

Part 2

Revenue

States claim that the most immediate cause of strife in state budgets is current and anticipated drops in revenue. No doubt, a drop in economic activity will cause state revenue growth to falter. Whether revenues actually fall is the question. Additionally, it is instructive to look at revenue collections prior to the economic downturn. Just as we look at the prior decisions of other companies and sectors appealing for a federal bailout, it is important to look at the past history of state budgets. Are the states experiencing an extraordinary shock outside of their control, or did they succumb to their own excess?

There are many ways to look at state revenue. One could look at total state revenue, general fund revenue or tax revenue for different parts of the story. We present all of it. As the following graphs and tables show, state revenues grew substantially between 2002 and 2008 at a rate greatly exceeding the rate of population growth and inflation. In those years states’:

- Total revenue grew 48%
- General revenue grew 42%
- Transfers from the federal government grew 33%
- Sales tax revenues grew 32%
- Personal income tax revenues grew 43%
- Corporate income tax revenues grew 102%
- Average population and inflation grew 25%.

And these calculations *include* the dip in revenues in 2008 due to the recession. In 2007 total state revenues exceeded \$2,000,000,000,000 (\$2 trillion), nearly double the \$1,097,000,000,000 (\$1.097 trillion) they were in 2002, before falling substantially to \$1,619,000,000,000 (\$1.619 trillion) in 2008.

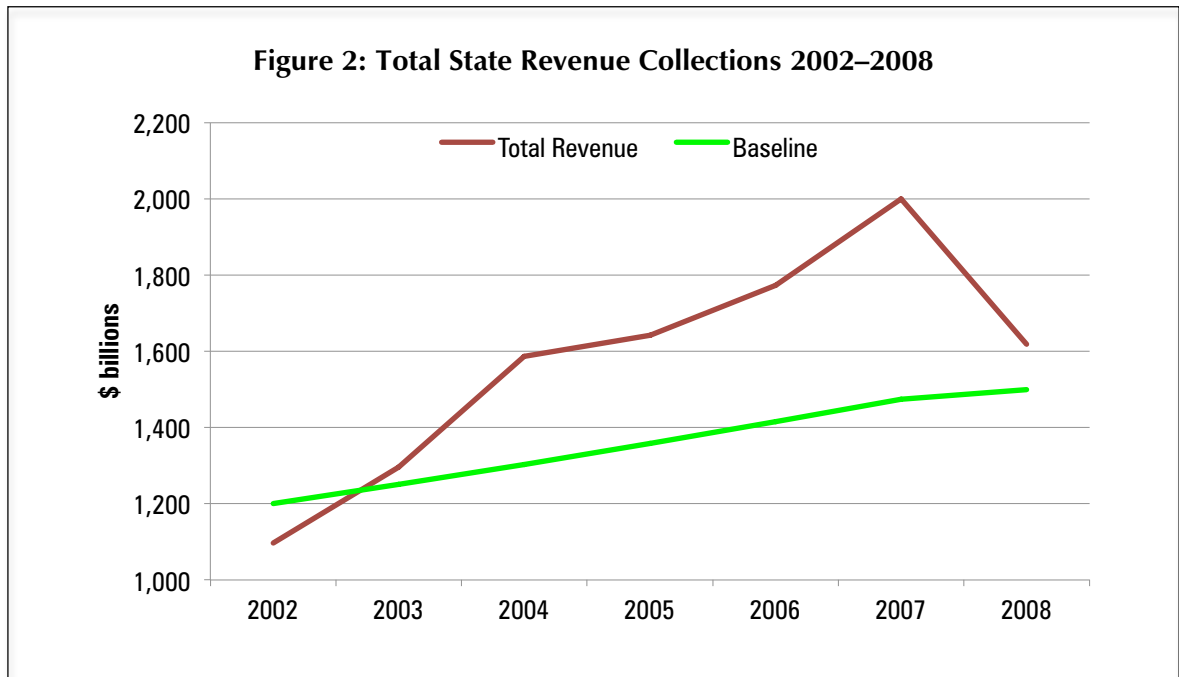
Put another way, states overall had increased revenue by \$563,000,000,000 (\$563 billion) more than justified by inflation and population growth. Even after the recession began in 2008, they were still taking in \$182,000,000,000 (\$182 billion) more than they needed to cover population growth and inflation since 2002.

Let’s put this in personal finance terms. In 2002, you come out of the recession with a job that pays you \$50,000 a year. Over the next six years you receive cost-of-living adjustments from your

employer so you can maintain your lifestyle. In 2007, you are earning \$60,500, before the recession of 2008 causes your employer to cut everyone’s salaries by 10% to avoid more layoffs, putting your salary back to \$54,450. But your neighbor “state government,” however, saw his salary grow to a stunning \$90,500 and even the recession only knocked him back to \$74,000—36% better off than you!

A. Total Revenue

Total Revenue is the aggregate number of state resources, encompassing all the resources available to a state. This includes all tax revenue, money from the federal government, income from various trust funds, earnings from investments, and even state employee contributions to pension systems. It reflects every dollar available to state governments.



| Rank | State | 2002 Revenues (\$ thousand) | 2008 Revenues (\$ thousand) | Difference |
|------|----------------|-----------------------------|-----------------------------|------------|
| 1 | Alaska | 5,018,805 | 16,027,757 | 219% |
| 2 | Wyoming | 2,769,606 | 6,481,408 | 134% |
| 3 | Colorado | 12,478,045 | 26,521,512 | 113% |
| 4 | Texas | 60,386,905 | 119,140,582 | 97% |
| 5 | Massachusetts | 26,885,248 | 51,759,773 | 93% |
| 6 | Utah | 8,467,827 | 15,243,424 | 80% |
| 7 | New Jersey | 32,709,241 | 55,046,270 | 68% |
| 8 | Louisiana | 18,093,632 | 30,307,726 | 68% |
| 9 | North Dakota | 3,016,825 | 5,018,609 | 66% |
| 10 | Georgia | 24,846,501 | 41,266,892 | 66% |
| 11 | North Carolina | 31,523,608 | 51,421,057 | 63% |

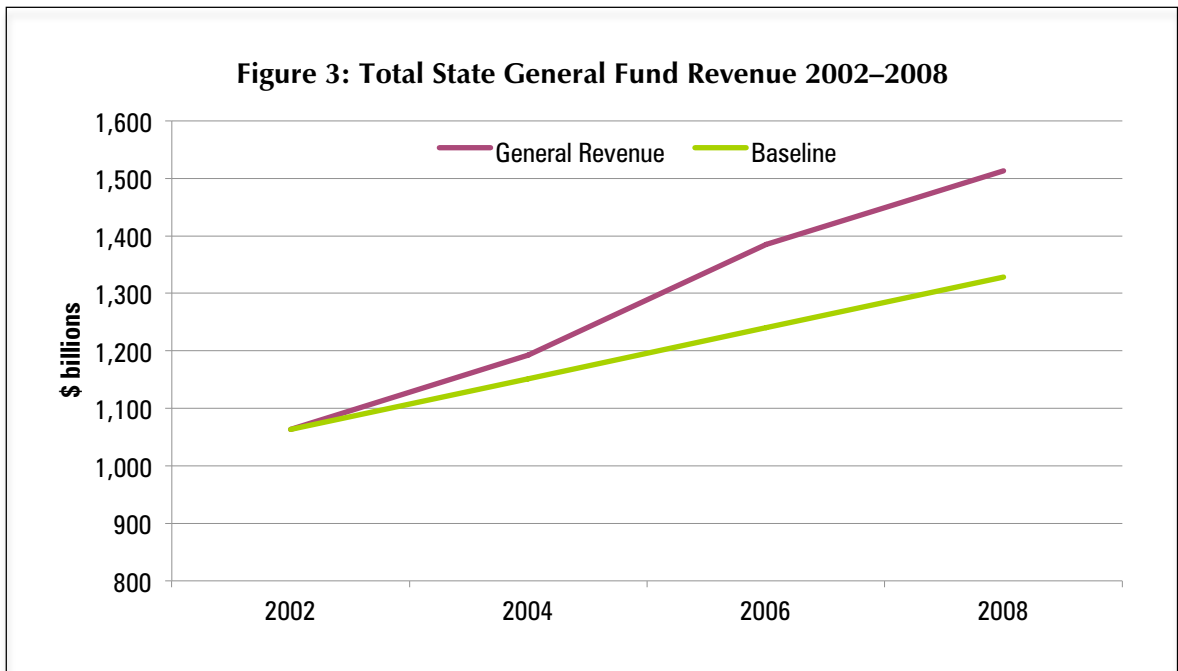
| Table 1: Individual State Total Revenue Growth, 2002–2008 | | | | |
|--|----------------------|------------------------------------|------------------------------------|-------------------|
| Rank | State | 2002 Revenues (\$ thousand) | 2008 Revenues (\$ thousand) | Difference |
| 12 | Arizona | 17,297,726 | 27,697,541 | 60% |
| 13 | Montana | 4,033,180 | 6,402,859 | 59% |
| 14 | Hawaii | 5,868,714 | 9,298,617 | 58% |
| 15 | Idaho | 4,487,672 | 7,107,284 | 58% |
| 16 | Vermont | 3,259,608 | 5,148,584 | 58% |
| 17 | Pennsylvania | 46,164,524 | 71,492,127 | 55% |
| 18 | Washington | 23,813,123 | 36,644,997 | 54% |
| 19 | Virginia | 23,576,891 | 36,233,002 | 54% |
| 20 | Nevada | 6,888,159 | 10,438,720 | 52% |
| 21 | Ohio | 43,787,987 | 65,860,064 | 50% |
| | United States | 1,097,045,283 | 1,619,325,776 | 48% |
| 22 | Arkansas | 10,247,487 | 15,106,880 | 47% |
| 23 | New Mexico | 8,746,253 | 12,892,523 | 47% |
| 24 | Mississippi | 11,052,453 | 16,278,166 | 47% |
| 25 | Indiana | 20,116,042 | 29,114,836 | 45% |
| 26 | Oklahoma | 13,133,991 | 18,810,187 | 43% |
| 27 | Iowa | 11,130,351 | 15,939,920 | 43% |
| 28 | Tennessee | 17,951,931 | 25,699,084 | 43% |
| 29 | Florida | 48,489,136 | 69,229,431 | 43% |
| 30 | Illinois | 41,094,791 | 58,524,149 | 42% |
| 31 | Delaware | 4,682,495 | 6,658,241 | 42% |
| 32 | New York | 104,533,614 | 147,340,334 | 41% |
| 33 | Nebraska | 6,001,930 | 8,387,599 | 40% |
| 34 | Kansas | 9,694,312 | 13,541,510 | 40% |
| 35 | South Carolina | 16,996,797 | 23,595,393 | 39% |
| 36 | Maine | 5,451,423 | 7,551,956 | 39% |
| 37 | Rhode Island | 4,891,253 | 6,691,311 | 37% |
| 38 | Maryland | 20,787,889 | 28,422,851 | 37% |
| 39 | New Hampshire | 4,636,375 | 6,291,580 | 36% |
| 40 | California | 151,245,388 | 201,069,818 | 33% |
| 41 | Minnesota | 22,438,505 | 29,707,313 | 32% |
| 42 | Missouri | 19,085,356 | 25,243,465 | 32% |
| 43 | Kentucky | 16,072,899 | 20,581,938 | 28% |
| | Baseline | N/A | N/A | 25% |
| 44 | Connecticut | 16,993,167 | 20,929,756 | 23% |
| 45 | Wisconsin | 20,874,265 | 25,643,589 | 23% |
| 46 | Alabama | 14,942,192 | 18,353,637 | 23% |
| 47 | West Virginia | 9,130,217 | 10,853,751 | 19% |
| 48 | South Dakota | 2,500,028 | 2,910,381 | 16% |
| 49 | Oregon | 14,815,282 | 17,138,166 | 16% |
| 50 | Michigan | 43,935,634 | 42,259,206 | -4% |

