

STATE INCOME TAX: A DOUBLE-EDGED SWORD

by

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ABSTRACT

States are facing tough economic times as a result of the housing market bubble exploding. States have been declaring budget deficits and major program cuts, since revenues have not kept up with expenditures and rainy day funds have been practically exhausted. State tax revenues have decreased, resulting from a decline in income tax revenues, one of the major sources of revenues for a large number of states (41 in total). A majority of these states have come to depend heavily on the revenue they collect from income taxes, which can represent as much as 40% of state tax revenue. This thesis focuses on the impact that income tax revenue has on state budgets and how it affects certain expenditures.

To provide a more complete understanding on how fiscal policy affects the citizen directly, this thesis compares the changes in state's total tax revenue and spending on education and health programs between states that levy income tax and states that do not. Data from the United States Census Bureau and the National Association of State Budget Officials was analyzed by calculating the growth rate and relevant elasticities during 2006-2010, the years before, during, and after the last recession. Results will show a difference in changes in revenue and expenditure between the two types of states and a more sensitive elasticity for non-income tax states for both revenue and expenditure. With a better understanding of how the tax base behaves and how revenue affects programs, an improved tax policy that could produce more efficient services for citizens might be created.

DEDICATION

To my father, for encouraging and supporting me to be the best I can be.

To my mother, for believing in me.

To my sister, for standing by me.

And finally, To my loving God, for opening doors and giving me the strength to go to the other
side.

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INTRODUCTION

States have been driven to cut spending due to decreasing revenue. The Center for Budget Policy and Priority (CBPP) reported that forty-two states have deficits for the fiscal year of 2012 amounting to \$103 billion dollars (McNichol, Oliff, and Johnson). Twenty-four states have already declared expected shortfalls of \$46 billion for FY2013. These deficits do not include the \$430 billion in shortfalls faced during 2009, 2010 and 2011 (ibid.). States like Illinois, Texas, New Jersey and California are facing deficits for FY2012 of \$5.3, \$9, \$10.5, and \$23, billion respectively (ibid.).

Based on a report by Fitch Ratings, revenues are going to fall behind their forecasted values for FY 2012, causing cuts in programs (Baribeau). Fitch Ratings reported that year-over-year revenues did not increase in 32 states for the month of August. With the American Recovery and Reinvestment Act of 2009 (ARRA) funds having closed in June 2011, states are left alone to face decreasing revenues.

Revenues for the states come from several sources, such as sales tax, property tax, corporate tax, and income tax. This last one is of major importance for the state revenue, since the states who do levy personal income tax (all states but nine: Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee Texas, Washington, and Wyoming), can have 40% or more of their revenue based to it (Table A3- 4, US Census Bureau).

The recent recession, which lasted 18 months, followed a period of economic prosperity. States used the increase in tax revenue during this thriving time to expand programs and invest in their state through higher spending. The income tax became the top revenue provider for states that collected it. This revenue from income tax being spent, states did not prepare for “rainy days,” by saving any of the income revenue (Frank 2011).

The result of reduced revenue for states during the recession has been cuts in expenditure and programs. Williams, Leachman and Johnson report through CBPP that 38 states were cutting “deep” into their health and education programs together with other areas for fiscal year 2012; some of those cuts resulted in expenditure being at a level lower than that of 2008. Such cuts not only can cause lower-quality services but cause a decrease in jobs.

Reports about the fiscal position of states such as the one above cause one to speculate on how the state got in the situation. In an attempt to understand how state fiscal policies indirectly affect the citizen, this thesis will analyze the differences in the fiscal positions of those states that levy an income tax versus those that do not and attempt to answer the following question: how has the dependency on income tax revenue affected states budgets?

Going further into what a change of revenue implies, the thesis will analyze the change in expenditure in two of the most important programs across the United States: health and education. The thesis will calculate how the change in revenue due to reduced income taxes affected two of the most important state budget programs, health and education, by calculating the income elasticities of state revenue and the programs. Data from the US Census

Bureau and the National Association of State Budget Officers during the years 2006-2010 will be used to understand the changes that took place during the recession.

Understanding how much states depend on income taxes is an important part of understanding their tax base and the beginning of working towards building a more efficient tax base. The results will provide evidence for the debate of efficient tax bases: are income taxes a highly sensitive source of revenue?¹ It is expected that the analysis will reveal the weight of income tax in the state tax revenue.

¹ The idea of state tax revenue being more volatile in states without income taxes but that rely mostly on sales taxes --like Florida and Nevada—came from discussions with Drs. Milon and Pennington.

CHAPTER 1: PERSONAL INCOME TAXES AND THE FINANCIAL CRISIS

This chapter creates the foundation to understand personal income taxes as a source of revenue for states during the housing market crisis. A brief analysis of revenue before and after the recession follows.

Personal Income Tax

The personal income tax is a tax on income paid to the federal and/or state government. Income taxes paid to the federal and state governments are based on income levels, with tax rates increasing as the income levels increase. Federal income taxes start at 10% for income up to \$8,500 and rise to 35% for income over \$379,150 (The Tax Foundation, 2011). Forty-one of the 50 states levy income taxes. The non-income tax states are Alaska, Florida, Nevada, South Dakota, Texas, Washington and Wyoming, as well as New Hampshire and Tennessee, which only tax interest and dividend income at a low of 5 and 6% respectively (The Tax Foundation). Income taxes imposed by the state government can have a flat rate, equal to all income levels, or progressive rate, which changes according to the income bracket. The progressive rates can range from a low of 0.36% (Iowa) to a high of 12.2% (New York) (Appendix A, The Tax Foundation, 2011).

States that have imposed income taxes have become highly dependent on them for state revenues. For the income-tax states, income taxes provided around 40% from 2006-2010 (Table 1). For many of these states, the income tax is the key source of revenue.

Table 1: Mean State Income Tax as Percentage of Total State Tax Revenue

	2006	2007	2008	2009	2010
Mean	36.605%	37.490%	37.963%	36.637%	35.372%

Data from US Census, Averages from Table A3- 4

High income earners have been the leading providers of this additional revenue, which has financed programs in areas like education and health, with the top 40% of income groups paying about 80% of the income taxes in 2007 (ITEP). At the moment the housing market collapsed, states were not prepared to face the change in revenue and expenditure.

Nonetheless, Craig and Hoang (2011) consider personal income taxes as having a more stable position than other taxes, being more inelastic compared to sales or corporate taxes. This could imply that income taxes are a secure way to provide steady revenue. If the elasticity of income taxes with respect to total tax revenue is low, then very high economic turns would not cause revenue to decrease.

In a review, Wasylenko (1997) displays the different elasticity with respect to economic growth for interregional effects of tax policy. He compares the result of different researchers, which range from -1.54 to 0.54, clearly demonstrating divergence between studies.

Bruce, Fox and Tuttle (2005) also compare the income elasticities of income and sales taxes using data from the US Census from 1967-2000. It is concluded that the long-run income elasticity for income tax is twice as large as the income elasticity for sales tax. However, it is not possible to determine which is more volatile without considering specific economic contexts.

Data from the most recent recession, which occurred from December 2007 to June 2009, is below in Table 2 (Bureau of Economic Analysis, BEA). Gross domestic product is calculated in billions, together with the corresponding quarterly growth rate during the quarters where the recession took place.

Table 2: Quarterly GDP during the Recession of 2007-2009

Quarter	GDP	Growth Rate
2007Q4	14,253.2	-
2008Q1	14,273.9	0.145%
2008Q2	14,415.5	0.992%
2008Q3	14,395.1	-0.142%
2008Q4	14,081.7	-2.177%
2009Q1	13,893.7	-1.335%
2009Q2	13,854.1	-0.285%

Data from BEA

In an attempt to promote economic activity, President Obama signed the American Recovery and Reinvestment Act in February 2009, to provide \$288 billion in tax cuts and benefits, invest \$224 billion in education, health care and entitlement programs, and offer \$275 billion in federal contracts, grants, and loans (recovery.gov). These figures later changed with the President's 2012 budget to \$282 billion, \$274 billion, and \$284 billion respectively, allotting \$840 billion to the states. Education received \$86.4 billion (10.29%) and Medicare received \$85.3 (10.15%) (Recovery.gov). The amount covered 30 to 40% of the state budget deficits (CBPP).

Johnson, Oliff, and Williams from CBPP (2011) declare that since 2008, at least 46 states have been decreasing the funding to major programs such as health and education. The high unemployment rate has been a cause of decreased revenue. The help of federal aid has reduced the size of budget deficits. Nonetheless, Johnson *et al.* have estimated that the states would not have recovered by the time the ARRA program concluded.

Before and After the House Market Bubble Burst

To provide a comparison, it is important to explain the context of this present situation. Revenues and expenditure are linked to levels in previous years. To comprehend the situation during the bursting of the housing market bubble in a more efficient way, this next section presents the fiscal position of the states before and after the period being studied.

Before the Bubble Burst

Explaining the position of the states before the housing market bubble burst, Table A1- 1 displays the revenue collected for income-tax states and Table A1- 2 for the non-income tax states. Table A1- 3 shows the percentage composed by the individual income tax. The data goes back to 2000, before the previous recession, which lasted from March 2001 through November 2001 (NBER), until 2006, the year before the last recession.

Johnson, Lav, and Carey (2001) report that for fiscal year 2001, in the process of planning their budget, states had estimated a total deficit of \$40 million, out of which \$35 million were revenue shortfalls. They declare that fiscal year 2005 had decreased budget

overruns compared to the year before and barely any gaps; only Michigan (2.2 percent), Nebraska (2.2 percent) and New Hampshire (3.1 percent) presented gaps. However, fiscal year 2006 did not promise the same condition (NCSL Budget Update: November 2004).

Table 3 displays percentage of income tax revenue for all states. The percentage of individual income tax revenue is the highest in 2001, and later decreased to a range of 33 and 34%.

Table 3: Percentage of Revenue Provided by Individual Income Tax for All Income-Tax States, 2000-2006

2000	2001	2002	2003	2004	2005	2006
36.055	37.178	34.688	33.139	33.279	34.059	34.309

Table A1- 3 displays the percentage of revenue by income tax per state. Between the states with the highest percentages (48%+) are California, Colorado, Georgia, Massachusetts, New York, North Carolina, Oregon (which is the highest with around 74%), and Virginia. The fluctuations don't appear drastic. In most cases, there is only a 3-point change. In other cases, like California and Vermont, there is a 7-point decrease that changes slowly. Other changes, like in Connecticut, Idaho and New Jersey, are not sweeping but have movement.

Overall, from 2000-2006, states had decreases in the percentage of revenue attributed to income tax. In 2001 there was an increase in the revenue, however, for the next year, 2002, there was a decrease and the years after it do not overcome the level of 2001, the year there was a recession.

After the Bubble Burst

Using data from the US Census from seven quarters during the period of 2009-2011, Table 4 displays the percentage of state revenue collected from income taxes.

Table 4: National Totals of State Tax Revenue, in Billions

Quarters	Total Revenue	Individual Income Tax	Percentage	Percentage Change in Total Revenue	Percentage Change in Individual Income Tax
2009 3rd Quarter	161.357	54.363	33.69	-	-
2009 4th Quarter	165.711	56.036	33.82	2.70	0.37
2010 1st Quarter	164.499	52.496	31.91	-0.73	-5.63
2010 2nd Quarter	205.333	72.529	35.32	24.82	10.69
2010 3rd Quarter	169.565	57.272	33.78	-17.42	-4.38
2010 4th Quarter	178.737	61.934	34.65	5.41	2.59
2011 1st Quarter	179.837	59.209	32.92	0.62	-4.98

Data from US Census

Immediately after the recession was declared over, there was growth in the total revenue; however, the growth has not been stable. In the same way, there has been unstable growth in the individual income tax collection. In both categories, the most recent data demonstrates that the first quarter after the recession has been surpassed in nominal dollars. The percentage of individual income for the 2011 1st quarter is one of the lowest ones.

The quarters following the recession are characterized by expenditure cuts as a way to manage smaller revenues. The cuts in programs can be manifested as services of lower quality or fewer services to the citizens. Johnson, Oliff and Williams highlight the effects that the population is suffering from the residual impacts of the recession. Their study declares the

reduction in at least 34 states education programs; at least 29 states cutting medical programs; and at least 31 states cutting health insurance eligibility programs. A total of 46 states made cuts in these three programs. Their belief is that without the federal aid, the cuts in the programs would have been much deeper.

Leachman, Williams, and Johnson reported that 42 states had a budget gap of \$103 billion which was the result of revenue shortfalls for the years of 2009 to 2011. State governments have also cut about 535,000 jobs since 2008 and will continue cutting. For fiscal year 2009, states were facing a \$40 billion budget gap (NCSL State Budget Update November 2008). For fiscal year 2011, states were facing \$83 billion in budget gaps (NCSL FY 2011 Budget Status)

As of March 2011, all states were cutting programs like health, education, and workforce except for 4 (Wall Street Journal, 2011). However, increases in the collection of taxes have been reported.

Table 5 below by Dadayan (2011) from the Rockefeller Institute of Government displays the percentage changes in the collection of personal income tax, corporate income tax, sales tax and total change in state tax collections for quarters after the end of the last recession in June 2009.

Table 5: Percent Change in State Tax Collections vs. Same Quarter Year Earlier for Past Recession

Period	PIT %	CIT %	Sales %	Total %
2009 Q3	(11.5)	(21.3)	(10.1)	(11.0)
2009 Q4	(4.1)	0.7	(5.4)	(3.3)
2010 Q1	3.6	0.6	0.1	3.3
2010 Q2	1.3	(19.0)	5.7	1.9
2010 Q3	5.4	0.5	4.2	5.1
2010 Q4	10.5	18.1	5.7	7.9
2011 Q1	12.8	5.1	6.3	9.3
2011 Q2 (preliminary)	16.5	16.5	5.9	11.4

Red represents negative. Source: Rockefeller Institute of Government

The change in personal income tax (PIT) increased over time, except in 2010 Q2, where there was a smaller increase. Corporate income tax (CIT) does not display stable growth pattern, yet 2011 Q2 is positive compared to the same quarter earlier. Sales tax moved quickly from negatives to a value around 5%. Total taxes acted like the personal income taxes and became less negative with the same exception of 2010 Q2, where there was a smaller increase.

For FY2011, most states were expecting an increase in revenue. According to “Projected Revenue Growth in FY 2011 and Beyond” brief by NCSL, 3 states were expecting an increase of more than 10% in revenue, 14 states from 5% to 9.9%, and 23 from 1 to 5%. Six states did not expect growth, and only Alaska projected a fall in revenue. Some states were hoping as well for an increase in personal income tax. Three expected a 10% or more (Oregon, Delaware, and Louisiana); 12 expected an increase of 5% to 9.9%; 20 believed an increase of 1% to 20% might occur; 2 believed there will be no change (Ohio and Montana) and 2 supposed there will be a negative change (New Jersey and West Virginia).

Table A1- 4 compiled by the Wall Street Journal displays the budget shortfall and its percentage of the FY2012 budget, as well as changes in revenue from the collection of taxes from the first quarter of 2010 to 2011, and program cuts. The first quarter of 2011 is the fifth straight quarter of growth with the fastest rate in the past five years (WSJ).

Even though states like Michigan, Illinois, and South Carolina have seen great increases in the personal income tax revenue (208%, 40.9%, 75.3%, respectively), budget shortfalls and program cuts are still present; all states except four had program cuts. Several states don't have budget shortfalls. Forty-two have shortfalls ranging from 2.0% of their budgets (Indiana) to 45.2% (Nevada). Changes in corporate income taxes are large, presenting a range of -270.2% (Indiana) to the high of 377.8% (Virginia). Only in North Carolina (-1.5%) and California (-3.1%) have state tax revenue growth been negative. The positive changes in state tax revenue growth range from 0.7% (Arkansas) to 38.1 (North Dakota).

As has been shown, the fiscal situation of states before and after the recession was not preeminent. During the period before the recession, states were recovering from the decreased revenue caused by the recession in 2001 and did not exceed the revenue collection of that year. The post-recession period has seen lagged effects even as state tax began to increase. States are still reporting deficits and more cuts to come. The recession is still being felt by state budgets.

For a deeper understanding of how revenue influences expenditure, the next chapter will explain the elasticity of health and education expenditures. This information will provide a foundation for the elasticities measured in Chapter 4.

CHAPTER 2: HEALTH AND EDUCATION: REVENUE, EXPENDITURE, AND ELASTICITY

This section provides a background to the behavior of the health and education programs, as well as estimated elasticities. The studies of several authors will provide an insight to the situation in general.

