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HIGHLIGHTS

- State tax collections for the first quarter of 2009 showed a drop of 11.7 percent, the sharpest decline in the 46 years for which quarterly data are available. Combining the Census Bureau's quarterly data with its annual statistical series, which extends back to 1952, the most recent decline in state tax revenues was the worst on record.
- After adjusting for inflation, legislative changes, and known anomalies, tax revenue declined in 47 states.
- The personal income tax decline was particularly sharp, an unprecedented 17.5 percent in nominal terms. The inflation-adjusted decline in state personal income taxes was the greatest in the 46 years for which quarterly data are available.
- Early figures for April and May of 2009 show an overall decline of nearly 20 percent for total taxes, a further dramatic worsening of fiscal conditions nationwide. Preliminary figures for the state fiscal year 2009 indicate around 8 percent decline in total taxes, 13 percent in personal income taxes, and 5 percent in sales taxes.
- Local tax revenue remained much stronger than state taxes, with growth of 3.9 percent for the quarter.

STATE REVENUE REPORT

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State Tax Decline in Early 2009 Was the Sharpest on Record

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Introduction

Tax data tend to be noisy and require careful interpretation. This is particularly true of data for the January-March quarter, the focus of most of this report. While we report data from the Census Bureau in Tables 8, 9, 10, and 11, throughout much of the discussion that follows we describe tax revenue growth or declines after reflecting adjustments that we believe are essential for proper interpretation. Since early data from the second quarter of 2009 indicate further widespread declines in revenue, we also provide an initial look at currently available reports, which represent tax revenue data for 45 states for the April and May months.

Overall State Taxes and Local Taxes

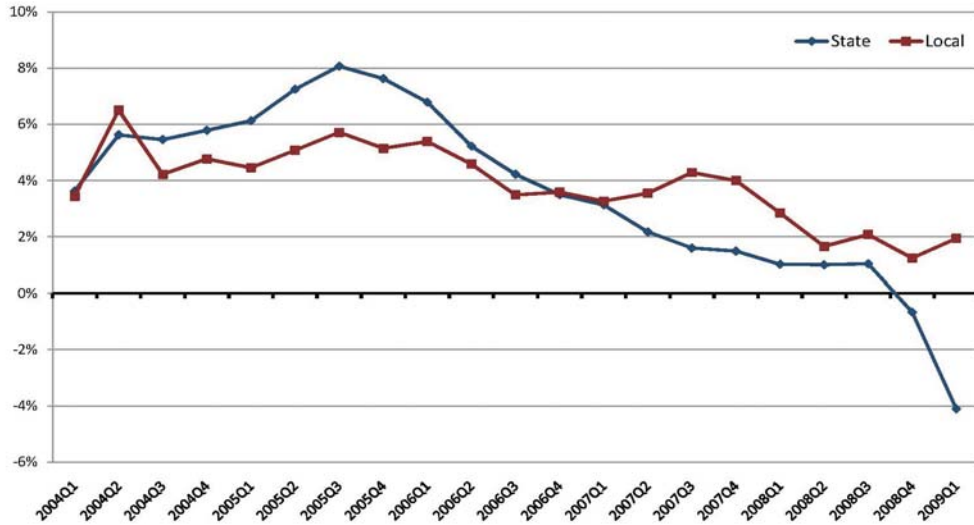
Total state tax collections as well as collections from three major sources — sales tax, personal income, and corporate income — all declined for the second consecutive quarter. Overall state tax collections in the January-March quarter of 2009, as reported by the Census Bureau, declined by more than 11.7 percent from the same quarter of the previous year.¹ We have compiled historical data from the Census Bureau Web site going back to 1962. Both nominal and inflation adjusted figures indicate that the first quarter of 2009 marked the largest decline in state tax collections at least since 1963. The same is true for sales tax collections as well as combined state and local tax collections.

The trend in state and local tax collections has been clearly downward from 2005 growth that was unusually high, and 2006 growth rates that were more in line with historical averages. Figure 1 shows the four-quarter moving average of year-over-year growth in state tax collections and local tax collections, after adjusting for inflation. The year-over-year change in state taxes, adjusted for inflation, has averaged negative 4.1 percent over the last four quarters, down from the 1.0 percent average growth of a year ago and 3.1 percent of two years ago. Real, year-over-year growth in local taxes has slowed to an average of 1.9 percent over the last four quarters, from 2.9 percent for the preceding year. Inflation for the period, as measured by the gross domestic product deflator, was 2.1 percent.

The local tax slowdown has been less pronounced than the state tax slowdown. In the first quarter of 2009, local tax collections rose by 3.9 percent, driven by 7.4 percent growth in property taxes. Most local governments rely heavily on property taxes,

Figure 1. State Taxes Are Faring Worse Than Local Taxes

Year-Over-Year Percent Change in Real State Taxes and Local Taxes
Four-Quarter Average of Percent Change



Sources: U.S. Census Bureau (tax revenue) and Bureau of Economic Analysis (GDP price index).
Notes: (1) 4-quarter average of percent change in real tax revenue; (2) No adjustments for legislative changes.

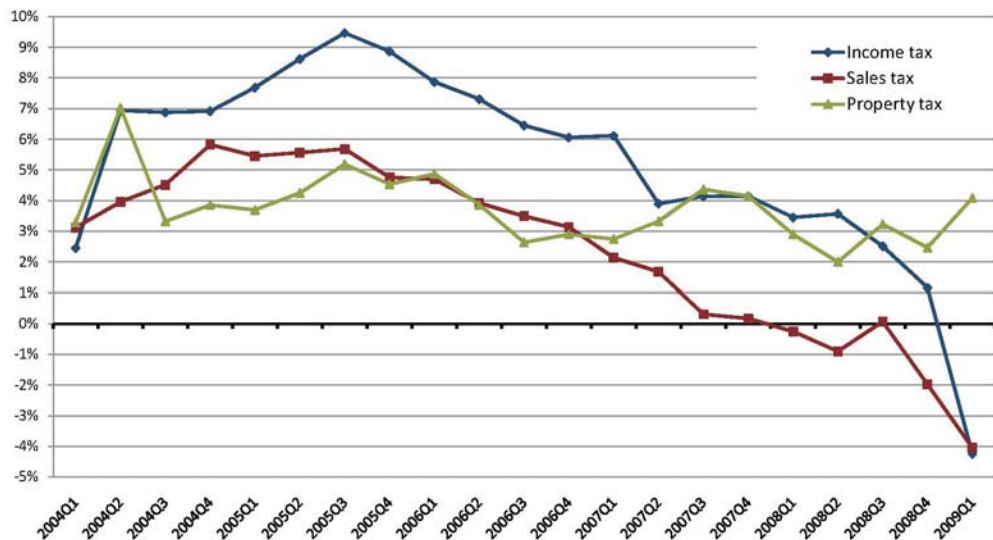
which tend to be relatively stable.

Figure 2 shows the four-quarter average of year-over-year growth in state and local income, sales, and property taxes, adjusted for inflation. Both the income tax and the sales tax have shown slower growth, and then outright decline, over most of the last four years. While the sales tax has underperformed the income tax in most recent periods, the income tax declined sharply and bypassed the sales tax decline in the first quarter of 2009,

relative to the same period a year earlier. The relative stability of the property tax is apparent, and surprisingly the property tax increased by 4.1 percent in the first quarter of 2009.

Figure 2. Both Income Tax and Sales Tax Declined Sharply

Year-Over-Year Percent Real Change in Major Taxes
Four-Quarter Average of Percent Change



Sources: U.S. Census Bureau (tax revenue) and Bureau of Economic Analysis (GDP price index).
Notes: (1) 4-quarter average of percent change in real tax revenue; (2) No adjustments for legislative changes.

State Tax Revenue

First quarter revenues fell to levels last seen in 2005. Total state tax revenue in the first quarter of 2009 declined by 11.7 percent relative to a year ago, before adjustments. The income tax was down by 17.5 percent, the sales tax was down by 8.3 percent, and the corporate income tax was down by 18.8 percent. Tables 1 and 2 portray growth in tax revenue with and without adjustment for inflation, and for growth by major tax, respectively. Table 1 does not include adjustment for legislative changes. Total tax revenue declined in 45 states in the first quarter of 2009, up from 35 states during the fourth quarter of 2008. Double-digit declines were reported in 25 states in the first quarter of 2009, compared to six states in the fourth quarter of 2008. Alaska experienced the largest decline of 72 percent in the first quarter of 2009, which is not surprising as the revenue collections were unusually high in the past few quarters due to high oil prices. All regions saw declines in total state tax collections, with the Far West seeing the largest decline at 16 percent. Only the Rocky Mountain and Plains regions saw single-digit declines at 5.0 and 6.0 percent, respectively.

Personal Income Tax

In the first quarter personal income tax revenue made up at least a third of total tax revenue in 21 states, and was larger than the sales tax in 19 states.

Personal income tax revenue declined 17.5 percent in the January-March 2009 quarter compared to the same quarter in 2008. Preliminary figures for the second quarter of 2009 indicate that the personal income tax declines will be far more severe compared to the last recession when the largest decline was reported at 22.3 percent for the second quarter of 2002. Among the regions, the largest decline in state personal income tax revenue was in the Southwest, where collections dropped by over 30 percent. Again, the Rocky Mountain and Plains regions were the only two regions seeing single-digit declines while the remaining regions all experienced double-digit declines in personal income taxes.

We made two significant changes beginning with our April-June Revenue Report in 2008: (1) we now base our analysis upon quarterly tax data collected by the U.S. Bureau of the Census, which are more timely than in prior years; and (2) we have changed our method of adjusting for inflation. These changes allow us to broaden and strengthen our analysis, but they complicate comparisons between these reports and previous reports. We explained our reasons for these changes in appendices in the April-June 2008 Revenue Report available at www.rockinst.org.