In 2002, total state revenue was just over \$1 trillion (\$1,097,000,000,000). In 2008, this figure had risen to almost \$1.7 trillion (\$1,619,325,776,000), a 48% growth rate, nearly twice the rate of population growth and inflation.

Indeed the rate of total revenue growth exceeded the baseline in 43 states. Only Michigan saw a fall in total revenue. Alaska, Wyoming and Colorado experienced triple-digit growth in total revenue.

B. General Fund Revenue

Some may argue, however, that total revenue isn't the appropriate focus. Some portion of the revenue is out of the direct control of elected officials, so it doesn't truly reflect the choices they've faced or the decisions they have made. The *general fund* is under the direct control of elected state officials and therefore more accurately reflects the day-to-day activities of state government. It funds all the programs we associate with states, e.g., education, Medicaid, road-building and DMVs. General fund revenue consists primarily of tax revenue and federal funds.



| Table 2: Individual State General Fund Revenue Growth, 2002–2008 | | | | |
|--|---------------|-----------------------------|-----------------------------|------------|
| Rank | State | 2002 Revenues (\$ thousand) | 2008 Revenues (\$ thousand) | Difference |
| 1 | Alaska | 5,422,566 | 15,874,933 | 193% |
| 2 | Wyoming | 2,768,326 | 5,387,523 | 95% |
| 3 | Arizona | 15,860,392 | 27,087,538 | 71% |
| 4 | Louisiana | 17,658,826 | 29,869,122 | 69% |
| 5 | North Dakota | 2,868,404 | 4,655,088 | 62% |
| 6 | New Mexico | 8,478,045 | 13,713,205 | 62% |
| 7 | Texas | 61,979,817 | 99,020,859 | 60% |
| 8 | Massachusetts | 26,475,973 | 41,607,421 | 57% |
| 9 | Idaho | 4,375,145 | 6,764,195 | 55% |

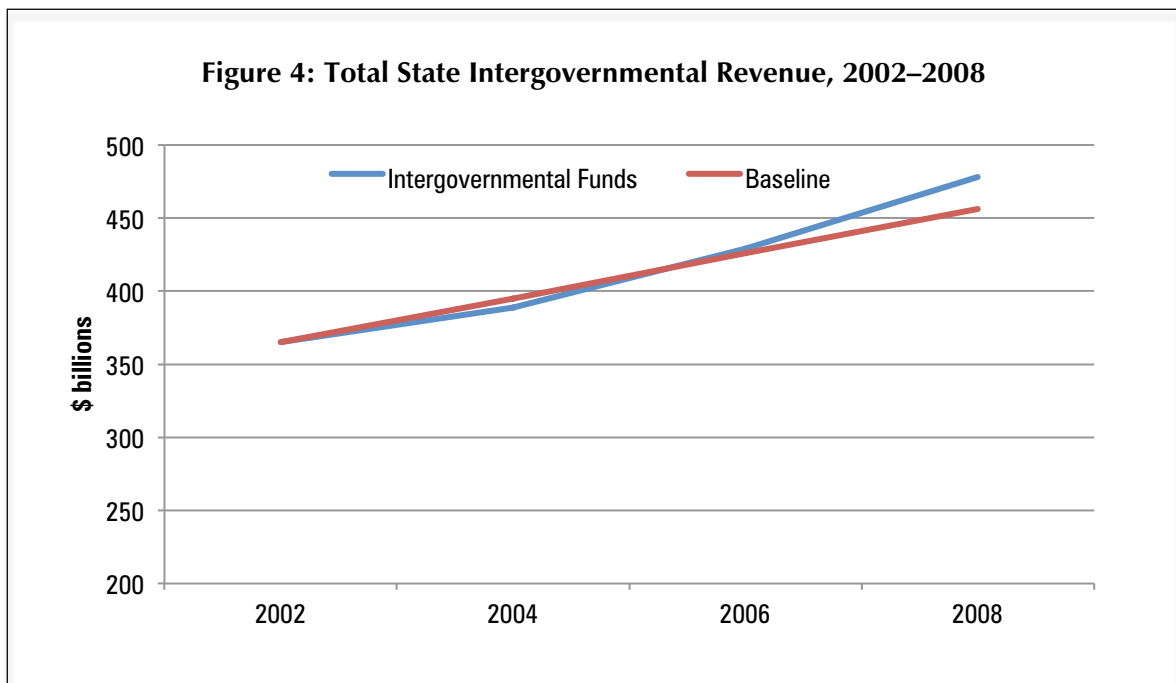
| Table 2: Individual State General Fund Revenue Growth, 2002–2008 | | | | |
|---|----------------|------------------------------------|------------------------------------|-------------------|
| Rank | State | 2002 Revenues (\$ thousand) | 2008 Revenues (\$ thousand) | Difference |
| 10 | Hawaii | 6,042,317 | 9,301,983 | 54% |
| 11 | Nevada | 6,167,176 | 9,398,456 | 52% |
| 12 | New Jersey | 33,896,598 | 51,395,700 | 52% |
| 13 | Utah | 8,623,370 | 13,018,521 | 51% |
| 14 | Vermont | 3,229,227 | 4,856,967 | 50% |
| 15 | Mississippi | 11,043,568 | 16,530,098 | 50% |
| 16 | Montana | 3,721,242 | 5,490,621 | 48% |
| 17 | Kansas | 9,179,259 | 13,504,781 | 47% |
| 18 | Delaware | 4,474,046 | 6,565,092 | 47% |
| 19 | Virginia | 24,842,981 | 36,142,162 | 45% |
| 20 | Indiana | 20,010,507 | 29,043,689 | 45% |
| 21 | South Carolina | 14,476,608 | 20,995,455 | 45% |
| 22 | Maryland | 19,909,070 | 28,815,445 | 45% |
| 23 | North Carolina | 29,972,482 | 43,097,343 | 44% |
| 24 | New York | 92,896,789 | 133,009,806 | 43% |
| 25 | Tennessee | 17,619,979 | 25,178,170 | 43% |
| | United States | 1,062,627,836 | 1,513,361,538 | 42% |
| 26 | Florida | 47,593,877 | 67,717,478 | 42% |
| 27 | Washington | 22,775,123 | 32,257,919 | 42% |
| 28 | Oklahoma | 12,761,043 | 17,979,653 | 41% |
| 29 | Georgia | 26,114,056 | 36,784,634 | 41% |
| 30 | Arkansas | 10,483,188 | 14,761,215 | 41% |
| 31 | Colorado | 13,999,486 | 19,617,888 | 40% |
| 32 | Nebraska | 5,987,028 | 8,357,739 | 40% |
| 33 | Alabama | 15,986,065 | 21,974,194 | 37% |
| 34 | California | 141,480,665 | 194,295,986 | 37% |
| 35 | Illinois | 40,339,722 | 55,256,729 | 37% |
| 36 | Iowa | 11,025,846 | 15,013,513 | 36% |
| 37 | Ohio | 40,232,128 | 54,681,803 | 36% |
| 38 | Minnesota | 21,909,597 | 29,682,086 | 35% |
| 39 | Connecticut | 15,381,824 | 20,837,566 | 35% |
| 40 | Maine | 5,600,245 | 7,552,020 | 35% |
| 41 | West Virginia | 8,052,506 | 10,751,555 | 34% |
| 42 | Rhode Island | 4,835,556 | 6,387,409 | 32% |
| 43 | Kentucky | 15,810,192 | 20,850,510 | 32% |
| 44 | Pennsylvania | 46,544,216 | 61,150,215 | 31% |
| 45 | South Dakota | 2,613,412 | 3,426,159 | 31% |
| 46 | New Hampshire | 4,390,665 | 5,714,022 | 30% |
| 47 | Missouri | 18,653,645 | 24,211,890 | 30% |
| | Baseline | N/A | N/A | 25% |
| 48 | Wisconsin | 22,874,127 | 27,976,030 | 22% |
| 49 | Michigan | 40,886,394 | 49,151,148 | 20% |
| 50 | Oregon | 14,304,517 | 16,648,004 | 16% |

In 2002, state *general fund* collections were just over \$1 trillion (\$1,062,000,000,000). This figure had risen to \$1.51 trillion (\$1,513,000,000,000) in 2008, an increase of 42%.

