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HIGHLIGHTS

- State tax revenues grew by 9 percent in the second quarter of 2013, according to Rockefeller Institute research and Census Bureau data.
- The Far West and Mid-Atlantic states showed the largest tax revenue gains in the quarter.
- Personal income tax revenues showed strong growth of 18.4 percent, likely due in large part to the acceleration of income into calendar year 2012. (Tax returns for 2012 were filed in the April-June quarter of 2013.)
- At the end of FY 2013, inflation-adjusted total tax revenues for the first time surpassed the peak levels reported in FY 2008.
- Preliminary figures for the third quarter of 2013 indicate continued but much softer growth in state tax revenues.
- State personal income, sales, and corporate income tax revenue has been recovering far more slowly from the recent recession than from previous recessions.
- Local property tax revenues grew by 2.0 percent in the second quarter, marking the fifth consecutive quarter of growth in nominal terms.

STATE REVENUE REPORT

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Strong Growth in the First Half; Softening Growth Outlook for the Rest of 2013

At End of Fiscal 2013, Real State Tax Revenues Are Now Above Peak Levels of 2008

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Overall State Taxes and Local Taxes

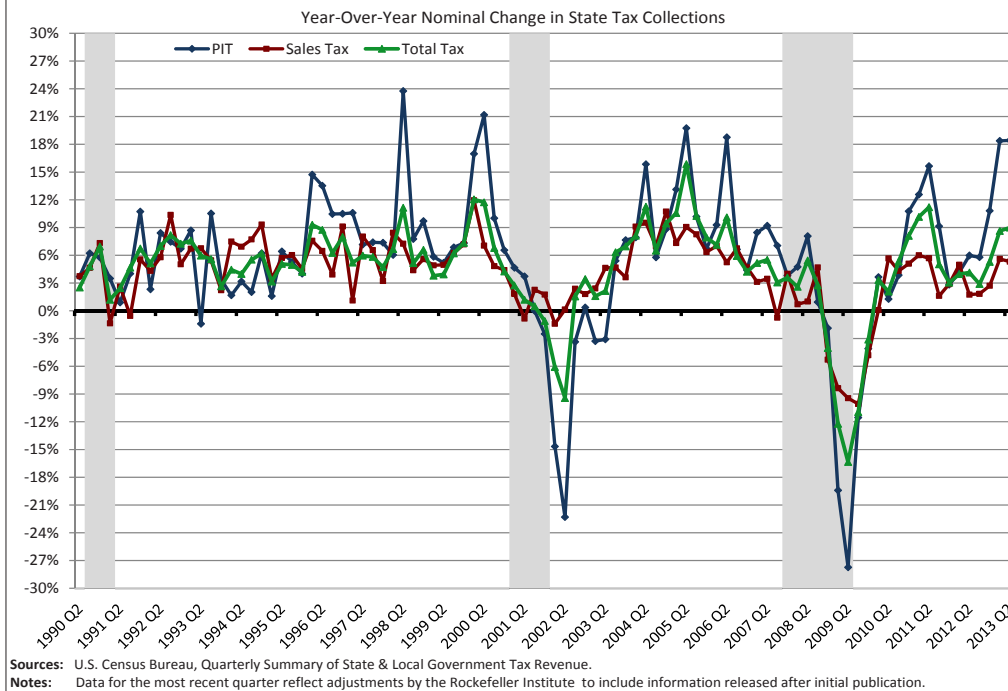
Total state tax collections showed growth for the fourteenth consecutive quarter. Overall state tax revenues increased by 9 percent in the second quarter of 2013 compared to the same quarter of the previous year, according to data collected by the Rockefeller Institute and the Census Bureau. The Institute's findings indicate slightly weaker fiscal conditions for states than the preliminary data released in September 2013 by the Census Bureau, which reported an overall increase of 9.4 percent. We have updated those figures to reflect data we have since obtained and to reflect differences in how we measure revenue for purposes of the *State Revenue Report*. (See "Adjustments to Census Bureau Tax Collection Data" on page 24.²)

Figure 1 shows the nominal percent change over time in state tax collections for personal income tax, sales tax, and total taxes. As shown there, declines in personal income tax and sales tax collections, as well as in overall state tax collections, were steeper during and after the Great Recession that began in December 2007 than around the previous two recessions. Overall state tax collections, as well as personal income and sales tax revenues, showed continued and strong growth in the second quarter of 2013. The growth in total tax collections was particularly strong in the first and second quarters of 2013, mostly due to strong growth in personal income tax collections. Personal income tax collections increased by 18.4 percent, while sales tax collections rose by 5.3 percent.

The rapid income tax growth in the last quarter of 2012 and first and second quarters of 2013 is consistent with the caution mentioned in the previous *State Revenue Reports*. Much of that strong growth likely is attributable to the behavioral responses of the highest income taxpayers. Due to scheduled increases in federal income tax rates for 2013, many high income taxpayers sought to avoid the possible higher rates and "accelerated" their capital gains realizations and some other income into 2012.²

Total state tax collections in the second quarter of 2013 were above the previous peak levels in most states, in nominal terms. In the second quarter of 2013, forty-four states reported higher tax revenue collections than in the same quarter of 2008, just shortly after the start of the recession in December of 2007. If we adjust the

Figure 1. State Tax Collections Continue Rebounding



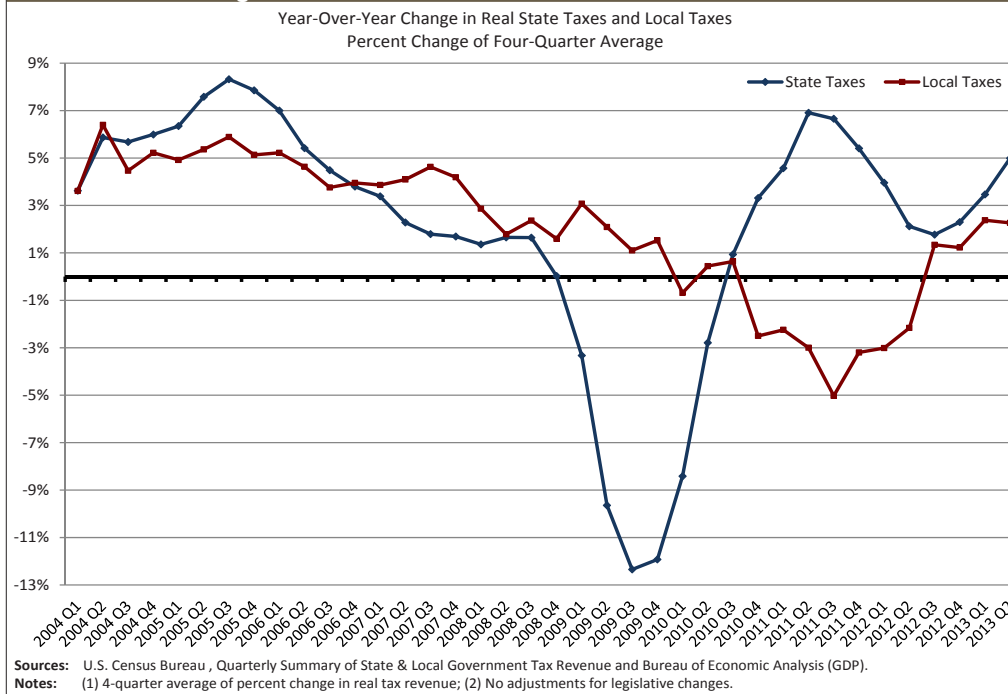
personal income tax collections, inflation adjusted personal income tax receipts for the nation show a 1.0 percent decline in the second quarter of 2013 compared to the same quarter of 2008.

Figure 2 shows the four-quarter moving average of year-over-year change in state tax collections and local tax collections, after adjusting for inflation. In addition, we have adjusted the Census

numbers for inflation, nationwide tax receipts show 0.4 percent growth in the second quarter of 2013 compared to the same quarter of 2008. This is the third consecutive time since the start of the Great Recession that inflation adjusted quarterly state tax collections are higher compared to the peak levels although, as noted above, the last quarter of 2012 and the first and second quarters of 2013 were artificially boosted.

Moreover, despite the strong growth in per-

Figure 2. Continued Growth in State and Local Taxes



Bureau's local tax revenues to reflect differences between the Census Bureau's prior survey methodology and a revised survey methodology now used for collecting property tax revenues.³ As shown in Figure 2, the year-over-year change in state taxes, adjusted for inflation, has averaged 5.0 percent over the last four quarters. This represents considerable improvement from the 2.1 percent average growth of a year ago and even though it was driven

upward by three artificially boosted quarters, it nonetheless is a notable softening from the 6.9 percent average growth of two years ago.

Local tax revenues grew for the fourth consecutive quarter after seven consecutive quarters of decline. Local taxes grew in real, year-over-year terms—by an average of 2.3 percent over the last four quarters, a significant improvement over the 2.2 percent decline of the preceding year and a 3.0 percent average decline of two years ago. Inflation over the year, as measured by the gross domestic product deflator, was 1.3 percent.

Local tax collections have been relatively weak by historical standards over the last three years, due in part to the lagged impact of falling housing prices on property tax collections. For the quarter ending in June, the 2.3 percent growth in the four-quarter moving average of local tax collections is relatively weak compared to historical averages. The largest year-over-year growth in local tax collections in recent history was recorded in the second quarter of 2004, at 6.4 percent.

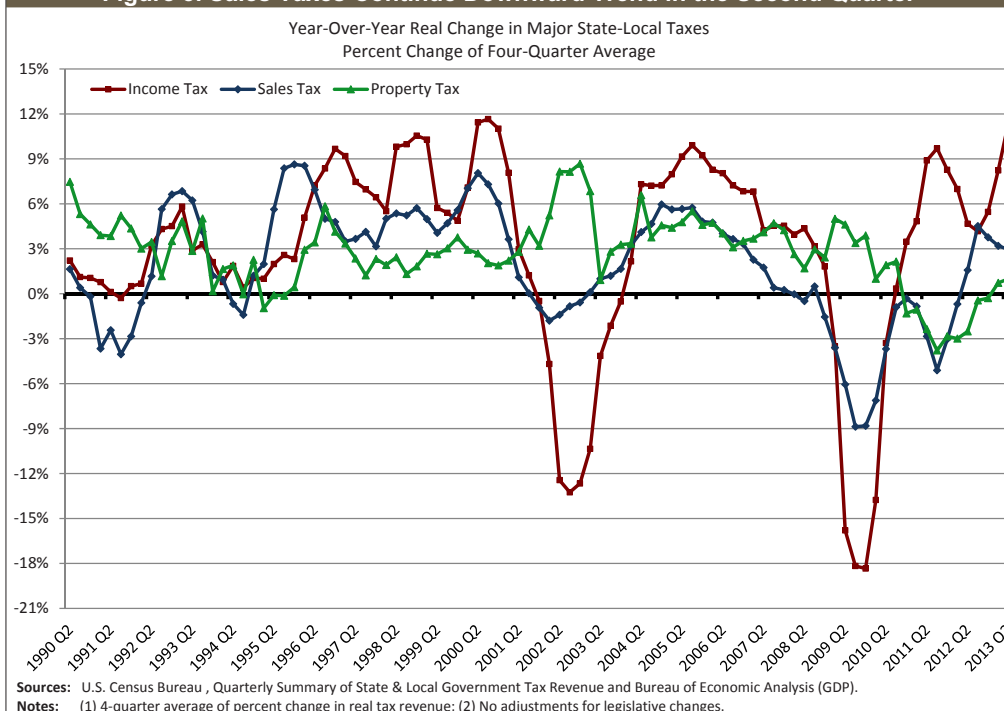
Most local governments rely heavily on property taxes, which tend to be relatively stable and respond to property value declines more slowly than income, sales, and corporate taxes respond to declines in the overall economy. Over the last two decades, property taxes have consistently made up at least two-thirds of total local tax collections. Collections from local property taxes made up 72.1 percent of such receipts during the second quarter of 2013. Local property tax revenues showed a growth of 2.0 percent in nominal terms in the second quarter of 2013 compared to the same quarter of 2012.