Table 1. Quarterly State Tax Revenue

Adjusted for Inflation Year-Over-Year Percent Change			
	Total Nominal Change	Inflation Rate	Adjusted Real Change
2009 Q1	(11.7)	2.1	(13.5)
2008 Q4	(4.0)	2.0	(5.9)
2008 Q3	3.1	2.6	0.4
2008 Q2	4.6	2.0	2.5
2008 Q1	2.6	2.3	0.3
2007 Q4	3.6	2.6	0.9
2007 Q3	2.8	2.5	0.3
2007 Q2	5.4	2.8	2.5
2007 Q1	5.2	2.9	2.2
2006 Q4	4.2	2.8	1.4
2006 Q3	5.9	3.2	2.6
2006 Q2	10.1	3.5	6.3
2006 Q1	7.1	3.4	3.6
2005 Q4	7.9	3.5	4.3
2005 Q3	10.2	3.4	6.7
2005 Q2	15.9	2.9	12.6
2005 Q1	10.6	3.3	7.0
2004 Q4	9.4	3.2	6.0
2004 Q3	6.5	3.0	3.4
2004 Q2	11.2	2.9	8.1
2004 Q1	8.1	2.3	5.7
2003 Q4	7.0	2.2	4.7
2003 Q3	6.3	2.2	4.1
2003 Q2	2.1	2.1	0.1
2003 Q1	1.6	2.1	(0.5)
2002 Q4	3.4	1.7	1.7
2002 Q3	1.6	1.6	(0.1)
2002 Q2	(9.4)	1.6	(10.9)
2002 Q1	(6.1)	2.0	(7.9)
2001 Q4	(1.1)	2.4	(3.4)
2001 Q3	0.5	2.4	(1.9)
2001 Q2	1.2	2.5	(1.3)
2001 Q1	2.7	2.2	0.5
2000 Q4	4.2	2.2	2.0
2000 Q3	6.8	2.3	4.4
2000 Q2	11.7	2.1	9.4
2000 Q1	12.4	2.1	10.2
1999 Q4	7.7	1.6	6.0
1999 Q3	6.5	1.5	5.0
1999 Q2	4.3	1.5	2.7
1999 Q1	3.8	1.2	2.5

Sources: U.S. Census Bureau (tax revenue) and Bureau of Economic Analysis (GDP price index).

Table 2. Quarterly State Tax Revenue

By Major Tax, Year-Over-Year Percent Change				
	PIT	CIT	General Sales	Total
2009 Q1	(17.5)	(18.8)	(8.3)	(11.7)
2008 Q4	(1.2)	(22.0)	(5.4)	(4.0)
2008 Q3	2.1	(15.2)	4.8	3.1
2008 Q2	7.4	(7.2)	0.2	4.6
2008 Q1	5.0	(1.3)	0.6	2.6
2007 Q4	3.8	(14.5)	4.0	3.6
2007 Q3	6.5	(1.9)	(0.9)	2.8
2007 Q2	8.9	1.7	3.5	5.4
2007 Q1	8.5	14.8	3.1	5.2
2006 Q4	4.4	12.6	4.7	4.2
2006 Q3	6.6	17.5	6.7	5.9
2006 Q2	18.8	1.2	5.2	10.1
2006 Q1	9.3	9.6	7.0	7.1
2005 Q4	6.7	33.4	6.4	7.9
2005 Q3	10.2	24.5	8.3	10.2
2005 Q2	19.7	64.1	9.1	15.9
2005 Q1	13.1	29.8	7.3	10.6
2004 Q4	8.8	23.9	10.7	9.4
2004 Q3	5.8	25.2	7.0	6.5
2004 Q2	15.8	3.9	9.5	11.2
2004 Q1	7.9	5.4	9.1	8.1
2003 Q4	7.6	12.5	3.6	7.0
2003 Q3	5.4	12.6	4.7	6.3
2003 Q2	(3.1)	5.2	4.6	2.1
2003 Q1	(3.3)	8.3	2.4	1.6
2002 Q4	0.4	34.7	1.8	3.4
2002 Q3	(3.4)	7.4	2.4	1.6
2002 Q2	(22.3)	(12.3)	0.1	(9.4)
2002 Q1	(14.7)	(15.7)	(1.4)	(6.1)
2001 Q4	(2.5)	(34.0)	1.8	(1.1)
2001 Q3	(0.0)	(27.2)	2.3	0.5
2001 Q2	3.7	(11.0)	(0.8)	1.2
2001 Q1	4.7	(8.4)	1.8	2.7
2000 Q4	6.5	(0.5)	4.4	4.2
2000 Q3	10.0	8.2	4.8	6.8
2000 Q2	21.2	4.2	7.0	11.7
2000 Q1	17.0	11.0	11.9	12.4
1999 Q4	7.3	4.7	7.2	7.7
1999 Q3	6.9	4.3	6.2	6.5
1999 Q2	5.2	5.4	5.0	4.3
1999 Q1	5.8	(5.4)	4.9	3.8

Source: U.S. Census Bureau (tax revenue).

Only seven states reported growth, while thirty-six states showed decline in personal income tax in the first quarter of 2009. North Dakota led the states that have broad-based income taxes, with growth of 32.2 percent. Arizona reported the largest decline in personal income tax at 56.1 percent.

We can get a clearer picture of collections from the personal income tax by breaking this source down into major component parts for which we have data: withholding and quarterly estimated payments. The Census Bureau does not currently collect data on withholding taxes and estimated payments. The data presented here were collected by the Rockefeller Institute.

Withholding

Withholding is a good indicator of the current strength of personal income tax revenue because it comes largely from current

wages and is much less volatile than estimated payments or final settlements. Table 3 shows that withholding for the January-March 2009 quarter declined by 8.0 percent. Thirty-six of 41 states that have broad-based personal income tax had declines in withholding, with New York and Louisiana seeing the largest declines at 16.5 and 14.7 percent, respectively. The five states that reported growth in withholding for the first quarter were Arkansas, Iowa, New Mexico, North Dakota, and West Virginia.

Estimated Payments

The highest-income taxpayers generally make estimated tax payments (also known as declarations) on their income not subject to withholding tax. This income often comes from investments, such as capital gains realized in the stock market. A strong stock market should eventually translate into capital gains and higher estimated tax payments. Strong business profits also tend to boost these payments. And when the market declines or profits fall, these payments often decline.

The first payment for each tax year is due in April in most states and the second, third, and fourth are generally due in June, September, and January. The early payments often are made on the basis of the previous year's tax liability and may offer little insight into income in the current year. It is not safe to extrapolate trends from the first payment, or often even from the first several payments. In the 37 states for which we have complete data for all four payments, the median payment was down by 3.7 percent, while for the fourth payment the median payment was down by 16.8 percent from the year earlier (see Table 4). Declines were recorded in 25 of 37 states for all four payments, and in 33 of 37 states for the fourth payment. The four states reporting growth for the fourth payment were Louisiana, Montana, North Dakota, and West Virginia. The huge and widespread year-over-year declines in the December-January payment were a harbinger of sharp declines in payments with income tax returns due on April 15. Preliminary numbers for the first payment indicate that the median payment was down by 31.1 percent, with 34 of 37 reporting states seeing double-digit declines.

General Sales Tax

Reported sales tax collections in the January-March 2009 quarter were down 8.3 percent from the same quarter in 2008. This decline is far worse than the worst sales tax revenue decline in the previous recession. In fact, the inflation-adjusted decline in state and local sales taxes was the greatest in the 45 years for which quarterly data are available. After adjusting for inflation using the gross domestic product price index, Census Bureau data show that state and local sales tax declined by 9.5 percent in the January-March quarter of 2009 — far more than in any quarter since 1963. The last time we saw such drastic declines in state and local sales tax was in the third quarter of 1991 at 6.9 percent.

Table 3. Personal Income Tax Withholding, by State

	Last Four Quarters, Percent Change			
	2008		2009	
	Apr.-June	July-Sep.	Oct.-Dec.	Jan.-Mar.
United States	3.0	3.2	0.5	(8.0)
New England	1.8	2.6	0.4	(5.5)
Connecticut	0.1	2.5	1.0	(7.7)
Maine	2.3	3.9	2.5	(3.3)
Massachusetts	2.6	2.4	(0.3)	(4.7)
Rhode Island	1.9	1.6	0.2	(5.3)
Vermont	1.1	7.2	3.9	(2.1)
Mid-Atlantic	2.5	4.8	2.3	(11.4)
Delaware	(0.1)	0.6	(1.1)	(3.5)
Maryland	2.3	2.8	1.1	(2.6)
New Jersey	0.6	(1.1)	3.9	(10.3)
New York	4.3	7.6	2.4	(16.5)
Pennsylvania	0.4	2.0	2.0	(1.7)
Great Lakes	7.2	4.1	(1.0)	(5.4)
Illinois	(0.2)	3.6	0.0	(6.1)
Indiana	4.2	2.0	1.9	(5.1)
Michigan	10.9	8.1	1.4	(6.6)
Ohio	0.5	(3.0)	(3.6)	(8.2)
Wisconsin	22.6	13.7	(4.3)	(0.8)
Plains	3.4	4.5	3.7	(2.3)
Iowa	4.9	4.4	2.4	1.3
Kansas	1.8	6.0	2.9	(0.5)
Minnesota	3.5	6.0	2.0	(5.0)
Missouri	2.9	3.1	9.0	(2.8)
Nebraska	2.6	(1.5)	(3.2)	(1.9)
North Dakota	12.8	19.3	11.3	20.4
Southeast	1.9	2.5	2.2	(6.0)
Alabama	1.8	(0.4)	(1.4)	(4.8)
Arkansas	5.6	3.1	0.2	1.8
Georgia	(0.7)	0.1	(0.5)	(7.9)
Kentucky	5.7	3.4	2.3	(2.6)
Louisiana	2.6	(2.1)	3.3	(14.7)
Mississippi	2.8	2.3	3.1	(2.2)
North Carolina	2.5	2.8	3.3	(9.7)
South Carolina	1.4	3.3	(2.7)	(4.7)
Virginia	0.9	5.5	6.2	(4.4)
West Virginia	7.4	5.2	7.7	2.3
Southwest	3.3	(2.1)	(1.0)	(8.0)
Arizona	(1.0)	(1.7)	(3.0)	(13.4)
New Mexico	12.5	(12.2)	(2.7)	4.0
Oklahoma	5.2	1.4	2.5	(4.7)
Rocky Mountain	(2.3)	(1.0)	(1.9)	(5.4)
Colorado	4.0	4.5	2.2	(3.4)
Idaho	(0.8)	(4.0)	(2.0)	(8.6)
Montana	12.7	9.6	3.5	(1.4)
Utah	(16.8)	(12.0)	(11.1)	(8.9)
Far West	2.4	2.8	(3.0)	(10.4)
California	2.7	2.5	(3.5)	(11.1)
Hawaii	(1.4)	3.8	4.6	(5.0)
Oregon	2.1	4.2	(1.5)	(5.6)

Source: Individual state data, analysis by Rockefeller Institute.