Forty-seven states saw their general funds increase faster than inflation and population growth, with 15 states’ general revenue growing more than twice as fast as the baseline.

1) Intergovernmental Funds

More than a quarter of state general fund monies originate from the federal government in the form of *intergovernmental funds*. These funds support federal initiatives in education, build roads or support Medicaid systems, among other uses.



| Table 3: Individual State Intergovernmental Revenue Growth, 2002–2008 | | | | |
|---|---------------|-----------------------------|-----------------------------|------------|
| Rank | State | 2002 Revenues (\$ thousand) | 2008 Revenues (\$ thousand) | Difference |
| 1 | Louisiana | 6,048,661 | 14,180,841 | 134% |
| 2 | Wyoming | 1,169,057 | 2,164,652 | 85% |
| 3 | Massachusetts | 5,430,664 | 10,047,618 | 85% |
| 4 | Mississippi | 4,534,595 | 7,718,794 | 70% |
| 5 | Arizona | 5,259,991 | 8,887,402 | 69% |
| 6 | Texas | 21,384,628 | 33,614,239 | 57% |
| 7 | Hawaii | 1,366,988 | 2,092,852 | 53% |
| 8 | Georgia | 8,610,629 | 13,090,193 | 52% |
| 9 | New Mexico | 2,854,626 | 4,322,241 | 51% |
| 10 | Florida | 13,140,984 | 19,876,444 | 51% |
| 11 | Utah | 2,278,767 | 3,441,961 | 51% |
| 12 | Idaho | 1,330,352 | 2,005,348 | 51% |

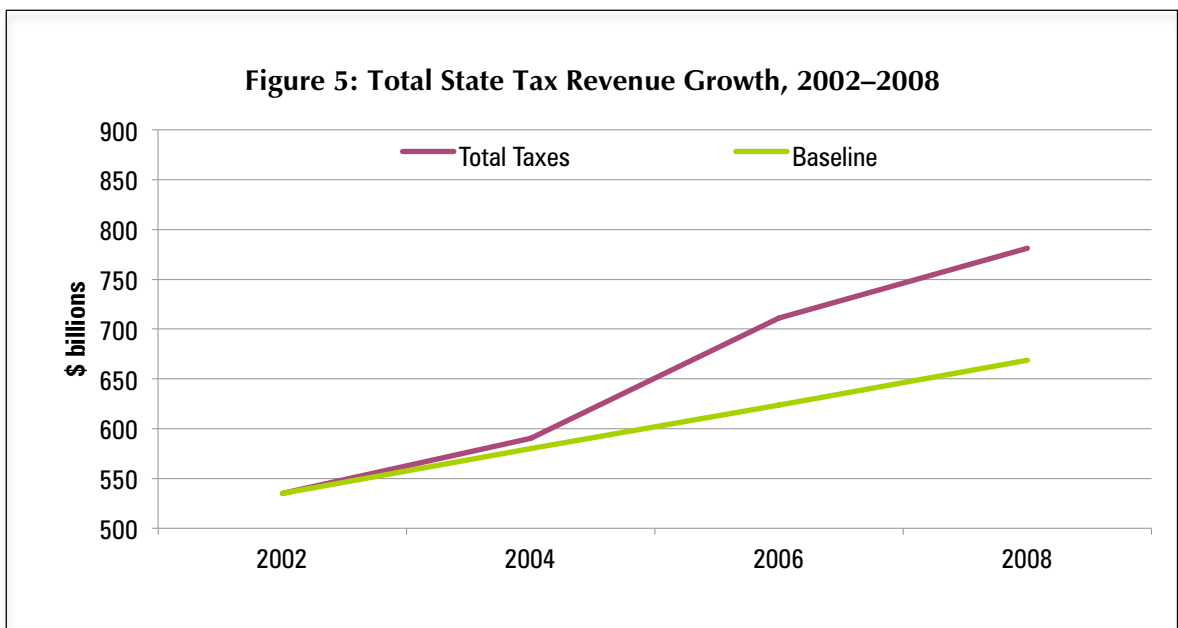
| Table 3: Individual State Intergovernmental Revenue Growth, 2002–2008 | | | | |
|--|----------------------|------------------------------------|------------------------------------|-------------------|
| Rank | State | 2002 Revenues (\$ thousand) | 2008 Revenues (\$ thousand) | Difference |
| 13 | Delaware | 923,253 | 1,335,675 | 45% |
| 14 | Alaska | 1,556,466 | 2,190,854 | 41% |
| 15 | Nebraska | 1,822,661 | 2,560,819 | 40% |
| 16 | Nevada | 1,338,212 | 1,857,810 | 39% |
| 17 | Indiana | 6,027,699 | 8,349,018 | 39% |
| 18 | Oklahoma | 4,120,431 | 5,705,546 | 38% |
| 19 | Maryland | 5,452,843 | 7,525,060 | 38% |
| 20 | Ohio | 12,654,368 | 17,093,617 | 35% |
| 21 | Montana | 1,426,854 | 1,919,126 | 35% |
| 22 | Iowa | 3,445,261 | 4,630,352 | 34% |
| 23 | Virginia | 5,531,423 | 7,404,341 | 34% |
| 24 | North Carolina | 10,201,721 | 13,650,362 | 34% |
| 25 | Minnesota | 5,426,937 | 7,255,639 | 34% |
| | United States | 335,433,606 | 446,478,718 | 33% |
| 26 | Maine | 1,830,398 | 2,427,894 | 33% |
| 27 | Arkansas | 3,429,099 | 4,533,851 | 32% |
| 28 | New Hampshire | 1,389,386 | 1,830,369 | 32% |
| 29 | Washington | 6,348,456 | 8,303,676 | 31% |
| 30 | Vermont | 1,086,896 | 1,420,594 | 31% |
| 31 | Kentucky | 5,121,235 | 6,630,599 | 29% |
| 32 | New Jersey | 8,676,521 | 11,217,573 | 29% |
| 33 | South Carolina | 5,434,346 | 7,018,905 | 29% |
| 34 | Illinois | 11,435,066 | 14,739,992 | 29% |
| 35 | Colorado | 3,865,825 | 4,961,599 | 28% |
| | Baseline | N/A | N/A | 25% |
| 36 | Missouri | 6,818,675 | 8,500,589 | 25% |
| 37 | New York | 37,729,771 | 46,623,511 | 24% |
| 38 | Alabama | 6,275,399 | 7,712,748 | 23% |
| 39 | Rhode Island | 1,719,728 | 2,088,153 | 21% |
| 40 | Pennsylvania | 13,733,507 | 16,512,258 | 20% |
| 41 | California | 43,860,532 | 51,914,572 | 18% |
| 42 | North Dakota | 1,043,094 | 1,233,474 | 18% |
| 43 | South Dakota | 1,072,483 | 1,256,446 | 17% |
| 44 | Kansas | 2,991,803 | 3,495,517 | 17% |
| 45 | Michigan | 11,507,263 | 13,359,341 | 16% |
| 46 | Connecticut | 3,769,239 | 4,344,898 | 15% |
| 47 | Tennessee | 7,316,497 | 8,308,154 | 14% |
| 48 | West Virginia | 2,899,197 | 3,274,439 | 13% |
| 49 | Wisconsin | 7,030,842 | 7,013,591 | 0% |
| 50 | Oregon | 5,710,277 | 4,835,171 | -15% |

In 2002, states received \$335 billion (\$335,000,000,000) in revenue from the federal government. In 2008, they received \$447 billion (\$447,000,000,000)—a 33% increase. Again this is significantly higher than the baseline, with federal funding to states in 2008 at \$22,000,000,000 more than needed to keep up with inflation and population growth.

Given Hurricane Katrina, it is no surprise that Louisiana tops the list in growth of federal funding. But 11 other states saw more than 50% growth in federal funds between 2002 and 2008. Only Oregon saw a drop in federal funding, while Wisconsin stayed level.