Sales taxes represented about 10.9 percent of local tax revenues in the second

quarter of 2013. Local sales tax collections increased by 1.3 percent in the second quarter of 2013 in nominal terms. Collections from local individual income taxes, a much smaller contributor to overall local revenues, showed an increase of 4.5 percent.

Figure 3 shows the four-quarter average of year-over-year growth in state and local income, sales, and property taxes, adjusted for inflation. Both the income tax and the sales tax

Figure 3. Sales Taxes Continue Downward Trend in the Second Quarter



showed slower growth, and then outright decline, from 2006 through most of 2009. By this measure, income tax showed some growth for the twelfth consecutive quarter. State-local sales tax collections showed some growth in the second quarter of 2013. The second quarter of 2013 marks the fifth consecutive quarter of growth, following fourteen consecutive quarters of decline. However, the growth in state-local sales tax collections has softened for the third consecutive quarter. After nine consecutive quarterly declines, the four-quarter average of year-over-year changes in state-local property taxes showed growth of 1.0 percent, marking the second consecutive quarter of growth.

State Tax Revenue

Total state tax revenue rose in the second quarter of 2013 by 9.0 percent relative to a year ago, before adjustments for inflation and legislated changes (such as changes in tax rates). The income tax and sales tax grew 18.4 and 5.3 percent, respectively, and the corporate income tax increased by 11.0 percent. Tables 1 and 2 portray growth in tax revenue with and without adjustment for inflation, and growth by major tax. Six states reported declines in total tax revenue during the second quarter of 2013, while twelve states reported double-digit increases in the second quarter (see Tables 7 and 8 on pages 17-18). All regions reported growth in total collections. The Far West region showed the largest gain at 14.9 percent, followed by the Mid-Atlantic region at 10.2 percent. The Plains region showed the weakest growth at 3.6 percent.

Preliminary figures collected by the Rockefeller Institute for the July-September quarter of 2013 indicate that revenues in most states continued to grow.⁴ However, the growth in total tax collections has softened significantly in the third quarter of 2013. Overall collections in forty-seven early reporting states showed growth of 6.1 percent in the third quarter of 2013 compared to the same quarter of 2012.

Personal Income Tax

In the second quarter of 2013, personal income tax revenue made up at least a third of total tax revenue in thirty-four states, and was larger than the sales tax in thirty-two states. Personal income tax revenues rose for the fourteenth consecutive quarter, with 18.4 percent growth in the April-June 2013 quarter compared to the same period in 2012. Personal income tax collections were above the recessionary peak for the quarter in nominal terms, ending 6.2 percent higher than in the second quarter of 2008. However, inflation-adjusted figures indicate that personal income tax collections were actually 1.0 percent below the recessionary peak reported in the second quarter of 2008.

All regions reported increases in personal income tax collections. The largest growth was in the Far West and Rocky Mountain regions, where collections increased by 37 and 20.7 percent, respectively, in the second quarter of 2013. The strong growth in

Table 1. Quarterly State Tax Revenue

Quarter	Year-Over-Year Percent Change		
	Total Nominal Change	Inflation Rate	Adjusted Real Change
2013 Q2	9.0	1.3	7.5
2013 Q1	8.6	1.6	6.9
2012 Q4	5.3	1.8	3.4
2012 Q3	2.9	1.6	1.2
2012 Q2	4.1	1.7	2.4
2012 Q1	4.0	1.9	2.0
2011 Q4	3.0	1.8	1.2
2011 Q3	5.0	2.2	2.8
2011 Q2	11.3	2.0	9.1
2011 Q1	10.2	1.8	8.2
2010 Q4	8.1	1.8	6.2
2010 Q3	5.3	1.6	3.7
2010 Q2	1.9	1.1	0.8
2010 Q1	3.3	0.5	2.8
2009 Q4	(3.1)	0.4	(3.5)
2009 Q3	(11.0)	0.3	(11.2)
2009 Q2	(16.3)	1.0	(17.2)
2009 Q1	(12.2)	1.6	(13.6)
2008 Q4	(4.0)	1.9	(5.8)
2008 Q3	2.8	2.1	0.6
2008 Q2	5.4	1.8	3.6
2008 Q1	2.6	1.9	0.7
2007 Q4	3.6	2.5	1.1
2007 Q3	3.1	2.4	0.6
2007 Q2	5.5	2.8	2.7
2007 Q1	5.2	3.0	2.1
2006 Q4	4.2	2.7	1.5
2006 Q3	5.9	3.1	2.7
2006 Q2	10.1	3.3	6.5
2006 Q1	7.1	3.2	3.8
2005 Q4	7.9	3.4	4.4
2005 Q3	10.2	3.3	6.7
2005 Q2	15.9	3.0	12.5
2005 Q1	10.6	3.1	7.2
2004 Q4	9.4	3.1	6.2
2004 Q3	6.5	2.9	3.5
2004 Q2	11.2	2.7	8.3
2004 Q1	8.1	2.2	5.7
2003 Q4	7.0	2.0	4.8
2003 Q3	6.3	2.0	4.2
2003 Q2	2.1	1.9	0.2
2003 Q1	1.6	2.0	(0.5)
2002 Q4	3.4	1.7	1.7
2002 Q3	1.6	1.5	0.1
2002 Q2	(9.4)	1.4	(10.6)
2002 Q1	(6.1)	1.6	(7.6)
2001 Q4	(1.1)	2.0	(3.0)
2001 Q3	0.5	2.2	(1.7)
2001 Q2	1.2	2.5	(1.3)
2001 Q1	2.7	2.4	0.3
2000 Q4	4.2	2.5	1.7
2000 Q3	6.8	2.4	4.2
2000 Q2	11.7	2.2	9.4
2000 Q1	12.0	2.0	9.8

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

Table 2. Quarterly State Tax Revenue By Major Tax

Quarter	Year-Over-Year Percent Change			
	PIT	CIT	General Sales	Total
2013 Q2	18.4	11.0	5.3	9.0
2013 Q1	18.4	9.3	5.6	8.6
2012 Q4	10.8	3.8	2.7	5.3
2012 Q3	5.8	8.5	1.8	2.9
2012 Q2	6.0	(3.0)	1.7	4.1
2012 Q1	4.2	3.6	5.0	4.0
2011 Q4	2.8	(3.3)	2.9	3.0
2011 Q3	9.1	0.9	1.6	5.0
2011 Q2	15.6	18.3	5.7	11.3
2011 Q1	12.6	4.1	6.0	10.2
2010 Q4	10.8	12.1	5.1	8.1
2010 Q3	3.9	0.5	4.3	5.3
2010 Q2	1.3	(19.0)	5.7	1.9
2010 Q1	3.6	0.3	0.1	3.3
2009 Q4	(4.1)	0.7	(4.8)	(3.1)
2009 Q3	(11.5)	(21.3)	(10.1)	(11.0)
2009 Q2	(27.7)	3.0	(9.5)	(16.3)
2009 Q1	(19.4)	(20.2)	(8.4)	(12.2)
2008 Q4	(1.9)	(23.0)	(5.3)	(4.0)
2008 Q3	0.9	(13.2)	4.7	2.8
2008 Q2	8.1	(7.0)	1.0	5.4
2008 Q1	4.8	(1.4)	0.7	2.6
2007 Q4	3.8	(14.5)	4.0	3.6
2007 Q3	7.0	(4.3)	(0.7)	3.1
2007 Q2	9.2	1.7	3.5	5.5
2007 Q1	8.5	14.8	3.1	5.2
2006 Q4	4.4	12.6	4.7	4.2
2006 Q3	6.6	17.5	6.7	5.9
2006 Q2	18.8	1.2	5.2	10.1
2006 Q1	9.3	9.6	7.0	7.1
2005 Q4	6.7	33.4	6.4	7.9
2005 Q3	10.2	24.4	8.3	10.2
2005 Q2	19.7	64.1	9.1	15.9
2005 Q1	13.1	29.8	7.3	10.6
2004 Q4	8.8	23.9	10.7	9.4
2004 Q3	5.8	25.2	7.0	6.5
2004 Q2	15.8	3.9	9.5	11.2
2004 Q1	7.9	5.4	9.1	8.1
2003 Q4	7.6	12.5	3.6	7.0
2003 Q3	5.4	12.6	4.7	6.3
2003 Q2	(3.1)	5.1	4.6	2.1
2003 Q1	(3.3)	8.3	2.4	1.6
2002 Q4	0.4	34.7	1.8	3.4
2002 Q3	(3.4)	7.4	2.4	1.6
2002 Q2	(22.3)	(12.3)	0.1	(9.4)
2002 Q1	(14.7)	(15.7)	(1.4)	(6.1)
2001 Q4	(2.5)	(34.0)	1.8	(1.1)
2001 Q3	(0.0)	(27.2)	2.3	0.5
2001 Q2	3.7	(11.0)	(0.8)	1.2
2001 Q1	4.6	(8.4)	1.8	2.7
2000 Q4	6.5	(0.4)	4.4	4.2
2000 Q3	10.0	8.2	4.8	6.8
2000 Q2	21.2	4.2	7.0	11.7
2000 Q1	17.0	11.0	11.9	12.0

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

the Far West region is mostly attributable to a single state (California) where personal income tax collections showed a strong 40.7 percent growth in the second quarter of 2013 compared to the same quarter of 2012 (driven in part by accelerated income and tax law changes, as discussed below).