Note: Nine states — Alaska, Florida, New Hampshire, Nevada, South Dakota, Tennessee, Texas, Washington, and Wyoming — have no broad-based personal income tax and are therefore not shown in this table.

Table 4. Estimated Payments/Declarations, by State

	Year-Over-Year Percent Change		
	April-January	December-January	April 2009
	(all four payments)	(fourth payment)	(first payment)
Average (Mean)	(3.5)	(13.7)	(22.3)
Median	(3.7)	(16.8)	(31.1)
Alabama	(3.7)	(16.1)	(44.8)
Arizona	(21.9)	(34.2)	(46.7)
Arkansas	5.1	(15.4)	(26.7)
California	(13.0)	(29.5)	(27.2)
Colorado	(2.9)	(20.6)	(46.5)
Connecticut	(9.9)	(22.9)	(37.5)
Delaware	0.5	(3.2)	(40.0)
Georgia	(11.8)	(26.7)	(16.4)
Hawaii	(19.4)	(44.2)	2.8
Illinois	(3.2)	(15.6)	(43.6)
Indiana	2.3	(23.0)	(64.5)
Iowa	1.3	(7.4)	(22.6)
Kansas	(1.2)	(7.1)	(28.5)
Kentucky	21.8	(4.6)	(31.1)
Louisiana	8.5	44.4	(20.2)
Maine	(1.5)	(11.9)	(36.2)
Maryland	(3.7)	(18.3)	(30.7)
Massachusetts	(6.5)	(31.3)	(28.9)
Michigan	1.1	(13.8)	(42.8)
Minnesota	1.8	(18.4)	(32.0)
Missouri	(0.3)	(1.1)	(25.6)
Montana	9.9	27.9	(14.5)
Nebraska	1.7	(10.6)	(29.8)
New Jersey	(9.3)	(18.9)	(36.2)
New York	9.2	(16.8)	(52.1)
North Carolina	(10.1)	(22.8)	(40.7)
North Dakota	16.9	34.6	(11.8)
Ohio	(12.0)	(26.4)	(34.7)
Oklahoma	(6.1)	(13.4)	(31.9)
Oregon	(5.0)	(28.6)	(27.7)
Pennsylvania	(4.2)	(18.7)	(33.2)
Rhode Island	(10.2)	(28.4)	(40.0)
South Carolina	(13.9)	(26.3)	(27.6)
Vermont	(6.4)	(26.5)	(25.5)
Virginia	(7.9)	(16.8)	10.2
West Virginia	(24.8)	14.8	301.6
Wisconsin	(0.8)	(10.5)	(39.7)

Source: Individual state data, analysis by Rockefeller Institute.

Sales tax declines were reported in all regions. The Far West had the largest decline at 14.2 percent, followed by the Rocky Mountain region at 9.7 percent. The Plains regions saw the lowest decline in sales tax revenue collections in the fourth quarter at 1.5 percent.

Forty of 45 states with broad-based sales taxes had declines, and eleven states had double-digit declines. Iowa had the largest increase at 18.5 percent which is attributable to legislated tax increases. Georgia led the states with the largest decline at 16.3 percent followed by Nevada at 16.0 percent.

Corporate Income Tax

Corporate income tax revenue is highly variable because of volatility in corporate profits, and

volatility in the timing of tax payments. Many states, such as Delaware, Hawaii, Montana, Rhode Island, and Vermont, collect relatively little revenue from corporate taxes, resulting in large fluctuations in percentage terms. As a result, corporate income tax is an unstable revenue source and many states report sizeable changes from quarter to quarter.

Nominal corporate tax revenue decreased 18.8 percent in the January-March quarter compared to a year earlier, the seventh consecutive decline. All regions but the Far West and Southwest reported sharp declines, with the Rocky Mountain region reporting the largest decline at 65.8 percent. Among 46 states for which the Census Bureau reported corporate tax data, 37 showed decreases in corporate tax revenue.

Other Taxes

Census Bureau quarterly data on state tax collections provide detailed information for some of the smaller taxes not broken out separately in the advance data collected by the Rockefeller Institute. In Table 5 we show growth rates for the nation as a whole.

Motor fuel tax revenue continued to decline for the ninth consecutive quarter with a drop of 4.9 percent. Revenue from motor vehicle and operators' licenses also fell, for the eighth consecutive quarter, by 1.7 percent. State property taxes declined by 3.0 percent.

Underlying Reasons for Trends

State revenue changes result from three kinds of underlying forces: differences in the national and state economies, the ways in which these differences affect each state's tax system, and legislated tax changes. The next two sections discuss the economy and recent legislated changes.

National and State Economies

Most state tax revenue sources are heavily influenced by the economy — the income tax rises when income rises, the sales tax increases when consumers increase their purchases of taxable items, and so on. When the economy booms, tax revenue tends to rise rapidly and when it declines, tax revenue tends to decline. Figure 3 shows year-over-year growth for two-quarter moving averages in inflation-adjusted state tax revenue and in real gross domestic product. Tax revenue is highly related to economic growth, but there also is significant volatility in tax revenue that is not explained solely by one broad measure of the economy. As shown in Figure 3, the fourth quarter decline in real state tax revenue was sharper than the declines in the 1980-82, 1991, and 2001 recessions. We expect the decline will be far sharper in the second quarter of 2009 due to a huge falloff in income tax in the April-June quarter of 2009, when 2008 income tax returns were due.² The comparable quarter for this recession is now upon us and soon we will know how bad it is. Meanwhile, preliminary data for the April-June quarter of 2009 indicate still further worsening of the declines in state tax revenue.

Table 5. Percent Change in State Taxes Other Than PIT, CIT, and General Sales Taxes

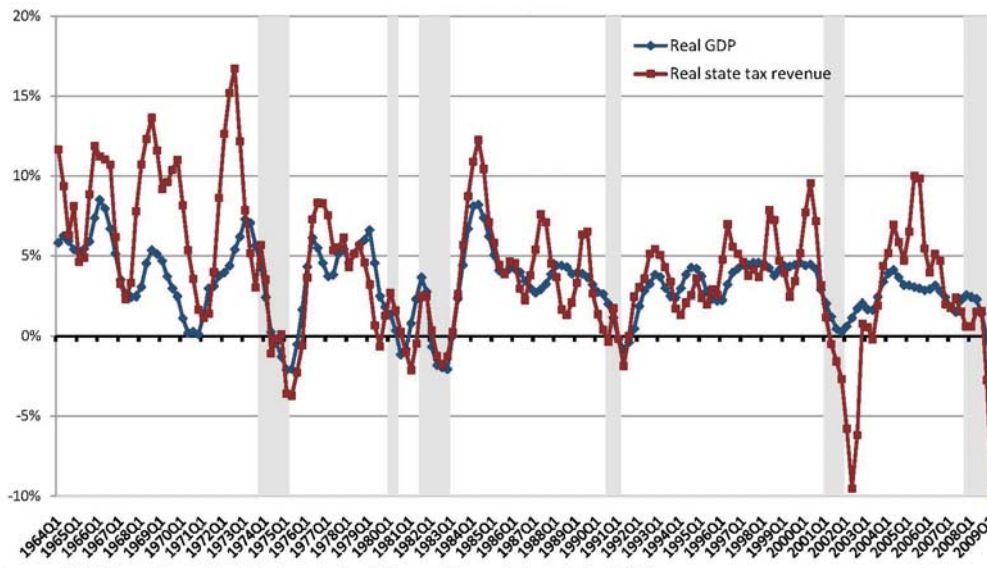
	Property tax	Motor fuel sales tax	Tobacco product sales tax	Alcoholic beverage sales tax	Motor vehicle and operators license taxes	Other taxes
Collections (millions), latest 12 months	\$12,688	\$36,876	\$16,713	\$5,349	\$21,927	\$108,554
2009Q1	(3.0)	(4.9)	2.2	(0.0)	(1.7)	1.6
2008Q4	(1.9)	(4.2)	2.8	0.0	(2.1)	5.4
2008Q3	1.6	(3.1)	3.2	(0.5)	(1.1)	8.5
2008Q2	3.4	(1.9)	5.6	0.3	(0.6)	5.9
2008Q1	3.8	(1.2)	6.1	0.5	(1.1)	2.9
2007Q4	3.3	(1.6)	6.1	0.6	(0.4)	2.2
2007Q3	1.7	(0.6)	3.9	1.7	(0.8)	(0.8)
2007Q2	(0.2)	(1.1)	0.6	1.5	(0.8)	(1.5)
2007Q1	1.8	(0.0)	1.8	0.6	0.5	(1.2)
2006Q4	(0.2)	0.7	3.0	1.2	0.9	(0.6)
2006Q3	(0.5)	(1.1)	5.6	1.3	0.7	2.1
2006Q2	(0.3)	1.4	8.9	1.3	0.6	4.5
2006Q1	1.0	1.6	7.0	2.5	0.1	5.4
2005Q4	2.3	2.3	5.3	1.6	0.3	7.2
2005Q3	3.5	3.7	4.2	(0.2)	2.1	6.3
2005Q2	3.6	0.9	2.2	(0.6)	2.8	4.7
2005Q1	1.5	1.4	2.9	(2.3)	3.6	5.4
2004Q4	(4.4)	1.6	3.5	(1.3)	5.6	5.7
2004Q3	(1.6)	1.5	3.5	0.2	6.1	7.4
2004Q2	5.8	2.1	4.7	0.6	6.7	8.9
2004Q1	3.1	0.4	11.4	4.1	5.7	7.6
2003Q4	9.5	(1.0)	19.1	3.7	4.1	5.8
2003Q3	6.7	(1.2)	28.1	2.2	3.0	3.8
2003Q2	(1.4)	(0.4)	35.8	3.1	2.8	2.5
2003Q1	(4.6)	0.6	27.8	0.8	3.6	2.2
2002Q4	(4.6)	0.9	17.7	(0.1)	2.7	1.9
2002Q3	(6.6)	0.4	5.6	2.5	2.2	2.3
2002Q2	(3.5)	0.9	(6.2)	(0.5)	0.2	3.2
2002Q1	5.3	1.5	(5.2)	(0.5)	(1.3)	2.2
2001Q4	3.4	2.4	(1.1)	0.4	(2.8)	2.7
2001Q3	1.1	3.5	3.1	(1.4)	(3.2)	1.7
2001Q2	(4.8)	2.5	7.7	1.8	(0.2)	1.1
2001Q1	(12.7)	1.3	8.5	1.5	2.5	3.4
2000Q4	(11.4)	1.2	5.8	1.9	5.7	4.0
2000Q3	(4.3)	1.3	1.7	3.2	6.8	6.4
2000Q2	(2.3)	1.2	(1.3)	2.2	5.7	8.0
2000Q1	2.4	2.3	(4.5)	3.1	3.2	5.5
1999Q4	1.4	2.5	(5.2)	2.7	2.0	4.4
1999Q3	(1.5)	1.7	(2.9)	1.7	1.5	3.6
1999Q2	1.2	2.1	(1.0)	1.3	1.1	1.8
1999Q1	4.5	2.5	1.3	1.5	1.2	3.0