2) Taxes

About half of state general fund revenues come from *taxes*. In 2002, states collected \$535 billion in tax revenue. In 2008, they took in \$781 billion, an increase of 42%, or more than twice the rate of inflation and population growth, and an annual total of more than \$250 billion more in tax revenue.



| Rank | State | 2002 Revenues (\$ thousand) | 2008 Revenues (\$ thousand) | Difference |
|------|--------------|-----------------------------|-----------------------------|------------|
| 1 | Alaska | 1,089,504 | 8,424,714 | 673% |
| 2 | North Dakota | 1,117,299 | 2,312,056 | 107% |
| 3 | Wyoming | 1,094,402 | 2,168,016 | 98% |
| 4 | Montana | 1,442,731 | 2,457,929 | 70% |
| 5 | Vermont | 1,518,479 | 2,544,163 | 68% |
| 6 | New Jersey | 18,328,814 | 30,616,510 | 67% |
| 7 | Arizona | 8,477,321 | 13,705,901 | 62% |
| 8 | Idaho | 2,271,075 | 3,651,917 | 61% |
| 9 | Texas | 28,662,395 | 44,675,953 | 56% |
| 10 | New Mexico | 3,628,055 | 5,645,649 | 56% |
| 11 | Nevada | 3,945,329 | 6,115,584 | 55% |
| 12 | Utah | 3,925,382 | 5,944,879 | 51% |
| 13 | New York | 43,262,137 | 65,370,654 | 51% |
| 14 | California | 77,755,376 | 117,361,976 | 51% |
| 15 | Hawaii | 3,420,671 | 5,147,569 | 50% |

| Table 4: Individual State Total Taxes Growth, 2002–2008 | | | | |
|--|----------------|------------------------------------|------------------------------------|-------------------|
| Rank | State | 2002 Revenues (\$ thousand) | 2008 Revenues (\$ thousand) | Difference |
| 16 | Louisiana | 7,356,936 | 11,003,870 | 50% |
| 17 | Kansas | 4,808,361 | 7,159,748 | 49% |
| 18 | Connecticut | 9,032,787 | 13,367,631 | 48% |
| 19 | Tennessee | 7,797,681 | 11,538,430 | 48% |
| 20 | Massachusetts | 14,822,592 | 21,908,599 | 48% |
| 21 | North Carolina | 15,537,366 | 22,781,202 | 47% |
| | United States | 535,191,161 | 780,689,445 | 46% |
| 22 | Indiana | 10,200,590 | 14,916,295 | 46% |
| 23 | Arkansas | 5,176,050 | 7,530,504 | 45% |
| 24 | Maryland | 10,821,276 | 15,713,987 | 45% |
| 25 | Pennsylvania | 22,135,537 | 32,123,740 | 45% |
| 26 | Virginia | 12,781,149 | 18,408,276 | 44% |
| 27 | Mississippi | 4,728,905 | 6,770,880 | 43% |
| 28 | Washington | 12,628,567 | 17,944,925 | 42% |
| 29 | Illinois | 22,474,774 | 31,891,497 | 42% |
| 30 | Florida | 25,352,237 | 35,849,998 | 41% |
| 31 | Nebraska | 2,992,522 | 4,228,800 | 41% |
| 32 | Oregon | 5,163,687 | 7,278,717 | 41% |
| 33 | Oklahoma | 6,052,680 | 8,484,227 | 40% |
| 34 | Maine | 2,626,830 | 3,681,614 | 40% |
| 35 | Alabama | 6,509,765 | 9,070,530 | 39% |
| 36 | Colorado | 6,923,171 | 9,624,636 | 39% |
| 37 | South Carolina | 6,087,792 | 8,455,463 | 39% |
| 38 | Minnesota | 13,224,036 | 18,320,891 | 39% |
| 39 | Iowa | 5,006,251 | 6,892,026 | 38% |
| 40 | West Virginia | 3,551,756 | 4,879,151 | 37% |
| 41 | South Dakota | 976,596 | 1,321,368 | 35% |
| 42 | Delaware | 2,173,600 | 2,930,955 | 35% |
| 43 | Georgia | 13,772,147 | 18,183,117 | 32% |
| 44 | Ohio | 20,130,415 | 26,373,813 | 31% |
| 45 | Rhode Island | 2,127,609 | 2,761,356 | 30% |
| 46 | Wisconsin | 11,813,831 | 15,088,662 | 28% |
| 47 | Kentucky | 7,974,690 | 10,056,293 | 26% |
| 48 | Missouri | 8,728,932 | 10,965,171 | 26% |
| | Baseline | N/A | N/A | 25% |
| 49 | New Hampshire | 1,897,021 | 2,257,977 | 19% |
| 50 | Michigan | 21,864,052 | 24,781,626 | 13% |

The robust growth in state tax revenue over this six-year period is only part of the story, however. It is interesting to note the pace of this growth: rising slowly out of the dot-com recession, increasingly rapidly and then beginning to taper off in advance of the general economic slowdown. But as Figure 5 shows, tax revenue growth was still robust early in the recession.

However, the decline in the rate of tax revenue growth ought to have sent a signal to state budget drafters. Instead, it appears that they looked beyond the data and assumed continuing strong

revenue growth. State budgets for fiscal year 2009, which were drafted in the last year analyzed here, 2008, called for an over 8% annual spending increase. There is little wonder that states had to make mid-year adjustments to their budgets in the middle of 2009, as the economy began to cool.

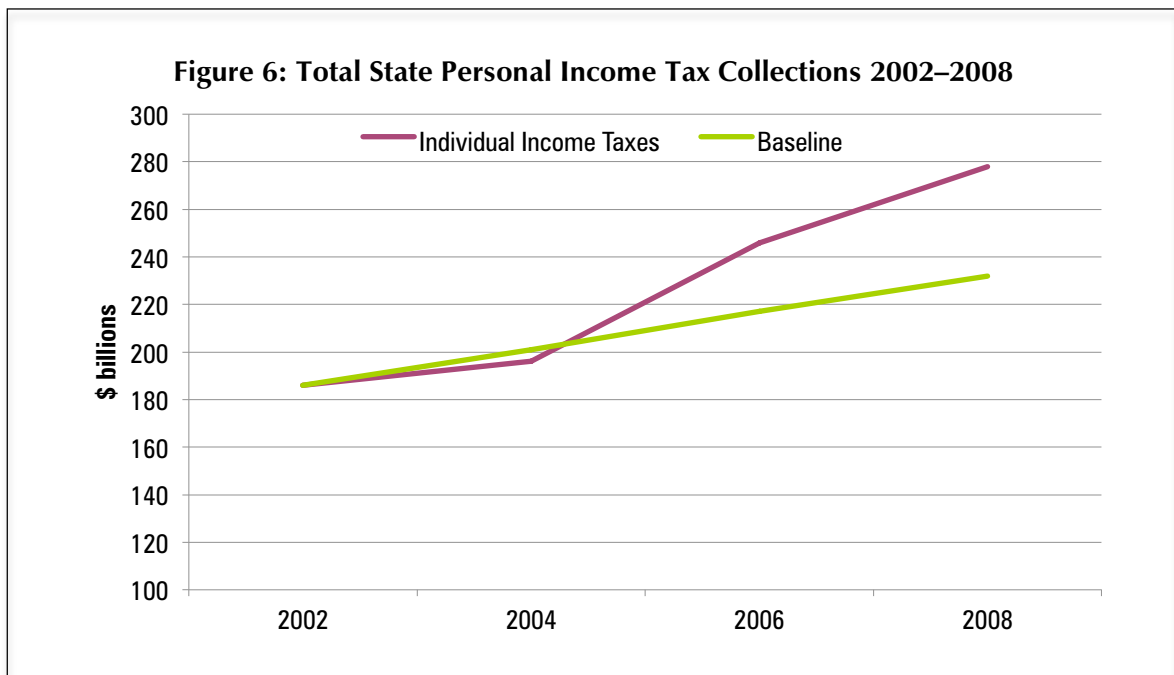
A quick look at sales, personal and corporate income tax collections over the same period shows this trend in even sharper relief.

| Table 5: Total State Tax Revenue Growth by Category, 2002–2008 | | | |
|---|------------------------------------|------------------------------------|-------------------|
| Revenue Category | 2002 Revenue (\$ thousands) | 2008 Revenue (\$ thousands) | Difference |
| Corporate Income Tax | 25,123,137 | 50,688,869 | 102% |
| Personal Income Tax | 185,646,573 | 266,355,603 | 43% |
| General Sales Tax | 1,478,125,601 | 4,566,546,439 | 32% |
| Baseline | N/A | N/A | 25% |

a. Personal Income Tax

Nationally, the personal income tax is the largest single component of state tax revenue, accounting for 36% of all tax collections. (Because nine states do not have an income tax, personal income tax’s share of tax collections in states with an income tax is actually slightly higher than this.) Personal income tax’s share of total taxes rose slightly over the six-year period. In 2002, personal income tax collections accounted for 35% of all state tax revenue.

