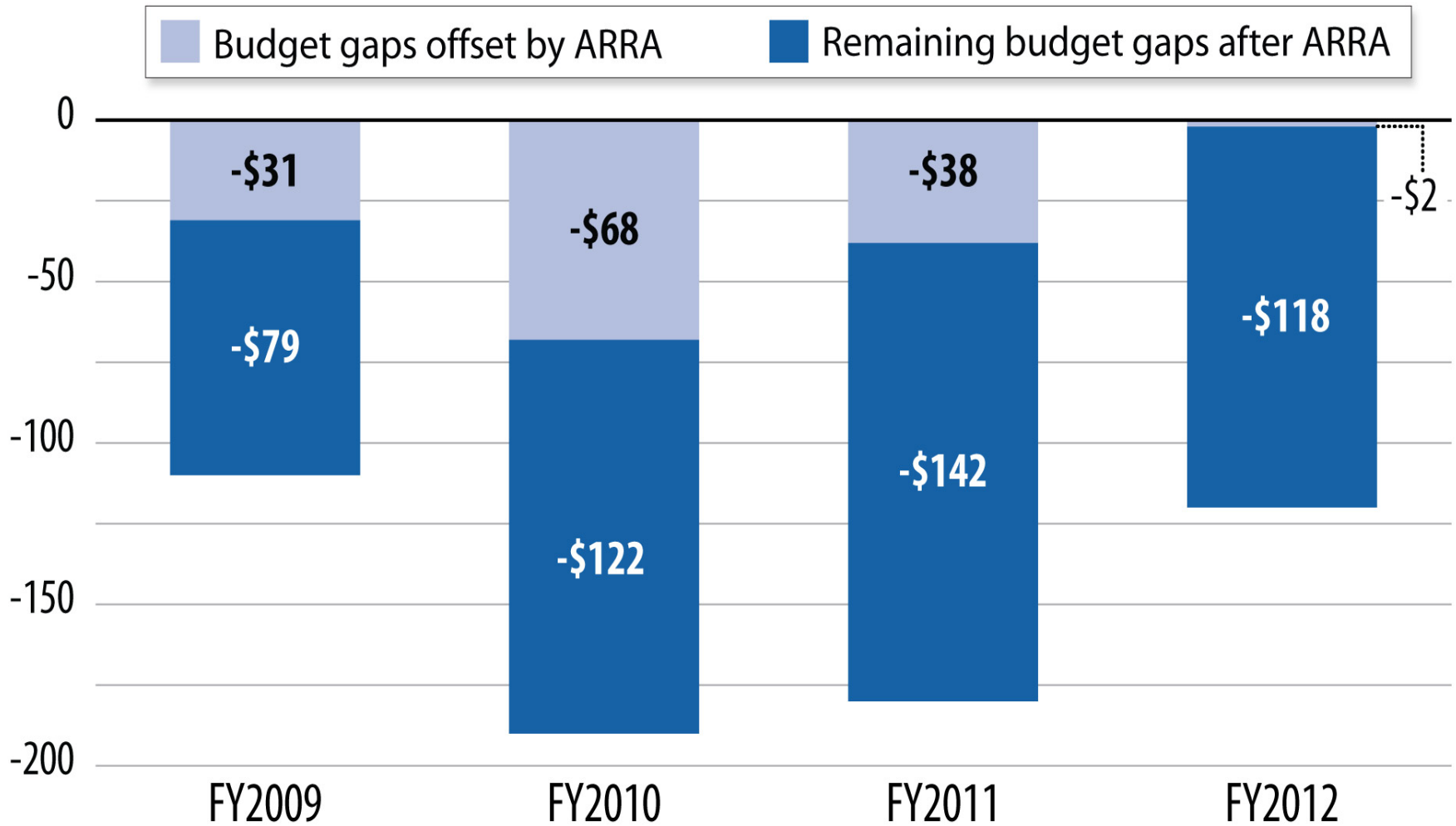
Total state budget shortfall in each fiscal year, in billions



Source: CBPP survey

ARRA Reduces State Budget Gaps, But Large Deficits Remain

Budget shortfalls in billions



Sources: Shortfalls data from CBPP; ARRA data from Congressional Budget Office and CBPP.

What is At Risk?

\$142 billion gap, after ARRA funding

=

0.9 Percent of GDP

=

900,000 JOBS