Source: U.S. Census Bureau.

The National Bureau of Economic Research has declared that a recession began in December 2007. Real gross domestic product declined at an annual rate of 5.5 percent in the January-March of 2009 quarter, a slight improvement from the 6.3 percent decline in October-December 2008. The last time we saw large declines in real GDP was during the double-dip recession of the early 1980s, when economic activity fell by 7.8 percent for the second quarter of 1980 and 6.4 percent for the first quarter of 1982.

Figure 3. State Tax Revenue Is Heavily Influenced By Economic Changes

Percent Change in Real State Government Taxes and Real GDP vs. Year Ago
Two-Quarter Moving Averages



Sources: U. S. Census Bureau (Quarterly tax collections); Bureau of Economic Analysis (real GDP).
Notes: (1) Percentage changes averaged over 2 quarters; (2) No legislative adjustments; (3) Recession periods are shaded.

Among individual sectors during the most recent quarter, investments in structures saw the largest decline at 42.9 percent. Residential investment declined by 38.8 percent – its thirteenth straight decline. Durable goods consumption – an important element of state sales tax bases – surprisingly increased by 9.5 percent in the first quarter of 2009 after sharp declines in four consecutive quarters.

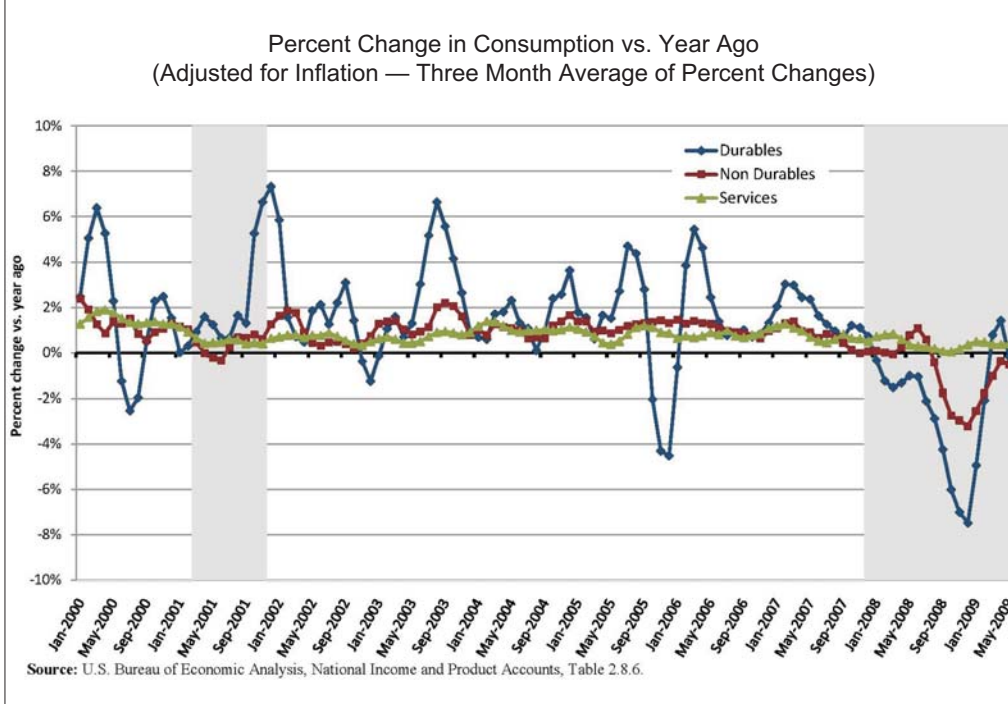
It is helpful to examine economic measures that are closely

related to state tax bases. Most states rely heavily on income taxes and sales taxes, and growth in income and consumption are extremely important to these revenue sources. Most newspaper accounts of economic data show growth from one quarter or month to the next, rather than year over year. That is because most economic time series have been adjusted to remove seasonality so that comparisons from one period to the next are meaningful. Government tax data, by contrast, rarely are adjusted to remove seasonal variations. As a result, analysts usually examine these time series on a year-over-year basis, comparing data for this year to the same season or period last year and implicitly removing some of the seasonal effects. To make our analysis of economic data comparable to our analysis of tax data, for most purposes in this report we examine economic data on a year-over-year basis.

Figure 4 shows consumption of durable goods, nondurable goods, and services. All the data are adjusted for inflation. The period covered is January 2000 through May 2009 (two months after the close of the quarter covered in this report). Even though there was some growth in consumption of durable goods in March and April, overall the consumption of durable and nondurable goods is still negative due to the overall decline in the consumption of goods.

Unfortunately, state-by-state data on income and consumption are not available on a timely basis, and so we cannot easily see variation across the country in these trends. Traditionally, the Rockefeller Institute has relied on employment data from the Bureau of Labor Statistics to examine state-by-state economic

Figure 4. Consumption of Durables, a Mainstay of Sales Taxes, Is Down Again



conditions. These data are relatively timely and are of high quality. Table 6 shows year-over-year employment growth for the last four quarters. For the nation as a whole, employment declined by 3.0 percent in the January-March quarter. On a year-over-year basis, employment declined in 46 states. Measured relative to the previous quarter (rather than a year ago), employment declined in all states.

The regional patterns are quite varied:

The Great Lakes, Far West, and Southeast regions have suffered a malaise for more than a year and saw large employment declines in the first quarter at 4.2, 3.7 and 3.6 percent, respectively. The previously strong Southwest region slowed very sharply by this measure. The four states that saw some increases in employment in the first quarter of 2009 compared to the same quarter of 2008 were Alaska, Louisiana, North Dakota, and Wyoming.

The employment data are compared to the same period a year ago rather than to preceding months. If employment begins to decline relative to earlier months, it can still be higher than its value a year ago. What we are likely to see in the employment data in such a case is a slowing rate of year-over-year growth when the economy begins to decline relative to recent months. The coincident indexes presented below can be compared more easily to recent months and thus can provide a more-intuitive picture of a declining economy. Both sets of data are useful.