In 2002, states collected \$185 billion in personal income taxes. By 2008, personal income tax collections had climbed to \$266 billion, an increase of 43%, well above the baseline rate, representing an annual increase of \$76 billion in revenue. Figure 6 shows the increasing rate of personal income tax revenue going into the recession.



| Table 6: Individual State Personal Income Tax Revenue Growth, 2002–2008 | | | | |
|--|----------------|------------------------------------|------------------------------------|-------------------|
| Rank | State | 2002 Revenues (\$ thousand) | 2008 Revenues (\$ thousand) | Difference |
| 1 | Tennessee | 146,293 | 290,986 | 99% |
| 2 | Connecticut | 3,685,244 | 7,000,225 | 90% |
| 3 | New Jersey | 6,836,992 | 12,605,545 | 84% |
| 4 | Louisiana | 1,788,733 | 3,169,686 | 77% |
| 5 | Idaho | 842,375 | 1,438,518 | 71% |
| 6 | California | 33,046,665 | 55,745,970 | 69% |
| 7 | Montana | 517,568 | 870,064 | 68% |
| 8 | New Hampshire | 71,433 | 117,936 | 65% |
| 9 | Arizona | 2,090,645 | 3,408,576 | 63% |
| 10 | Utah | 1,605,310 | 2,593,129 | 62% |
| 11 | Iowa | 1,769,347 | 2,848,393 | 61% |
| 12 | North Dakota | 199,590 | 317,249 | 59% |
| 13 | Kansas | 1,854,848 | 2,944,851 | 59% |
| 14 | Massachusetts | 7,912,934 | 12,496,142 | 58% |
| 15 | Mississippi | 985,117 | 1,551,079 | 57% |
| 16 | Arkansas | 1,513,221 | 2,344,876 | 55% |
| 17 | Pennsylvania | 6,734,729 | 10,408,439 | 55% |
| 18 | Vermont | 407,835 | 623,019 | 53% |
| 19 | Alabama | 2,030,694 | 3,077,553 | 52% |
| 20 | North Carolina | 7,265,242 | 10,993,927 | 51% |
| 21 | Virginia | 6,710,771 | 10,114,833 | 51% |
| 22 | Nebraska | 1,153,444 | 1,726,145 | 50% |
| 23 | Maryland | 4,704,368 | 6,940,134 | 48% |
| 24 | West Virginia | 1,034,665 | 1,518,746 | 47% |
| 25 | Colorado | 3,475,760 | 5,067,981 | 46% |
| | United States | 185,646,573 | 266,355,603 | 43% |
| 26 | New York | 25,573,667 | 36,563,948 | 43% |
| 27 | Minnesota | 5,443,355 | 7,777,259 | 43% |
| 28 | South Carolina | 2,349,195 | 3,339,935 | 42% |
| 29 | Missouri | 3,615,391 | 5,118,849 | 42% |
| 30 | Delaware | 716,647 | 1,006,859 | 40% |
| 31 | Hawaii | 1,111,590 | 1,544,835 | 39% |
| 32 | Illinois | 7,471,385 | 10,320,239 | 38% |
| 33 | Indiana | 3,540,819 | 4,837,524 | 37% |
| 34 | Georgia | 6,487,638 | 8,845,476 | 36% |
| 35 | Oregon | 3,674,962 | 4,968,791 | 35% |
| 36 | Maine | 1,072,810 | 1,448,273 | 35% |
| 37 | Wisconsin | 4,973,615 | 6,640,528 | 34% |
| 38 | Rhode Island | 823,521 | 1,091,705 | 33% |
| 39 | Kentucky | 2,678,330 | 3,483,138 | 30% |
| | Baseline | N/A | N/A | 25% |
| 40 | New Mexico | 982,891 | 1,213,522 | 23% |
| 41 | Oklahoma | 2,286,110 | 2,787,445 | 22% |
| 42 | Ohio | 8,335,554 | 9,847,506 | 18% |
| 43 | Michigan | 6,125,270 | 7,181,055 | 17% |

Table 6: Individual State Personal Income Tax Revenue Growth, 2002–2008

| Rank | State | 2002 Revenues (\$ thousand) | 2008 Revenues (\$ thousand) | Difference |
|------|--------------|-----------------------------|-----------------------------|------------|
| 44 | Alaska | 0 | 0 | 0% |
| 45 | Florida | 0 | 0 | 0% |
| 46 | Nevada | 0 | 0 | 0% |
| 47 | South Dakota | 0 | 0 | 0% |
| 48 | Texas | 0 | 0 | 0% |
| 49 | Washington | 0 | 0 | 0% |
| 50 | Wyoming | 0 | 0 | 0% |

Table 7: Individual State Personal Income Tax Share of Total Tax Revenue, 2008

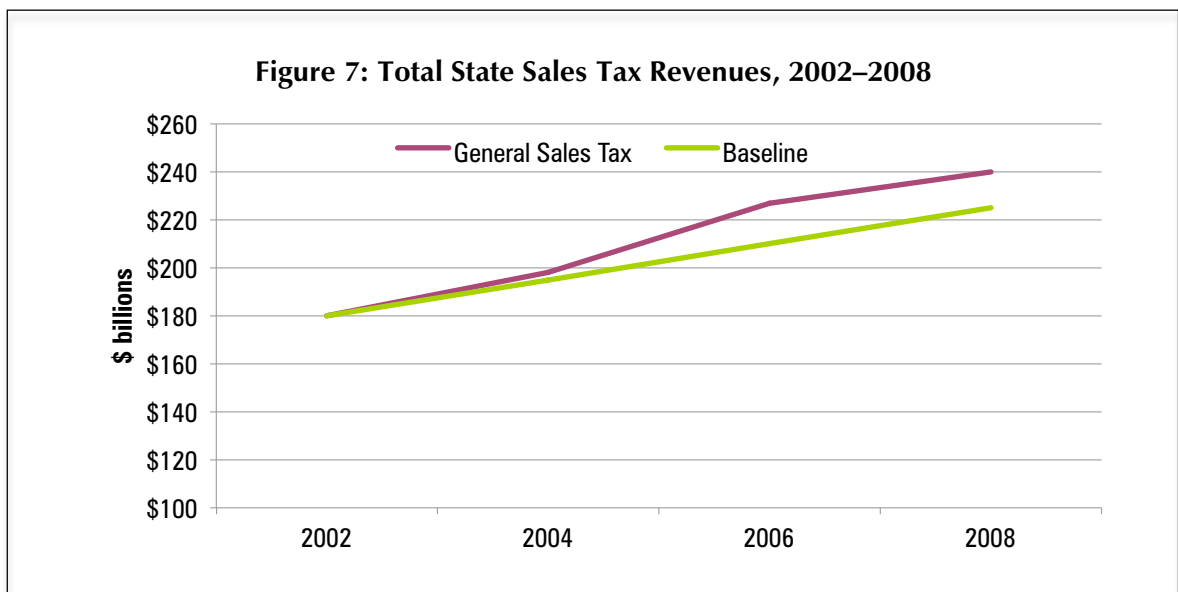
| Rank | State | Personal Income Tax (PIT) Revenues (\$ thousand) | Total Tax Revenues (\$ thousand) | Share of Total Taxes |
|------|----------------|--|----------------------------------|----------------------|
| 1 | Oregon | 32,649,363 | 46,102,999 | 71% |
| 2 | New York | 202,926,167 | 368,603,508 | 55% |
| 3 | Massachusetts | 68,838,915 | 127,275,565 | 54% |
| 4 | Virginia | 58,687,640 | 110,073,681 | 53% |
| 5 | Colorado | 28,018,531 | 55,612,129 | 50% |
| 6 | Georgia | 52,600,980 | 110,817,688 | 47% |
| 7 | North Carolina | 61,343,071 | 132,858,637 | 46% |
| 8 | Connecticut | 35,790,533 | 78,764,528 | 45% |
| 9 | California | 305,431,496 | 684,555,613 | 45% |
| 10 | Missouri | 29,315,655 | 67,869,856 | 43% |
| 11 | Maryland | 40,096,231 | 92,929,547 | 43% |
| 12 | Wisconsin | 39,823,063 | 93,060,447 | 43% |
| 13 | Utah | 14,228,162 | 34,075,438 | 42% |
| 14 | Minnesota | 44,739,719 | 111,253,843 | 40% |
| 15 | Maine | 8,782,417 | 22,271,656 | 39% |
| 16 | Ohio | 64,130,460 | 162,989,017 | 39% |
| 17 | Iowa | 15,702,049 | 40,374,612 | 39% |
| 18 | New Jersey | 65,162,950 | 169,488,417 | 38% |
| 19 | Kansas | 15,717,957 | 41,066,437 | 38% |
| 20 | Rhode Island | 6,743,159 | 17,691,007 | 38% |
| 21 | Nebraska | 9,834,901 | 26,037,509 | 38% |
| 22 | Idaho | 7,702,011 | 20,528,822 | 38% |
| 23 | South Carolina | 19,120,100 | 51,467,058 | 37% |
| 24 | Montana | 4,844,261 | 13,335,232 | 36% |
| | United States | 1,575,901,025 | 4,566,546,439 | 35% |
| 25 | Oklahoma | 17,505,861 | 49,813,628 | 35% |
| 26 | Delaware | 6,141,543 | 17,953,366 | 34% |
| 27 | Indiana | 29,040,996 | 88,778,487 | 33% |
| 28 | Kentucky | 20,791,110 | 63,752,277 | 33% |
| 29 | Illinois | 59,392,819 | 184,710,133 | 32% |
| 30 | Hawaii | 9,356,028 | 30,434,052 | 31% |
| 31 | Pennsylvania | 58,238,544 | 189,944,661 | 31% |
| 32 | Arkansas | 13,128,254 | 44,379,065 | 30% |