Craig and Hoang (2011) use a panel of 50 US states from 1963 to 2006 to understand the changes in taxes and expenditure at the state level. In the results, expenditure reacts in a slower manner to changes in the economy than does the gross state product, while revenue acts in a faster manner. In other words, a positive change in revenue would lead to a positive yet smaller change in expenditure and surplus, and a negative change in revenue would be smaller than the change that follows in expenditure and deficit. This statement explains the increasing deficits in state budgets: a larger negative change in revenue has caused changes in expenditure; decreased revenues have caused 37 states to decrease funding for schools and 30 states have a lower education budget than that compared to 4 years ago (Oliff and Leachman,2011).

Westerlund *et al.* examined the connection between taxes and expenditures at the state-local government level with a panel of the 50 US states over 35 years and found that expenditures adjust to short-run and long-run changes in revenues. This conclusion reflects the expected behavior of officials who have to make decisions to improve the status of their budgets. All states have the obligation of balancing their budgets except Vermont (NCSL, 1999),

and a balanced budget can lead to cuts in programs. With the data displayed below and the data to be analyzed in the following chapters, it will be possible to examine the validity of these prior studies.

This section concentrates specifically on the topics of health and education regarding their behavior in budgets. Revenue and expenditure for education and health will be described through tables and reports, with the goal to provide an insight to the present situation of these programs. For education, presented below are several tables that display revenues, expenses, percentages and forecasts regarding elementary and secondary school (K-12 education). National health expenditures from 1987 to 2009 are examined. The analysis of the elasticity of the programs follows with the purpose of explaining the specific behavior relative to other variables.

Education

The data to be explained was taken from the Public Education Finances Report for the years 2002 to 2009. This report is prepared by United States Census Bureau.

Table A2- 1 and Table A2- 2 report data of the revenue of public elementary-secondary school systems by income-tax and non-income tax state, correspondingly. The education budget financed by the states has been growing at an increasing rate and then in a decreasing rate until reaching the negatives. The first change is of 3.94%, the second of 1.18%, 5.24%, 5.78%, 9.07%, 6.09%, and finally -1.70% respectively. This last year is the academic year of

2008-2009 (also FY 2009), and is the only year where there was a reduction of about 4 billion dollars in the general revenue for education in the United States.

Since this data is not per capita, it is not valid to compare the amount of revenue dedicated to the students paid by the state. However, it is easy to verify that there has been an increase in the revenue earmarked for education. Without further research, the causes for the increase cannot be determined.

Table A2- 3 displays the current spending of public elementary-secondary school systems by income-tax state, and Table A2- 4 for non-income tax states. Current expenditure by states are higher than the revenue set apart by states, but the difference can be attributed to federal as well as local funds. Table 6 displays the percent distribution of K-12 education revenue for all states. There is no negative growth during the academic years of 2001-2009.

Table 6: Percent Distribution of Elementary-Secondary Public School System Revenue for All States

2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
49.4	49.0	47.1	47.0	46.6	47.6	48.3	46.7

Data from US Census Bureau, Total from Table

The growth of expenditure for the nation during the academic years is as follows: 5.22%, 3.94%, 5.41%, 5.69%, 5.91%, 5.98%, and 2.16% starting with the first academic year. The growth trend is stable except for the change in spending for the academic year of 2002-2003 and 2008-2009, where the growth was smaller than the growth for the previous year. The states present growth in expenditure not only as a whole but individually. This will be approached in more detail the in following chapters.

Table A2- 3 presents the percentage distribution of the public school system revenue by income-tax state, and Table A2- 4 for non-income tax states. The state that has the highest ratio of state funding is Hawaii, followed by Vermont and Arkansas. The state with the lowest provision from the state government is Nebraska, followed by Illinois, Connecticut, and North Dakota. Below, Table 7 and Table 8 present the mean of the percentage distribution in education spending of income-tax states and non-income tax states. The percentage of funds provided by the states revolves around 50%; however, in general, non-income tax states spend less than income-tax states. This might be the result of higher revenues in income-tax states. The rest of the budget can be covered by the federal government through grants and the local government through taxes such as property tax.

Table 7: Mean Percentage Distribution of State Revenue for Education Expenditure in Income-Tax States

2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
52.4	52.1	50.5	50.8	50.7	51.5	51.8	50.7

Data from US Census Bureau, Public Education Finances: 2009

Table 8: Mean Percentage Distribution of State Revenue for Education Expenditure in Non-Income Tax States

2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
47.0	46.2	45.1	43.6	42.4	43.4	46.0	45.1

Data from US Census Bureau, Public Education Finances: 2009

In summary, the budget for primary and secondary education was not constant, yet current spending was. Governments continued to spend at the established levels without having the sufficient funds, even though states were only providing about half the budget amount.

Health

Health has a different position relative to education in states' budgets. According to Centers for Medicare & Medicaid Services (CMS), the funding provided by businesses, households, government, and other sponsors has maintained a steady level through the years. The provision during 2008 and 2009 was characterized by an increase of funding by the federal government due to the American Recovery and Reinvestment Act and a decrease of funding by the states.

Table 9 below from the CMS presents the total national health expenditures and the portion financed by the state and local government from 1987 to 2009. Percentages of state sponsorship for health are lower than those for education. In this case, local governments are included, so the collaboration of state governments is even lower. The percentage of expenditure provided for by the state and local governments has been relatively constant throughout the years.

Table 9: Health Expenditures paid by States and Percent: 1987 to 2009

Year	Total (Billions)	State and local government (Billions)	Percent Paid by State and Local Governments
1987	\$518.9	\$78.9	15.20
1988	581.5	87.3	15.01
1989	647.2	97.5	15.07
1990	724.0	110.7	15.29
1991	791.2	123.2	15.58
1992	857.7	132.4	15.43
1993	921.3	145.5	15.80
1994	972.5	160.4	16.50
1995	1,027.3	167.8	16.34
1996	1,081.6	174.2	16.10
1997	1,142.4	186.1	16.29
1998	1,208.6	196.8	16.28
1999	1,286.8	210.8	16.38
2000	1,378.0	227.4	16.50
2001	1,495.3	251.0	16.78
2002	1,637.0	278.5	17.01
2003	1,772.2	297.9	16.81
2004	1,894.7	321.3	16.96
2005	2,021.0	349.0	17.27
2006	2,152.1	373.6	17.36
2007	2,283.5	399.7	17.50
2008	2,391.4	410.0	17.14
2009	2,486.3	404.8	16.28

Data from CMS

Health expenditure is programmed to continue growing, even at a greater rate than the economy, surpassing it by 1.1% (CMS *National Health Expenditure Projections 2010-2020*). Since health is a top priority in the United States (health insurance was the largest expense in

the national budget for 2010(CBPP 2011)), the participation of the federal government in both funds and expenditure is significant in the state level.

Elasticity

Elasticity is the measure of how one variable changes when another one changes (economist.com). In this case, the type of elasticity that is being observed and measured is income elasticity, which is the percentage change in demand for a percentage change in income. In this specific context it is how sensitive is the percentage change in the expenditure in health and education changes per percentage change in state tax revenue.

Studies based on data of developed and developing countries have demonstrated that income is the most important factor in determining the health of the population while public spending is not (Baldacci *et al*). In education, public spending is one of the most important factors (ibid).

Education

Schmidt and McCarty developed a model of expenditure connecting future state income to education spending. In the model, the elasticity of education expenditure regarding future income is 0.893 and regarding current income is -0.08. An increase in current income would not cause change in education expenditure; however, a permanent percentage increase in state income would produce a percentage change of 0.893 in the education spending. Thus, planning for budgets is highly dependent on forecasted values of state revenue.

Health

Several researchers have approached the issue of the elasticity of health with respect to income by trying different ways to measure the weight income has in expenditure.

Di Matteo (2003) estimates the elasticity for the United States, Canada, and other countries over a period of 18 years (1980–1997). The results demonstrate a positive relation between income and per capita health expenditures, with income elasticity for the United States of 0.70.

According to Freeman (2003), the growth of income has more variability than the growth of health care expenditure. Based on the results of pooled data from 1966 to 1998, health care expenditure grows by an average per year of 3.5% for constant levels of income. The estimate for income elasticity ranges from .087 to 0.844.

Moscone and Tosetti (2010) use a panel of 49 US states during the years of 1980-2004 to investigate the relationship between health expenditure and income. The research demonstrates the existing dependence of health spending on income. Moscone and Tosetti determine that health is a luxury good (income elasticity is less than 1) in the states of Washington, Wisconsin, South Carolina, and Florida. The rest of the states present elasticity below the unitary level, demonstrating that health is a normal but necessary good. These results are compared to a similar study done by Wang and Rettenmaier, where health

expenditure is insensitive for 16 states and sensitive for 32 states. Wang and Rettenmaier determine that the recession in 1990-1991 was the cause of change in the elasticity.

Wang (2009) created a panel data set for 1999-2003 with eleven variables that included income, price, age of the population, and the share of Medicaid and Medicare financed by the government. Income produced the heaviest weight on health care expenditure with elasticity being around 0.7.

Overall, the elasticity for education is close to unitary, while there is an ongoing discussion on the elasticity of health. The more insensitive any of these are, the more spending will occur. Whether sensitive or insensitive, spending not only depends on the state budget, but on the budget of the federal and local governments as well as national policy.

CHAPTER 3: GROWTH

The growth in state revenue and in expenditure in education and health will be calculated during the years of 2006 through 2010 using the growth rate formula (Percent change = $[(\text{Present value} - \text{Past Value}) / \text{Past Value}] * 100$). In each section, a comparison between states with income tax and those without will be done to understand its influence.

The data used originates from the State Government Tax Collection Reports for 2006, 2007, 2008, 2009, and 2010 by the US Census Bureau (revenue and income taxes) and the 2006, 2007, 2008, and 2009 State Budget Reports prepared by National Association of State Budget Officers (NASBO) (education and health expenditure). The data used from NASBO from 2010 is estimated. The data used for health is the expenditure on Medicaid, even though it is understood that the states incur into other types health expenses.

State Tax Revenue Growth

Difference in Revenue

Table A3- 1 and Table A3- 2 display the total revenue for income-tax states and non-income tax states respectively. Table A3- 3 presents the values for income tax revenue collected, and Table A3- 4 has the percentage of revenue provided by income tax collection. Table A3- 5 presents the change in income tax revenue. Table A3- 6 and Table A3- 7 display the revenue growth for states that levy and don't levy income taxes, correspondingly.

Income-Tax States

Income tax revenue has been decreasing. The period with the largest change was that of 2008-2009. The period afterwards also presents a smaller negative change. Table 10 below presents the values.

Table 10: Mean Percentage Change in Revenue from Income Tax

2006-2007	2007-2008	2008-2009	2009-2010
8.858	4.160	-9.713	-6.315

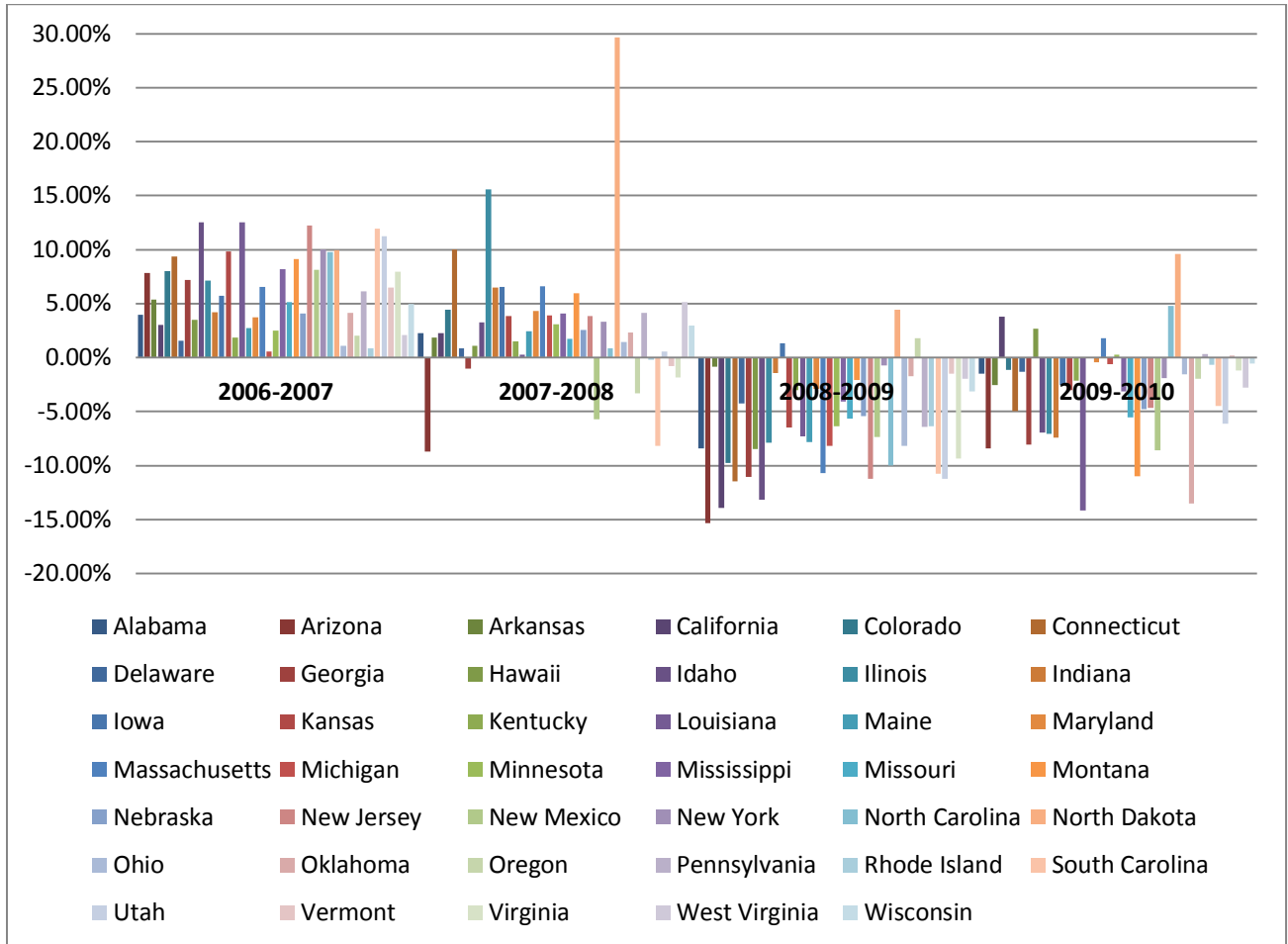
Revenue for the states has a decreasing growth rate during 2006-2010. The means for the income-tax states were decreasing until reaching the negatives. Table 11 has the values of the means.

Table 11: Mean Percentage Change of Revenues Provided by Income Tax

2006-2007	2007-2008	2008-2009	2009-2010
6.235	2.920	-6.295	-2.949

Figure 1 below demonstrates the percentage change.

Figure 1: Percentage Change in Revenue for Income-Tax States



The years of 2006-2007 and 2007-2008 have positive changes: the first presenting larger increases than the latter, even though 2007-2008 presents more outliers, both positive and negative. Both 2008-2009 and 2009-2010 have mostly negative growth, with the first set presenting more negative growths than the later. All income-tax states but Iowa, North Dakota (highest growth of 4.43%) and Oregon present negative growth during 2008-2009, the same year the country as a whole presented large negative growth. The largest changes (-10% to -15%+) during 2006-2010 occurred in the states of Arizona, California, Connecticut, Georgia,

Idaho, Massachusetts, New Jersey, North Carolina, South Carolina, and Utah, the highest of these being Arizona, with a decline of -15.35%.

Non-Income Tax States

The means for non-income tax states also presented decreasing growth; however, there was an increase for 2007-2008 and more drastic decreases afterwards compared to income-tax states. In similarity to income-tax states, the last year provides increasing growth that is in the negatives. Table 12 below has the values.

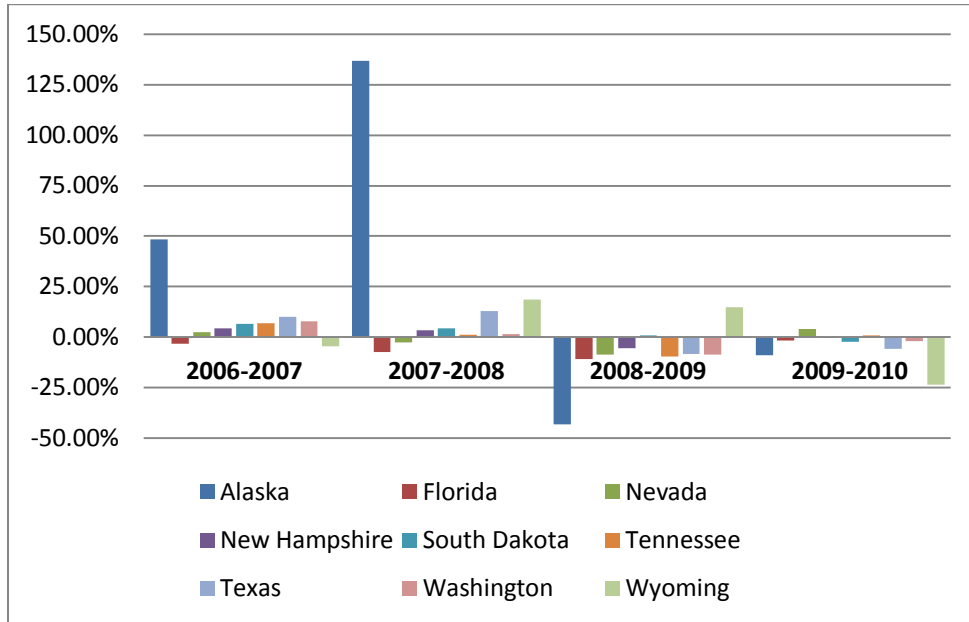
Table 12: Mean Change in Revenue in Non-Income Tax States

2006-2007	2007-2008	2008-2009	2009-2010
8.777	18.808	-8.782	-4.333

Non-income tax states also presented positive growth in the first two periods and negative growth in the last two periods.