Economists at the Philadelphia Federal Reserve Bank developed broader and highly timely measures known as “coincident economic indexes” intended to provide information about current economic activity in individual states. Unlike leading indexes, these measures are not designed to predict where the economy is headed; rather, they are intended to tell us where we are now.³ They are modeled on a similar measure for the nation as a whole, but due to limited availability of state-level data they are focused on labor market conditions, incorporating information from nonfarm payroll employment, average hours worked in manufacturing, the unemployment rate, and real wage and salary

Table 6. Nonfarm Employment, By State

Last Four Quarters, Year-Over-Year Percent Change

	2008		2009	
	Apr.-June	July-Sep.	Oct.-Dec.	Jan.-Mar.
United States	0.1	(0.5)	(1.6)	(3.0)
New England	0.4	(0.2)	(1.4)	(2.7)
Connecticut	0.6	(0.1)	(1.2)	(2.8)
Maine	0.5	(0.3)	(2.0)	(2.5)
Massachusetts	0.6	0.2	(1.1)	(2.7)
New Hampshire	0.2	(0.1)	(0.8)	(1.4)
Rhode Island	(2.0)	(2.3)	(3.0)	(4.2)
Vermont	(0.1)	(0.7)	(2.2)	(3.9)
Mid-Atlantic	0.5	0.2	(0.8)	(2.0)
Delaware	(0.4)	(0.8)	(2.5)	(4.2)
Maryland	0.1	(0.5)	(1.3)	(2.0)
New Jersey	(0.2)	(0.7)	(1.7)	(2.8)
New York	1.0	1.0	(0.2)	(1.5)
Pennsylvania	0.3	0.0	(0.7)	(1.9)
Great Lakes	(0.8)	(1.2)	(2.3)	(4.2)
Illinois	(0.2)	(0.5)	(1.8)	(3.4)
Indiana	(0.5)	(1.0)	(2.0)	(3.8)
Michigan	(2.1)	(2.8)	(3.9)	(6.4)
Ohio	(0.8)	(1.1)	(2.2)	(4.2)
Wisconsin	(0.2)	(0.8)	(1.4)	(3.3)
Plains	0.5	0.1	(0.5)	(1.8)
Iowa	0.5	0.3	(0.6)	(1.5)
Kansas	1.1	0.3	0.1	(1.1)
Minnesota	(0.1)	(0.4)	(1.3)	(3.0)
Missouri	0.1	(0.2)	(0.7)	(1.9)
Nebraska	1.1	0.4	0.1	(1.3)
North Dakota	2.5	2.6	1.8	0.6
South Dakota	1.2	0.9	0.7	(0.8)
Southeast	(0.6)	(1.2)	(2.4)	(3.6)
Alabama	0.0	(0.6)	(1.9)	(3.9)
Arkansas	0.1	0.1	(0.6)	(1.9)
Florida	(3.0)	(3.5)	(4.3)	(5.0)
Georgia	(0.3)	(1.3)	(2.7)	(4.1)
Kentucky	(0.4)	(0.7)	(1.9)	(3.4)
Louisiana	1.9	1.2	0.8	0.4
Mississippi	0.3	(1.0)	(2.1)	(3.2)
North Carolina	0.2	(0.6)	(2.1)	(4.3)
South Carolina	(0.1)	(1.2)	(2.7)	(4.3)
Tennessee	0.0	(1.2)	(2.3)	(3.9)
Virginia	0.2	0.1	(1.3)	(2.1)
West Virginia	0.4	0.6	(0.2)	(1.6)
Southwest	1.7	1.0	0.2	(1.6)
Arizona	(1.3)	(2.3)	(4.4)	(6.6)
New Mexico	0.7	0.5	(0.4)	(1.4)
Oklahoma	2.0	1.6	1.2	(0.4)
Texas	2.5	1.9	1.2	(0.5)
Rocky Mountain	0.8	0.4	(0.9)	(2.3)
Colorado	1.3	0.7	(0.8)	(2.5)
Idaho	(0.8)	(1.0)	(3.0)	(4.3)
Montana	0.5	0.2	(0.6)	(1.3)
Utah	0.5	(0.2)	(1.0)	(2.1)
Wyoming	3.3	3.4	3.0	1.0
Far West	(0.2)	(1.1)	(2.3)	(3.7)
Alaska	1.4	1.7	1.6	0.9
California	(0.4)	(1.5)	(2.5)	(3.8)
Hawaii	(0.4)	(1.5)	(2.3)	(3.0)
Nevada	(1.4)	(2.0)	(3.9)	(5.2)
Oregon	(0.0)	(0.4)	(2.3)	(4.5)
Washington	1.4	0.9	(1.0)	(2.4)

Source: Bureau of Labor Statistics, analysis by Rockefeller Institute.

disbursements. These indexes can be used to measure the scope of economic decline.

Figure 5 shows, by month over the last three decades, the number of states that had declining economic activity relative to three months earlier. As recently as in January of 2008, only 15 states suffered declines, but since then economic weakening has spread rapidly throughout the country. By October of 2008, fully 40 states had declines in economic activity (as measured by the coincident index) compared with three months earlier. By March of 2009, 50 states had declines in economic activity. That was the first time that all 50 states had declines in economic activity (as measured by this index) since 1979. The horizontal line drawn to the left of the May 2009 point on the graph shows that declines now are more widespread than in the previous recessions. The data underlying these indexes are subject to revision, and so tentative conclusions drawn now could change at a later date.

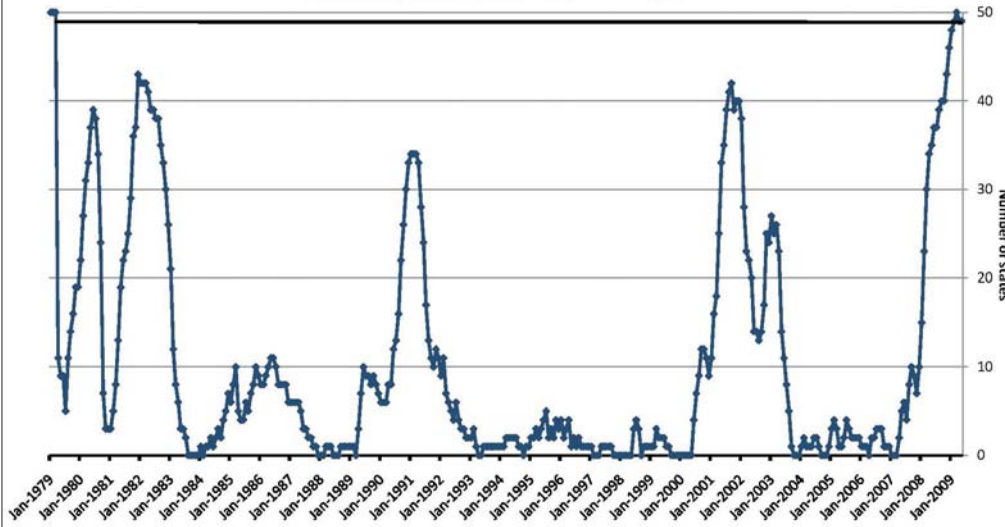
Figure 6 shows that about the majority of the states saw declines of more than one percent for May 2009. Only seven states saw declines of less than one percent, while North Dakota was the only state reporting an increase. Table 7 shows the states sorted by the change in the coincident economic index versus three months ago. Many of the states with the largest declines, toward the bottom of the list, have suffered heavily from large declines in the price of housing as well as financial market, including Michigan, Nevada, and New York.

Figures 5 and 6 show the breadth of economic decline but provide little information on the depth of decline. Figure 7 shows the median percentage change compared to three months earlier — in a sense, how the typical state has been faring. The median state change generally will not be the same as the national change because it gives every state equal importance — in this measure, California is no more important than Wyoming.

Here we can see that the most-recently reported decline in the typical state is worse than those of the 1980-82, 1990-91 and 2001 recessions. As expected, declines in state tax revenue now are worse than those of other recent recessions.⁴ The continued deterioration in April and May suggests that state tax collections in the just-completed April-June quarter will have been worse than in the first quarter of 2009. We expect to issue a “flash report” on the April-June quarter as soon as we have enough data to report.

Figure 5. Economy Is Declining in 49 States

Number of States With Economy Declining Compared to Three Months Earlier
Coincident Economic Indexes — Through May 2009



Source: Federal Reserve Bank of Philadelphia.

Tax Law Changes Affecting This Quarter

Another important element affecting trends in tax revenue growth is changes in states' tax laws. When states boost or depress their revenue growth with tax increases or cuts, it can be difficult to draw any conclusions about their current fiscal condition from nominal collections data. That is why this report attempts to note where such changes have significantly affected

each state's revenue growth. We also occasionally note when tax-processing changes have had a major impact on revenue growth, even though these are not due to enacted legislation, as it helps the reader to understand that the apparent growth or decline is not necessarily indicative of underlying trends.

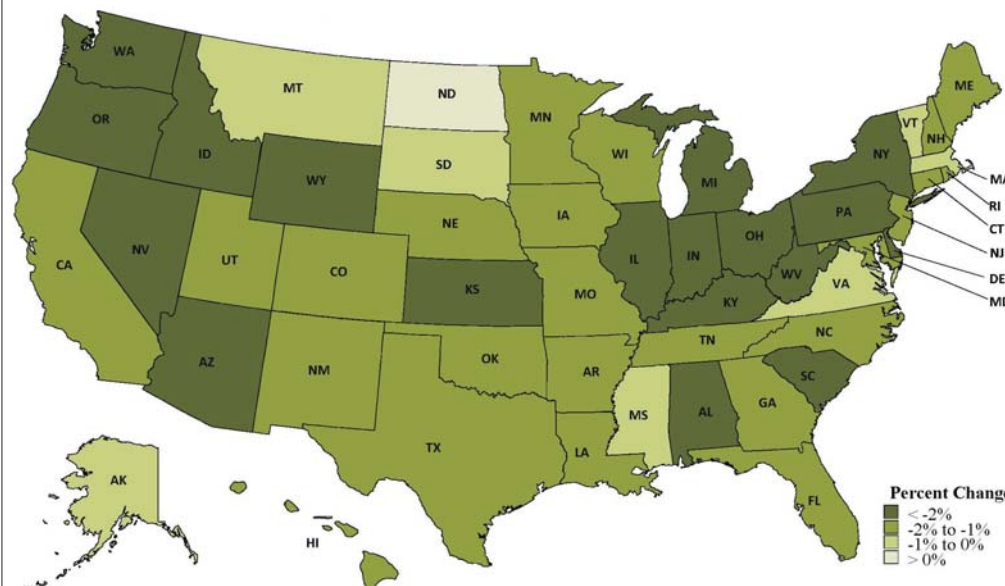
During the January-March 2009 quarter, enacted tax changes increased state revenue by an estimated net of \$838 million compared to the same period in 2008.