Overall, two states reported declines in personal income tax collections; forty-one states reported growth in personal income tax collections for the quarter with twenty-four states reporting double-digit increases. The two states reporting declines in personal income tax collections are Kansas and Missouri, where collections declined by 3.3 and 1.3 percent, respectively. In terms of dollar value, the largest increases were reported in California and New York, where personal income tax collections grew by \$7.1 billion and \$2.2 billion, respectively. The large increases in personal income tax collections in California and New York, as well as in many other states during the second quarter of 2013, are at least partially attributable to the acceleration of income by some taxpayers driven by the fear of potential federal tax rate increases.⁵

The large growth in personal income tax collections in California is at least partially driven by legislated tax changes. On November 6, 2012, California voters adopted Proposition 30, which increased the personal income tax (PIT) rate on taxpayers making over \$500,000 for a seven-year period that is retroactive to January 1, 2012, through December 31, 2018. In addition, in California capital gains represent a significant portion of personal income tax revenues, and about 40 to 50 percent of personal income tax revenues was paid by the top one percent of tax filers. According to California's Legislative Analyst Office (LAO), "PIT collections grew substantially in 2012-13 due to voters' approval of Proposition 30, large one-time withholding payments related to the initial public offering (IPO) of stock by Facebook, Inc., and one-time accelerations of various types of income in 2012 by high-income taxpayers — especially accelerated realizations of capital gains."⁶ Such large increases in personal income tax collections would undoubtedly lead to lower amounts in coming years. The LAO also noted, "The acceleration of large amounts of revenue from 2013 to 2012 artificially depresses growth in PIT revenues in 2013-14."⁷

California also has the largest share of personal income tax revenues. In the second quarter of 2013, personal income tax revenues in California made up 23.2 percent of total personal income tax collections for the nation. If we exclude California, personal income tax collections show a growth of 13 percent for the nation and a growth of 9.4 percent for the Far West region in the second quarter of 2013.

We can get a clearer picture of collections from the personal income tax by breaking this source down into two major components for which we have data: withholding and quarterly estimated payments. The Census Bureau, the source of much of the data in this report, does not collect data on individual components

Table 3. Personal Income Tax Withholding, By State

Last Four Quarters, Percent Change

	2012		2013	
	July-Sep	Oct-Dec	Jan-Mar	Apr-June
United States	2.7	7.8	3.6	3.6
New England	0.8	1.2	1.2	2.1
Connecticut	1.1	(8.7)	2.5	3.0
Maine	1.8	1.5	(3.0)	(2.2)
Massachusetts	0.6	6.3	1.4	1.9
Rhode Island	1.6	4.5	(4.3)	1.5
Vermont	(2.9)	4.4	3.8	10.2
Mid-Atlantic	(0.2)	4.0	4.2	3.5
Delaware	2.7	9.1	2.0	3.9
Maryland	1.9	3.9	1.2	1.8
New Jersey	(5.4)	6.8	4.5	6.8
New York	(0.4)	3.3	5.4	3.6
Pennsylvania	2.7	3.3	2.3	2.6
Great Lakes	4.0	7.6	1.8	4.0
Illinois	2.6	5.1	3.4	2.4
Indiana	8.8	3.7	(0.4)	7.4
Michigan	9.9	8.3	2.3	2.4
Ohio	5.0	6.5	3.3	6.0
Wisconsin	(6.7)	17.0	(1.9)	3.5
Plains	5.2	7.4	2.8	1.8
Iowa	7.2	6.4	5.8	2.7
Kansas	7.3	8.1	(9.3)	(13.9)
Minnesota	3.7	7.7	4.5	7.2
Missouri	3.0	6.8	3.5	1.0
Nebraska	9.7	6.9	2.3	2.8
North Dakota	8.4	16.0	24.1	11.9
Southeast	3.0	5.7	2.9	2.9
Alabama	6.3	3.4	1.0	4.9
Arkansas	8.0	4.8	0.5	5.3
Georgia	4.2	7.5	1.9	3.1
Kentucky	(1.2)	4.3	1.9	(0.5)
Louisiana	2.7	19.2	(0.8)	2.9
Mississippi	6.5	3.5	(0.9)	5.8
North Carolina	4.2	4.9	5.2	4.6
South Carolina	3.9	5.1	4.2	3.6
Virginia	(0.7)	3.8	4.6	0.5
West Virginia	4.1	2.2	(2.5)	3.2
Southwest	1.8	5.0	2.0	3.5
Arizona	2.2	8.5	0.7	2.6
New Mexico	1.2	0.2	(0.4)	3.1
Oklahoma	1.6	2.6	4.7	4.9
Rocky Mountain	6.1	10.2	2.3	5.7
Colorado	5.6	10.0	4.3	5.0
Idaho	3.5	0.9	0.8	1.0
Montana	7.4	12.9	3.6	3.6
Utah	8.1	14.9	(1.4)	10.0
Far West	4.1	17.5	6.4	5.0
California	4.3	19.3	7.0	5.0
Hawaii	4.9	8.6	7.2	7.3
Oregon	2.2	6.0	0.4	4.1

Source: Individual state data, analysis by Rockefeller Institute.**Note:** Nine states — Alaska, Florida, New Hampshire, Nevada, South Dakota, Tennessee, Texas, Washington, and Wyoming — have no broad-based personal income tax and are therefore not shown in this table.

of personal income tax collections. The data presented here were collected by the Rockefeller Institute.

Withholding

Withholding is a good indicator of the current strength of personal income tax revenue because it comes largely from current wages and is much less volatile than estimated payments or final settlements. Table 3 shows that withholding for the April-June 2013 quarter increased by 3.6 percent for the forty-one states with broad-based personal income taxes, the same rate as in the January-March quarter, and considerably weaker than the 7.8 percent growth rate reported in the fourth quarter of 2012. Wages are the largest component of taxable income by far, and with only 3.6 percent growth in withholding taxes on wages, the income tax cannot maintain its rapid growth without extraordinary increases in investment income. While 2013, with its strong stock market, is likely to be a good year for investors' assets, taxable investment income may nonetheless be extremely weak because of the accelerations discussed earlier.

Thirty-eight states reported growth in withholding for the second quarter of 2013, while three states reported declines, with Kansas reporting the largest decline at 13.9 percent, followed by Maine and Kentucky where withholding declined by 2.2 and 0.5 percent, respectively. Among individual states, North Dakota and Vermont reported the strongest growth in the second quarter of 2013, at 11.9 and 10.2 percent, respectively. The Rocky Mountain and Far West regions reported the largest growth in withholding at 5.7 and 5.0 percent, respectively, while the Plains region reported the weakest growth in withholding at 1.8 percent.

Estimated Payments

The highest-income taxpayers generally make estimated tax payments (also known as declarations) on their income not subject to withholding tax. This income often comes from investments, such as capital gains realized in the stock market. Estimated payments normally represent a relatively small proportion of overall income-tax revenues, but can have a disproportionate impact on the direction of overall collections. In the second

Table 4. Estimated Payments/Declarations, By State

	Year-Over-Year Percent Change	
	April 2013 (first payment of 2013)	April-June (first two payments of 2013)
Average (Mean)	13.4	16.2
Median	11.2	12.7
Alabama	15.3	7.1
Arizona	5.0	11.9
Arkansas	(7.9)	5.4
California	26.6	21.1
Colorado	57.0	37.6
Connecticut	1.3	5.2
Delaware	7.9	8.5
Georgia	(68.7)	(45.0)
Hawaii	(29.1)	86.9
Illinois	13.2	11.1
Indiana	(0.2)	4.8
Iowa	17.9	17.0
Kansas	(39.6)	(34.5)
Kentucky	45.8	26.6
Louisiana	35.2	14.9
Maine	(2.9)	(1.7)
Maryland	11.1	14.3
Massachusetts	11.3	11.6
Michigan	15.2	22.1
Minnesota	45.5	31.4
Mississippi	(52.5)	19.6
Missouri	18.3	16.6
Montana	14.5	16.5
Nebraska	20.1	19.3
New Jersey	9.8	5.4
New York	51.5	37.4
North Carolina	(9.1)	(5.1)
North Dakota	203.1	145.4
Ohio	16.8	13.7
Oklahoma	27.9	20.7
Oregon	(8.8)	8.4
Pennsylvania	2.6	1.1
Rhode Island	18.4	11.1
South Carolina	4.4	4.6
Vermont	8.7	9.9
Virginia	(10.6)	13.5
West Virginia	0.3	(3.5)
Wisconsin	35.9	24.3

Source: Individual state data, analysis by Rockefeller Institute.

quarter of 2013 the estimated payments accounted for \$26 billion, or roughly 25 percent of all personal income tax revenues.

The first payment for each tax year is due in April in most states and the second, third, and fourth are generally due in June, September, and January. In the thirty-eight states for which we have complete data (mostly attributable to the 2012 tax year), the median payment was up by 11.2 percent for the first payment and by 12.7 percent for the first two payments compared to the previous year (see Table 4). Declines were recorded in ten of thirty-eight states for the first payment, and in five states for the first and second payments combined.

The strong growth in estimated payments for the first and second payments of 2013 is not surprising and is not necessarily a sign of improvement in personal income tax revenues. The growth is strongly related to federal tax policy and the uncertainty that was tied to the “fiscal cliff.” If Congress had not taken any actions to address the “fiscal cliff,” tax rates would have risen on several types of income, including capital gains. (And tax rates did end up increasing, although Congressional action muted those increases.) Therefore, many taxpayers accelerated the realization of some income, such as capital gains, from later years into tax year 2012. The strong growth in the April-June estimated payments is a significant indicator that income was accelerated into tax year 2012. The uncertain implications of this acceleration for future payments creates a further burden for states trying to make accurate projections of personal income taxes in the coming quarters.

Final Payments

Final payments normally represent a smaller share of total personal income tax revenues in the first, third, and fourth quarters of the tax year, and much larger share in the second quarter of tax year due to the April 15 income tax return deadline. In the second quarter of 2013, final payments accounted for \$29.4 billion, or roughly 28 percent of all personal income tax revenues. Final payments with personal income tax returns in the thirty-nine early reporting states grew by 37.4 percent in the second quarter of 2013 compared to the same quarter of 2012. Payments with returns in the April-June quarter of 2013 exceeded 2012 levels in all but one state.

Refunds

Personal income tax refunds paid by thirty-nine states grew by 5.6 percent in the second quarter of 2013 compared to the same quarter of 2012. In total, these thirty-nine early reporting states paid out about \$1 billion more in refunds in the April-June quarter of 2013 than in 2012. Overall, thirty-three states paid out more refunds, while six states paid out less refunds in the second quarter of 2013 compared to the same quarter of 2012.

General Sales Tax

State sales tax collections in the April-June 2013 quarter showed growth of 5.3 percent from the same period in 2012. This is the fourteenth quarter in a row that sales tax collections rose. Increases in collections were reported during the second quarter in all regions. The Far West and Great Lakes regions reported the largest increases in sales tax collections at 8.5 and 6.9 percent, respectively.