Figure 2 presents the percentage change in revenue for these states. The outlier colored in blue is Alaska. It carries the largest changes in all years except for 2009-2010, where it takes second place after Wyoming, in green.

Figure 2: Percentage Change in Revenue for Non-Income Tax States



In 2009-2010, non-income tax states also presented negative growth except for South Dakota and Wyoming, with a growth of 0.94% and 14.92% respectively. Most states presented a rate smaller than -8%, with Alaska being the largest with -43.25%. Excluding Alaska, Florida presents the most negative growth with a -10.87%.

Expenditure Growth

For the United States, expenditure in health and education varied significantly during the years studied. Health presented positive growth and overcame the level of 2006 by 2010. Education had a decreased growth that turned negative (-8.39%) for 2009-2010.

Expenditure on education has a different behavior than revenue. Expenditure on Medicaid decreased and in 2008-2009 increased to once again decrease into the negatives. This last mean is the most negative of all.

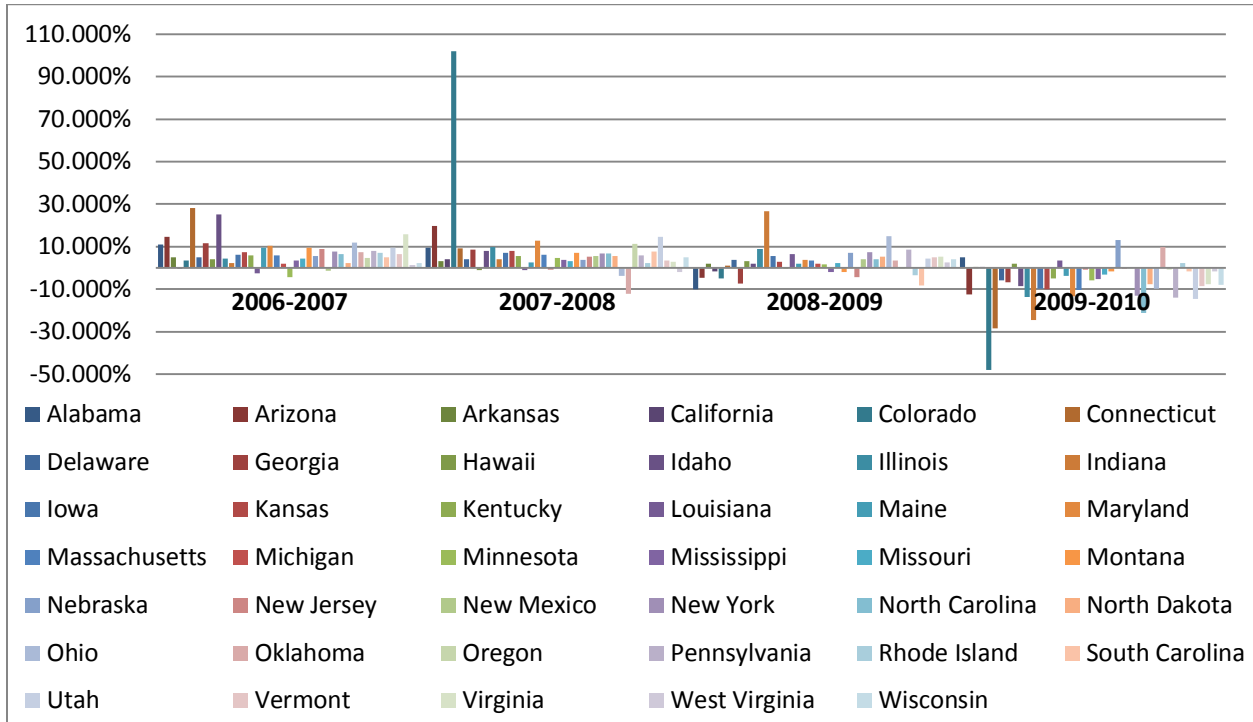
Education

Income Tax States

For 2009-2010, almost all states presented negative growth ranging from -0.15% (New Jersey) to -48.02% (Colorado). The states with positive growth were Alabama, Arkansas, California (lowest, with 0.5%), Hawaii, Louisiana, Nebraska (highest, with 13.27%), Oklahoma, and Rhode Island. Table A3- 8 presents this data.

Education expenditure is positive for the first three periods and negative in the last one. Most of the growth for income-tax states was of 10% or less. The states with the values furthest from the mean are: Connecticut and Idaho in 2006-2007, Colorado and Arizona in 2007-2008, Indiana and Ohio in 2008-2009, and Colorado, Connecticut, Idaho, and North Carolina in 2009-2010.

Figure 3: Percentage Change for Education Expenditure in Income-Tax States



The mean presents decreases after the period of 2007-2008, and turns negative in the last period. Expenditure rose for the period of 2007-2008, but later decreased into the negatives. Table 13 demonstrates the means.

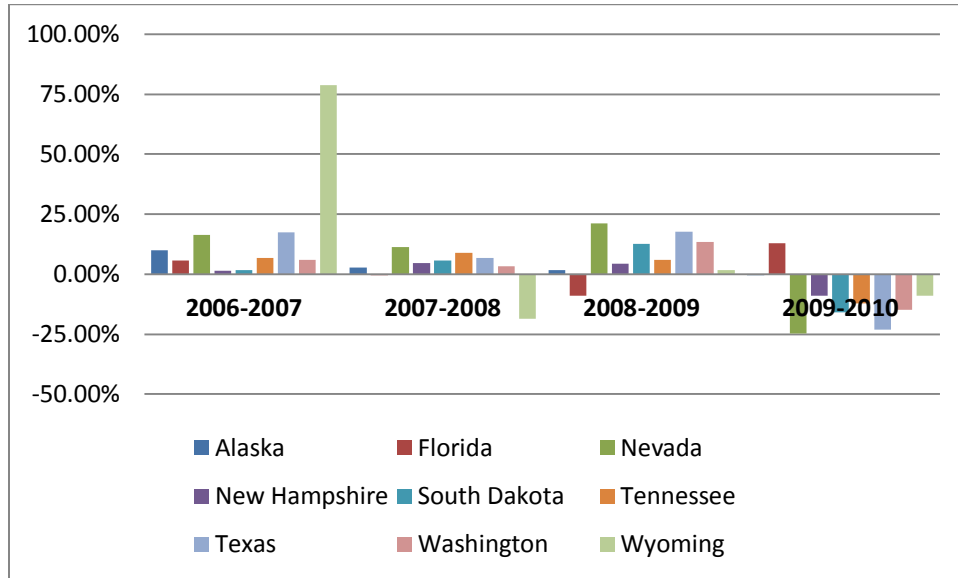
Table 13: Mean Percentage Change in Education Expenditure in Income-Tax States

2006-2007	2007-2008	2008-2009	2009-2010
6.905	7.551	2.580	-7.036

Non-Income Tax States

Non-income tax states follow the pattern of income-tax states. Table A3- 9 displays the data. There was mostly positive growth in 2006-2007, 2007-2008, and 2008-2009, while only one state, Florida, had positive growth in 2009-2010.

Figure 4: Percentage Change in Education Expenditure in Non-Income Tax States



This set of states also present negative growth during the period of 2009-2010 ranging from -.30% (Alaska) to -24.80% (Nevada), with the exception Florida with a 12.77%.

Non-income tax states also had a different pattern from revenue. Table 14 displays the means. Education does not have a stable budget for this set of states. Changes move from decreasing to increasing. As well as in the income-tax states, the last period presents large negative changes, showing the effect of decreased funds for education.

Table 14: Mean Percentage Change in Education Expenditure in Non- Income-Tax States

2006-2007	2007-2008	2008-2009	2009-2010
15.999	2.737	7.746	-10.668

Health (Medicaid)

Medicaid is a program where both the state and federal government have direct participation. For FY2010, Medicaid, together with Medicare and CHIP, had a 21% of the federal budget (Center on Budget and Policy Priorities 2011). It is also required to take into consideration in these calculations the participation of ARRA, which had an impact during this year in health expenditure. For 2009 alone, states received 15 million in grants due to a package in ARRA (United States Department of Health and Human Services); the Federal Medical Assistance Percentages were increased as a part of ARRA (Centers for Medicare & Medicaid Services, 2011).

Income Tax States

Health expenditure for income tax states were stable except for the period of 2008-2009, where the change was around 10% (Table 15). Percentages throughout all states show unsteady movement from single to double digits and from positive to negative growth (Table A3- 10). Nonetheless, every mean presents positive growth even though 2009-2010 does not overcome the previous period.

Table 15: Mean Percentage Change for Medicaid Expenditure in Income-Tax States

2006-2007	2007-2008	2008-2009	2009-2010
5.137	5.333	9.790	6.648

Figure 5: Percentage Change in Health Expenditure for Income-Tax States

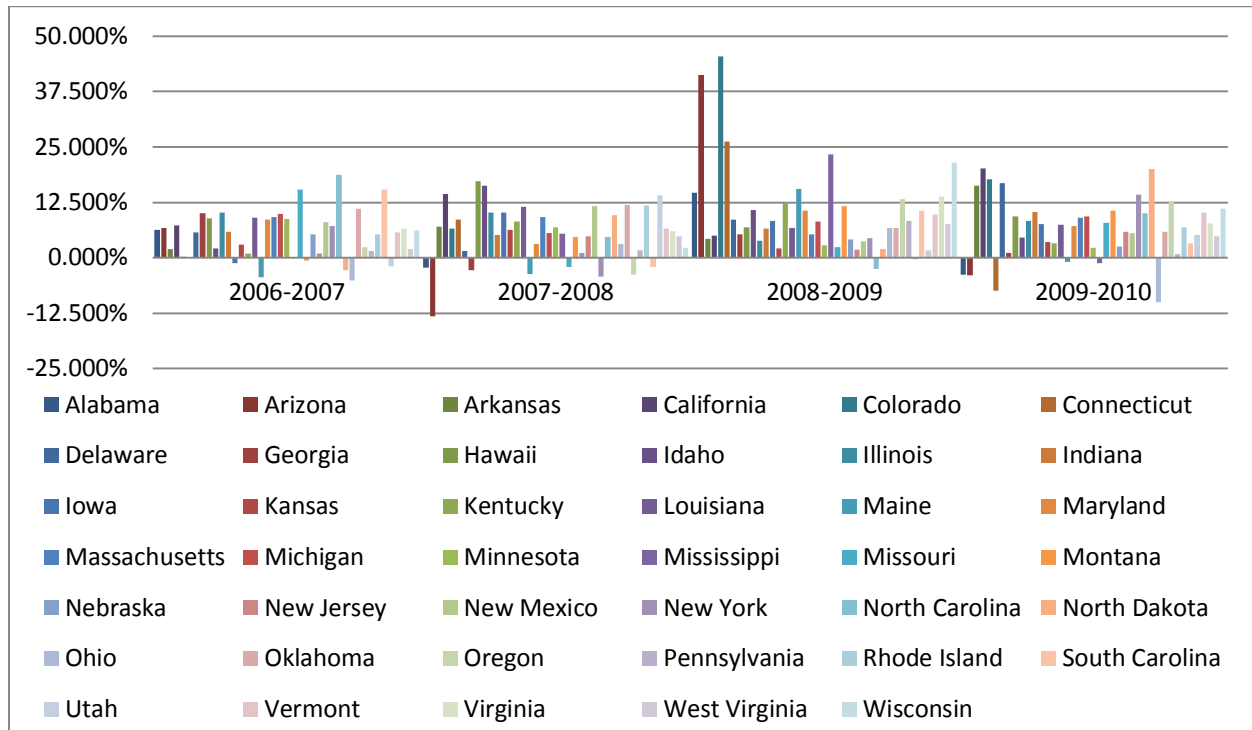
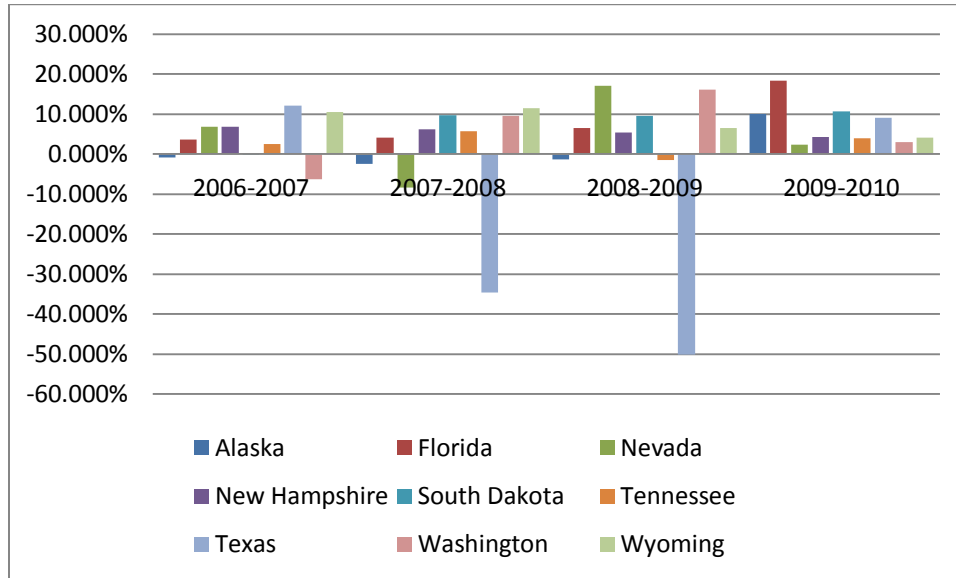


Figure 5 above displays the variation in percentage growth. There is very little negative growth, most of it in 2007-2008 (Arizona being the largest one of all) and in 2009-2010. The period of 2008-2009 presents the largest outliers, Arizona, Colorado, Mississippi, and Wisconsin.

Non-Income Tax States

These states present positive growth with minimal negative growth in all years with the exception of 2009-2010, where there is no negative growth (Table A3- 11). Figure 6 presents the percent change in Medicaid. The outlier in 2007-2008 and 2008-2009 is Texas. Texas had the most frequent negative changes, while Florida was the only state with continuous growth.

Figure 6: Percent Change in Health Expenditure for Non-Income Tax States



Changes in these states are drastic. The mean during the years decreased close to 0 and then doubled the value of 2006-2007 in 2009-2010. Table 16 below displays the means.

Table 16: Mean Percentage Change for Medicaid Expenditure in Non-Income Tax States

2006-2007	2007-2008	2008-2009	2009-2010
3.900	0.143	0.918	7.320

In general, income-tax and non-income tax states behaved similarly in the categories studied. Revenue had two periods with a positive growth rate and two periods with a negative growth rate (2008-2009 and 2009-2010). Education had positive growth in the first three periods but not in the last one, 2009-2010. Health held positive growth through all periods, even if the means of non-income tax states were more drastic and spread apart than those for income-tax states. The years 2008-2009 and 2009-2010 had higher growth rates; explained by disbursement of ARRA funds, thus, part of the effects calculated were a result of federal intervention.

CHAPTER 4: ESTIMATION OF ELASTICITY

This section presents the values for elasticity of revenue and expenditure in education and health, based on the percentages exposed in the previous chapter. Using the general income elasticity formula ($\epsilon = \%Y/\%X$), Y being the dependent variable and X being the independent variable, the elasticity was calculated for each state and year, and afterwards averaged by years. Total elasticity is a result of the average of the elasticity by year.

Results are presented in an absolute value format; those that are less than 1 are insensitive to variation (in this case, change in total revenue or expenditure is less than the change in collection of income taxes or revenue, respectively) and those greater than 1 are sensitive to variation (change in total revenue or expenditure is larger than the change in collection of income taxes or revenue, respectively).

Elasticity of Revenue With Respect to Income Taxes

The elasticity in this section is the result of a change in state revenue caused by a change in income tax revenue: $\epsilon = \%State\ Tax\ Revenue/\%Income\ Tax\ Revenue$. State revenue presented an average elasticity of 2.634. The highest elasticity during the years studied is 7.324, in 2007-2008. That same year, North Dakota had an increase of around 30% in income-tax revenue, the highest one in this section.