Sales tax increases accounted for approximately \$361 million of the change, and corporate income tax accounted for a \$470 million increase. In a single state, California, legislated changes increased corporate income tax collections by an estimated \$525 million; reductions in other states' corporate taxes partially offset that increase.⁵

The net impact is that the decline in real tax revenue is even

Figure 6. In May: 49 States Had Declining Economies

Percent Change in State Coincident Economic Index vs. Three Months Earlier



Source: Federal Reserve Bank of Philadelphia.

Table 7. State Economic Activity: Declining in 49 States

State Indexes of Economic Activity States are Sorted by Percent Change vs. 3 Months Ago			
State	Coincident index May 2009 (Jan 2007=100)	Percent change vs. 1 year ago (May 2008)	Percent change vs. 3 months ago (February 2009)
North Dakota	102.2	1.0	0.5
Virginia	97.6	(2.6)	(0.5)
Vermont	94.3	(5.4)	(0.5)
Mississippi	96.8	(3.1)	(0.5)
Montana	96.9	(2.8)	(0.6)
Alaska	102.0	1.1	(0.7)
Massachusetts	95.8	(4.8)	(0.7)
South Dakota	99.1	(1.6)	(0.8)
New Hampshire	97.2	(3.0)	(1.1)
North Carolina	93.4	(6.1)	(1.1)
United States	96.8	(3.3)	(1.2)
Nebraska	97.7	(2.5)	(1.2)
Utah	96.9	(2.9)	(1.2)
New Jersey	95.5	(4.4)	(1.2)
Louisiana	99.4	(0.4)	(1.3)
Texas	99.3	(1.8)	(1.3)
Connecticut	95.6	(4.4)	(1.4)
Arkansas	96.1	(3.7)	(1.4)
California	94.9	(4.9)	(1.4)
Tennessee	95.3	(4.4)	(1.4)
Georgia	93.5	(5.9)	(1.4)
Maine	94.5	(5.0)	(1.5)
Hawaii	93.2	(5.6)	(1.5)
Minnesota	92.5	(7.2)	(1.5)
Colorado	96.4	(4.0)	(1.5)
Iowa	97.1	(3.1)	(1.5)
Florida	92.1	(6.1)	(1.6)
Rhode Island	94.7	(4.5)	(1.6)
Wisconsin	95.3	(4.7)	(1.8)
Maryland	93.7	(5.7)	(1.8)
Missouri	95.2	(4.5)	(1.9)
New Mexico	96.0	(3.8)	(1.9)
Oklahoma	98.7	(2.5)	(2.0)
Arizona	91.0	(7.5)	(2.0)
Indiana	93.2	(6.3)	(2.1)
New York	90.4	(8.7)	(2.2)
South Carolina	90.9	(8.4)	(2.3)
Ohio	90.4	(8.9)	(2.6)
Delaware	89.3	(9.2)	(2.7)
Kansas	95.1	(5.1)	(2.7)
Illinois	92.5	(6.7)	(2.7)
Wyoming	99.8	(1.5)	(2.8)
Alabama	89.8	(9.2)	(2.9)
Kentucky	90.5	(8.7)	(2.9)
Idaho	90.9	(7.7)	(3.0)
Pennsylvania	88.6	(10.5)	(3.8)
Nevada	83.2	(14.4)	(4.2)
Washington	84.0	(14.9)	(5.0)
Michigan	80.6	(17.1)	(6.0)
Oregon	76.1	(21.8)	(6.4)
West Virginia	87.9	(12.7)	(8.3)

Source: Federal Reserve Bank of Philadelphia.

larger, 12.1 percent, due to legislated tax changes.

Figure 8 shows adjusted growth by region.

Looking Ahead

The January-March quarter was the worst on record for states. The worst decline in sales tax in 50 years represents historic weakness in one of the two major tax sources for states. Preliminary data for the April-June quarter suggest that fiscal conditions deteriorated even further, and the second major tax source for states — the income tax — weakened dramatically. With data for April and May now available for 45 states, tax revenue for the two months combined has declined by nearly 20 percent versus the same period last year. Nearly 97 percent of states reporting personal income tax data had a year-over-year decline, with a median decline of 33.2 percent, while 95 percent of states reporting sales data had a year-over-year decline, with a median decline of 10 percent.

While June data could change things one way or the other, there is little reason to expect reported revenues for that month to be strong. Such extraordinary weakness in revenues, along with continued if more moderate growth in expenditures, make widespread budget shortfalls highly likely this year. States are taking dramatic measures to close budget gaps. Such steps include eliminating planned new expenditures, cutting existing programs, raising taxes and other revenues, and tapping rainy day funds. According to the National Conference of State Legislatures, eight states have already enacted across-the-board budget cuts with some exemptions, while three other states have proposed such cuts. States also enacted or proposed additional budget cuts in specific program areas including health care, education and others. On the revenue side, almost every single state has proposed or enacted some kind of tax or fee increase. Thirty states have already enacted tax increases this year, according to the Center on

Budget and Policy Priorities.⁶ States are more conservative in tapping rainy day or other reserve funds. So far, only a very few states had turned to such funds for balancing the budget gaps.⁷ The continuing, sharp decline in revenues will likely force more unwanted choices for states in the months ahead.

Figure 7. Percent Change in State Economies Compared to Three Months Earlier

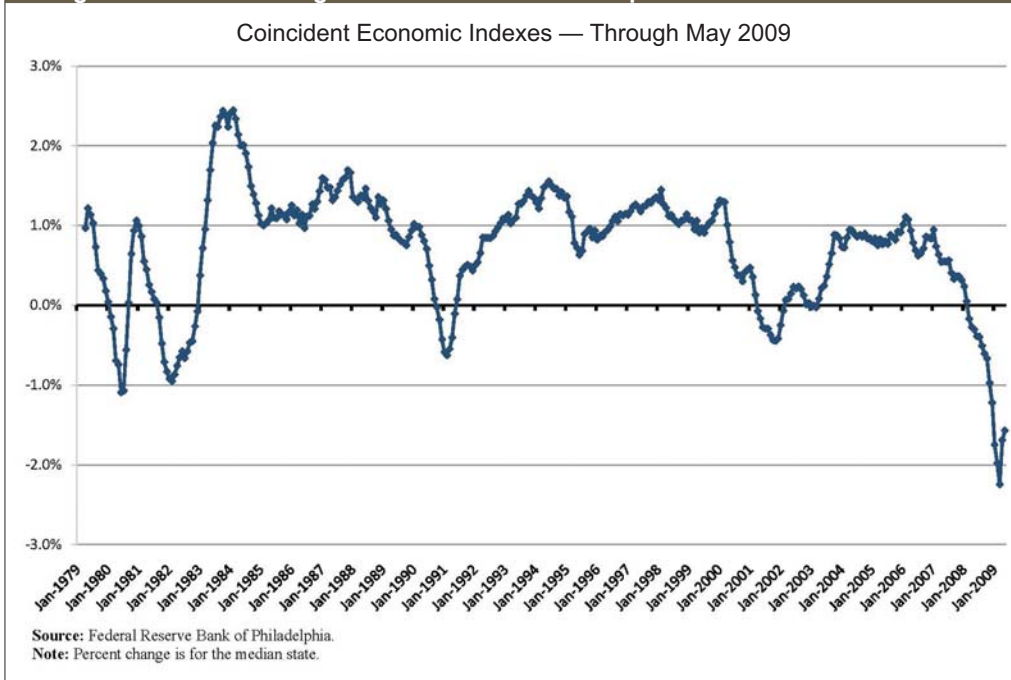


Figure 8. State Tax Revenue Growth Adjusted For Legislative Changes

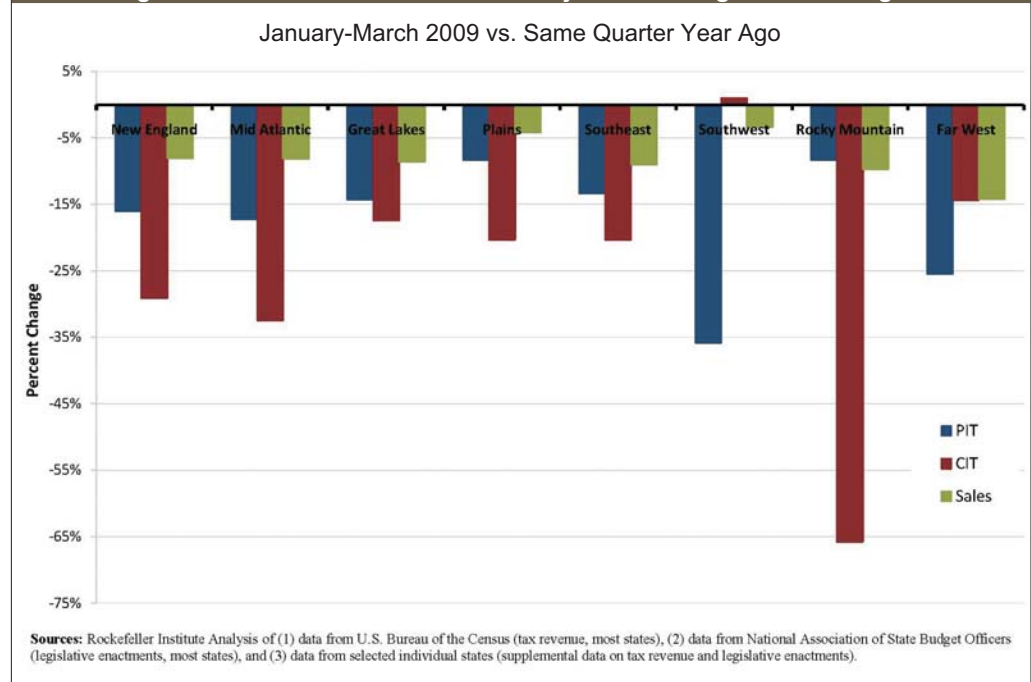


Table 8. State Tax Revenue, January-March, 2008 and 2009 (\$ in millions)