Thirty-eight of forty-five states with broad-based sales taxes reported growth in collections for the quarter; three states reported double-digit gains. Ohio and Virginia reported the largest growth at 20.8 and 15.6 percent, respectively. Seven states reported declines in sales tax collections in the second quarter of 2013, with Georgia and Iowa reporting the largest declines at 8.4 and 8.2 percent, respectively. The largest growth in terms of dollar value was reported in California, where sales tax collections grew by \$802 million, or 9.3 percent, which is mostly attributable to Proposition 30, which increased sales tax rates by 25 percent for tax years 2013 to 2016. If we exclude California, sales tax collections show a growth of 4.7 percent for the nation in the second quarter of 2013.

After fourteen consecutive quarters of growth, state sales tax revenues were 8.3 percent higher in the second quarter of 2013 compared to the same quarter of five years ago. However, if we adjust the numbers for inflation, sales tax receipts show only 1.0 percent growth in the second quarter of 2013 compared to the same quarter of 2008.

Corporate Income Tax

Corporate income tax revenue is highly variable because of volatility in corporate profits and in the timing of tax payments. Many states, such as Delaware, Hawaii, Montana, Rhode Island, and Vermont, collect relatively little revenue from corporate taxes, and can experience large fluctuations in percentage terms. For all these reasons, there is often significant variation in states' gains or losses for this tax.

Corporate tax revenue increased by 11 percent in the second quarter of 2013 compared to a year earlier. All regions but New England reported growth in corporate income tax collections in the second quarter of 2013, where collections declined by 9.5 percent. The Mid-Atlantic and Great Lakes regions reported the largest growth at 23.2 and 16.3 percent, respectively.

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

Year-Over-Year Real Percent Change; Four-Quarter Moving Averages						
	Property tax	Motor fuel sales tax	Tobacco product sales tax	Alcoholic beverage sales tax	Motor vehicle & operators license taxes	Other taxes
Nominal collections (mlns), last 12 months	\$13,172	\$41,380	\$16,999	\$5,965	\$25,148	\$127,711
2013 Q2	(0.2)	(0.5)	(3.2)	(1.8)	(1.4)	(0.4)
2013 Q1	(2.3)	(0.6)	(2.3)	(0.1)	(0.0)	1.4
2012 Q3	(4.7)	(0.0)	(2.5)	2.4	1.8	1.7
2012 Q2	(9.1)	(0.3)	(3.3)	3.6	2.9	3.3
2012 Q1	(10.5)	(1.0)	(2.1)	3.2	3.2	5.6
2011 Q4	(8.9)	0.3	(2.5)	0.8	2.2	7.9
2011 Q3	(9.2)	3.0	(1.7)	(0.4)	1.9	11.8
2011 Q2	(5.7)	5.7	(0.9)	0.6	0.4	12.1
2011 Q1	(2.0)	8.8	0.7	1.6	1.6	12.3
2010 Q4	0.4	8.2	2.8	3.2	3.3	9.3
2010 Q3	6.0	5.3	3.1	3.3	4.1	7.4
2010 Q2	11.2	2.4	2.3	3.1	5.7	4.3
2010 Q1	11.2	0.7	0.6	2.2	3.9	(2.3)
2009 Q4	9.9	(0.8)	(1.1)	0.8	1.5	(9.1)
2009 Q3	6.1	(1.9)	(1.5)	0.6	0.2	(13.6)
2009 Q2	(0.5)	(3.1)	0.4	0.1	(1.2)	(13.3)
2009 Q1	(2.0)	(5.3)	1.3	(0.1)	(0.9)	(6.7)
2008 Q4	(3.7)	(5.9)	2.6	0.4	(0.4)	3.9
2008 Q3	(2.8)	(4.9)	3.1	0.5	(1.1)	7.5
2008 Q2	1.9	(3.3)	3.5	(0.1)	(0.5)	9.9
2008 Q1	3.4	(1.7)	5.9	0.6	(0.3)	7.8
2007 Q4	4.1	(1.1)	6.2	0.6	(1.0)	3.4
2007 Q3	3.6	(1.7)	6.2	0.6	(0.4)	2.4
2007 Q2	1.6	(0.6)	4.0	1.7	(0.8)	(0.2)
2007 Q1	(0.1)	(1.1)	0.6	1.5	(0.8)	(1.2)
2006 Q4	1.8	0.1	1.7	0.7	0.6	(0.9)
2006 Q3	0.3	0.8	2.8	1.2	1.1	(0.2)
2006 Q2	(0.2)	(1.0)	5.5	1.3	1.0	2.1
2006 Q1	(0.0)	1.5	9.1	1.3	0.8	4.3
2005 Q4	0.9	1.6	7.0	2.6	0.2	5.3
2005 Q3	2.0	2.2	5.5	1.7	0.4	7.2
2005 Q2	3.5	3.7	4.3	(0.1)	2.0	6.4
2005 Q1	3.6	1.0	2.3	(0.5)	2.8	5.0
2004 Q4	1.8	1.5	3.0	(2.3)	3.7	5.8
2004 Q3	(4.8)	1.7	3.6	(1.4)	5.6	6.1
2004 Q2	(2.3)	1.6	3.6	0.1	6.1	7.6
2004 Q1	3.6	2.2	4.9	0.5	6.7	9.0
2003 Q4	1.1	0.5	10.6	4.4	5.6	7.6
2003 Q3	8.7	(0.9)	17.2	4.1	4.0	5.7
2003 Q2	5.7	(1.1)	26.3	2.4	2.9	3.9
2003 Q1	(1.0)	(0.3)	35.9	3.2	2.8	2.7
2002 Q4	(4.9)	0.8	27.2	0.7	3.7	2.3
2002 Q3	(4.8)	1.1	17.3	0.0	2.9	2.1
2002 Q2	(6.7)	0.7	5.6	2.7	2.6	2.6
2002 Q1	(4.3)	1.2	(5.9)	(0.1)	0.6	3.4
2001 Q4	5.1	1.7	(5.0)	(0.2)	(1.2)	2.1
2001 Q3	2.7	2.5	(1.5)	0.5	(2.9)	2.5
2001 Q2	(0.4)	3.4	2.5	(1.4)	(3.4)	1.4
2001 Q1	(5.1)	2.4	7.5	1.6	(0.7)	0.8
2000 Q4	(12.6)	1.1	8.3	1.3	2.3	3.5
2000 Q3	(11.2)	1.1	5.8	1.7	5.7	4.1
2000 Q2	(4.2)	1.2	1.7	3.1	6.8	6.4
2000 Q1	(2.6)	1.2	(1.4)	2.1	5.9	7.9
1999 Q4	2.5	2.4	(4.5)	3.2	3.0	4.7

Source: U.S. Census Bureau.

Among forty-six states that have a corporate income tax, twenty-eight reported growth, with twenty-two enjoying double-digit gains. Eighteen states reported declines for the second quarter of 2013 compared to the same quarter of the previous year, of which seven states reported double-digit declines. The largest decline in terms of dollar value was reported in Massachusetts, where corporate income tax collections fell by \$145 million, or 22.6 percent. On the contrary, the largest growth in terms of dollar value was reported in California, where corporate income tax collections grew by \$527 million, or 16 percent.

Other Taxes

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

Revenues from smaller tax sources all showed declines in the second quarter of 2013. The motor fuel sales tax, the most significant of the smaller taxes, showed a 0.5 percent decline for the nation,

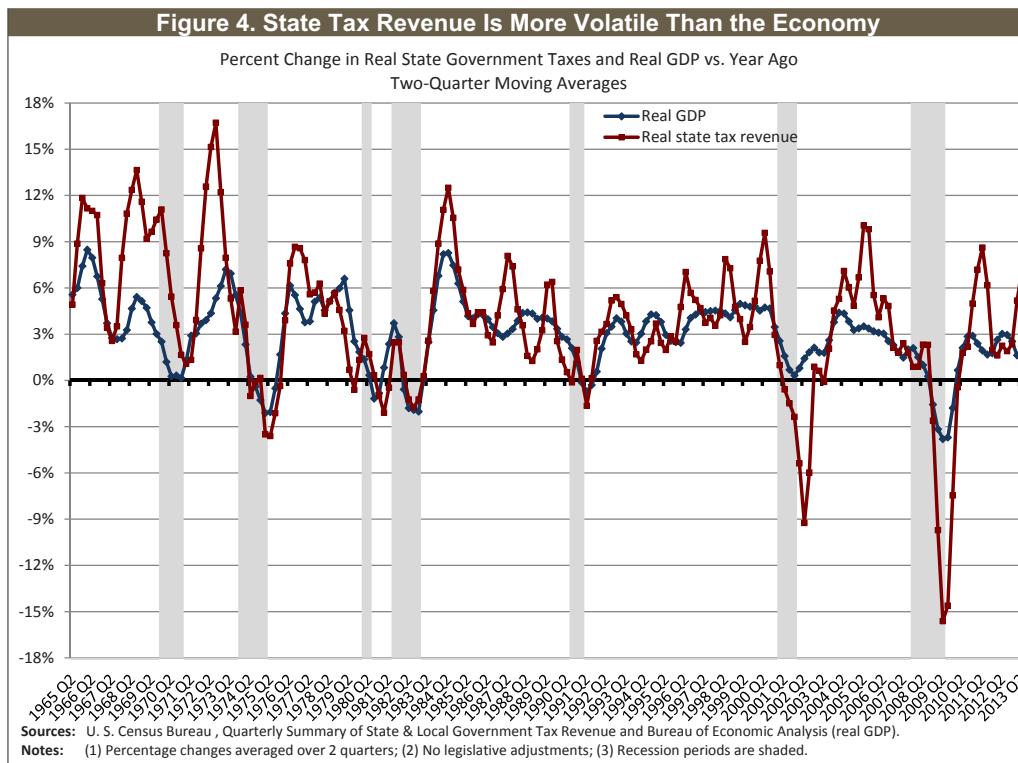
which is the fifth consecutive quarter decline. State property taxes, a relatively small revenue source for states, fell for the ninth consecutive quarter, by 0.2 percent, and revenues from tobacco product sales taxes declined for the eighth consecutive quarter, by 3.2 percent. Tax revenues from alcoholic beverage sales and from motor vehicle and operators' licenses both showed declines, at 1.8 and 1.4 percent, respectively.

Underlying Reasons for Trends

State revenue changes result from three kinds of underlying forces: state-level changes in the economy (which often differ from national trends), the different ways in which economic changes affect each state's tax system, and legislated tax changes. The next two sections discuss the economy and recent legislated changes.