Table 7: Individual State Personal Income Tax Share of Total Tax Revenue, 2008

| Rank | State | Personal Income Tax (PIT) Revenues (\$ thousand) | Total Tax Revenues (\$ thousand) | Share of Total Taxes |
|------|---------------|--|----------------------------------|----------------------|
| 33 | West Virginia | 8,507,364 | 29,287,501 | 29% |
| 34 | Alabama | 17,709,592 | 63,257,555 | 28% |
| 35 | Louisiana | 17,125,617 | 62,705,235 | 27% |
| 36 | Michigan | 44,477,239 | 163,129,572 | 27% |
| 37 | Vermont | 3,495,679 | 14,596,442 | 24% |
| 38 | New Mexico | 7,486,548 | 31,676,966 | 24% |
| 39 | Arizona | 19,215,332 | 89,512,971 | 21% |
| 40 | Mississippi | 8,448,535 | 39,439,927 | 21% |
| 41 | North Dakota | 1,764,743 | 10,644,167 | 17% |
| 42 | New Hampshire | 555,325 | 14,386,003 | 4% |
| 43 | Tennessee | 1,290,105 | 69,705,304 | 2% |
| 44 | Alaska | 0 | 28,187,919 | 0% |
| 45 | Florida | 0 | 225,564,785 | 0% |
| 46 | Nevada | 0 | 37,034,612 | 0% |
| 47 | South Dakota | 0 | 7,929,849 | 0% |
| 48 | Texas | 0 | 242,880,197 | 0% |
| 49 | Washington | 0 | 106,372,436 | 0% |
| 50 | Wyoming | 0 | 11,871,324 | 0% |

b. General Sales Taxes

General sales taxes are a large component of state tax revenue. In 2002, states collected \$179 billion in general sales taxes. By 2008, state sales tax collections had climbed 34%, more than one and half times the rate of inflation and population growth, to \$240 billion, and an annual increase in \$61 billion in revenue.



| Table 8: Individual State Sales Tax Revenue Growth, 2002–2008 | | | | |
|--|----------------|------------------------------------|------------------------------------|-------------------|
| Rank | State | 2002 Revenues (\$ thousand) | 2008 Revenues (\$ thousand) | Difference |
| 1 | Idaho | 795,384 | 1,347,327 | 69% |
| 2 | Wyoming | 445,479 | 744,371 | 67% |
| 3 | Hawaii | 1,612,333 | 2,619,595 | 62% |
| 4 | North Dakota | 335,613 | 530,078 | 58% |
| 5 | Vermont | 214,746 | 338,941 | 58% |
| 6 | Indiana | 3,798,490 | 5,738,829 | 51% |
| 7 | Arizona | 4,283,681 | 6,433,468 | 50% |
| 8 | Florida | 14,408,709 | 21,518,100 | 49% |
| 9 | Texas | 14,559,504 | 21,668,972 | 49% |
| 10 | Louisiana | 2,326,873 | 3,459,383 | 49% |
| 11 | New Jersey | 5,996,839 | 8,915,515 | 49% |
| 12 | Nevada | 2,070,013 | 3,077,433 | 49% |
| 13 | Tennessee | 4,674,896 | 6,832,948 | 46% |
| 14 | New Mexico | 1,337,321 | 1,949,768 | 46% |
| 15 | Arkansas | 1,946,770 | 2,807,943 | 44% |
| 16 | Washington | 7,904,003 | 11,344,622 | 44% |
| 17 | Nebraska | 1,069,185 | 1,534,134 | 43% |
| 18 | North Carolina | 3,740,715 | 5,269,929 | 41% |
| 19 | South Dakota | 523,001 | 732,438 | 40% |
| 20 | Maryland | 2,690,434 | 3,748,933 | 39% |
| 21 | Oklahoma | 1,529,465 | 2,096,220 | 37% |
| | United States | 179,665,257 | 240,415,097 | 34% |
| 22 | California | 23,816,406 | 31,972,874 | 34% |
| 23 | Mississippi | 2,340,474 | 3,135,390 | 34% |
| 24 | New York | 8,607,718 | 11,294,737 | 31% |
| 25 | Utah | 1,500,278 | 1,964,119 | 31% |
| 26 | Alabama | 1,748,235 | 2,287,288 | 31% |
| 27 | South Carolina | 2,335,170 | 3,051,608 | 31% |
| 28 | Virginia | 2,799,526 | 3,656,789 | 31% |
| 29 | Maine | 836,134 | 1,071,653 | 28% |
| 30 | Kansas | 1,799,485 | 2,264,747 | 26% |
| | Baseline | N/A | N/A | 25% |
| 31 | Kentucky | 2,312,224 | 2,875,836 | 24% |
| 32 | Ohio | 6,391,475 | 7,865,674 | 23% |
| 33 | Minnesota | 3,741,390 | 4,550,838 | 22% |
| 34 | Colorado | 1,901,972 | 2,312,731 | 22% |
| 35 | Pennsylvania | 7,330,422 | 8,873,309 | 21% |
| 36 | Illinois | 6,591,337 | 7,935,417 | 20% |
| 37 | Georgia | 4,833,521 | 5,796,653 | 20% |
| 38 | Rhode Island | 731,597 | 846,870 | 16% |
| 39 | Wisconsin | 3,695,796 | 4,268,068 | 15% |
| 40 | West Virginia | 962,756 | 1,109,822 | 15% |
| 41 | Missouri | 2,854,718 | 3,228,274 | 13% |
| 42 | Massachusetts | 3,695,874 | 4,098,089 | 11% |
| 43 | Michigan | 7,784,308 | 8,225,599 | 6% |

Table 8: Individual State Sales Tax Revenue Growth, 2002–2008

| Rank | State | 2002 Revenues (\$ thousand) | 2008 Revenues (\$ thousand) | Difference |
|------|---------------|-----------------------------|-----------------------------|------------|
| 44 | Iowa | 1,747,016 | 1,840,862 | 5% |
| 45 | Connecticut | 3,043,971 | 3,178,903 | 4% |
| 46 | Alaska | 0 | 0 | 0% |
| 47 | Delaware | 0 | 0 | 0% |
| 48 | Montana | 0 | 0 | 0% |
| 49 | New Hampshire | 0 | 0 | 0% |
| 50 | Oregon | 0 | 0 | 0% |

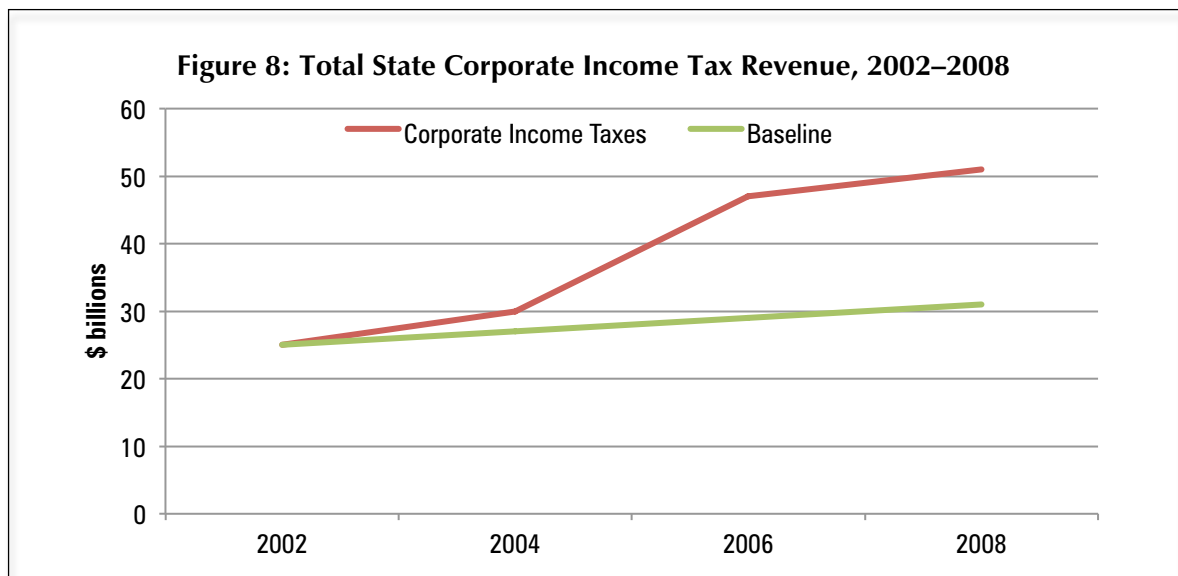
Table 9: Individual State Sales Tax Share of Total Tax Revenue, 2008

| Rank | State | General Sales Tax Revenues (\$ thousand) | Total Tax Revenues (\$ thousand) | Share of Total Taxes |
|------|----------------|--|----------------------------------|----------------------|
| 1 | Washington | 65,736,101 | 106,372,436 | 62% |
| 2 | Tennessee | 42,101,220 | 69,705,304 | 60% |
| 3 | Florida | 129,612,450 | 225,564,785 | 57% |
| 4 | South Dakota | 4,393,519 | 7,929,849 | 55% |
| 5 | Nevada | 18,873,760 | 37,034,612 | 51% |
| 6 | Texas | 121,102,010 | 242,880,197 | 50% |
| 7 | Hawaii | 14,974,567 | 30,434,052 | 49% |
| 8 | Mississippi | 19,210,185 | 39,439,927 | 49% |
| 9 | Arizona | 36,028,031 | 75,807,070 | 48% |
| 10 | South Carolina | 19,992,498 | 51,467,058 | 39% |
| 11 | Indiana | 34,265,851 | 88,778,487 | 39% |
| 12 | Arkansas | 17,105,905 | 44,379,065 | 39% |
| 13 | Nebraska | 9,964,714 | 26,037,509 | 38% |
| 14 | Idaho | 7,506,202 | 20,528,822 | 37% |
| 15 | New Mexico | 11,240,475 | 31,676,966 | 35% |
| 16 | Utah | 12,066,091 | 34,075,438 | 35% |
| 17 | Kansas | 14,260,512 | 41,066,437 | 35% |
| 18 | Michigan | 55,727,771 | 163,129,572 | 34% |
| 19 | Georgia | 37,350,935 | 110,817,688 | 34% |
| 20 | Louisiana | 20,725,762 | 62,705,235 | 33% |
| 21 | Wyoming | 3,923,559 | 11,871,324 | 33% |
| | United States | 1,478,125,601 | 4,566,546,439 | 32% |
| 22 | Rhode Island | 5,721,294 | 17,691,007 | 32% |
| 23 | Ohio | 52,608,996 | 162,989,017 | 32% |
| 24 | Missouri | 21,262,266 | 67,869,856 | 31% |
| 25 | Maine | 6,713,406 | 22,271,656 | 30% |
| 26 | Wisconsin | 27,927,292 | 93,060,447 | 30% |
| 27 | Iowa | 12,104,560 | 40,374,612 | 30% |
| 28 | Pennsylvania | 56,667,875 | 189,944,661 | 30% |
| 29 | California | 202,031,327 | 684,555,613 | 30% |
| 30 | New Jersey | 48,861,330 | 169,488,417 | 29% |
| 31 | Kentucky | 18,202,554 | 63,752,277 | 29% |
| 32 | Connecticut | 21,754,343 | 78,764,528 | 28% |