	2008				2009			
	Personal Income	Corporate Income	Sales	Total	Personal Income	Corporate Income	Sales	Total
United States	62,973	10,819	59,134	181,367	51,893	8,671	54,206	160,018
New England	5,323	1,327	2,424	11,740	4,472	941	2,229	10,191
Connecticut	1,936	156	894	3,709	1,727	96	815	3,286
Maine	239	37	244	724	197	24	220	644
Massachusetts	2,817	910	995	5,459	2,291	641	915	4,541
New Hampshire	22	133	NA	839	19	108	NA	818
Rhode Island	197	72	198	646	155	45	193	565
Vermont	112	20	93	363	83	28	86	337
Mid-Atlantic	18,337	2,906	7,790	37,714	15,206	1,977	7,225	33,027
Delaware	239	35	NA	722	249	25	NA	700
Maryland	1,208	237	939	3,150	1,099	175	932	3,113
New Jersey	2,648	395	1,926	6,557	2,290	129	1,660	5,520
New York	11,709	1,698	2,747	18,257	9,273	1,292	2,590	15,160
Pennsylvania	2,532	540	2,177	9,029	2,295	357	2,042	8,534
Great Lakes	8,957	1,722	7,801	25,109	7,453	1,229	7,362	22,528
Illinois	2,804	790	1,865	7,547	2,448	643	1,691	6,728
Indiana	1,056	38	1,412	3,311	876	14	1,513	3,194
Michigan	1,005	129	1,657	3,875	625	55	1,490	3,234
Ohio	2,749	563	1,885	7,065	2,405	395	1,707	6,431
Wisconsin	1,343	202	982	3,311	1,099	122	961	2,941
Plains	4,291	568	3,617	11,608	3,933	458	3,561	10,916
Iowa	630	79	451	1,619	615	72	533	1,678
Kansas	608	86	580	1,652	547	53	563	1,469
Minnesota	1,672	247	1,068	4,085	1,361	217	1,014	3,688
Missouri	1,011	43	806	2,430	1,028	35	743	2,399
Nebraska	304	63	399	921	293	42	380	870
North Dakota	67	33	127	563	89	26	146	495
South Dakota	NA	17	186	338	NA	13	182	317
Southeast	9,708	1,860	15,215	37,921	8,403	1,482	13,814	33,905
Alabama	624	101	553	2,137	702	112	516	2,202
Arkansas	456	63	698	1,554	420	58	681	1,489
Florida	NA	454	5,229	8,915	NA	318	4,580	7,894
Georgia	1,796	203	1,535	4,180	1,382	123	1,285	3,381
Kentucky	701	52	712	2,314	615	53	691	2,227
Louisiana	703	53	818	2,420	717	68	760	2,208
Mississippi	237	139	791	1,572	226	118	743	1,453
North Carolina	2,232	204	1,270	5,079	2,034	177	1,212	4,691
South Carolina	438	78	740	1,689	313	106	679	1,504
Tennessee	25	228	1,716	2,748	21	203	1,583	2,469
Virginia	2,168	132	869	4,064	1,663	68	810	3,255
West Virginia	326	154	285	1,249	309	81	274	1,132
Southwest	1,157	245	7,873	15,943	779	247	7,581	14,207
Arizona	409	68	1,563	2,800	180	76	1,334	2,338
New Mexico	203	95	453	1,131	168	76	415	986
Oklahoma	544	81	517	1,875	431	95	526	1,638
Texas	NA	NA	5,341	10,137	NA	NA	5,305	9,245
Rocky Mountain	1,782	127	1,563	4,899	1,634	44	1,411	4,653
Colorado	1,015	55	579	2,033	859	-3	513	1,828
Idaho	244	23	311	740	191	17	276	635
Montana	157	12	NA	507	170	12	NA	523
Utah	366	37	493	1,167	415	18	432	1,127
Wyoming	NA	NA	180	451	NA	NA	190	540
Far West	13,419	2,063	12,850	36,434	10,013	2,292	11,024	30,592
Alaska	NA	28	NA	1,000	NA	18	NA	280
California	11,890	1,917	8,642	26,355	8,733	2,240	7,360	22,078
Hawaii	336	19	678	1,272	277	15	622	1,142
Nevada	NA	NA	769	1,527	NA	NA	646	1,550
Oregon	1,193	99	NA	1,726	1,003	19	NA	1,398
Washington	NA	NA	2,761	4,555	NA	NA	2,396	4,144

Source: U.S. Census Bureau.

Table 9. Quarterly Tax Revenue by Major Tax				
January-March, 2008 to 2009, Percent Change				
	PIT	CIT	Sales	Total
United States	(17.6)	(19.9)	(8.3)	(11.8)
New England	(16.0)	(29.1)	(8.0)	(13.2)
Connecticut	(10.8)	(38.5)	(8.8)	(11.4)
Maine	(17.6)	(35.3)	(9.9)	(11.1)
Massachusetts	(18.7)	(29.6)	(8.0)	(16.8)
New Hampshire	(13.4)	(18.9)	NA	(2.5)
Rhode Island	(21.6)	(37.2)	(2.7)	(12.5)
Vermont	(26.2)	40.2	(7.9)	(7.2)
Mid-Atlantic	(17.1)	(32.0)	(7.3)	(12.4)
Delaware	4.2	(30.8)	NA	(3.0)
Maryland	(9.0)	(26.0)	(0.8)	(1.2)
New Jersey	(13.5)	(67.4)	(13.8)	(15.8)
New York	(20.8)	(23.9)	(5.7)	(17.0)
Pennsylvania	(9.4)	(33.9)	(6.2)	(5.5)
Great Lakes	(16.8)	(28.6)	(5.6)	(10.3)
Illinois	(12.7)	(18.7)	(9.4)	(10.8)
Indiana	(17.1)	(62.7)	7.1	(3.5)
Michigan	(37.8)	(57.5)	(10.0)	(16.5)
Ohio	(12.5)	(29.8)	(9.4)	(9.0)
Wisconsin	(18.1)	(39.5)	(2.2)	(11.2)
Plains	(8.4)	(19.3)	(1.5)	(6.0)
Iowa	(2.4)	(9.0)	18.2	3.6
Kansas	(10.0)	(38.1)	(3.1)	(11.0)
Minnesota	(18.6)	(12.1)	(5.0)	(9.7)
Missouri	1.7	(19.7)	(7.8)	(1.3)
Nebraska	(3.4)	(32.2)	(4.7)	(5.6)
North Dakota	32.2	(21.9)	15.0	(12.1)
South Dakota	NA	(22.9)	(2.1)	(6.2)
Southeast	(13.4)	(20.3)	(9.2)	(10.6)
Alabama	12.5	10.7	(6.6)	3.1
Arkansas	(8.0)	(7.5)	(2.4)	(4.2)
Florida	NA	(30.0)	(12.4)	(11.5)
Georgia	(23.0)	(39.6)	(16.3)	(19.1)
Kentucky	(12.2)	1.3	(2.9)	(3.8)
Louisiana	2.1	27.8	(7.1)	(8.8)
Mississippi	(4.8)	(15.2)	(6.1)	(7.6)
North Carolina	(8.9)	(13.1)	(4.5)	(7.7)
South Carolina	(28.5)	35.9	(8.3)	(10.9)
Tennessee	(15.7)	(11.1)	(7.8)	(10.2)
Virginia	(23.3)	(48.8)	(6.8)	(19.9)
West Virginia	(5.3)	(47.4)	(4.0)	(9.3)
Southwest	(32.7)	1.0	(3.7)	(10.9)
Arizona	(56.1)	10.9	(14.6)	(16.5)
New Mexico	(17.6)	(19.9)	(8.3)	(12.8)
Oklahoma	(20.7)	17.1	1.8	(12.6)
Texas	NA	NA	(0.7)	(8.8)
Rocky Mountain	(8.3)	(65.8)	(9.7)	(5.0)
Colorado	(15.4)	(104.8)	(11.4)	(10.1)
Idaho	(21.8)	(28.2)	(11.3)	(14.3)
Montana	7.8	1.8	NA	3.2
Utah	13.5	(52.9)	(12.5)	(3.5)
Wyoming	NA	NA	5.8	19.8
Far West	(25.4)	11.1	(14.2)	(16.0)
Alaska	NA	(36.7)	NA	(72.0)
California	(26.5)	16.9	(14.8)	(16.2)
Hawaii	(17.6)	(19.9)	(8.3)	(10.2)
Nevada	NA	NA	(16.0)	1.5
Oregon	(15.9)	(81.2)	NA	(19.0)
Washington	NA	NA	(13.2)	(9.0)

Source: U.S. Census Bureau.