Table 17: Elasticity of Total Revenue with respect to Income-Tax Revenue

2006-2007	2007-2008	2008-2009	2009-2010	Mean
0.984	7.324	0.616	1.613	2.634

Not all years presented volatile results. The periods of 2006-2007 and 2008-2009 presented insensitive results, the latter being the least vulnerable to changes in income taxes.

Elasticity of Expenditure With Respect to Revenue

Education

The formula for the income elasticity of education is the percentage change in education expenditure divided by the percentage change in state revenue ($\epsilon = \%Education\ Expenditure / \%State\ Tax\ Revenue$), where state revenue is the independent variable and education expenditure is the dependent variable.

Income Tax States

The mean elasticity for education is 3.399. The year with the highest elasticity is 2009-2010 with 6.658, even though all values for all years are elastic. Maine, Minnesota, and Pennsylvania had significant values for elasticity, since their changes in revenue were very small while the change in expenditure was much greater, like 15.523% for Pennsylvania.

Table 18: Elasticity for Education for Income-Tax States

2006-2007	2007-2008	2008-2009	2009-2010	Mean
1.750	3.631	1.555	6.658	3.399

Non-Income Tax States

The states present an elasticity of 7.893. The highest elasticity is during 2009-2010, which skews the final result. It is also noticeable that there is not a constant value for the years, but values that change to the extreme of the last one, 23.843. New Hampshire had a very low

change in revenue (-0.0347%) that could not overcome a much larger change in expenditure (-6.643%).

Table 19: Elasticity for Education for Non-Income Tax States

2006-2007	2007-2008	2008-2009	2009-2010	Mean
3.310	1.990	2.426	23.843	7.893

Health

The variable used to measure health expenditure is Medicaid expenditure. The formula used to calculate the income elasticity is a percentage change in Medicaid divided by a percentage change in state tax revenue expenditure: $\epsilon = \%Medicaid\ Expenditure / \%State\ Tax\ Revenue$.

Income Tax States

Elasticity of Medicaid spending in income-tax states was calculated to be 4.273, a highly sensitive value. In this average, there are included several values that are very high in all the years studied, with 2009-2010 having the most drastic values, including Colorado with a result of 983.675.

Table 20: Elasticities for Medicaid for Income Tax States

2006-2007	2007-2008	2008-2009	2009-2010	Mean
1.859	5.983	2.327	6.922	4.273

Non-Income Tax States

Elasticity is 7.396, smaller than the corresponding value for the income-tax states, but high as a result of the period of 2009-2010 (period where states received ARRA funds). The

largest value occurred during 2009-2010, where Alaska had a value of 42.683 and New Hampshire of 122.838.

Table 21: Elasticities for Medicaid for Non-Income Tax States

2006-2007	2007-2008	2008-2009	2009-2010	Mean
1.042	2.974	3.157	22.410	7.396

In general, elasticity of state revenue regarding income tax was very high, with a 2.634. None of the elasticity values for any of the categories studied was less than 1. For both types of states, education and health presented higher values during the period of 2009-2010, yet non-income tax states had extremely high elasticity values around the low 20s. These last results are influenced by federal government spending through ARRA.

CONCLUSION

This research has allowed a better understanding of how revenues and expenditures behave under a recession and how differences in the levy of taxes can influence the course of the budget. The results express a more precise grouping of states by programs than by dividing them into the type of tax levied.

Revenue proceeding from state income tax experienced a decrease that was reflected in a decline in state total tax revenues. Nonetheless, this decline was not particular of income-tax states. Non-income tax states had negative growth during the same years income tax revenue and total state revenue for income-tax states declined. This pattern could represent consequences of the recession.

The programs did not move directly or immediately with revenue. Expenditure in education and health presented the same pattern in both types of states. Education spending declined in the last year, while health presented positive growth in all years. The difference between programs could be larger participation of federal money in health than in education. The distinct behavior of programs compared to that of revenues could be a result of significant federal aid through regular grants as well as through the enactment of the American Recovery and Reinvestment Act (ARRA). Thus, parts of the changes calculated reflect the investment of the federal government in state governments.

All elasticities were highly sensitive, yet the non-income tax states were at times twice as sensitive as income-tax states. As well, the results for non-income tax states were the most volatile, making these states more sensitive in general to change. Growth moved in the same direction for both types of states, yet non-income tax states always presented more drastic changes.

These results are opposite to the idea that income taxes are volatile. The dependence on other tax sources such as sales and property tax can be the explanation to the high sensitivity in non-income tax states. The stability of the revenue in income-tax states demonstrated through the elasticities can support the idea of income taxes as more constant source of revenue.

A particular period that presented many changes was that of 2009-2010, the year the ARRA was put in effect. During this year, education presented negative growth and health presented increased positive growth, while the elasticities for both programs had the highest values. Changes in revenues were also less negative.

Income tax revenue does provide the state with a significant percentage of its total tax revenue, and even though it does affect revenue, it might not be the major influence in a change in revenue. The presence of a federal government overlooks the fiscal situation of the states and provides aid to improve the economy and avoid further downfalls.

This research should be extended to more years and different recessions. More research should also be conducted on how high income tax payers influence state tax revenue. A closer

view of how income tax revenue regarding the tax collected from high income tax payers could provide a better idea of how the tax base is constructed. Another topic to explore is the weight of federal aid in programs like education and health and comparing it to the state tax revenue to measure the level of participation of the federal government in specific parts of the budget. Future research can also include the effect of the ARRA in state revenue.

The whole purpose of lawmakers and representatives is to improve the wellbeing of the citizen. The more is known about the effect of taxes on revenues and expenditure, the better the services offered to the citizen, and the more stable budgets can be in tough economic times. It might be that income taxes give way to that stability.

APPENDIX A: STATE INDIVIDUAL INCOME TAX RATES FOR 2011

Type of Tax Return	Rates	Brackets	Type of Tax Return	Rates	Brackets	Type of Tax Return	Rates	Brackets
Alabama			5% > \$11,700			6.50% > \$1M		
Single	2%	> \$0	6% > \$19,600			Delaware		
	4%	> \$500	7% > \$32,600			Single	2.2%	> \$2K
	5%	> \$3,000	California				3.9%	> \$5K
Couple	2%	> \$0	Single	1.0%	> \$0		4.8%	> \$10K
	4%	> \$1,000		2.0%	> \$7,124		5.2%	> \$20K
	5%	> \$6,000		4.0%	> \$16,890		5.55%	> \$25K
Arizona				6.0%	> \$26,657		6.95%	> \$60K
Single	2.59%	> \$0		8.0%	> \$37,005	Couple	2.2%	> \$2K
	2.88%	> \$10K		9.3%	> \$46,766		3.9%	> \$5K
	3.36%	> \$25K		10.3%	> \$1,000,000		4.8%	> \$10K
	4.24%	> \$50K	Couple	1.0%	> \$0		5.2%	> \$20K
	4.54%	> \$150K		2.0%	> \$14,248		5.55%	> \$25K
Couple	2.59%	> \$0		4.0%	> \$33,780		6.95%	> \$60K
	2.88%	> \$20K		6.0%	> \$53,314	Georgia		
	3.36%	> \$50K		8.0%	> \$74,010	Single	1%	> \$0
	4.24%	> \$100K		9.3%	> \$93,532		2%	> \$750
	4.54%	> \$300K		10.3%	> \$2,000,000		3%	> \$2,250
Arkansas			Colorado				4%	> \$3,750
Single	1%	> \$0	Colorado	4.63% of federal taxable income			5%	> \$5,250
	3%	> \$3,900		Connecticut			6%	> \$7,000
	4%	> \$7,800	Single	3%	> \$0	Couple	1%	> \$0
	5%	> \$11,700		5%	> \$10K		2%	> \$1,000
	6%	> \$19,600		6.5%	> \$500K		3%	> \$3,000
	7%	> \$32,600	Couple	3%	> \$0		4%	> \$5,000
Couple	1%	> \$0		5%	> \$20K		5%	> \$7,000
	3%	> \$3,900	Hawaii				6%	> \$10,000
	4%	> \$7,800						

Type of Tax Return	Rates	Brackets	Type of Tax Return	Rates	Brackets	Type of Tax Return	Rates	Brackets	
Single	1.4%	> \$0	Couple	7.8%	> \$26,418	Single	2.43%	> \$2,878	
	3.2%	> \$2,400		1.6%	> \$0		4.50%	> \$5,756	
	5.5%	> \$4,800		3.6%	> \$2,646		6.12%	> \$12,951	
	6.4%	> \$9,600		4.1%	> \$5,284		6.48%	> \$21,585	
	6.8%	> \$14,400		5.1%	> \$7,926		6.80%	> \$28,780	
	7.2%	> \$19,200		6.1%	> \$10,568		7.92%	> \$43,170	
	7.6%	> \$24		7.1%	> \$13,208		8.98%	> \$64,755	
	7.9%	> \$36K		7.4%	> \$19,814		Kansas		
	8.25%	> \$48K		7.8%	> \$52,836		Single	3.5%	> \$0
	9%	> \$150K		Illinois			6.25%	> \$15K	
	10%	> \$175K		5% of federal adjusted gross income with modification			6.45%	> \$30K	
11%	> \$200K	Indiana			Couple	3.50%	> \$0		
Couple	1.4%	> \$0	3.4% of federal adjusted gross income with modification			6.25%	> \$30K		
	3.2%	> \$4,800	Iowa			6.45%	> \$60K		
	5.5%	> \$9,600	Single	0.36%	> \$0	Kentucky			
	6.4%	> \$19,200	0.72%	> \$1,439	Single	2%	> \$0		
	6.8%	> \$28,800	2.43%	> \$2,878	3%	> \$3K			
	7.2%	> \$38,400	4.50%	> \$5,756	4%	> \$4K			
	7.6%	> \$48,000	6.12%	> \$12,951	5%	> \$5K			
	7.9%	> \$72,000	6.48%	> \$21,585	5.8%	> \$8K			
	8.25%	> \$96,000	6.80%	> \$28,780	6%	> \$75K			
	9%	> \$300,000	7.92%	> \$43,170	Couple	2%	> \$0		
	10%	> \$350,000	8.98%	> \$64,755		3%	> \$3K		
11%	> \$400,000	Couple	0.36%	> \$0		4%	> \$4K		
Idaho			0.72%	> \$1,439		5%	> \$5K		
Single	1.6%	> \$0	Louisiana			5.8%	> \$8K		
3.6%	> \$1,323	Single	2%	> \$0	6%	> \$75K			
4.1%	> \$2,642	4%	> \$12,500						
5.1%	> \$3,963								
6.1%	> \$5,284								
7.1%	> \$6,604								
7.4%	> \$9,907								

Type of Tax Return	Rates	Brackets	Type of Tax Return	Rates	Brackets	Type of Tax Return	Rates	Brackets
	6%	> \$50,000					6%	> \$9K
Couple	2%	> \$0	Michigan 4.35% of federal adjusted gross income with modification			Couple	1.5%	> \$0
	4%	> \$25,000					2%	> \$1K
	6%	> \$100,000					2.5%	> \$2K
Maine			Minnesota				3%	> \$3K
Single	2.00%	> \$0	Single	5.35%	> \$0		3.5%	> \$4K
	4.50%	> \$5,000		7.05%	> \$23,100		4%	> \$5K
	7.00%	> \$9,950		7.85%	> \$75,891		4.5%	> \$6K
	8.50%	> \$19,950					5%	> \$7K
Couple	2.00%	> \$0	Couple	5.35%	> \$0		5.5%	> \$8K
	4.50%	> \$10,000		7.05%	> \$33,770		6%	> \$9K
	7.00%	> \$19,900		7.85%	> \$134,170	Montana		
	8.50%	> \$39,900				Single	1%	> \$0
Maryland			Mississippi				2%	> \$2,600
Single	2%	> \$0	Single	3%	> \$0		3%	> \$4,600
	3%	> \$1K		4%	> \$5K		4%	> \$6,900
	4%	> \$2K		5%	> \$10K		5%	> \$9,400
	4.75%	> \$3K	Couple	3%	> \$0		6%	> \$12,100
	5%	> \$150K		4%	> \$5K		6.9%	> \$15,600
	5.25%	> \$300K		5%	> \$10K	Couple	1%	> \$0
	5.5%	> \$500K					2%	> \$2,600
Couple	2%	> \$0	Missouri				3%	> \$4,600
	3%	> \$1K	Single	1.5%	> \$0		4%	> \$6,900
	4%	> \$2K		2%	> \$1K		5%	> \$9,400
	4.75%	> \$3K		2.5%	> \$2K		6%	> \$12,100
	5%	> \$200K		3%	> \$3K		6.9%	> \$15,600
	5.25%	> \$350K		3.5%	> \$4K	Nebraska		
	5.5%	> \$500K		4%	> \$5K	Single	2.56%	> \$0
Mass.				4.5%	> \$6K		3.57%	> \$2,400
	5.3%	> \$0		5%	> \$7K		5.12%	> \$17,500
				5.5%	> \$8K		6.84%	> \$27K

Type of Tax Return	Rates		Brackets	Type of Tax Return	Rates		Brackets	Type of Tax Return	Rates		Brackets
Couple	2.56%	>	\$0		4.5%	>	\$8K		Ohio		
	3.57%	>	\$4,800		5.25%	>	\$11K	Single	0.587%	>	\$0
	5.12%	>	\$35,000		5.9%	>	\$13K		1.174%	>	\$5K
	6.84%	>	\$54,000		6.85%	>	\$20K		2.348%	>	\$10K
New Jersey					7.85%	>	\$200K		2.935%	>	\$15K
Single	1.4%	>	\$0		8.97%	>	\$500K		3.521%	>	\$20K
	1.75%	>	\$20K	Couple	4%	>	\$0		4.109%	>	\$40K
	3.5%	>	\$35K		4.5%	>	\$16K		4.695%	>	\$80K
	5.525%	>	\$40K		5.25%	>	\$22K		5.451%	>	\$100K
	6.37%	>	\$75K		5.9%	>	\$26K		5.925%	>	\$200K
	8.97%	>	\$500K		6.85%	>	\$40K	Couple	0.587%	>	\$0
Couple	1.40%	>	\$0		7.85%	>	\$300K		1.174%	>	\$5K
	1.75%	>	\$20K		8.97%	>	\$500K		2.348%	>	\$10K
	2.45%	>	\$50K	North Carolina					2.935%	>	\$15K
	3.50%	>	\$70K	Single	6%	>	\$0		3.521%	>	\$20K
	5.525%	>	\$80K		7%	>	\$12,750		4.109%	>	\$40K
	6.37%	>	\$150K		7.75%	>	\$60K		4.695%	>	\$80K
	8.97%	>	\$500K	Couple	6%	>	\$0		5.451%	>	\$100K
New Mexico					7%	>	\$21,250		5.925%	>	\$200K
Single	1.7%	>	\$0		7.75%	>	\$100,000	Oklahoma			
	3.2%	>	\$5,500	North Dakota				Single	0.5%	>	\$0
	4.7%	>	\$11K	Single	1.84%	>	\$0		1%	>	\$1,000
	4.9%	>	\$16K		3.44%	>	\$34K		2%	>	\$2,500
Couple	1.7%	>	\$0		3.81%	>	\$82,400		3%	>	\$3,750
	3.2%	>	\$8,000		4.42%	>	\$171,850		4%	>	\$4,900
	4.7%	>	\$16,000		4.86%	>	\$373,650		5%	>	\$7,200
	4.9%	>	\$24,000	Couple	1.84%	>	\$0		5.5%	>	\$8,700
New York					3.44%	>	\$57,700	Couple	0.5%	>	\$0
Single	4%	>	\$0		3.81%	>	\$139,350		1%	>	\$2,000
					4.42%	>	\$212,300		2%	>	\$5,000
					4.86%	>	\$379,150		3%	>	\$7,500