| Rank | State | General Sales Tax Revenues (\$ thousand) | Total Tax Revenues (\$ thousand) | Share of Total Taxes |
|------|----------------|---|-------------------------------------|-------------------------|
| 33 | Illinois | 50,781,413 | 184,710,133 | 27% |
| 34 | North Dakota | 2,915,870 | 10,644,167 | 27% |
| 35 | Minnesota | 29,374,474 | 111,253,843 | 26% |
| 36 | Alabama | 14,225,365 | 54,187,025 | 26% |
| 37 | Colorado | 14,284,215 | 55,612,129 | 26% |
| 38 | West Virginia | 7,422,603 | 29,287,501 | 25% |
| 39 | Oklahoma | 12,136,621 | 49,813,628 | 24% |
| 40 | North Carolina | 32,193,743 | 132,858,637 | 24% |
| 41 | Maryland | 21,586,188 | 92,929,547 | 23% |
| 42 | Massachusetts | 27,221,101 | 127,275,565 | 21% |
| 43 | Virginia | 22,022,300 | 110,073,681 | 20% |
| 44 | New York | 71,941,602 | 368,603,508 | 20% |
| 45 | Vermont | 2,002,745 | 14,596,442 | 14% |
| 46 | Alaska | 0 | 19,763,205 | 0% |
| 47 | Delaware | 0 | 17,953,366 | 0% |
| 48 | Montana | 0 | 13,335,232 | 0% |
| 49 | New Hampshire | 0 | 14,386,003 | 0% |
| 50 | Oregon | 0 | 46,102,999 | 0% |

c. Corporate Income Taxes

Corporate income taxes make up a small but growing share of total state tax collections. In 2002, states collected \$25 billion through the corporate income tax. In just six years this figure had more than doubled, to \$51 billion in 2008, growing almost five times as fast as the baseline. The run-up to the recession did see a decline in the rate of growth of corporate income tax revenue; that also should have been a signal to state budget analysts to ratchet down revenue growth predictions.



| Rank | State | 2002 Revenues (\$ thousand) | 2008 Revenues (\$ thousand) | Difference |
|-------------|----------------|------------------------------------|------------------------------------|-------------------|
| 1 | Rhode Island | 28,273 | 145,866 | 416% |
| 2 | Kansas | 121,931 | 528,011 | 333% |
| 3 | Iowa | 88,310 | 347,248 | 293% |
| 4 | Alaska | 269,273 | 981,673 | 265% |
| 5 | Connecticut | 149,454 | 534,201 | 257% |
| 6 | Utah | 110,989 | 394,638 | 256% |
| 7 | North Dakota | 49,990 | 161,925 | 224% |
| 8 | New Mexico | 124,327 | 354,588 | 185% |
| 9 | Massachusetts | 812,257 | 2,179,956 | 168% |
| 10 | Louisiana | 264,419 | 703,196 | 166% |
| 11 | New Jersey | 1,101,296 | 2,819,906 | 156% |
| 12 | Virginia | 308,554 | 787,229 | 155% |
| 13 | Idaho | 76,769 | 190,194 | 148% |
| 14 | Colorado | 205,217 | 507,986 | 148% |
| 15 | West Virginia | 220,158 | 538,839 | 145% |
| 16 | Oregon | 196,257 | 477,113 | 143% |
| 17 | Maine | 77,366 | 184,515 | 138% |
| 18 | Montana | 68,173 | 161,713 | 137% |
| 19 | Vermont | 37,306 | 84,783 | 127% |
| 20 | Arizona | 346,280 | 784,511 | 127% |
| 21 | Illinois | 1,383,823 | 3,115,604 | 125% |
| 22 | New York | 2,257,935 | 5,037,830 | 123% |
| 23 | California | 5,333,036 | 11,849,097 | 122% |
| 24 | Nebraska | 107,628 | 232,852 | 116% |
| 25 | Oklahoma | 173,701 | 360,065 | 107% |
| 26 | Maryland | 359,420 | 735,324 | 105% |
| | United States | 25,123,137 | 50,688,869 | 102% |
| 27 | South Carolina | 159,837 | 320,378 | 100% |
| 28 | Hawaii | 52,640 | 105,294 | 100% |
| 29 | Tennessee | 502,977 | 1,005,880 | 100% |
| 30 | Mississippi | 195,814 | 384,643 | 96% |
| 31 | Minnesota | 533,901 | 1,040,479 | 95% |
| 32 | Wisconsin | 445,016 | 863,088 | 94% |
| 33 | Arkansas | 176,874 | 342,529 | 94% |
| 34 | Pennsylvania | 1,198,438 | 2,191,420 | 83% |
| 35 | Florida | 1,218,864 | 2,208,600 | 81% |
| 36 | North Carolina | 668,124 | 1,206,412 | 81% |
| 37 | Kentucky | 302,129 | 533,630 | 77% |
| 38 | South Dakota | 40,547 | 69,879 | 72% |
| 39 | Georgia | 568,080 | 943,042 | 66% |
| 40 | New Hampshire | 377,313 | 614,794 | 63% |
| 41 | Alabama | 322,636 | 524,808 | 63% |
| 42 | Indiana | 709,412 | 909,494 | 28% |
| 43 | Missouri | 300,459 | 384,010 | 28% |

Table 10: Individual State Corporate Income Tax Revenue Growth, 2002–2008

| Rank | State | 2002 Revenues (\$ thousand) | 2008 Revenues (\$ thousand) | Difference |
|------|------------|-----------------------------|-----------------------------|------------|
| | Baseline | N/A | N/A | 25% |
| 44 | Delaware | 251,643 | 308,676 | 23% |
| 45 | Nevada | 0 | 0 | 0% |
| 46 | Texas | 0 | 0 | 0% |
| 47 | Washington | 0 | 0 | 0% |
| 48 | Wyoming | 0 | 0 | 0% |
| 49 | Ohio | 761,050 | 754,633 | -1% |
| 50 | Michigan | 2,065,241 | 1,778,317 | -14% |

Table 11: Individual State Corporate Income Tax Share of Total Tax Revenue, 2008

| Rank | State | Corporate Income Tax Revenues (\$ thousand) | Total Tax Revenues (\$ thousand) | Share of Total Taxes |
|------|----------------|---|----------------------------------|----------------------|
| 1 | New Hampshire | 3,410,794 | 14,386,003 | 24% |
| 2 | Alaska | 4,021,705 | 19,763,205 | 20% |
| 3 | Delaware | 1,833,038 | 17,953,366 | 10% |
| 4 | New Jersey | 15,824,895 | 169,488,417 | 9% |
| 5 | West Virginia | 2,658,288 | 29,287,501 | 9% |
| 6 | California | 61,056,038 | 684,555,613 | 9% |
| 7 | Massachusetts | 10,776,602 | 127,275,565 | 8% |
| 8 | Tennessee | 5,670,970 | 69,705,304 | 8% |
| 9 | Michigan | 13,107,211 | 163,129,572 | 8% |
| 10 | Illinois | 14,590,849 | 184,710,133 | 8% |
| 11 | Indiana | 5,848,643 | 88,778,487 | 7% |
| 12 | Pennsylvania | 12,363,946 | 189,944,661 | 7% |
| | United States | 273,559,657 | 4,566,546,439 | 6% |
| 13 | New York | 23,648,398 | 368,603,508 | 6% |
| 14 | Kentucky | 4,055,058 | 63,752,277 | 6% |
| 15 | North Dakota | 650,084 | 10,644,167 | 6% |
| 16 | Arizona | 4,623,880 | 75,807,070 | 6% |
| 17 | North Carolina | 7,755,541 | 132,858,637 | 6% |
| 18 | Montana | 772,342 | 13,335,232 | 6% |
| 19 | Florida | 12,729,374 | 225,564,785 | 6% |
| 20 | New Mexico | 1,763,391 | 31,676,966 | 6% |
| 21 | Wisconsin | 5,030,895 | 93,060,447 | 5% |
| 22 | Minnesota | 5,997,743 | 111,253,843 | 5% |
| 23 | Mississippi | 2,082,498 | 39,439,927 | 5% |
| 24 | Oregon | 2,428,395 | 46,102,999 | 5% |
| 25 | Alabama | 2,843,868 | 54,187,025 | 5% |
| 26 | Kansas | 2,097,841 | 41,066,437 | 5% |
| 27 | Utah | 1,734,718 | 34,075,438 | 5% |
| 28 | Nebraska | 1,293,209 | 26,037,509 | 5% |
| 29 | South Dakota | 389,182 | 7,929,849 | 5% |
| 30 | Idaho | 991,353 | 20,528,822 | 5% |
| 31 | Maryland | 4,479,411 | 92,929,547 | 5% |