Table 10. State Tax Revenue, July-March to Date (\$ in millions)

	July 2007-March 2008				July 2008-March 2009			
	Personal Income	Corporate Income	Sales	Total	Personal Income	Corporate Income	Sales	Total
United States	183,095	32,836	177,482	535,905	172,581	26,662	171,984	512,898
New England	14,542	2,684	7,028	31,196	13,383	2,151	6,696	29,089
Connecticut	4,305	330	2,319	8,863	3,953	203	2,202	8,233
Maine	820	115	723	2,307	787	92	697	2,213
Massachusetts	8,266	1,674	3,081	15,144	7,577	1,393	2,925	14,077
New Hampshire	50	407	NA	1,741	51	328	NA	1,607
Rhode Island	707	100	642	1,914	644	73	622	1,802
Vermont	393	58	262	1,227	371	62	250	1,157
Mid-Atlantic	46,752	7,629	23,815	100,923	43,685	6,666	23,061	95,986
Delaware	704	135	NA	2,045	717	159	NA	2,026
Maryland	4,959	448	2,380	10,704	4,739	512	2,587	10,988
New Jersey	7,497	1,659	6,290	19,577	6,935	1,230	5,795	17,864
New York	26,682	3,963	8,491	45,598	24,528	3,655	8,227	43,011
Pennsylvania	6,910	1,424	6,653	22,999	6,766	1,108	6,451	22,097
Great Lakes	26,227	5,142	25,013	79,094	25,118	3,454	25,965	77,394
Illinois	6,893	1,891	5,960	21,129	6,567	1,602	5,695	20,044
Indiana	3,130	452	4,190	10,378	2,914	439	4,739	10,591
Michigan	4,917	1,217	6,220	18,665	4,662	448	7,197	18,447
Ohio	7,049	959	5,840	19,165	6,864	535	5,585	18,831
Wisconsin	4,239	625	2,802	9,757	4,111	431	2,749	9,481
Plains	13,472	1,804	10,796	35,208	13,362	1,375	10,874	34,897
Iowa	1,808	179	1,253	4,490	1,813	125	1,509	4,693
Kansas	1,854	325	1,724	4,934	1,829	254	1,694	4,746
Minnesota	5,101	785	3,258	12,573	4,914	572	3,142	12,152
Missouri	3,377	198	2,429	7,646	3,471	148	2,303	7,592
Nebraska	1,140	168	1,146	2,953	1,104	143	1,152	2,867
North Dakota	193	102	394	1,581	230	94	477	1,802
South Dakota	NA	49	593	1,031	NA	38	596	1,045
Southeast	32,774	6,149	44,304	116,098	31,611	4,876	42,187	109,776
Alabama	2,057	363	1,686	6,531	2,114	309	1,624	6,524
Arkansas	1,562	244	2,110	5,336	1,562	238	2,119	5,358
Florida	NA	1,511	14,664	25,903	NA	1,271	13,717	23,745
Georgia	6,272	643	4,301	13,154	5,683	482	4,061	12,076
Kentucky	2,322	361	2,158	7,249	2,352	260	2,159	7,257
Louisiana	2,189	392	2,424	7,462	2,119	355	2,358	7,298
Mississippi	963	282	2,232	4,611	958	249	2,195	4,498
North Carolina	7,329	733	4,000	15,895	7,203	489	3,794	15,117
South Carolina	2,158	188	2,018	5,608	1,957	158	1,855	5,214
Tennessee	38	567	5,177	8,026	34	457	4,881	7,451
Virginia	6,903	457	2,686	12,765	6,621	324	2,572	11,727
West Virginia	982	407	847	3,557	1,010	285	852	3,511
Southwest	4,677	993	23,674	49,108	4,178	867	23,743	48,014
Arizona	1,840	482	4,713	9,336	1,471	380	4,170	8,291
New Mexico	877	273	1,401	3,605	845	221	1,359	3,564
Oklahoma	1,959	238	1,590	5,967	1,862	266	1,683	6,146
Texas	NA	NA	15,970	30,200	NA	NA	16,531	30,012
Rocky Mountain	6,304	688	4,862	16,083	5,972	529	4,529	15,836
Colorado	3,245	294	1,756	6,511	3,137	180	1,643	6,329
Idaho	863	100	1,028	2,478	769	87	931	2,250
Montana	559	85	NA	1,571	584	105	NA	1,678
Utah	1,638	209	1,507	4,197	1,483	157	1,348	3,850
Wyoming	NA	NA	571	1,325	NA	NA	608	1,730
Far West	38,347	7,746	37,989	108,196	35,273	6,744	34,929	101,905
Alaska	NA	880	NA	3,276	NA	483	NA	4,384
California	34,408	6,500	25,659	79,531	30,270	6,027	23,518	72,263
Hawaii	1,086	58	1,978	3,781	1,047	58	1,898	3,606
Nevada	NA	NA	1,799	3,620	NA	NA	1,632	3,540
Oregon	2,853	309	NA	4,428	3,957	177	NA	5,378
Washington	NA	NA	8,555	13,560	NA	NA	7,882	12,734

Source: U.S. Census Bureau.

Table 11. Tax Revenue by Major Tax				
July-March, Year-Over-Year Percent Change				
	PIT	CIT	Sales	Total
United States	(5.7)	(18.8)	(3.1)	(4.3)
New England	(8.0)	(19.9)	(4.7)	(6.8)
Connecticut	(8.2)	(38.5)	(5.1)	(7.1)
Maine	(4.1)	(19.4)	(3.6)	(4.1)
Massachusetts	(8.3)	(16.8)	(5.1)	(7.0)
New Hampshire	3.9	(19.5)	NA	(7.7)
Rhode Island	(9.0)	(26.9)	(3.1)	(5.9)
Vermont	(5.7)	5.8	(4.8)	(5.7)
Mid-Atlantic	(6.6)	(12.6)	(3.2)	(4.9)
Delaware	1.9	17.7	NA	(0.9)
Maryland	(4.4)	14.3	8.7	2.7
New Jersey	(7.5)	(25.8)	(7.9)	(8.8)
New York	(8.1)	(7.8)	(3.1)	(5.7)
Pennsylvania	(2.1)	(22.2)	(3.0)	(3.9)
Great Lakes	(4.2)	(32.8)	3.8	(2.1)
Illinois	(4.7)	(15.3)	(4.4)	(5.1)
Indiana	(6.9)	(2.9)	13.1	2.1
Michigan	(5.2)	(63.2)	15.7	(1.2)
Ohio	(2.6)	(44.2)	(4.4)	(1.7)
Wisconsin	(3.0)	(31.0)	(1.9)	(2.8)
Plains	(0.8)	(23.8)	0.7	(0.9)
Iowa	0.3	(29.9)	20.5	4.5
Kansas	(1.3)	(21.7)	(1.7)	(3.8)
Minnesota	(3.7)	(27.1)	(3.6)	(3.3)
Missouri	2.8	(25.1)	(5.2)	(0.7)
Nebraska	(3.2)	(14.5)	0.5	(2.9)
North Dakota	19.4	(7.9)	21.1	14.0
South Dakota	NA	(22.2)	0.5	1.4
Southeast	(3.5)	(20.7)	(4.8)	(5.4)
Alabama	2.7	(14.9)	(3.7)	(0.1)
Arkansas	(0.0)	(2.5)	0.4	0.4
Florida	NA	(15.9)	(6.5)	(8.3)
Georgia	(9.4)	(25.1)	(5.6)	(8.2)
Kentucky	1.3	(28.1)	0.1	0.1
Louisiana	(3.2)	(9.4)	(2.7)	(2.2)
Mississippi	(0.5)	(11.9)	(1.7)	(2.5)
North Carolina	(1.7)	(33.3)	(5.2)	(4.9)
South Carolina	(9.3)	(16.1)	(8.1)	(7.0)
Tennessee	(9.0)	(19.3)	(5.7)	(7.2)
Virginia	(4.1)	(29.2)	(4.2)	(8.1)
West Virginia	2.8	(30.1)	0.5	(1.3)
Southwest	(10.7)	(12.7)	0.3	(2.2)
Arizona	(20.1)	(21.1)	(11.5)	(11.2)
New Mexico	(3.7)	(19.1)	(3.0)	(1.1)
Oklahoma	(5.0)	11.7	5.9	3.0
Texas	NA	NA	3.5	(0.6)
Rocky Mountain	(5.3)	(23.1)	(6.9)	(1.5)
Colorado	(3.3)	(38.7)	(6.4)	(2.8)
Idaho	(10.9)	(13.5)	(9.5)	(9.2)
Montana	4.5	23.7	NA	6.8
Utah	(9.5)	(24.9)	(10.6)	(8.3)
Wyoming	NA	NA	6.5	30.6
Far West	(8.0)	(12.9)	(8.1)	(5.8)
Alaska	NA	(45.1)	NA	33.8
California	(12.0)	(7.3)	(8.3)	(9.1)
Hawaii	(3.6)	(0.5)	(4.0)	(4.6)
Nevada	NA	NA	(9.3)	(2.2)
Oregon	38.7	(42.8)	NA	21.5
Washington	NA	NA	(7.9)	(6.1)

Source: U.S. Census Bureau.

Endnotes

- 1 Census Bureau data with no adjustments show an overall decline of 11.8 percent. We used some estimates for Michigan and New Mexico based upon data and information provided to us directly by these states. These revisions together account for the small difference between the Census Bureau figure of 11.8 percent and our estimate of 11.7 percent.
- 2 See Lucy Dadayan and Donald J. Boyd, "April Is The Cruellest Month," The Nelson A. Rockefeller Institute of Government, June 18, 2009.
- 3 For a technical discussion of these indexes and their national counterpart, see Theodore M. Crone and Alan Clayton-Matthews. "Consistent Economic Indexes for the 50 States," *Review of Economics and Statistics* 87 (2005): 593-603; Theodore M. Crone, "What a New Set of Indexes Tells Us About State and National Business Cycles," *Business Review*, Federal Reserve Bank of Philadelphia (First Quarter 2006); and James H. Stock and Mark W. Watson. "New Indexes of Coincident and Leading Economic Indicators," *NBER Macroeconomics Annual* (1989): 351-94. The data and several papers are available at www.philadelphiafed.org/econ/indexes/coincident.
- 4 See Donald J. Boyd, "What Will Happen to State Government Finances in a Recession?" The Nelson A. Rockefeller Institute of Government, January 30, 2008.
- 5 Rockefeller Institute analysis of data from the National Association of State Budget Officers and from reports in several individual states.
- 6 Center on Budget and Policy Priorities, "Tax Measures Help Balance State Budgets," July 9, 2009.
- 7 See National Conference of State Legislatures, "State Measures to Balance FY 2010 Budgets." July 10, 2009.

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