APPENDIX: CHAPTER 1

Table A1- 1: Total Revenues for Income-Tax States, 2000-2006

States	2000	2001	2002	2003	2004	2005	2006
Alabama	6,438,438	6,747,707	6,509,765	6,416,351	7,018,242	7,774,147	8,529,676
Arizona	8,100,737	8,360,376	8,477,321	8,691,761	9,637,369	11,008,428	13,355,582
Arkansas	4,870,561	4,986,747	5,176,050	5,145,554	5,580,678	6,538,720	7,015,781
California	83,807,959	90,453,746	77,755,376	79,198,255	85,721,483	98,434,685	111,346,857
Colorado	7,075,047	7,566,919	6,923,171	6,636,190	7,051,457	7,648,456	8,533,541
Connecticut	10,171,242	9,895,673	9,032,787	9,508,645	10,291,289	11,584,728	12,131,894
Delaware	2,132,131	2,105,921	2,173,600	2,116,458	2,375,482	2,590,217	2,860,749
Georgia	13,511,275	14,368,505	13,772,147	13,411,632	14,570,573	15,665,563	17,023,264
Hawaii	3,334,743	3,507,770	3,420,671	3,569,824	3,849,135	4,434,356	4,918,655
Idaho	2,377,251	2,558,098	2,271,075	2,344,344	2,647,790	2,934,459	3,142,663
Illinois	22,788,799	23,150,229	22,474,774	22,211,693	23,709,618	26,411,689	28,055,188
Indiana	10,104,353	10,115,870	10,200,590	11,216,456	11,957,470	12,853,976	13,625,667
Iowa	5,185,394	5,158,780	5,006,251	4,922,455	5,214,602	5,778,350	6,118,897
Kansas	4,848,235	4,986,955	4,808,361	5,008,411	5,283,676	5,637,807	6,275,075
Kentucky	7,694,610	7,850,908	7,974,690	8,318,707	8,463,400	9,090,882	9,713,808
Louisiana	6,512,382	7,197,380	7,356,936	7,449,507	7,741,289	8,638,674	9,752,953
Maine	2,661,080	2,668,938	2,626,830	2,697,275	2,975,525	3,215,570	3,598,579
Maryland	10,354,447	10,785,695	10,821,276	10,980,324	12,227,428	13,366,914	14,549,632
Massachusetts	16,152,874	17,225,270	14,822,592	15,608,027	16,839,243	18,034,862	19,419,634
Michigan	22,756,403	22,263,902	21,864,052	22,748,159	24,061,065	23,525,187	23,714,514
Minnesota	13,338,532	13,534,585	13,224,036	13,981,287	14,734,921	15,881,131	17,331,413
Mississippi	4,711,594	4,749,481	4,728,905	4,999,144	5,124,730	5,432,152	5,989,603
Missouri	8,571,548	8,837,196	8,728,932	8,627,396	9,119,664	9,543,814	10,180,598
Montana	1,410,760	1,495,810	1,442,731	1,487,019	1,625,692	1,875,545	2,126,324
Nebraska	2,981,047	3,037,408	2,992,522	3,347,700	3,639,811	3,796,551	3,961,093
New Jersey	18,147,604	19,253,297	18,328,814	19,936,266	20,986,204	24,247,648	26,266,187
New Mexico	3,743,178	4,002,246	3,628,055	3,607,156	4,001,780	4,478,321	5,110,683
New York	41,735,841	44,858,302	43,262,137	42,253,291	45,826,429	51,326,444	57,402,970
North Carolina	15,315,386	15,599,964	15,537,366	15,848,650	16,836,454	18,639,618	20,602,902
North Dakota	1,172,373	1,164,353	1,117,299	1,177,727	1,228,890	1,403,293	1,621,912
Ohio	19,676,365	19,617,950	20,130,415	20,651,597	22,475,528	24,011,238	25,412,275
Oklahoma	5,840,022	6,341,714	6,052,680	5,905,884	6,426,713	6,859,030	7,817,488
Oregon	5,945,675	5,892,963	5,163,687	5,701,691	6,103,071	6,522,665	7,590,306
Pennsylvania	22,466,906	22,571,889	22,135,537	23,187,302	25,346,880	27,262,969	29,050,577
Rhode Island	2,034,909	2,246,605	2,127,609	2,256,654	2,408,861	2,628,747	2,741,734
South Carolina	6,381,391	6,415,080	6,087,792	6,353,115	6,803,568	7,318,388	7,759,797
Utah	3,978,697	4,072,968	3,925,382	3,954,815	4,195,962	4,703,330	5,461,647
Vermont	1,483,155	1,552,739	1,518,479	1,558,712	1,766,719	2,242,902	2,406,661
Virginia	12,648,035	13,085,329	12,781,149	12,969,177	14,233,065	15,918,847	17,288,324
West Virginia	3,343,266	3,422,875	3,551,756	3,593,993	3,749,013	4,301,156	4,547,929
Wisconsin	12,575,192	11,768,235	11,813,831	12,089,770	12,638,266	13,152,251	13,795,044

Data from US Census Bureau

Table A1- 2: Total Revenue for Non-Income Tax States, 2000-2006

States	2000	2001	2002	2003	2004	2005	2006
Alaska	1,423,287	1,428,698	1,089,504	1,120,133	1,343,191	1,858,311	2,484,422
Florida	24,817,263	24,938,748	25,352,237	26,993,487	30,534,283	33,894,971	40,132,721
Nevada	3,717,255	3,832,227	3,945,329	4,129,137	4,716,660	5,670,169	6,152,980
New Hampshire	1,696,085	1,755,620	1,897,021	1,959,211	2,005,389	2,010,775	2,080,573
South Dakota	927,245	977,469	976,596	1,012,955	1,062,722	1,110,035	1,189,089
Tennessee	7,739,590	8,043,347	7,797,681	8,811,612	9,529,171	10,007,292	10,660,344
Texas	27,424,142	29,422,936	28,662,395	29,098,584	30,751,860	32,784,942	36,591,749
Washington	12,567,383	12,679,410	12,628,567	12,960,220	13,895,346	14,839,634	16,410,977
Wyoming	963,650	1,124,292	1,094,402	1,217,154	1,504,777	1,739,646	2,122,239

Data from US Census Bureau

Table A1- 3: Percentage of Revenue Provided by Income Taxes, 2000-2006

States	2000	2001	2002	2003	2004	2005	2006
Alabama	32.173	36.125	31.195	31.724	31.967	32.628	32.431
Arizona	28.292	27.557	24.662	24.188	24.030	25.875	24.359
Arkansas	30.182	31.357	29.235	29.700	30.204	28.676	28.690
California	47.221	49.323	42.501	41.301	42.462	43.676	46.000
Colorado	51.405	51.453	50.205	48.760	48.414	49.301	49.908
Connecticut	39.067	42.742	40.799	38.274	41.973	43.449	47.624
Delaware	34.397	34.191	32.971	33.561	32.886	34.069	35.607
Georgia	47.106	48.203	47.107	46.761	46.879	46.766	47.232
Hawaii	31.916	31.503	32.496	29.073	30.376	31.154	31.528
Idaho	40.611	40.285	37.091	35.992	34.285	35.458	38.902
Illinois	33.513	33.126	33.243	33.050	30.445	30.051	30.779
Indiana	37.146	37.365	34.712	32.489	31.845	32.780	32.157
Iowa	36.457	36.614	35.343	36.387	37.562	39.010	39.448
Kansas	38.398	39.873	38.575	35.478	36.254	36.890	38.265
Kentucky	35.110	33.752	33.585	33.827	33.313	33.399	30.045
Louisiana	24.296	24.318	24.314	25.064	28.316	27.698	25.645
Maine	40.469	43.528	40.840	39.849	38.986	40.405	38.041
Maryland	44.553	43.799	43.473	42.639	43.164	42.355	42.278
Massachusetts	55.977	57.489	53.384	51.423	52.439	53.731	53.984
Michigan	31.597	30.500	28.015	28.660	27.331	25.968	26.255
Minnesota	41.589	43.638	41.163	38.441	38.749	39.929	39.598
Mississippi	21.366	21.757	20.832	20.404	20.717	21.613	20.949
Missouri	41.419	43.172	41.418	40.798	40.799	42.065	44.118
Montana	36.595	37.171	35.874	36.034	37.251	38.036	36.162
Nebraska	39.379	40.399	38.544	33.542	34.139	36.715	39.005
New Jersey	39.704	41.495	37.302	33.784	35.265	39.336	40.000
New Mexico	23.532	20.739	27.091	25.591	25.170	24.250	21.992
New York	55.574	58.947	59.113	53.601	53.784	54.748	53.678
North Carolina	47.075	48.246	46.760	44.730	44.611	45.213	45.951
North Dakota	16.942	18.335	17.864	16.930	17.413	17.246	16.994
Ohio	41.884	42.337	41.408	38.333	38.732	39.292	37.867
Oklahoma	36.550	35.942	37.770	35.794	36.086	35.991	35.251
Oregon	68.914	74.399	71.169	70.568	69.977	72.041	71.360
Pennsylvania	30.135	31.699	30.425	28.730	28.893	30.355	31.056
Rhode Island	40.738	41.316	38.706	36.553	37.360	37.966	37.184
South Carolina	38.323	38.952	38.589	36.739	35.845	36.777	35.146
Utah	41.507	41.868	40.896	39.762	40.325	40.965	41.699
Vermont	29.127	31.144	26.858	26.390	24.329	22.313	22.521
Virginia	53.992	55.225	52.505	52.245	52.147	52.468	52.481
West Virginia	28.886	29.820	29.131	29.369	28.493	27.248	28.534
Wisconsin	47.334	43.754	42.100	43.446	41.550	41.552	42.816

Table A1- 4: State Budget FY 2012: Shortfalls and Changes in Revenues and Programs

<u>State</u>	<u>FY12 Projected shortfall (in \$ millions)</u>	<u>Shortfall as Percent of FY12 budget</u>	<u>Personal income tax (% change January- March 2010 to 2011)</u>	<u>Corporate income tax (% change January- March 2010 to 2011)</u>	<u>Sales tax (% change January- March 2010 to 2011)</u>	<u>Cuts for Public Health Programs</u>	<u>Cuts for K-12 and Early Education</u>
Alabama	\$979	13.9%	6.1%	-26.0%	4.2%		X
Alaska	\$0	0.0%	N/A	-57.8%	N/A		
Arizona	\$974	11.5%	27.5%	-14.6%	32.3%	X	X
Arkansas	\$0	0.0%	17.4%	1.6%	0.7%		
California	\$25,400	29.3%	12.1%	-7.8%	-3.1%	X	X
Colorado	\$988	13.8%	18.2%	-22.5%	10.2%	X	X
Connecticut	\$3,200	18.0%	13.4%	31.5%	10.5%	X	X
Delaware	\$208	6.3%	22.9%	172.4%	N/A		X
Florida	\$3,600	14.9%	N/A	11.1%	5.3%	X	X
Georgia	\$1,300	7.9%	19.2%	34.6%	8.0%	X	X
Hawaii	\$410	8.2%	N/A	N/A	N/A		X
Idaho	\$92	3.9%	28.1%	262.2%	1.0%	X	X
Illinois	\$4,900	14.6%	40.9%	1.4%	9.8%	X	X
Indiana	\$270	2.0%	17.8%	-270.2%	6.5%	X	X
Iowa	\$186	3.5%	9.5%	-15.5%	6.9%		X
Kansas	\$492	8.8%	1.0%	66.8%	23.9%		X
Kentucky	\$780	9.1%	10.6%	3.7%	3.6%		X
Louisiana	\$1,600	20.7%	41.9%	322.1%	15.2%	X	
Maine	\$436	16.1%	21.1%	-0.6%	4.4%	X	X
Maryland	\$1,400	10.7%	3.7%	-0.2%	5.8%	X	X
Massachusetts	\$1,800	5.7%	10.1%	21.3%	3.2%	X	X
Michigan	\$1,300	5.9%	208.8%	14.5%	6.6%	X	X
Minnesota	\$3,800	23.6%	16.9%	30.6%	3.6%	X	
Mississippi	\$634	14.1%	-2.1%	14.8%	2.6%		X
Missouri	\$704	9.1%	3.5%	112.9%	1.0%	X	X
Montana	\$0	0.0%	13.6%	49.6%	N/A		
Nebraska	\$314	9.2%	18.7%	-3.9%	4.2%		X
Nevada	\$1,500	45.2%	N/A	N/A	N/A	X	X
New Hampshire	N/A	N/A	N/A	-2.4%	N/A	X	
New Jersey	\$10,500	37.4%	N/A	N/A	N/A	X	X
New Mexico	\$450	8.3%	N/A	N/A	N/A		
New York	\$10,000	18.7%	3.2%	15.3%	12.7%	X	X
North Carolina	\$2,400	12.7%	6.6%	-26.0%	-1.5%	X	X
North Dakota	\$0	0.0%	24.8%	2.7%	38.1%		
Ohio	\$3,000	11.0%	18.5%	25.5%	7.8%	X	X

<u>State</u>	<u>FY12 Projected shortfall (in \$ millions)</u>	<u>Shortfall as Percent of FY12 budget</u>	<u>Personal income tax (% change January-March 2010 to 2011)</u>	<u>Corporate income tax (% change January-March 2010 to 2011)</u>	<u>Sales tax (% change January-March 2010 to 2011)</u>	<u>Cuts for Public Health Programs</u>	<u>Cuts for K-12 and Early Education</u>
Oklahoma	\$500	9.4%	2.3%	204.5%	11.2%	X	
Oregon	\$1,800	25.0%	20.6%	12.9%	N/A		X
Pennsylvania	\$4,200	16.4%	7.5%	3.9%	4.2%		X
Rhode Island	\$331	11.3%	7.1%	8.3%	2.0%	X	X
South Carolina	\$877	17.4%	75.3%	140.1%	2.8%	X	X
South Dakota	\$127	10.9%	N/A	N/A	16.1%		
Tennessee	N/A	N/A	N/A	-8.8%	5.6%	X	
Texas	\$13,400	31.5%	N/A	N/A	10.6%		
Utah	\$390	8.2%	12.5%	-12.9%	13.5%	X	X
Vermont	\$176	16.3%	25.3%	-6.2%	3.9%		
Virginia	\$2,000	13.1%	13.2%	125.1%	8.4%	X	X
Washington	\$2,500	16.2%	N/A	N/A	1.3%	X	X
West Virginia	\$0	0.0%	10.3%	377.8%	4.8%		
Wisconsin	\$1,800	12.8%	33.0%	-1.7%	3.9%	X	
Wyoming	\$0	0.0%	N/A	N/A	21.3%	X	

Table from the Wall Street Journal. Sources: Center on Budget and Policy Priorities; the Nelson A. Rockefeller Institute of Government at the State University of New York

APPENDIX: CHAPTER 2

Table A2- 1: Revenue From State Sources for Public Elementary-Secondary School Systems for Income-Tax States

States	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Alabama	3,010,983	2,966,981	2,971,520	3,247,562	3,540,436	4,070,949	4,649,053	4,161,103
Arizona	2,825,228	2,912,629	3,181,009	3,320,196	3,635,388	4,204,391	4,458,836	3,806,064
Arkansas	2,334,551	2,394,336	2,430,731	2,995,788	3,108,910	3,319,032	3,487,063	3,530,487
California	31,005,317	33,617,766	31,756,690	34,912,166	37,439,651	42,333,590	43,187,637	40,084,244
Colorado	2,460,333	2,715,219	2,834,744	2,954,915	3,087,795	3,307,016	3,398,303	3,634,018
Connecticut	2,490,036	2,481,901	2,520,724	2,886,076	3,148,507	3,299,175	3,520,752	3,606,594
Delaware	764,350	794,472	827,110	894,498	969,809	1,071,957	1,037,624	1,047,418
Georgia	6,361,710	6,551,699	6,333,305	6,449,103	7,136,011	7,907,177	8,432,720	7,739,086
Hawaii	1,684,226	1,873,318	1,850,737	1,986,615	2,431,735	2,681,049	2,154,313	2,205,032
Idaho	988,386	994,022	1,007,906	1,023,550	1,046,128	1,338,182	1,409,151	1,459,554
Illinois	6,808,150	6,792,637	7,265,072	7,152,163	7,144,629	7,805,362	8,357,924	7,879,160
Indiana	4,446,730	4,569,923	5,044,543	5,224,277	5,380,185	5,224,450	5,367,296	5,804,809
Iowa	1,951,680	1,974,708	1,953,425	2,051,926	2,158,255	2,279,228	2,465,108	2,545,353
Kansas	2,281,992	2,397,661	2,250,069	2,360,120	2,640,757	2,894,033	3,138,799	3,291,485
Kentucky	2,743,882	2,904,331	2,968,391	3,121,503	3,439,085	3,557,084	3,841,470	3,870,440
Louisiana	2,536,111	2,638,985	2,740,918	2,787,542	2,814,302	2,911,249	3,376,556	3,568,903
Maine	853,761	874,208	870,326	895,595	947,857	1,081,891	1,122,001	1,107,152
Maryland	3,133,775	3,317,403	3,436,703	3,729,262	4,189,334	4,684,827	5,499,326	5,697,257
Massachusetts	4,681,737	4,757,632	4,726,087	5,434,971	6,175,593	6,485,380	6,114,211	5,974,489
Michigan	11,203,813	11,227,903	11,129,404	10,990,030	11,172,247	11,383,198	11,170,772	10,130,740
Minnesota	4,771,002	6,064,474	6,019,336	5,912,340	6,368,364	6,267,914	6,513,673	6,590,788
Mississippi	1,639,832	1,754,451	1,907,476	1,958,500	2,108,733	2,214,700	2,389,484	2,334,363
Missouri	3,347,137	3,430,809	3,460,158	3,640,728	3,830,104	3,641,310	3,808,601	3,927,189
Montana	554,360	553,269	560,584	578,321	626,958	702,476	766,328	765,177
Nebraska	879,775	878,715	874,804	878,576	948,001	992,032	1,091,160	1,182,776
New Jersey	7,336,383	8,135,014	8,779,155	9,340,953	9,540,387	10,101,279	10,359,646	10,401,527
New Mexico	1,832,491	1,905,419	1,989,564	2,102,670	2,197,044	2,360,542	2,542,639	2,615,320
New York	17,337,735	17,509,618	17,705,556	19,202,847	20,183,518	22,845,772	24,036,865	25,768,345
North Carolina	5,929,203	5,970,302	6,115,388	6,440,768	6,846,954	7,481,148	8,009,636	8,229,140
North Dakota	303,280	306,647	336,722	341,066	348,475	355,662	383,307	407,374
Ohio	7,811,620	7,844,992	8,145,107	8,313,858	8,695,982	9,341,723	9,777,048	10,226,228
Oklahoma	2,345,888	2,272,785	2,360,286	2,440,741	2,570,987	2,782,356	2,957,101	3,014,993
Oregon	2,662,513	2,348,070	2,658,285	2,440,758	2,737,088	2,917,634	3,200,001	3,117,315
Pennsylvania	6,637,673	6,912,678	7,196,172	7,667,114	7,973,651	8,593,421	9,032,615	9,858,461
Rhode Island	676,371	713,197	739,698	747,359	797,349	817,792	836,509	765,069
South Carolina	2,857,497	2,761,951	2,741,127	2,832,245	3,023,114	3,120,414	3,916,453	3,654,658
Utah	1,680,625	1,607,204	1,654,191	1,729,443	1,825,910	1,977,900	2,363,716	2,224,007
Vermont	766,164	779,124	801,169	1,090,494	1,153,104	1,236,210	1,290,067	1,336,424
Virginia	4,002,347	4,087,720	4,241,483	4,871,813	5,126,114	5,796,043	5,957,786	6,317,714
West Virginia	1,451,026	1,519,848	1,546,921	1,607,433	1,649,661	1,677,212	1,723,068	1,793,917
Wisconsin	4,682,300	4,838,109	4,732,025	4,770,290	5,066,552	5,175,386	5,221,550	4,785,070