Economic Changes

Most state tax revenue sources are heavily influenced by the economy. The income tax rises when income rises, the sales tax generates more revenue when consumers increase their purchases of taxable items, and so on. When the economy booms, tax revenue tends to rise rapidly, and when it declines, tax revenue tends to decline. Figure 4 shows year-over-year growth for two-quarter moving averages in inflation-adjusted state tax revenue and in real gross domestic product, to smooth short-term fluctuations and illustrate the interplay between the economy and state revenues.



Tax revenue is usually related to economic growth. As shown in Figure 4, in the second quarter of 2013 real state tax revenue showed 7.3 percent growth on this moving-average basis. This was the thirteenth consecutive quarter of growth. Real Gross Domestic Product (GDP) showed growth for the fourteenth consecutive quarter at 1.5 percent. Growth in real GDP is now fairly weaker than the 3.0 percent growth reported in the second quarter of 2012 and

Table 6. Nonfarm Employment, By State

Last Four Quarters, Year-Over-Year Percent Change

	2012		2013	
	Oct-Dec	Jan-March	April-June	July-Sep
United States	1.6	1.6	1.4	1.6
New England	0.9	0.9	1.1	1.2
Connecticut	0.7	0.3	0.8	0.9
Maine	0.0	0.2	(0.1)	1.0
Massachusetts	1.2	1.4	1.5	1.6
New Hampshire	0.8	1.1	1.3	0.8
Rhode Island	0.4	0.4	0.3	0.7
Vermont	1.3	1.3	1.5	1.3
Mid-Atlantic	0.9	0.9	1.1	1.3
Delaware	0.7	1.8	1.7	1.9
Maryland	1.3	1.3	1.5	1.6
New Jersey	1.3	1.3	1.7	2.0
New York	1.0	1.0	1.1	1.2
Pennsylvania	0.5	0.3	0.4	0.7
Great Lakes	1.2	0.9	0.8	1.2
Illinois	1.3	1.0	0.9	0.9
Indiana	1.9	1.6	1.4	1.6
Michigan	1.0	1.1	1.2	1.6
Ohio	0.9	0.4	0.3	0.8
Wisconsin	0.7	0.9	0.4	1.4
Plains	1.3	1.4	1.3	1.6
Iowa	1.4	1.4	1.3	1.1
Kansas	1.2	1.1	0.8	1.3
Minnesota	1.2	2.0	1.5	2.1
Missouri	0.7	0.7	1.4	1.4
Nebraska	0.9	0.6	0.7	1.1
North Dakota	6.8	5.0	3.2	3.4
South Dakota	1.2	1.3	1.0	1.9
Southeast	1.5	1.5	1.4	1.6
Alabama	0.7	0.5	0.6	0.3
Arkansas	0.2	0.4	0.6	1.0
Florida	1.9	1.8	1.6	2.0
Georgia	1.6	2.0	1.9	2.6
Kentucky	1.2	1.3	0.9	0.9
Louisiana	1.5	1.4	1.1	1.6
Mississippi	1.4	1.4	1.8	1.9
North Carolina	2.1	2.1	1.7	1.8
South Carolina	1.8	1.5	1.4	1.9
Tennessee	1.8	1.9	1.6	1.5
Virginia	1.0	1.0	1.2	1.2
West Virginia	0.4	0.4	0.6	0.9
Southwest	2.7	2.6	2.4	2.3
Arizona	2.0	1.9	2.0	2.2
New Mexico	0.4	0.6	0.9	0.9
Oklahoma	1.5	1.2	1.0	0.8
Texas	3.2	3.2	2.8	2.6
Rocky Mountain	2.5	2.7	2.4	2.3
Colorado	2.6	2.7	2.4	2.4
Idaho	1.9	2.8	2.9	2.6
Montana	2.2	2.1	1.7	1.6
Utah	3.6	3.6	2.8	2.6
Wyoming	(0.2)	(0.2)	0.0	1.0
Far West	2.1	2.0	1.7	1.6
Alaska	0.8	0.6	(0.5)	(0.6)
California	2.2	2.1	1.8	1.5
Hawaii	2.1	1.7	1.3	1.1
Nevada	2.1	2.3	1.9	1.5
Oregon	1.1	1.4	1.5	1.7
Washington	1.9	2.2	1.8	2.2

Source: Bureau of Labor Statistics (CES, seasonally unadjusted).

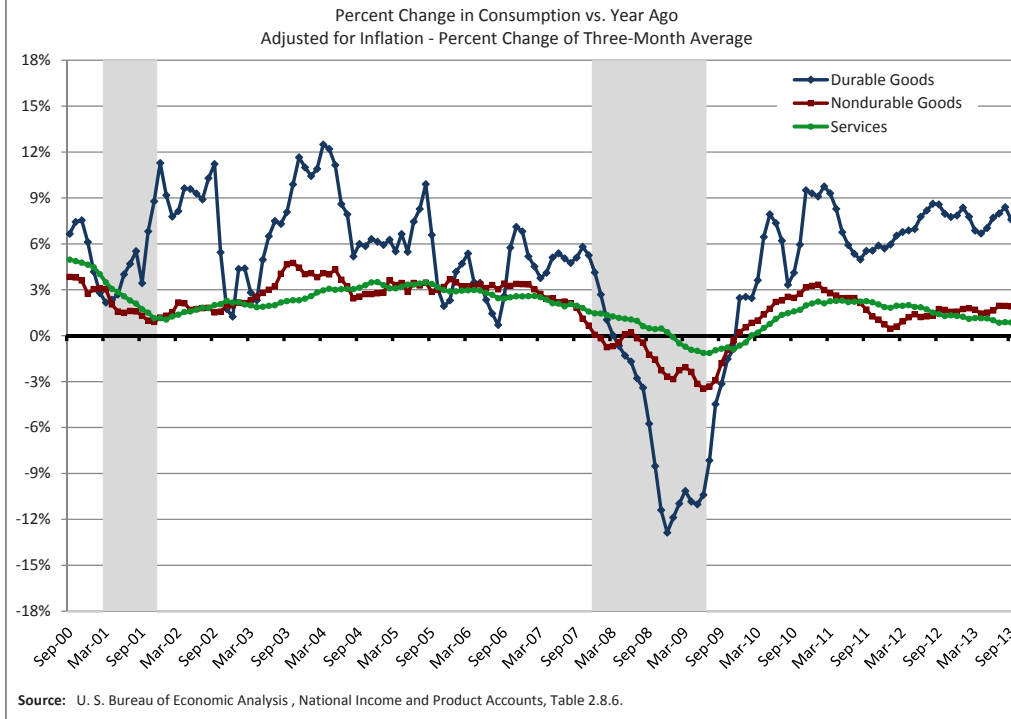
the 1.9 percent growth reported in the second quarter of 2011. Moreover, growth in real GDP has been softening for the fourth consecutive quarter.

Yet there is volatility in tax revenue that is not explained by real GDP, a broad measure of the economy. Throughout 2011, state tax revenue has risen significantly while the overall economy has been growing at a relatively slow pace in the wake of the Great Recession. Also, in much of 2009 and 2010, state revenue declines were much larger than the quarterly reductions in real GDP. Thus, although the growth rate in state tax revenues was not far from the growth rate in the overall economy throughout 2012, state tax revenues have been more volatile than the general economy in prior years as well as in the first half of 2013.

State-by-state data on income and consumption are not available on a timely basis, and so we cannot easily see variation across the country in these trends. Instead, like other researchers, the Rockefeller Institute relies partly on employment data from the Bureau of Labor Statistics to examine state-by-state economic conditions. These data are relatively timely and are of high quality. Table 6 shows year-over-year employment growth over the last four quarters. For the nation as a whole, employment grew for the thirteenth quarter in a row — by 1.6 percent relative to the previous year — in the July-September quarter of 2013. On a year-over-year basis, employment grew in all states but Alaska, where employment declined by 0.6 percent. North Dakota reported the largest growth at 3.4 percent in the third quarter of 2013. In total, nine states reported growth of over 2.0 percent.

All regions reported growth in employment in the third quarter of 2013, but job gains are not evenly distributed among the regions. The Great Lakes and New England regions reported the weakest growth in employment at 1.2 percent each. The Rocky Mountain and Southwest regions reported the largest increase in employment at 2.3 percent each. These employment data are compared to the same period a year ago rather than to preceding months.

Economists at the Philadelphia Federal Reserve Bank developed broader and highly timely measures known as “coincident economic indexes” intended to provide information about current economic activity in individual states. Unlike leading indexes, these measures are not designed to predict where the economy is headed; rather, they are intended to tell us where we are now.⁸ These

Figure 5. Consumption of Nondurable Goods and Services Remains Stagnant

indexes can be used to measure the scope of economic decline or growth.

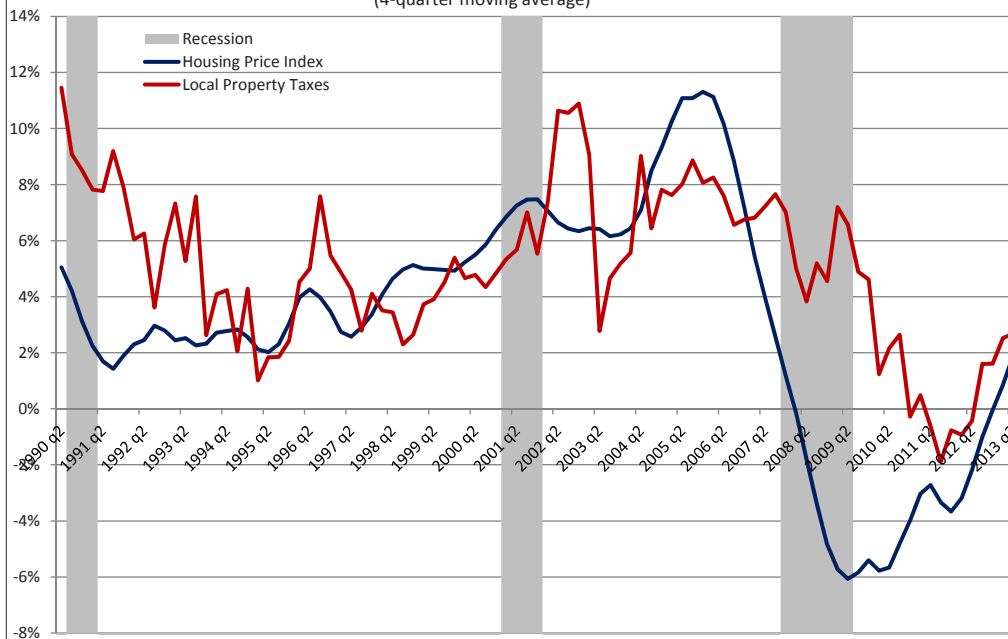
The analysis of coincident indexes indicates that as of October 2013, economic activity nationwide increased by 0.7 percent compared to three months earlier and by 2.9 percent compared to a year earlier. At the state level, forty-five states reported growth in economic activity compared to three months earlier, while five states reported decline. The number of states reporting de-

clines in economic activity has been increasing since mid-2013. The data underlying these indexes are subject to revision, and so tentative conclusions drawn now could change at a later date.