Table 11: Individual State Corporate Income Tax Share of Total Tax Revenue, 2008

| Rank | State | Corporate Income Tax Revenues (\$ thousand) | Total Tax Revenues (\$ thousand) | Share of Total Taxes |
|------|----------------|---|----------------------------------|----------------------|
| 32 | Louisiana | 3,014,159 | 62,705,235 | 5% |
| 33 | Georgia | 5,110,191 | 110,817,688 | 5% |
| 34 | Connecticut | 3,443,050 | 78,764,528 | 4% |
| 35 | Rhode Island | 773,095 | 17,691,007 | 4% |
| 36 | Maine | 972,416 | 22,271,656 | 4% |
| 37 | Ohio | 7,103,339 | 162,989,017 | 4% |
| 38 | Colorado | 2,405,599 | 55,612,129 | 4% |
| 39 | Arkansas | 1,886,925 | 44,379,065 | 4% |
| 40 | Virginia | 4,195,200 | 110,073,681 | 4% |
| 41 | Oklahoma | 1,806,169 | 49,813,628 | 4% |
| 42 | Iowa | 1,461,937 | 40,374,612 | 4% |
| 43 | South Carolina | 1,706,201 | 51,467,058 | 3% |
| 44 | Vermont | 464,365 | 14,596,442 | 3% |
| 45 | Missouri | 2,067,139 | 67,869,856 | 3% |
| 46 | Hawaii | 619,712 | 30,434,052 | 2% |
| 47 | Nevada | 0 | 37,034,612 | 0% |
| 48 | Texas | 0 | 242,880,197 | 0% |
| 49 | Washington | 0 | 106,372,436 | 0% |
| 50 | Wyoming | 0 | 11,871,324 | 0% |

d. Taxes Per Capita

Across the nation, state total tax collections averaged \$1,862 for every man, woman and child in 2002. In just six years, that figure had risen to \$2,574, an increase of more than \$700 for every citizen (which means an average roughly \$2,000 per household increase in state taxes). This increase of 34% is well above the 25% baseline.

Obviously, not every dollar of a state's total tax collections is paid directly by residents. The biggest increase in per capita collections was in states with significant natural resources that benefited from higher prices for oil, gas and other minerals. But demand for state services should roughly align with the rate of growth in population and the economy, unless the scope of government services is expanding as well. Since states were largely providing the same services in 2008 as they were in 2002, the growth in per capita tax collections represents higher costs for the same services, or surplus revenue. The magnitude of the increase—jumping by a third in just six years—is an indication of just how much costs were increasing or surplus revenue was flowing into the states' coffers.

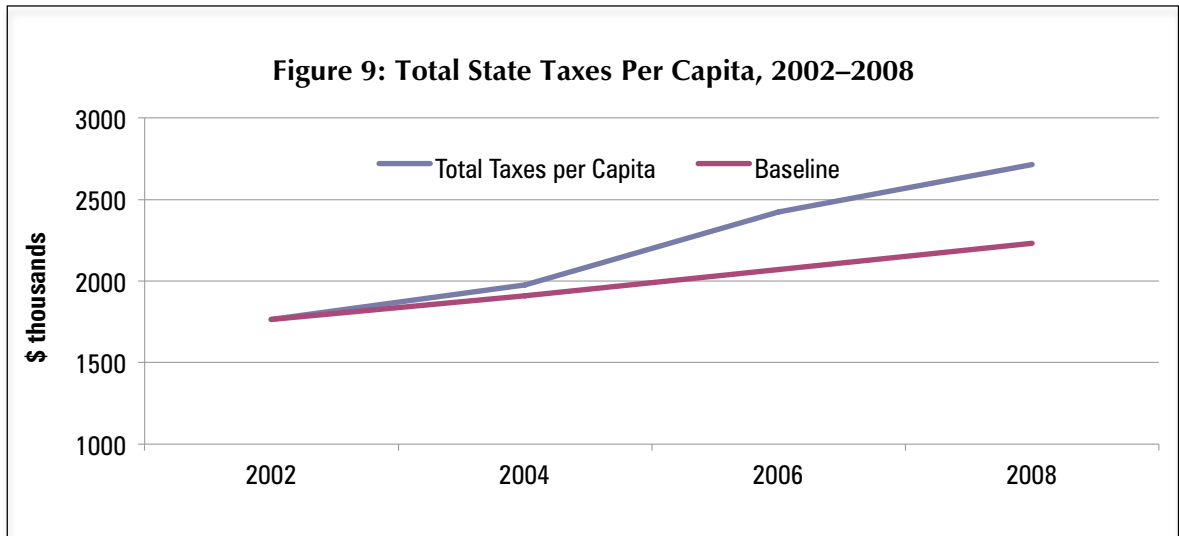


Table 12: Individual State Total Taxes Per Capita Growth, 2002–2008

| Rank | State | 2002 Total Taxes Per Capita | 2008 Total Taxes Per Capita | Difference |
|------|---------------|-----------------------------|-----------------------------|------------|
| 1 | Alaska | 1,692 | 12,276 | 626% |
| 2 | North Dakota | 1,762 | 3,604 | 105% |
| 3 | Wyoming | 2,194 | 4,070 | 86% |
| 4 | Vermont | 2,463 | 4,095 | 66% |
| 5 | New Jersey | 2,134 | 3,526 | 65% |
| 6 | Montana | 1,586 | 2,541 | 60% |
| 7 | Louisiana | 1,641 | 2,495 | 52% |
| 8 | New York | 2,258 | 3,354 | 49% |
| 9 | Connecticut | 2,610 | 3,818 | 46% |
| 10 | Massachusetts | 2,306 | 3,372 | 46% |
| 11 | New Mexico | 1,956 | 2,845 | 45% |
| 12 | Hawaii | 2,748 | 3,996 | 45% |
| 13 | Kansas | 1,770 | 2,555 | 44% |
| 14 | California | 2,214 | 3,193 | 44% |
| 15 | Pennsylvania | 1,795 | 2,581 | 44% |
| 16 | Idaho | 1,693 | 2,397 | 42% |
| 17 | Indiana | 1,656 | 2,339 | 41% |
| 18 | Maryland | 1,983 | 2,789 | 41% |
| 19 | Mississippi | 1,647 | 2,304 | 40% |
| 20 | Texas | 1,316 | 1,836 | 40% |
| 21 | Illinois | 1,784 | 2,472 | 39% |
| | United States | 1,860 | 2,574 | 38% |
| 22 | Tennessee | 1,345 | 1,857 | 38% |
| 23 | Arkansas | 1,910 | 2,637 | 38% |
| 24 | Maine | 2,029 | 2,797 | 38% |
| 25 | Nebraska | 1,731 | 2,371 | 37% |
| 26 | West Virginia | 1,971 | 2,689 | 36% |
| 27 | Arizona | 1,554 | 2,109 | 36% |
| 28 | Virginia | 1,752 | 2,369 | 35% |
| 29 | Alabama | 1,451 | 1,960 | 35% |

| Table 12: Individual State Total Taxes Per Capita Growth, 2002–2008 | | | | |
|--|----------------|------------------------------------|------------------------------------|-------------------|
| Rank | State | 2002 Total Taxes Per Capita | 2008 Total Taxes Per Capita | Difference |
| 30 | Iowa | 1,705 | 2,295 | 35% |
| 31 | Oklahoma | 1,732 | 2,329 | 34% |
| 32 | Minnesota | 2,634 | 3,509 | 33% |
| 33 | North Carolina | 1,867 | 2,470 | 32% |
| 34 | Rhode Island | 1,989 | 2,628 | 32% |
| 35 | Washington | 2,081 | 2,740 | 32% |
| 36 | Oregon | 1,466 | 1,920 | 31% |
| 37 | Ohio | 1,763 | 2,296 | 30% |
| 38 | Nevada | 1,815 | 2,352 | 30% |
| 39 | Florida | 1,517 | 1,956 | 29% |
| 40 | Colorado | 1,536 | 1,980 | 29% |
| 41 | Utah | 1,695 | 2,172 | 28% |
| 42 | South Dakota | 1,283 | 1,643 | 28% |
| 43 | South Carolina | 1,482 | 1,887 | 27% |
| 44 | Delaware | 2,692 | 3,357 | 25% |
| 45 | Wisconsin | 2,171 | 2,681 | 23% |
| 46 | Kentucky | 1,948 | 2,356 | 21% |
| 47 | Missouri | 1,539 | 1,855 | 21% |
| | Baseline | N/A | N/A | 20% |
| 48 | Georgia | 1,609 | 1,877 | 17% |
| 49 | New Hampshire | 1,488 | 1,716 | 15% |
| 50 | Michigan | 2,175 | 2,477 | 14% |

Even if each tax dollar isn't directly paid by a resident, the per capita measurement is a good proxy for the resources available to state governments to meet their obligations. It is clear that over this seven-year period, states collected far more in taxes than was necessary to meet their needs.

A prudent course for state governments would have been to systematically cut their taxes during this period of strong economic growth while controlling the growth in the cost of services. In doing so, they could have kept their per capita tax collections relatively stable. Because they didn't do this, their budgets are now based on a level of per capita tax collection that is unsustainable during an economic downturn.

It defies common sense to spend today what you won't have tomorrow. The economic growth from 2002 to 2008 pumped staggering sums of new money into state government coffers. As with economic booms in the past, state governments acted as if the good times would never end. But they did.