Data from US Census Bureau, Public Elementary-Secondary Education Finance Data

Table A2- 2: Revenue From State Sources for Public Elementary-Secondary School Systems for Non-Income Tax States

States	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Alaska	773,418	813,371	809,810	878,731	918,976	1,052,357	1,419,318	1,357,747
Florida	8,542,871	8,689,141	9,593,760	9,940,813	10,215,772	11,578,932	11,830,218	9,047,586
Nevada	1,582,993	1,663,026	1,850,655	1,996,995	2,137,351	2,266,751	2,493,641	2,272,415
New Hampshire	943,592	957,471	968,313	878,957	925,677	936,882	1,008,333	1,002,239
South Dakota	346,086	328,576	343,216	350,316	355,719	371,645	394,721	412,798
Tennessee	2,544,653	2,648,909	2,743,825	2,962,151	3,097,824	3,342,186	3,711,646	3,800,870
Texas	12,930,564	13,675,228	13,201,169	13,017,433	13,503,141	15,952,564	19,923,849	19,708,771
Washington	5,194,962	5,334,268	5,416,352	5,588,494	5,899,155	6,339,782	6,932,500	7,146,416
Wyoming	443,525	489,199	507,155	585,789	507,178	722,364	846,239	945,765

Data from US Census Bureau, Public Elementary–Secondary Education Finance Data

Table A2- 3: Current Spending of Public Elementary-Secondary School Systems by Income-Tax State

State	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Alabama	4,554,278	4,763,235	4,889,771	5,259,998	5,796,074	6,373,753	6,884,819	6,728,969
Arizona	4,780,245	5,079,060	5,672,504	6,039,744	6,563,231	7,038,060	7,574,303	7,735,635
Arkansas	2,772,856	2,912,090	3,082,505	3,493,088	3,774,479	3,963,185	4,098,783	4,443,722
California	47,408,868	49,183,825	50,011,851	52,249,300	54,726,269	58,807,697	62,546,168	61,071,012
Colorado	5,156,218	5,554,986	5,668,715	5,984,334	6,379,835	6,518,465	7,301,719	7,146,967
Connecticut	5,659,614	5,925,400	6,208,320	6,655,366	7,052,667	7,425,983	7,862,157	8,190,255
Delaware	1,049,506	1,095,056	1,160,219	1,248,092	1,349,940	1,375,037	1,420,287	1,454,873
Georgia	10,852,308	11,618,704	11,827,294	12,498,306	13,724,657	14,933,565	16,218,487	16,036,166
Hawaii	1,394,522	1,539,343	1,618,251	1,704,334	1,864,980	2,061,560	2,147,953	2,250,087
Idaho	1,463,635	1,504,390	1,523,463	1,598,593	1,667,833	1,746,064	1,846,615	1,904,422
Illinois	16,612,675	17,453,016	18,175,431	18,719,943	19,388,389	20,272,699	21,723,326	23,218,026
Indiana	7,602,178	8,012,548	8,392,462	8,985,591	9,085,817	9,310,375	9,400,028	9,706,715
Iowa	3,568,585	3,650,422	3,692,882	3,839,438	4,069,015	4,258,849	4,518,741	4,755,348
Kansas	3,320,601	3,431,743	3,536,329	3,615,658	3,915,746	4,220,992	4,524,182	4,685,472
Kentucky	4,300,191	4,444,722	4,633,150	4,862,056	5,269,627	5,433,168	5,852,337	5,930,403
Louisiana	4,748,747	4,992,757	5,224,414	5,481,856	5,468,389	5,933,891	6,621,116	7,003,000
Maine	1,807,345	1,903,732	1,983,094	2,073,109	2,138,662	2,281,573	2,339,003	2,389,734
Maryland	7,344,489	7,755,345	8,030,228	8,496,336	9,201,229	10,009,647	10,993,421	11,373,754
Massachusetts	9,864,433	10,321,552	10,798,041	11,345,687	12,016,989	12,723,983	13,368,717	13,968,798
Michigan	15,106,145	15,714,544	16,255,422	16,590,394	16,901,610	17,206,537	17,240,937	16,642,564
Minnesota	6,780,955	7,063,568	7,246,786	7,441,979	7,833,177	8,160,803	8,599,468	9,331,434
Mississippi	2,658,807	2,871,059	3,083,818	3,263,223	3,583,253	3,708,620	3,915,700	3,985,744
Missouri	6,558,757	6,871,257	6,868,977	7,134,911	7,570,400	7,932,558	8,462,247	8,734,145
Montana	1,071,658	1,120,498	1,155,527	1,186,254	1,252,968	1,315,957	1,386,011	1,432,675
Nebraska	2,113,824	2,210,274	2,293,796	2,366,891	2,505,038	2,627,678	2,789,004	2,938,103
New Jersey	15,923,111	17,276,263	18,513,740	19,801,433	21,039,298	22,434,942	23,375,817	23,440,277
New Mexico	2,133,550	2,222,449	2,394,364	2,500,262	2,670,455	2,833,325	2,987,457	3,107,149
New York	33,730,446	35,944,148	37,632,378	40,352,759	42,752,878	45,422,550	48,432,402	50,690,599
North Carolina	8,488,344	8,768,313	9,008,650	9,780,405	10,305,665	11,213,139	11,513,879	12,543,171
North Dakota	718,510	748,163	793,242	824,806	850,874	877,302	925,755	968,881
Ohio	14,927,938	15,857,316	16,602,521	17,057,815	17,697,739	18,009,346	18,555,923	19,011,682
Oklahoma	4,079,056	4,014,387	4,029,744	4,339,886	4,607,769	4,947,646	5,151,765	5,310,369
Oregon	4,244,501	4,180,238	4,226,489	4,532,366	4,827,479	5,107,117	5,491,351	5,627,387
Pennsylvania	15,879,830	16,727,140	17,806,076	18,843,437	19,667,803	20,350,728	21,125,769	21,596,546
Rhode Island	1,504,739	1,561,685	1,664,593	1,714,890	1,891,260	1,994,727	2,083,873	2,087,690
South Carolina	4,768,154	4,944,042	5,084,238	5,379,795	5,748,625	6,088,811	6,602,038	6,716,042
Utah	2,419,051	2,418,841	2,516,642	2,645,843	2,785,974	2,954,550	3,306,470	3,488,395
Vermont	986,166	1,040,475	1,102,479	1,169,185	1,212,060	1,280,088	1,338,436	1,397,548

State	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Virginia	8,776,979	9,271,557	9,864,174	10,774,929	11,537,088	12,542,467	13,203,616	13,582,801
West Virginia	2,219,744	2,346,756	2,411,648	2,550,597	2,651,879	2,738,951	2,803,598	2,950,686
Wisconsin	7,569,114	7,948,676	8,144,582	8,454,385	8,755,812	9,027,263	9,365,629	9,713,099

Data from US Census Bureau, Public Elementary–Secondary Education Finance Data

Table A2- 4: Current Spending of Public Elementary-Secondary School Systems by Non-Income Tax State

States	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Alaska	1,282,948	1,333,292	1,356,893	1,444,532	1,530,668	1,633,863	1,919,050	2,033,374
Florida	15,615,806	16,786,103	18,026,663	19,510,420	21,140,944	23,127,743	24,416,770	23,498,048
Nevada	2,169,974	2,263,480	2,483,851	2,707,402	3,048,568	3,403,085	3,574,548	3,652,056
New Hampshire	1,629,025	1,750,690	1,867,104	1,977,866	2,097,051	2,200,205	2,352,376	2,443,217
South Dakota	807,544	837,642	873,654	903,177	935,925	967,039	1,022,164	1,082,630
Tennessee	5,431,859	5,679,612	5,996,362	6,406,016	6,639,211	7,031,989	7,534,414	7,751,563
Texas	27,989,588	30,005,043	30,599,490	31,797,471	33,952,123	35,602,992	38,420,435	39,984,644
Washington	6,995,530	7,242,930	7,433,645	7,750,603	8,120,022	8,640,378	9,432,860	9,958,400
Wyoming	764,163	793,326	816,222	864,907	968,244	1,132,679	1,197,172	1,274,683

Data from US Census Bureau, Public Elementary–Secondary Education Finance Data

Table A2- 5: Percent Distribution of Elementary-Secondary Public School System Revenue by Income-Tax State

States	2001 -2002	2002 -2003	2003 -2004	2004 -2005	2005 -2006	2006 -2007	2007 -2008	2008 -2009
Alabama	58.7	57.1	55.5	55.2	55.6	57.6	60.2	57.9
Arizona	45.8	44.9	44.9	44.4	45.1	48.4	48.5	43.6
Arkansas	74.4	74.2	72.1	75.6	73.4	75.4	76.0	74.6
California	58.5	58.0	54.5	58.0	58.3	60.4	59.9	56.1
Colorado	42.3	43.4	43.7	43.1	42.7	43.3	42.4	44.0
Connecticut	38.1	36.3	35.3	37.2	38.0	37.7	38.5	38.0
Delaware	66.6	65.8	64.0	64.8	64.5	65.2	63.0	62.6
Georgia	48.8	48.5	44.8	43.8	44.2	44.6	45.2	43.1
Hawaii	89.1	90.1	86.6	87.4	89.9	89.8	84.8	82.0
Idaho	60.9	59.0	58.2	57.0	55.8	66.5	65.5	66.9
Illinois	36.7	35.6	35.5	34.1	32.3	33.2	33.8	29.9
Indiana	49.2	57.1	49.6	45.9	47.5	51.3	48.5	45.7
Iowa	48.3	46.8	46.2	46.0	45.7	45.5	46.5	46.1
Kansas	59.8	59.0	51.4	55.9	56.8	57.5	58.4	58.6
Kentucky	59.4	59.6	57.8	57.3	57.3	57.1	57.9	57.7
Louisiana	48.5	48.2	48.0	46.7	41.5	41.5	43.9	45.0
Maine	43.6	42.1	40.7	40.1	41.5	44.3	44.5	43.4
Maryland	37.2	38.2	37.7	37.7	39.2	40.2	42.0	43.4
Massachusetts	42.1	41.4	39.8	42.2	44.0	44.8	42.1	39.4
Michigan	64.4	63.2	62.0	60.1	59.3	57.9	57.3	54.3
Minnesota	61.1	73.7	71.4	69.6	70.7	66.3	65.8	64.8
Mississippi	54.2	53.9	54.9	53.9	49.4	52.6	53.8	53.3
Missouri	45.3	45.4	44.2	44.0	43.6	41.2	41.1	41.8
Montana	47.7	46.2	44.4	45.0	45.9	48.0	49.4	48.0
Nebraska	35.6	34.5	32.8	31.1	31.4	31.7	33.0	34.3
New Jersey	42.0	42.5	42.4	41.9	41.3	41.2	41.3	40.5
New Mexico	72.2	72.6	69.7	70.5	71.2	72.1	71.2	70.6
New York	48.7	46.2	43.6	43.9	43.1	45.2	45.4	46.3
North Carolina	61.1	60.3	57.9	58.0	58.5	57.3	58.8	53.4
North Dakota	37.6	36.5	38.1	36.9	36.2	35.5	36.1	36.9
Ohio	44.8	44.1	43.9	42.9	42.3	43.1	44.1	46.2
Oklahoma	53.7	51.4	51.1	49.9	50.2	50.7	51.2	50.0
Oregon	56.2	51.3	52.7	49.0	50.9	52.0	52.8	51.1
Pennsylvania	37.4	36.7	35.9	35.6	35.0	35.5	35.8	38.7
Rhode Island	41.6	41.5	40.5	39.5	40.0	39.2	38.7	35.3
South Carolina	50.9	48.4	46.0	44.8	44.8	43.8	50.7	47.7

States	2001 -2002	2002 -2003	2003 -2004	2004 -2005	2005 -2006	2006 -2007	2007 -2008	2008 -2009
Utah	58.7	55.9	55.3	54.4	54.1	54.2	56.3	52.5
Vermont	71.5	69.3	68.0	87.2	87.1	87.8	88.5	88.7
Virginia	41.0	39.6	38.7	40.7	39.6	41.8	41.0	42.1
West Virginia	60.1	60.9	60.0	59.7	58.8	57.9	58.1	57.9
Wisconsin	54.8	54.8	52.2	50.5	52.2	51.6	50.1	44.4

Data from US Census Bureau, Public Elementary–Secondary Education Finance Data

Table A2- 6: Percent Distribution of Elementary-Secondary Public School System Revenue by Non-Income Tax State

States	2001 -2002	2002 -2003	2003 -2004	2004 -2005	2005 -2006	2006 -2007	2007 -2008	2008 -2009
Alaska	56.1	57.0	54.9	54.9	56.5	58.4	64.9	62.9
Florida	46.1	44.5	44.4	42.8	40.2	40.1	39.4	34.2
Nevada	35.6	34.5	32.8	31.1	31.4	31.7	33.0	34.3
New Hampshire	51.9	49.0	45.8	39.2	39.2	37.5	38.6	36.9
South Dakota	37.3	34.1	34.2	33.4	32.8	32.8	33.2	32.9
Tennessee	44.2	44.4	43.4	43.7	43.2	44.0	46.1	47.0
Texas	39.6	39.1	36.8	34.6	32.9	36.1	43.2	41.1
Washington	63.1	62.4	61.8	61.3	61.1	61.4	62.4	59.9
Wyoming	48.9	50.9	52.1	51.8	44.2	49.0	52.9	56.5