Figure 5 shows national consumption of durable goods, nondurable goods, and services — factors likely to be related to sales tax revenues. The decline in consumption of durable and nondurable goods during the recent downturn was much sharper than in the last recession. Consumption of nondurable goods and services remained relatively stagnant in the last few months. Growth in the consumption of durable goods, an important element of state sales tax bases, weakened in the last month.

Figure 6 shows the year-over-year percent change in the four-quarter moving average housing price index and local property taxes for the nation from the second quarter of 1990 through the second quarter of 2013. Declines in housing prices usually lead to declines in property taxes with some lag. The deep declines in housing prices caused by the Great Recession led to significant reductions in property taxes in 2011 and 2012.⁹

As Figure 6 shows, the trend in housing price index has been downward since mid-2005, with steeply negative movement from the last quarter of 2005 through the second quarter of 2009. The trend in the housing price index has been generally upward since mid-2009 and strengthened in the first half of 2013. In the second quarter of 2013, housing price index showed a growth at 1.9 percent. This is the second consecutive quarter growth and is proceeding after twenty consecutive quarter declines, which is highly encouraging. Figure 6 also

Figure 6. Continued Improvement in Housing Prices and Local Property TaxesYear-Over-Year Percent Change In Housing Prices vs. Local Property Taxes
(4-quarter moving average)

Source: U.S. Census Bureau Quarterly Summary of State and Local Government Tax Revenue & Federal Housing Finance Agency, House Price Indexes data.

shows that the decline in local property taxes lagged the decline in housing prices. The four-quarter moving average of year-over-year change in local property taxes showed 2.7 percent growth in the second quarter of 2013, marking a fourth consecutive quarter growth.

Tax Law Changes Affecting This Quarter

Another important element affecting trends in tax revenue growth is changes in

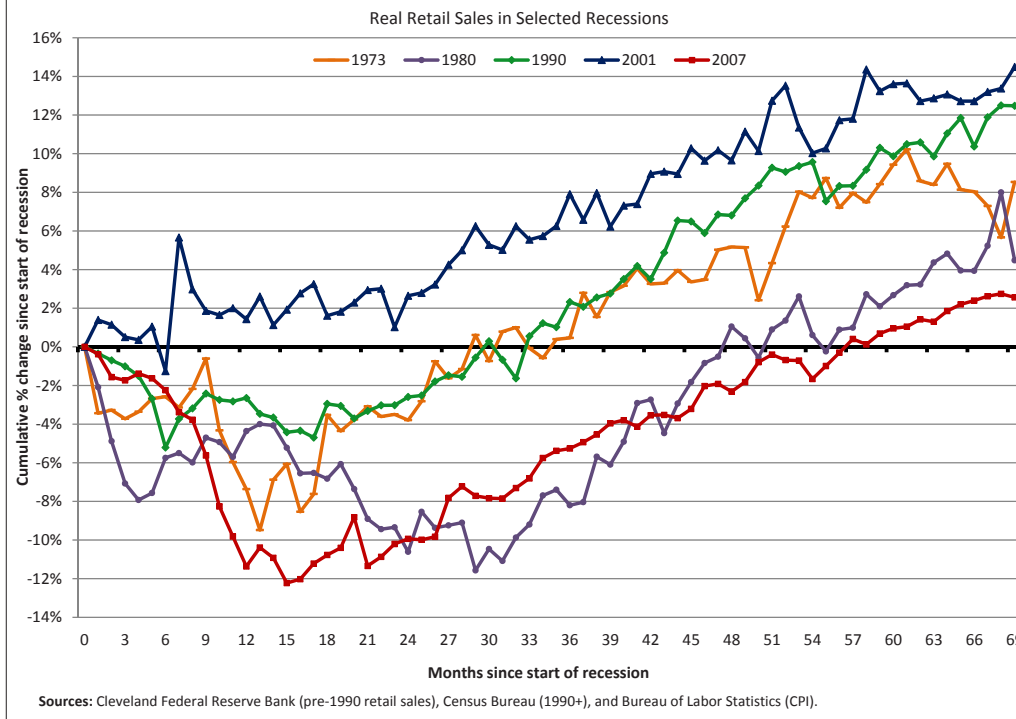
states' tax laws. During the April-June 2013 quarter, enacted tax increases and decreases produced an estimated gain of \$1.5 billion compared to the same period in 2012.¹⁰ Enacted tax changes increased personal income tax for approximately \$1.4 billion, increased sales tax by \$365 million, decreased corporate income taxes by \$31 million, increased cigarette taxes by \$62 million, and decreased some other taxes by \$220 million.

Among the enacted tax changes, the most noticeable ones are the increase of personal income tax rates in California for higher income taxpayers, the restructuring of personal income tax brackets in New York, personal income tax rate reductions in Kansas, and temporary sales tax increases in Arizona and California.

The Impact of Two Major Taxes

States rely on the sales tax for about 30 percent of their tax revenue, and it was hit far harder during and after the last recession than in previous recessions. Retail sales and consumption are major drivers of sales taxes. Figure 7 shows the cumulative percentage change in inflation-adjusted retail sales in the sixty-nine months following the start of each recession from 1973 forward.¹¹ Real retail sales in the Great Recession (the solid red line) plummeted after December 2007, falling sharply and almost continuously until December 2008, by which point they were more than 10 percent below the prerecession peak. This was deeper than in most recessions, although the declines in the 1973 and 1980 recessions also were quite sharp. While real retail sales have been rising from their lows for over three years now, at the end of

Figure 7. Real Retail Sales Are Now Above the Prerecession Levels

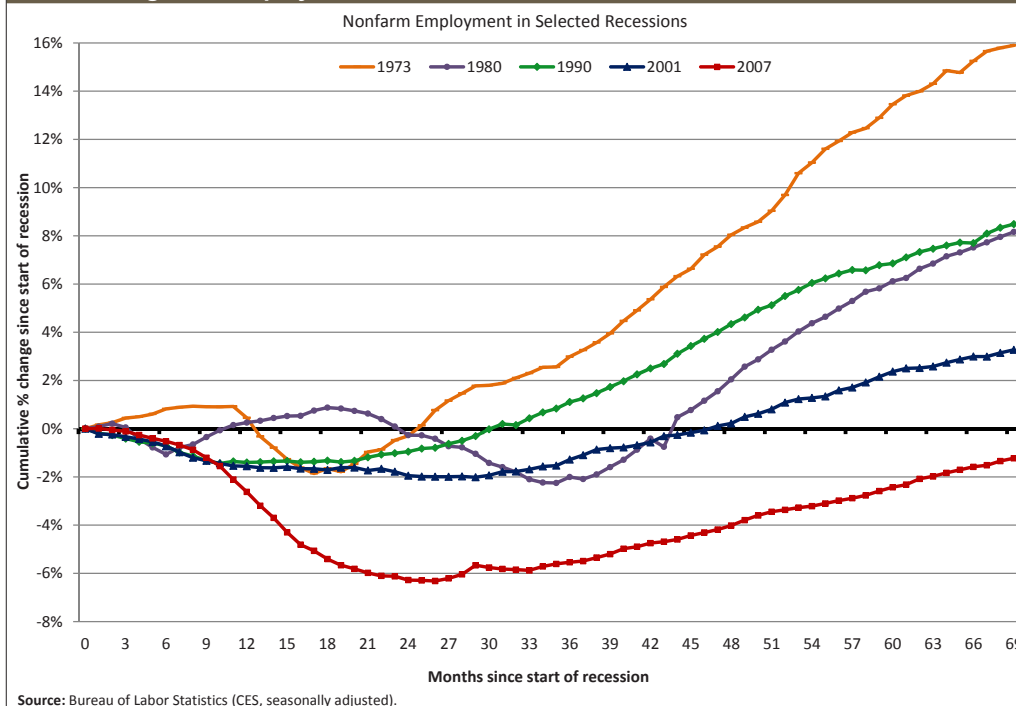


sixty-nine. As the graph shows, the 1.2 percent employment drop as of September 2013 is still far worse than declines seen in and around previous recessions. The trends depicted in Figure 8 suggest that, unless the pace of growth accelerates, it will take several more months before employment attains its prerecession peak.

September 2013 they were only 2.6 percent above the prerecession levels.

States on average count on the income tax for about 36 percent of their tax revenue. Employment and associated wage payments are major drivers of income taxes. Figure 8 shows the cumulative percentage change in nonfarm employment for the nation as a whole in the sixty-nine months following the start of each recession from 1973 forward.¹² The last point for the 2007 recession is September 2013, month

Figure 8. Employment Is Still 1.2 Percent Below The Prerecession Level



The Full Picture for State Fiscal Year 2013

According to preliminary data, in fiscal year 2013 states collected \$842.6 billion in total tax revenues, a gain of 6.7 percent from \$789.9 billion in fiscal 2012, according to Census data (see Tables 9 and 10). In fiscal 2013, total tax collections were 8.4 above the levels of recessionary peak in fiscal 2008. The personal income tax and sales tax both showed growth at 13.8 and 3.9

percent, respectively, in fiscal 2013 compared to fiscal 2012, and corporate income tax increased by 8.7 percent. All regions reported growth in overall tax collections in fiscal 2013, with the Far West region reporting the largest growth at 11.6 percent, while the New England region reporting the weakest growth at 4.4 percent.

In fiscal 2013, all forty-three states with broad-based income tax reported growth in personal income tax collections with twenty states reporting double-digit growth. Forty of forty-five states with broad-based sales tax collections reported growth in sales tax collections, with three states reporting double-digit growth. Finally, forty-seven states reported growth in total tax collections, with three states reporting double-digit growth.

With these preliminary figures, inflation-adjusted state tax collections are for the first time above the peak levels reported five years ago. Relative to fiscal 2008, total tax collections showed a growth of 0.7 percent in inflation-adjusted terms. In addition, inflation-adjusted figures indicate that twenty-eight states still had lower tax receipts at the end of fiscal 2013 compared to fiscal 2008.

Looking Ahead

Preliminary data for the July-September quarter of 2013 suggest that tax conditions showed continued growth in the third quarter of 2013, although some of the growth, particularly in personal income tax revenues, is softening significantly. With early data for July-September 2013 now available for forty-seven states, tax revenue increased by 6.1 percent compared to the same period of 2012. According to the preliminary data, personal income tax collections grew by 5.3 percent and sales tax collections by 5.6 percent.

Starting at the end of calendar year 2008 and extending through 2009, states suffered five straight quarters of decline in tax revenues. They now have enjoyed fourteen consecutive quarters of growth. Overall, tax revenues across the states are improving but states continue to face long-term fiscal challenges and structural imbalances.

State tax revenues are recovering, but not as quickly as the broader economy is improving. This reflects the fact that states do not tax the broad economy: their tax systems are much more reliant on narrower and more volatile forms of economic activity — and forms that, in this environment, have not been recovering as quickly as the broad economy.

State tax revenues became more volatile in the last decade. Moreover, the temporary solutions to address budget shortfalls caused by the Great Recession, might have contributed to further growth of revenue volatility. In addition, federal actions related to the “fiscal cliff” and sequestration would likely increase state tax revenue volatility even further. In many states, officials are puzzled by the uncertainty and are facing challenges in forecasting revenues due to growing revenue volatility driven by uncontrollable factors.

Table 7. State Tax Revenue, April-June 2012 and 2013 (\$ in millions)

	April-June 2012				April-June 2013			
	PIT	CIT	Sales	Total	PIT	CIT	Sales	Total
United States	88,889	15,899	65,719	238,058	105,269	17,652	69,210	259,460
New England	8,100	1,191	3,300	16,903	9,051	1,078	3,446	18,219
Connecticut	3,074	224	1,368	6,049	3,425	249	1,442	6,697
Maine	511	75	346	1,277	566	68	356	1,370
Massachusetts	3,919	643	1,295	6,841	4,391	497	1,342	7,300
New Hampshire	50	168	NA	539	52	192	NA	561
Rhode Island	331	50	211	828	357	46	223	854
Vermont	215	31	80	1,368	260	26	82	1,437
Mid-Atlantic	21,143	2,921	9,662	44,525	24,517	3,599	10,032	49,080
Delaware	256	109	NA	984	416	114	NA	1,173
Maryland	2,675	333	1,402	5,798	2,949	342	1,411	6,363
New Jersey	4,306	687	2,908	10,242	4,698	1,091	3,060	11,290
New York	10,631	1,027	2,995	18,484	12,870	1,205	3,177	20,972
Pennsylvania	3,275	765	2,357	9,016	3,583	847	2,384	9,284
Great Lakes	13,738	2,483	9,033	33,301	15,349	2,888	9,653	36,208
Illinois	4,791	1,366	2,033	10,459	5,354	1,765	2,099	11,623
Indiana	1,562	483	1,704	4,665	1,675	472	1,754	4,813
Michigan	1,627	298	1,935	4,942	2,208	291	1,977	5,518
Ohio	3,215	25	1,883	7,495	3,359	59	2,274	8,294
Wisconsin	2,543	311	1,479	5,740	2,753	301	1,550	5,960
Plains	7,153	1,048	4,433	17,663	8,186	1,129	4,530	18,290
Iowa	873	180	660	2,209	1,090	162	606	2,383
Kansas	1,053	141	720	2,287	1,018	177	735	2,241
Minnesota	2,603	325	1,371	6,273	3,130	384	1,427	6,746
Missouri	1,844	200	794	3,434	1,821	194	813	3,409
Nebraska	612	76	411	1,288	817	90	438	1,528
North Dakota	168	114	294	1,820	311	107	304	1,593
South Dakota	NA	13	184	351	NA	16	207	392
Southeast	13,733	3,417	15,758	45,663	14,971	3,526	16,323	48,264
Alabama	877	139	590	2,293	956	146	603	2,412
Arkansas	773	142	708	2,417	882	133	724	2,563
Florida	NA	760	5,140	9,353	NA	680	5,441	9,769
Georgia	2,203	230	1,314	4,313	2,461	302	1,203	4,734
Kentucky	1,086	232	785	2,860	1,160	241	773	2,938
Louisiana	723	254	755	2,605	781	218	778	2,648
Mississippi	576	82	895	2,077	589	130	938	2,207
North Carolina	2,850	519	1,388	6,382	3,179	570	1,456	6,899
South Carolina	891	90	1,043	2,512	944	141	1,081	2,683
Tennessee	156	522	1,776	3,702	227	545	1,801	3,861
Virginia	3,007	366	1,050	5,591	3,201	341	1,214	6,011
West Virginia	591	82	316	1,558	591	79	312	1,539
Southwest	2,147	503	8,535	22,393	2,380	546	9,049	23,612
Arizona	938	210	1,209	3,131	1,080	258	1,279	3,374
New Mexico	327	115	501	1,450	354	87	503	1,416
Oklahoma	883	177	632	2,429	947	202	631	2,514
Texas	NA	NA	6,193	15,384	NA	NA	6,635	16,308
Rocky Mountain	3,161	505	1,548	7,602	3,815	579	1,585	8,312
Colorado	1,581	240	591	3,061	1,864	278	618	3,271
Idaho	410	80	305	1,027	481	95	332	1,113
Montana	306	58	NA	836	385	65	NA	932
Utah	863	127	478	1,782	1,085	140	470	2,060
Wyoming	NA	NA	173	897	NA	NA	165	936
Far West	19,713	3,830	13,451	50,008	26,999	4,307	14,593	57,475
Alaska	NA	308	NA	2,353	NA	273	NA	1,496
California	17,370	3,300	8,579	35,961	24,437	3,827	9,381	43,577
Hawaii	506	48	704	1,600	516	72	757	1,728
Nevada	NA	NA	1,461	2,845	NA	NA	1,540	3,019
Oregon	1,837	174	NA	2,772	2,046	135	NA	2,982
Washington	NA	NA	2,708	4,478	NA	NA	2,916	4,673

Source: U.S. Census Bureau.

Table 8. Quarterly Tax Revenue By Major Tax
April-June, 2012-2013, Percent Change

	PIT	CIT	Sales	Total
United States	18.4	11.0	5.3	9.0
New England	11.7	(9.5)	4.4	7.8
Connecticut	11.4	11.0	5.4	10.7
Maine	10.8	(9.0)	2.9	7.2
Massachusetts	12.0	(22.6)	3.6	6.7
New Hampshire	3.7	14.1	NA	4.0
Rhode Island	7.7	(8.4)	5.8	3.1
Vermont	21.2	(16.3)	2.6	5.0
Mid-Atlantic	16.0	23.2	3.8	10.2
Delaware	62.5	4.3	NA	19.2
Maryland	10.2	2.9	0.7	9.7
New Jersey	9.1	58.7	5.2	10.2
New York	21.1	17.4	6.1	13.5
Pennsylvania	9.4	10.7	1.1	3.0
Great Lakes	11.7	16.3	6.9	8.7
Illinois	11.8	29.2	3.3	11.1
Indiana	7.2	(2.3)	2.9	3.2
Michigan	35.7	(2.5)	2.2	11.7
Ohio	4.5	137.6	20.8	10.7
Wisconsin	8.3	(3.2)	4.8	3.8
Plains	14.4	7.7	2.2	3.6
Iowa	24.9	(9.7)	(8.2)	7.8
Kansas	(3.3)	25.2	2.1	(2.0)
Minnesota	20.2	18.3	4.1	7.5
Missouri	(1.3)	(3.1)	2.4	(0.7)
Nebraska	33.5	17.6	6.7	18.6
North Dakota	84.4	(6.0)	3.5	(12.5)
South Dakota	NA	20.4	12.4	11.7
Southeast	9.0	3.2	3.6	5.7
Alabama	8.9	5.4	2.2	5.2
Arkansas	14.0	(6.8)	2.3	6.0
Florida	NA	(10.6)	5.8	4.5
Georgia	11.7	31.2	(8.4)	9.8
Kentucky	6.7	3.9	(1.5)	2.7
Louisiana	8.1	(14.0)	3.1	1.6
Mississippi	2.2	59.7	4.8	6.3
North Carolina	11.5	9.7	4.9	8.1
South Carolina	5.9	56.8	3.7	6.8
Tennessee	45.6	4.3	1.4	4.3
Virginia	6.5	(6.8)	15.6	7.5
West Virginia	0.1	(3.0)	(1.3)	(1.2)
Southwest	10.9	8.6	6.0	5.4
Arizona	15.1	22.4	5.8	7.8
New Mexico	8.2	(24.7)	0.5	(2.3)
Oklahoma	7.3	13.7	(0.1)	3.5
Texas	NA	NA	7.1	6.0
Rocky Mountain	20.7	14.7	2.4	9.3
Colorado	17.9	15.9	4.5	6.9
Idaho	17.3	19.7	8.7	8.5
Montana	25.6	12.0	NA	11.5
Utah	25.7	10.5	(1.7)	15.6
Wyoming	NA	NA	(4.7)	4.3
Far West	37.0	12.4	8.5	14.9
Alaska	NA	(11.4)	NA	(36.4)
California	40.7	16.0	9.3	21.2
Hawaii	2.0	49.4	7.5	8.0
Nevada	NA	NA	5.4	6.1
Oregon	11.4	(22.2)	NA	7.6
Washington	NA	NA	7.7	4.4

Source: U.S. Census Bureau.

Table 9. State Tax Revenue, FY 2012 and FY 2013 (\$ in millions)