Data from US Census Bureau, Public Elementary–Secondary Education Finance Data

APPENDIX: CHAPTER 3

Table A3- 1: Total Revenue in Dollars for Income-Tax States

States	2006	2007	2008	2009	2010
Alabama	8,529,676	8,868,314	9,070,530	8,306,446	8,181,918
Arizona	13,355,582	14,404,976	13,153,271	11,134,403	10,199,338
Arkansas	7,015,781	7,391,778	7,530,504	7,467,679	7,279,215
California	111,346,857	114,736,981	117,361,976	101,007,459	104,840,520
Colorado	8,533,541	9,216,983	9,624,636	8,682,822	8,586,401
Connecticut	12,131,894	13,271,789	14,597,982	12,927,687	12,285,994
Delaware	2,860,749	2,905,905	2,930,955	2,806,031	2,769,731
Georgia	17,023,264	18,253,216	18,070,032	16,077,948	14,782,779
Hawaii	4,918,655	5,090,499	5,147,569	4,712,651	4,837,862
Idaho	3,142,663	3,536,574	3,651,917	3,171,863	2,951,703
Illinois	28,055,188	30,065,517	34,742,984	32,013,974	29,761,862
Indiana	13,625,667	14,198,709	15,117,458	14,901,436	13,796,427
Iowa	6,118,897	6,469,752	6,892,041	6,985,090	6,809,344
Kansas	6,275,075	6,893,359	7,159,748	6,694,630	6,492,996
Kentucky	9,713,808	9,895,207	10,043,875	9,740,886	9,531,507
Louisiana	9,752,953	10,973,115	11,003,870	10,201,931	8,757,557
Maine	3,598,579	3,696,065	3,785,719	3,488,960	3,489,953
Maryland	14,549,632	15,094,183	15,743,757	15,285,561	15,223,923
Massachusetts	19,419,634	20,691,368	22,059,169	19,699,569	20,050,292
Michigan	23,714,514	23,848,753	24,781,626	22,757,818	22,626,247
Minnesota	17,331,413	17,768,434	18,320,891	17,161,299	17,208,877
Mississippi	5,989,603	6,481,876	6,745,743	6,471,972	6,268,804
Missouri	10,180,598	10,705,687	10,890,967	10,274,618	9,703,459
Montana	2,126,324	2,319,992	2,457,929	2,407,400	2,142,809
Nebraska	3,961,093	4,122,427	4,228,800	4,000,939	3,809,266
New Jersey	26,266,187	29,487,862	30,616,510	27,186,553	25,927,891
New Mexico	5,110,683	5,527,217	5,211,507	4,828,959	4,413,988
New York	57,402,970	63,161,582	65,244,750	64,756,423	63,529,354
North Carolina	20,602,902	22,612,798	22,809,716	20,525,663	21,511,278
North Dakota	1,621,912	1,782,990	2,312,056	2,414,494	2,645,695
Ohio	25,412,275	25,697,905	26,074,544	23,950,056	23,583,596
Oklahoma	7,817,488	8,140,573	8,330,786	8,187,949	7,079,985
Oregon	7,590,306	7,742,862	7,487,873	7,623,836	7,475,135
Pennsylvania	29,050,577	30,837,657	32,123,740	30,071,179	30,169,122
Rhode Island	2,741,734	2,766,046	2,761,356	2,586,184	2,568,851
South Carolina	7,759,797	8,688,935	7,979,367	7,121,418	6,803,724
Utah	5,461,647	6,075,590	6,109,256	5,422,858	5,092,415
Vermont	2,406,661	2,563,506	2,544,197	2,505,704	2,511,387
Virginia	17,288,324	18,666,687	18,322,873	16,607,511	16,411,055
West Virginia	4,547,929	4,642,230	4,881,908	4,787,352	4,655,034
Wisconsin	13,795,044	14,482,624	14,915,012	14,447,245	14,368,569

Data from US Census Bureau

Table A3- 2: Total Revenue in Dollars for Non-Income Tax States

States	2006	2007	2008	2009	2010
Alaska	2,484,422	3,688,447	8,732,385	4,955,884	4,518,023
Florida	40,132,721	38,818,707	35,977,055	32,065,499	31,498,998
Nevada	6,152,980	6,304,752	6,148,455	5,611,626	5,835,963
New Hampshire	2,080,573	2,175,057	2,251,179	2,125,722	2,124,984
South Dakota	1,189,089	1,265,925	1,321,368	1,333,835	1,304,487
Tennessee	10,660,344	11,390,037	11,538,430	10,433,133	10,513,788
Texas	36,591,749	40,314,714	45,536,833	41,779,699	39,399,251
Washington	16,410,977	17,705,980	17,959,833	16,407,536	16,106,154
Wyoming	2,122,239	2,025,090	2,404,843	2,763,610	2,117,100

Data from US Census Bureau

Table A3- 3: State Income Tax Collection in Dollars

States	2006	2007	2008	2009	2010
Alabama	2,766,239	3,019,510	3,077,553	2,662,759	2,589,249
Arizona	3,253,279	3,747,387	3,408,576	2,575,753	2,416,324
Arkansas	2,012,835	2,168,441	2,344,876	2,238,958	2,091,082
California	51,219,823	53,318,287	55,745,970	44,355,959	45,646,436
Colorado	4,258,944	4,795,423	5,067,981	4,403,446	4,089,948
Connecticut	5,777,636	6,335,078	7,503,520	6,376,921	5,768,846
Delaware	1,018,633	1,025,416	1,006,859	910,693	853,107
Georgia	8,040,366	8,799,415	8,845,476	7,801,185	7,016,412
Hawaii	1,550,757	1,560,306	1,544,835	1,338,702	1,527,790
Idaho	1,222,569	1,406,462	1,438,518	1,175,604	1,068,754
Illinois	8,635,104	9,408,437	11,188,605	10,220,619	9,433,244
Indiana	4,381,548	4,615,605	4,837,524	4,313,759	3,868,093
Iowa	2,413,775	2,666,601	2,848,393	2,703,190	2,650,037
Kansas	2,401,128	2,744,934	2,944,851	2,731,559	2,687,542
Kentucky	2,918,536	3,041,535	3,483,138	3,315,368	3,154,488
Louisiana	2,501,120	3,214,163	3,169,686	2,940,633	2,286,500
Maine	1,368,927	1,469,295	1,562,839	1,370,710	1,303,370
Maryland	6,151,365	6,679,168	6,940,134	6,478,236	6,200,292
Massachusetts	10,483,437	11,399,649	12,496,142	10,599,085	10,128,035
Michigan	6,226,304	6,442,678	7,181,055	5,856,751	5,488,962
Minnesota	6,862,953	7,230,854	7,777,259	6,948,119	6,458,111
Mississippi	1,254,733	1,401,809	1,551,079	1,485,592	1,352,481
Missouri	4,491,428	4,834,820	5,118,849	4,771,576	4,326,507
Montana	768,911	832,916	870,064	827,196	714,814
Nebraska	1,545,024	1,650,895	1,726,145	1,602,091	1,514,831
New Jersey	10,506,565	11,727,192	12,605,545	10,663,866	10,322,943
New Mexico	1,123,954	1,177,918	1,198,400	958,500	956,600
New York	30,812,924	34,579,992	36,563,948	36,840,019	34,751,382
North Carolina	9,467,278	10,588,951	10,993,927	9,560,353	9,133,689
North Dakota	275,630	316,894	317,249	370,165	303,764
Ohio	9,622,803	9,722,928	9,847,506	8,323,352	7,886,802
Oklahoma	2,755,776	2,774,851	2,787,445	2,544,576	2,224,783
Oregon	5,416,466	5,595,831	4,968,791	5,434,777	4,945,538
Pennsylvania	9,021,917	9,812,726	10,408,439	9,550,238	9,352,287
Rhode Island	1,019,482	1,085,600	1,091,705	960,885	909,674
South Carolina	2,727,251	3,239,468	2,863,839	2,326,708	2,182,909
Utah	2,277,478	2,561,001	2,593,129	2,319,632	2,104,641
Vermont	542,012	581,189	623,019	532,911	489,107
Virginia	9,073,077	10,238,776	10,114,833	9,194,355	8,659,470
West Virginia	1,297,720	1,360,511	1,518,746	1,557,403	1,446,852
Wisconsin	5,906,515	6,333,633	6,466,878	5,971,177	5,791,991

Data from US Census Bureau

Table A3- 4: Percentage of Revenue Collected from Income Tax

States	2006	2007	2008	2009	2010
Alabama	32.431	34.048	33.929	32.057	31.646
Arizona	24.359	26.015	25.914	23.133	23.691
Arkansas	28.690	29.336	31.138	29.982	28.727
California	46.000	46.470	47.499	43.914	43.539
Colorado	49.908	52.028	52.656	50.714	47.633
Connecticut	47.624	47.733	51.401	49.328	46.955
Delaware	35.607	35.287	34.353	32.455	30.801
Georgia	47.232	48.207	48.951	48.521	47.463
Hawaii	31.528	30.651	30.011	28.407	31.580
Idaho	38.902	39.769	39.391	37.064	36.208
Illinois	30.779	31.293	32.204	31.925	31.696
Indiana	32.157	32.507	32.000	28.949	28.037
Iowa	39.448	41.216	41.329	38.699	38.918
Kansas	38.265	39.820	41.131	40.802	41.391
Kentucky	30.045	30.737	34.679	34.036	33.095
Louisiana	25.645	29.291	28.805	28.824	26.109
Maine	38.041	39.753	41.282	39.287	37.346
Maryland	42.278	44.250	44.082	42.381	40.727
Massachusetts	53.984	55.094	56.648	53.804	50.513
Michigan	26.255	27.015	28.977	25.735	24.259
Minnesota	39.598	40.695	42.450	40.487	37.528
Mississippi	20.949	21.627	22.993	22.954	21.575
Missouri	44.118	45.161	47.001	46.440	44.587
Montana	36.162	35.902	35.398	34.361	33.359
Nebraska	39.005	40.047	40.819	40.043	39.767
New Hampshire	3.890	4.940	5.239	4.619	3.876
New Jersey	40.000	39.770	41.172	39.225	39.814
New Mexico	21.992	21.311	22.995	19.849	21.672
New York	53.678	54.748	56.041	56.890	54.701
North Carolina	45.951	46.827	48.198	46.578	42.460
North Dakota	16.994	17.773	13.722	15.331	11.481
Ohio	37.867	37.835	37.767	34.753	33.442
Oklahoma	35.251	34.087	33.460	31.077	31.424
Oregon	71.360	72.271	66.358	71.287	66.160
Pennsylvania	31.056	31.821	32.401	31.759	31.000
Rhode Island	37.184	39.247	39.535	37.155	35.412
South Carolina	35.146	37.283	35.891	32.672	32.084
Utah	41.699	42.152	42.446	42.775	41.329
Vermont	22.521	22.672	24.488	21.268	19.476
Virginia	52.481	54.851	55.203	55.363	52.766
West Virginia	28.534	29.307	31.110	32.532	31.081
Wisconsin	42.816	43.733	43.358	41.331	40.310

Table A3- 5: Percentage Change of Revenues Provided by Income Tax

	2006-2007	2007-2008	2008-2009	2009-2010
Alabama	9.156	1.922	-13.478	-2.761
Arizona	15.188	-9.041	-24.433	-6.190
Arkansas	7.731	8.136	-4.517	-6.605
California	4.097	4.553	-20.432	2.909
Colorado	12.597	5.684	-13.112	-7.119
Connecticut	9.648	18.444	-15.014	-9.536
Delaware	0.666	-1.810	-9.551	-6.323
Georgia	9.440	0.523	-11.806	-10.060
Hawaii	0.616	-0.992	-13.343	14.125
Idaho	15.042	2.279	-18.277	-9.089
Illinois	8.956	18.921	-8.652	-7.704
Indiana	5.342	4.808	-10.827	-10.331
Iowa	10.474	6.817	-5.098	-1.966
Kansas	14.319	7.283	-7.243	-1.611
Kentucky	4.214	14.519	-4.817	-4.853
Louisiana	28.509	-1.384	-7.226	-22.245
Maine	7.332	6.367	-12.294	-4.913
Maryland	8.580	3.907	-6.655	-4.290
Massachusetts	8.740	9.619	-15.181	-4.444
Michigan	3.475	11.461	-18.442	-6.280
Minnesota	5.361	7.557	-10.661	-7.052
Mississippi	11.722	10.648	-4.222	-8.960
Missouri	7.645	5.875	-6.784	-9.328
Montana	8.324	4.460	-4.927	-13.586
Nebraska	6.852	4.558	-7.187	-5.447
New Jersey	11.618	7.490	-15.403	-3.197
New Mexico	4.801	1.739	-20.018	-0.198
New York	12.226	5.737	0.755	-5.669
North Carolina	11.848	3.825	-13.040	-4.463
North Dakota	14.971	0.112	16.680	-17.938
Ohio	1.040	1.281	-15.478	-5.245
Oklahoma	0.692	0.454	-8.713	-12.568
Oregon	3.311	-11.205	9.378	-9.002
Pennsylvania	8.765	6.071	-8.245	-2.073
Rhode Island	6.485	0.562	-11.983	-5.330
South Carolina	18.781	-11.595	-18.756	-6.180
Utah	12.449	1.255	-10.547	-9.268
Vermont	7.228	7.197	-14.463	-8.220
Virginia	12.848	-1.211	-9.100	-5.818
West Virginia	4.839	11.631	2.545	-7.098
Wisconsin	7.231	2.104	-7.665	-3.001

Table A3- 6: Revenue Growth for Income-Tax States, 2006-2010

States	2006	2007	2008	2009	2010
Alabama	32.431%	34.048%	33.929%	32.057%	31.646%
Arizona	24.359%	26.015%	25.914%	23.133%	23.691%
Arkansas	28.690%	29.336%	31.138%	29.982%	28.727%
California	46.000%	46.470%	47.499%	43.914%	43.539%
Colorado	49.908%	52.028%	52.656%	50.714%	47.633%
Connecticut	47.624%	47.733%	51.401%	49.328%	46.955%
Delaware	35.607%	35.287%	34.353%	32.455%	30.801%
Georgia	47.232%	48.207%	48.951%	48.521%	47.463%
Hawaii	31.528%	30.651%	30.011%	28.407%	31.580%
Idaho	38.902%	39.769%	39.391%	37.064%	36.208%
Illinois	30.779%	31.293%	32.204%	31.925%	31.696%
Indiana	32.157%	32.507%	32.000%	28.949%	28.037%
Iowa	39.448%	41.216%	41.329%	38.699%	38.918%
Kansas	38.265%	39.820%	41.131%	40.802%	41.391%
Kentucky	30.045%	30.737%	34.679%	34.036%	33.095%
Louisiana	25.645%	29.291%	28.805%	28.824%	26.109%
Maine	38.041%	39.753%	41.282%	39.287%	37.346%
Maryland	42.278%	44.250%	44.082%	42.381%	40.727%
Massachusetts	53.984%	55.094%	56.648%	53.804%	50.513%
Michigan	26.255%	27.015%	28.977%	25.735%	24.259%
Minnesota	39.598%	40.695%	42.450%	40.487%	37.528%
Mississippi	20.949%	21.627%	22.993%	22.954%	21.575%
Missouri	44.118%	45.161%	47.001%	46.440%	44.587%
Montana	36.162%	35.902%	35.398%	34.361%	33.359%
Nebraska	39.005%	40.047%	40.819%	40.043%	39.767%
New Hampshire	3.890%	4.940%	5.239%	4.619%	3.876%
New Jersey	40.000%	39.770%	41.172%	39.225%	39.814%
New Mexico	21.992%	21.311%	22.995%	19.849%	21.672%
New York	53.678%	54.748%	56.041%	56.890%	54.701%
North Carolina	45.951%	46.827%	48.198%	46.578%	42.460%
North Dakota	16.994%	17.773%	13.722%	15.331%	11.481%
Ohio	37.867%	37.835%	37.767%	34.753%	33.442%
Oklahoma	35.251%	34.087%	33.460%	31.077%	31.424%
Oregon	71.360%	72.271%	66.358%	71.287%	66.160%
Pennsylvania	31.056%	31.821%	32.401%	31.759%	31.000%
Rhode Island	37.184%	39.247%	39.535%	37.155%	35.412%
South Carolina	35.146%	37.283%	35.891%	32.672%	32.084%
Utah	41.699%	42.152%	42.446%	42.775%	41.329%
Vermont	22.521%	22.672%	24.488%	21.268%	19.476%
Virginia	52.481%	54.851%	55.203%	55.363%	52.766%
West Virginia	28.534%	29.307%	31.110%	32.532%	31.081%
Wisconsin	42.816%	43.733%	43.358%	41.331%	40.310%

Table A3- 7: Revenue Growth for Non-Income Tax States, 2006-2010

States	2006-2007	2007-2008	2008-2009	2009-2010
Alaska	48.46	136.75	-43.25	-8.84
Florida	-3.27	-7.32	-10.87	-1.77
Nevada	2.47	-2.48	-8.73	4.00
New Hampshire	4.54	3.50	-5.57	-0.03
South Dakota	6.46	4.38	0.94	-2.20
Tennessee	6.84	1.30	-9.58	0.77
Texas	10.17	12.95	-8.25	-5.70
Washington	7.89	1.43	-8.64	-1.84
Wyoming	-4.58	18.75	14.92	-23.39

Table A3- 8: Elementary and Secondary Education Expenditures for Income-Tax States (\$ In Millions)

State	2006	2007	2008	2009	2010
Alabama	4,506	5,008	5,490	4,940	5,181
Arizona	4,941	5,667	6,793	6,478	5,669
Arkansas	2,908	3,054	3,153	3,217	3,236
California	45,103	45,071	46,939	46,172	46,405
Connecticut	2,654	3,404	3,723	3,759	2,688
Colorado	3,728	3,861	7,793	7,403	3,848
Delaware	1,826	1,915	1,995	2,071	1,948
Georgia	8,401	9,381	10,177	9,429	8,788
Hawaii	2,368	2,468	2,442	2,523	2,576
Idaho	1,255	1,571	1,695	1,729	1,579
Illinois	8,915	9,296	10,221	11,118	9,598
Indiana	5,356	5,482	5,707	7,222	5,448
Iowa	2,569	2,726	2,916	3,079	2,775
Kansas	3,082	3,315	3,576	3,682	3,307
Kentucky	4,235	4,485	4,740	4,739	4,500
Louisiana	4,718	4,605	4,554	4,855	5,019
Maine	1,242	1,359	1,395	1,422	1,369
Maryland	5,006	5,521	6,228	6,465	5,605
Massachusetts	5,462	5,791	6,154	6,369	5,709
Michigan	12,825	13,099	12,988	13,232	13,153
Minnesota	7,505	7,173	7,501	7,628	7,194
Mississippi	2,951	3,052	3,171	3,107	2,943
Missouri	4,752	4,959	5,116	5,228	5,058
Montana	758	830	888	872	859
Nebraska	1,173	1,240	1,287	1,379	1,562
New Jersey	10,278	11,198	11,777	11,266	11,249
New Mexico	2,805	2,770	2,926	3,045	3,054
New York	21,074	22,717	24,277	26,110	22,717
North Carolina	8,187	8,729	9,320	9,712	7,655
North Dakota	484	495	523	551	509
Ohio	10,119	11,324	10,887	12,527	11,324
Oklahoma	3,380	3,626	3,189	3,304	3,626
Oregon	3,320	3,480	3,871	3,860	3,838
Pennsylvania	9,958	10,767	11,393	12,362	10,625
Rhode Island	1,003	1,074	1,098	1,061	1,084
South Carolina	3,465	3,636	3,917	3,593	3,539
Utah	2,295	2,515	2,884	3,010	2,574
Vermont	1,267	1,351	1,400	1,472	1,346
Virginia	5,730	6,634	6,820	7,187	6,634
West Virginia	2,137	2,166	2,123	2,176	2,141
Wisconsin	6,397	6,553	6,876	7,154	6,585

Data from US Census Bureau

Table A3- 9: Elementary and Secondary Education Expenditures for Non-Income Tax States (\$ In Millions)

State	2006	2007	2008	2009	2010
Alaska	1,174	1,292	1,329	1,350	1,346
Florida	12,344	13,042	12,997	11,845	13,358
Nevada	1,185	1,379	1,533	1,859	1,398
New Hampshire	1,006	1,020	1,067	1,114	1,013
South Dakota	489	497	525	591	497
Tennessee	4,007	4,279	4,662	4,942	4,342
Texas	18,900	22,176	23,693	27,894	21,471
Washington	6,677	7,077	7,316	8,298	7,078
Wyoming	603	1,078	879	893	814

Data from US Census Bureau

Table A3- 10: Growth in Expenditure Education Income Tax States

State	2006-2007	2007-2008	2008-2009	2009-2010
Alabama	11.141	9.625	-10.018	4.879
Arizona	14.693	19.869	-4.637	-12.488
Arkansas	5.021	3.242	2.030	0.591
California	-0.071	4.145	-1.634	0.505
Colorado	3.568	101.839	-5.004	-48.021
Connecticut	28.259	9.371	0.967	-28.492
Delaware	4.874	4.178	3.810	-5.939
Georgia	11.665	8.485	-7.350	-6.798
Hawaii	4.223	-1.053	3.317	2.101
Idaho	25.179	7.893	2.006	-8.676
Illinois	4.274	9.951	8.776	-13.672
Indiana	2.353	4.104	26.546	-24.564
Iowa	6.111	6.970	5.590	-9.873
Kansas	7.560	7.873	2.964	-10.185
Kentucky	5.903	5.686	-0.021	-5.043
Louisiana	-2.395	-1.107	6.610	3.378
Maine	9.420	2.649	1.935	-3.727
Maryland	10.288	12.806	3.805	-13.302
Massachusetts	6.023	6.268	3.494	-10.363
Michigan	2.136	-0.847	1.879	-0.597
Minnesota	-4.424	4.573	1.693	-5.690
Mississippi	3.423	3.899	-2.018	-5.278
Missouri	4.356	3.166	2.189	-3.252
Montana	9.499	6.988	-1.802	-1.491
Nebraska	5.712	3.790	7.148	13.270
New Jersey	8.951	5.171	-4.339	-0.151
New Mexico	-1.248	5.632	4.067	0.296
New York	7.796	6.867	7.550	-12.995
North Carolina	6.620	6.771	4.206	-21.180
North Dakota	2.273	5.657	5.354	-7.623
Ohio	11.908	-3.859	15.064	-9.603
Oklahoma	7.278	-12.052	3.606	9.746
Oregon	4.819	11.236	-0.284	-0.570
Pennsylvania	8.124	5.814	8.505	-14.051
Rhode Island	7.079	2.235	-3.370	2.168
South Carolina	4.935	7.728	-8.272	-1.503
Utah	9.586	14.672	4.369	-14.485
Vermont	6.630	3.627	5.143	-8.560
Virginia	15.777	2.804	5.381	-7.694
West Virginia	1.357	-1.985	2.496	-1.608
Wisconsin	2.439	4.929	4.043	-7.954

Table A3- 11: Growth in Expenditure Education Non-Income Tax States

State	2006-2007	2007-2008	2008-2009	2009-2010
Alaska	10.05	2.86	1.58	-0.30
Florida	5.65	-0.35	-8.86	12.77
Nevada	16.37	11.17	21.27	-24.80
New Hampshire	1.39	4.61	4.40	-9.07
South Dakota	1.64	5.63	12.57	-15.91
Tennessee	6.79	8.95	6.01	-12.14
Texas	17.33	6.84	17.73	-23.03
Washington	5.99	3.38	13.42	-14.70
Wyoming	78.77	-18.46	1.59	-8.85

Data from US Census Bureau

Table A3- 12: Growth in Medicaid Expenditure Income-Tax States

	2006-2007	2007-2008	2008-2009	2009-2010
Alabama	6.263	-2.135	14.727	-3.784
Arizona	6.724	-13.245	41.197	-3.876
Arkansas	1.908	7.085	4.255	16.327
California	7.346	14.424	5.077	20.109
Colorado	0.192	6.539	45.477	17.691
Connecticut	0.153	8.607	26.190	-7.469
Delaware	5.742	1.537	8.678	16.806
Georgia	10.083	-2.725	5.284	1.080
Hawaii	8.923	17.232	6.908	9.391
Idaho	2.099	16.265	10.761	4.511
Illinois	10.147	10.169	3.791	8.384
Indiana	5.919	5.187	6.531	10.313
Iowa	-1.242	10.171	8.299	7.599
Kansas	3.001	6.320	2.150	3.549
Kentucky	0.913	8.254	12.314	3.340
Louisiana	9.001	11.518	6.730	7.408
Maine	-4.403	-3.685	15.543	-0.869
Maryland	8.546	3.101	10.573	7.228
Massachusetts	9.134	9.217	5.238	9.056
Michigan	9.980	5.577	8.123	9.363
Minnesota	8.813	6.888	2.904	2.218
Mississippi	0.000	5.401	23.304	-1.207
Missouri	15.354	-2.102	2.353	7.858
Montana	-0.691	4.729	11.687	10.583
Nebraska	5.234	1.047	4.145	2.550
New Jersey	0.947	4.910	1.830	5.908
New Mexico	8.058	11.677	3.779	5.556
New York	7.213	-4.162	4.472	14.176
North Carolina	18.724	4.765	-2.483	10.027
North Dakota	-2.750	9.697	2.026	20.036
Ohio	-5.082	3.198	6.738	-9.942
Oklahoma	11.107	11.984	6.695	5.922
Oregon	2.450	-3.820	13.174	12.639
Pennsylvania	1.574	1.669	8.316	0.846
Rhode Island	5.250	11.740	-0.327	6.936
South Carolina	15.454	-2.056	10.609	3.238
Utah	-1.849	14.065	1.652	5.107
Vermont	5.730	6.589	9.771	10.173
Virginia	6.529	5.970	13.775	7.814
West Virginia	1.986	4.822	7.607	4.850
Wisconsin	6.142	2.243	21.509	11.137

Table A3- 13: Growth in Expenditure Health Non-Income Tax States

States	2006-2007	2007-2008	2008-2009	2009-2010
Alaska	-0.84	-2.46	-1.26	10.02
Florida	3.58	4.06	6.47	18.40
Nevada	6.88	-8.37	17.03	2.33
New Hampshire	6.81	6.20	5.44	4.25
South Dakota	-0.16	9.70	9.56	10.68
Tennessee	2.56	5.70	-1.44	3.99
Texas	12.06	-34.65	-50.15	9.12
Washington	-6.29	9.60	16.07	3.00
Wyoming	10.51	11.50	6.55	4.10

APPENDIX: CHAPTER 4

Table A4- 1: Elasticity of Income Tax States With Respect to State Revenue

States	2006-2007	2007-2008	2008-2009	2009-2010
Alabama	0.43	1.19	0.63	0.54
Arizona	0.52	0.96	0.63	1.36
Arkansas	0.69	0.23	0.18	0.38
California	0.74	0.50	0.68	1.30
Colorado	0.64	0.78	0.75	0.16
Connecticut	0.97	0.54	0.76	0.52
Delaware	2.37	0.48	0.45	0.20
Georgia	0.77	1.92	0.93	0.80
Hawaii	5.67	1.13	0.63	0.19
Idaho	0.83	1.43	0.72	0.76
Illinois	0.80	0.82	0.91	0.91
Indiana	0.79	1.35	0.13	0.72
Iowa	0.55	0.96	0.26	1.28
Kansas	0.69	0.53	0.90	1.87
Kentucky	0.44	0.10	0.63	0.44
Louisiana	0.44	0.20	1.01	0.64
Maine	0.37	0.38	0.64	0.01
Maryland	0.44	1.10	0.44	0.09
Massachusetts	0.75	0.69	0.70	0.40
Michigan	0.16	0.34	0.44	0.09
Minnesota	0.47	0.41	0.59	0.04
Mississippi	0.70	0.38	0.96	0.35
Missouri	0.67	0.29	0.83	0.60
Montana	1.09	1.33	0.42	0.81
Nebraska	0.59	0.57	0.75	0.88
New Jersey	1.06	0.51	0.73	1.45
New Mexico	1.70	3.28	0.37	43.35
New York	0.82	0.57	0.99	0.33
North Carolina	0.82	0.23	0.77	1.08
North Dakota	0.66	264.88	0.27	0.53
Ohio	1.08	1.14	0.53	0.29
Oklahoma	5.97	5.15	0.20	1.08
Oregon	0.61	0.29	0.19	0.22
Pennsylvania	0.70	0.69	0.77	0.16
Rhode Island	0.14	0.30	0.53	0.13
South Carolina	0.64	0.70	0.57	0.72
Utah	0.90	0.44	1.07	0.66
Vermont	0.90	0.10	0.10	0.03
Virginia	0.62	1.52	1.03	0.20
West Virginia	0.43	0.44	0.76	0.39
Wisconsin	0.69	1.42	0.41	0.18

Table A4- 2: Elasticity for Education Expenditure for Income-Tax States With Respect to Change in Revenue

	2006-2007	2007-2008	2008-2009	2009-2010
Alabama	2.806	4.221	1.189	6.751
Arizona	1.870	2.287	0.302	0.702
Arkansas	0.937	1.727	2.433	2.587
California	0.023	1.812	0.117	2.642
Colorado	0.445	23.026	0.511	3.248
Connecticut	3.008	0.938	0.085	1.061
Delaware	3.088	4.846	0.894	0.261
Georgia	1.615	8.455	0.667	0.366
Hawaii	1.209	0.940	0.393	12.128
Idaho	2.009	2.420	0.153	0.317
Illinois	0.596	0.640	1.117	0.848
Indiana	0.559	0.634	18.577	2.640
Iowa	1.066	1.068	4.140	0.671
Kansas	0.767	2.037	0.456	0.613
Kentucky	3.161	3.784	0.007	2.759
Louisiana	0.191	3.951	0.907	0.252
Maine	3.477	1.092	0.247	86.480
Maryland	2.749	2.976	1.308	20.790
Massachusetts	0.920	0.948	0.327	0.917
Michigan	3.774	0.217	0.230	0.340
Minnesota	1.754	1.471	0.268	20.380
Mississippi	0.416	0.958	0.497	3.168
Missouri	0.845	1.829	0.387	0.681
Montana	1.043	1.175	0.876	0.417
Nebraska	1.402	1.469	1.327	1.726
New Jersey	0.730	1.351	0.387	1.703
New Mexico	0.153	0.986	0.554	0.348
New York	0.777	2.082	10.088	0.511
North Carolina	0.679	7.775	0.420	0.628
North Dakota	0.229	0.191	1.208	5.079
Ohio	10.595	2.633	1.849	2.457
Oklahoma	1.761	5.158	2.103	0.136
Oregon	2.398	3.412	0.156	1.116
Pennsylvania	1.321	1.394	1.331	47.661
Rhode Island	7.983	13.179	0.531	13.781
South Carolina	0.412	0.946	0.769	1.248
Utah	0.853	26.478	0.389	0.676
Vermont	1.017	4.815	3.399	16.474
Virginia	1.979	1.522	0.575	4.211
West Virginia	0.654	0.385	1.289	1.081
Wisconsin	0.489	1.651	1.289	3.106

Table A4- 3: Elasticity for Education Expenditure for Non-Income Tax States With Respect to Change in Revenue

States	2006-2007	2007-2008	2008-2009	2009-2010
Alaska	0.207	0.021	0.037	1.400
Florida	1.727	0.047	0.815	8.582
Nevada	6.637	4.505	2.436	2.987
New Hampshire	0.306	1.317	0.790	191.336
South Dakota	0.253	1.286	13.324	0.308
Tennessee	0.992	6.870	0.627	8.193
Texas	1.704	0.528	2.149	0.254
Washington	0.759	2.356	1.553	1.516
Wyoming	17.208	0.984	0.107	0.010

Table A4- 4: Elasticity of Medicaid Expenditure in Income Tax States With Respect to Change in Revenue

States	2006-2007	2007-2008	2008-2009	2009-2010
Alabama	1.578	0.936	1.748	0.899
Arizona	0.856	1.524	2.684	10.235
Arkansas	0.356	3.775	5.101	45.262
California	2.413	6.305	0.364	23.626
Colorado	0.024	1.479	4.647	983.675
Connecticut	0.016	0.861	2.289	2.291
Delaware	3.638	1.783	2.036	12.991
Georgia	1.396	2.715	0.479	0.134
Hawaii	2.554	15.370	0.818	3.535
Idaho	0.167	4.987	0.819	0.650
Illinois	1.416	0.654	0.483	1.192
Indiana	1.407	0.802	4.570	1.391
Iowa	0.217	1.558	6.147	3.020
Kansas	0.305	1.635	0.331	1.178
Kentucky	0.489	5.494	4.082	1.554
Louisiana	0.719	41.097	0.923	0.523
Maine	1.625	1.519	1.983	30.540
Maryland	2.283	0.721	3.633	17.925
Massachusetts	1.395	1.394	0.490	5.087
Michigan	17.630	1.426	0.995	16.194
Minnesota	3.495	2.215	0.459	8.001
Mississippi	0.000	1.327	5.742	0.385
Missouri	2.977	1.215	0.416	1.414
Montana	0.076	0.795	5.685	0.963
Nebraska	1.285	0.406	0.769	0.532
New Jersey	0.077	1.283	0.163	1.276
New Mexico	0.989	2.044	0.515	0.646
New York	0.719	1.262	5.975	7.481
North Carolina	1.919	5.471	0.248	2.088
North Dakota	0.277	0.327	0.457	2.092
Ohio	4.522	2.182	0.827	6.498
Oklahoma	2.688	5.129	3.905	0.438
Oregon	1.219	1.160	7.255	6.480
Pennsylvania	0.256	0.400	1.302	2.598
Rhode Island	5.920	69.238	0.051	10.349
South Carolina	1.291	0.252	0.987	0.726
Utah	0.165	25.382	0.147	0.838
Vermont	0.879	8.747	6.458	44.852
Virginia	0.819	3.241	1.471	6.605
West Virginia	0.958	0.934	3.928	1.755
Wisconsin	1.232	0.751	6.858	20.451

Table A4- 5: Elasticity of Medicaid in Non-Income Tax States With Respect to Change Revenue

States	2006-2007	2007-2008	2008-2009	2009-2010
Alaska	0.017	0.018	0.029	42.683
Florida	1.092	0.554	0.595	10.414
Nevada	2.789	3.375	1.951	0.582
New Hampshire	1.499	1.772	0.976	122.383
South Dakota	0.024	2.215	10.130	4.853
Tennessee	0.374	4.372	0.150	5.164
Texas	1.185	2.675	6.078	1.601
Washington	0.797	6.695	1.859	1.636
Wyoming	2.297	0.613	0.439	0.175

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