	July 2011-June 2012				July 2012-June 2013			
	PIT	CIT	Sales	Total	PIT	CIT	Sales	Total
United States	275,879	41,773	242,914	789,946	314,034	45,406	252,449	842,554
New England	22,495	3,611	11,092	49,492	24,025	3,431	11,324	51,651
Connecticut	7,371	625	3,759	15,401	7,813	570	3,839	16,081
Maine	1,442	232	1,064	3,777	1,532	172	1,072	3,884
Massachusetts	11,933	2,002	5,079	22,549	12,837	1,881	5,184	23,628
New Hampshire	82	521	NA	2,176	91	560	NA	2,306
Rhode Island	1,068	134	848	2,851	1,089	142	882	2,892
Vermont	598	97	342	2,739	663	106	347	2,859
Mid-Atlantic	67,967	9,332	33,269	151,687	74,363	10,849	34,063	160,352
Delaware	1,193	262	NA	3,324	1,324	310	NA	3,512
Maryland	7,117	880	4,077	17,044	7,693	952	4,114	18,157
New Jersey	11,128	1,929	8,100	27,456	12,108	2,280	8,407	29,131
New York	38,429	4,422	11,926	70,886	42,466	5,099	12,300	75,631
Pennsylvania	10,100	1,837	9,167	32,977	10,771	2,208	9,242	33,920
Great Lakes	43,071	6,339	36,411	117,672	47,024	7,544	36,002	123,141
Illinois	15,512	3,495	8,034	36,258	16,539	4,463	8,159	38,715
Indiana	4,766	959	6,622	15,500	4,976	966	6,796	15,863
Michigan	6,720	834	9,470	24,045	8,137	898	8,286	24,709
Ohio	9,310	117	7,996	25,874	10,144	262	8,352	27,331
Wisconsin	6,762	934	4,289	15,995	7,228	956	4,410	16,523
Plains	21,090	2,572	16,674	57,581	23,713	2,945	17,697	60,929
Iowa	2,807	385	2,272	7,301	3,224	385	2,264	7,764
Kansas	2,892	310	2,825	7,394	3,035	426	2,899	7,673
Minnesota	7,988	1,066	4,942	20,561	9,329	1,218	5,588	22,802
Missouri	5,132	302	3,103	10,838	5,381	377	3,155	11,183
Nebraska	1,838	234	1,570	4,364	2,102	276	1,669	4,692
North Dakota	433	216	1,123	5,620	642	226	1,269	5,299
South Dakota	NA	60	838	1,505	NA	37	854	1,517
Southeast	46,128	8,284	58,773	158,937	50,166	8,997	60,782	167,231
Alabama	2,989	384	2,263	8,752	3,163	398	2,310	9,016
Arkansas	2,402	404	2,809	8,282	2,650	403	2,838	8,582
Florida	NA	2,003	19,404	33,746	NA	2,072	20,786	35,621
Georgia	8,143	590	5,140	16,152	8,754	797	5,146	17,180
Kentucky	3,512	575	3,052	10,497	3,723	647	3,022	10,804
Louisiana	2,443	227	2,921	8,694	2,735	288	2,928	9,209
Mississippi	1,501	396	3,015	6,873	1,755	416	3,128	7,288
North Carolina	10,384	1,220	5,574	22,683	11,068	1,286	5,593	23,739
South Carolina	2,600	229	2,926	7,516	3,359	387	3,041	8,588
Tennessee	182	1,226	6,903	12,349	263	1,289	7,027	12,698
Virginia	10,216	839	3,487	18,039	10,901	772	3,708	19,118
West Virginia	1,756	192	1,277	5,354	1,796	242	1,255	5,386
Southwest	6,781	1,328	32,517	72,227	7,514	1,452	34,970	77,087
Arizona	3,094	648	4,686	11,387	3,398	662	4,897	11,946
New Mexico	913	234	1,665	4,452	1,200	205	1,680	4,744
Oklahoma	2,774	446	2,416	8,575	2,917	585	2,519	8,658
Texas	NA	NA	23,750	47,813	NA	NA	25,874	51,740
Rocky Mountain	9,432	1,072	6,132	24,197	10,719	1,354	6,328	25,734
Colorado	4,852	492	2,302	10,249	5,529	652	2,417	11,033
Idaho	1,213	189	1,225	3,374	1,293	200	1,324	3,542
Montana	900	132	NA	2,459	1,046	171	NA	2,645
Utah	2,466	259	1,857	5,810	2,852	331	1,884	6,329
Wyoming	NA	NA	748	2,305	NA	NA	703	2,186
Far West	58,916	9,236	48,046	158,152	76,510	8,833	51,284	176,428
Alaska	NA	671	NA	7,048	NA	634	NA	5,132
California	51,549	8,051	31,485	112,962	68,515	7,620	33,428	130,508
Hawaii	1,541	80	2,698	5,487	1,736	124	2,944	5,988
Nevada	NA	NA	3,248	6,463	NA	NA	3,623	7,038
Oregon	5,826	433	NA	8,616	6,259	455	NA	9,202
Washington	NA	NA	10,614	17,576	NA	NA	11,288	18,561

Source: U.S. Census Bureau.

Table 10. FY Tax Revenue by Major Tax				
FYTD 2012 vs. FYTD 2013, Percent Change				
	PIT	CIT	Sales	Total
United States	13.8	8.7	3.9	6.7
New England	6.8	(5.0)	2.1	4.4
Connecticut	6.0	(8.8)	2.1	4.4
Maine	6.2	(25.9)	0.7	2.8
Massachusetts	7.6	(6.0)	2.1	4.8
New Hampshire	12.1	7.4	NA	6.0
Rhode Island	1.9	6.1	3.9	1.4
Vermont	10.8	9.4	1.5	4.4
Mid-Atlantic	9.4	16.3	2.4	5.7
Delaware	11.0	18.0	NA	5.7
Maryland	8.1	8.1	0.9	6.5
New Jersey	8.8	18.2	3.8	6.1
New York	10.5	15.3	3.1	6.7
Pennsylvania	6.6	20.2	0.8	2.9
Great Lakes	9.2	19.0	(1.1)	4.6
Illinois	6.6	27.7	1.6	6.8
Indiana	4.4	0.8	2.6	2.3
Michigan	21.1	7.6	(12.5)	2.8
Ohio	9.0	123.3	4.4	5.6
Wisconsin	6.9	2.3	2.8	3.3
Plains	12.4	14.5	6.1	5.8
Iowa	14.9	0.1	(0.4)	6.3
Kansas	5.0	37.3	2.6	3.8
Minnesota	16.8	14.3	13.1	10.9
Missouri	4.9	25.1	1.6	3.2
Nebraska	14.3	17.6	6.3	7.5
North Dakota	48.4	4.7	13.0	(5.7)
South Dakota	NA	(37.9)	1.8	0.8
Southeast	8.8	8.6	3.4	5.2
Alabama	5.8	3.8	2.0	3.0
Arkansas	10.3	(0.3)	1.0	3.6
Florida	NA	3.4	7.1	5.6
Georgia	7.5	35.1	0.1	6.4
Kentucky	6.0	12.5	(1.0)	2.9
Louisiana	12.0	27.0	0.2	5.9
Mississippi	16.9	5.1	3.8	6.0
North Carolina	6.6	5.4	0.3	4.7
South Carolina	29.2	69.1	3.9	14.3
Tennessee	44.2	5.2	1.8	2.8
Virginia	6.7	(8.0)	6.3	6.0
West Virginia	2.3	26.0	(1.7)	0.6
Southwest	10.8	9.4	7.5	6.7
Arizona	9.8	2.2	4.5	4.9
New Mexico	31.5	(12.2)	0.9	6.6
Oklahoma	5.1	31.2	4.2	1.0
Texas	NA	NA	8.9	8.2
Rocky Mountain	13.6	26.4	3.2	6.4
Colorado	13.9	32.5	5.0	7.6
Idaho	6.5	6.2	8.1	5.0
Montana	16.1	29.2	NA	7.5
Utah	15.6	27.9	1.5	8.9
Wyoming	NA	NA	(6.0)	(5.1)
Far West	29.9	(4.4)	6.7	11.6
Alaska	NA	(5.5)	NA	(27.2)
California	32.9	(5.4)	6.2	15.5
Hawaii	12.7	54.1	9.1	9.1
Nevada	NA	NA	11.5	8.9
Oregon	7.4	4.9	NA	6.8
Washington	NA	NA	6.3	5.6
Source: U.S. Census Bureau.				

Where Do We Stand Now?

As we have noted in prior *State Revenue Reports*, state tax revenue has begun to recover slowly and has now grown on a year-over-year basis for fourteen consecutive quarters. This certainly is good news, but sometimes it is interpreted as meaning that state finances have recovered almost fully, and that is not correct.

States suffered dramatic declines in all major taxes. Figure 9 shows the cumulative percentage change in state tax revenue since the start of each of the last three recessions, after adjusting for inflation and smoothing the data by averaging over four quarters. State tax revenues declined insignificantly during the 1990 recession and much more substantially during the 2001 recession. However, the impact of the Great Recession on state tax revenue collections was much worse. The decline in state tax revenues was much deeper and longer and the recovery has been much slower. Five years after the start of the Great Recession, state tax revenues finally surpassed the prerecession levels in the second quarter of 2013.

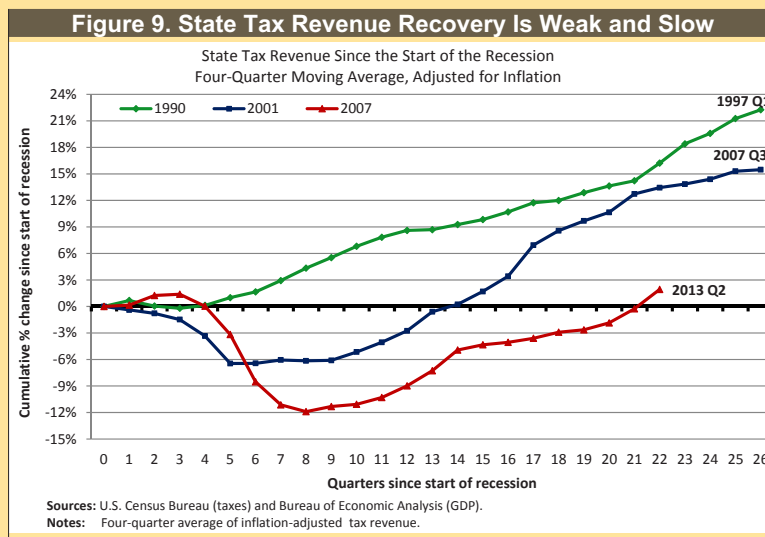


Figure 10 shows the same thing for state sales tax collections. The sales tax remains 3.4 percent below its level at the start of the recession. Consumer spending, particularly on taxable goods, has recovered weakly. As a result, sales tax collections have been recovering slowly in the last year.

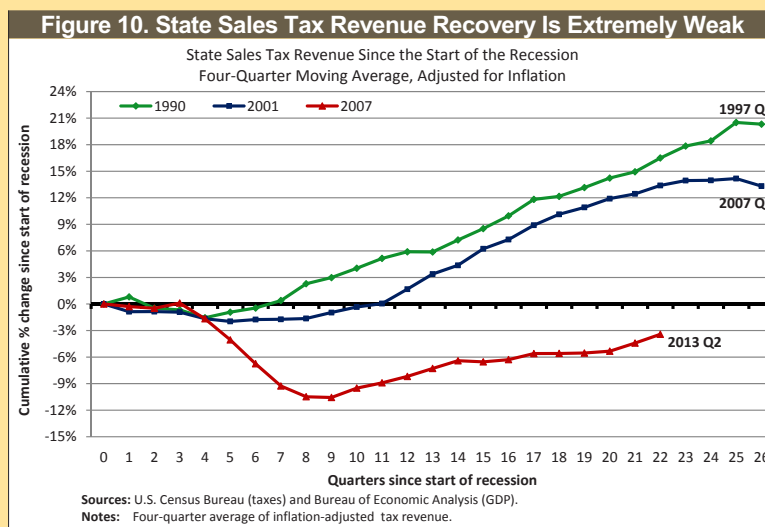


Figure 11 repeats the analysis for state personal income tax collections. The personal income tax has recovered substantially from its lowest level and is now 6.1 percent above where it was at the start of the Great Recession. Its recovery is in part an artifact of large tax increases imposed in several states, particularly California, Illinois, and New York, as well as due to the acceleration of income tax into 2012. Without these factors, personal income tax revenue would look much weaker.

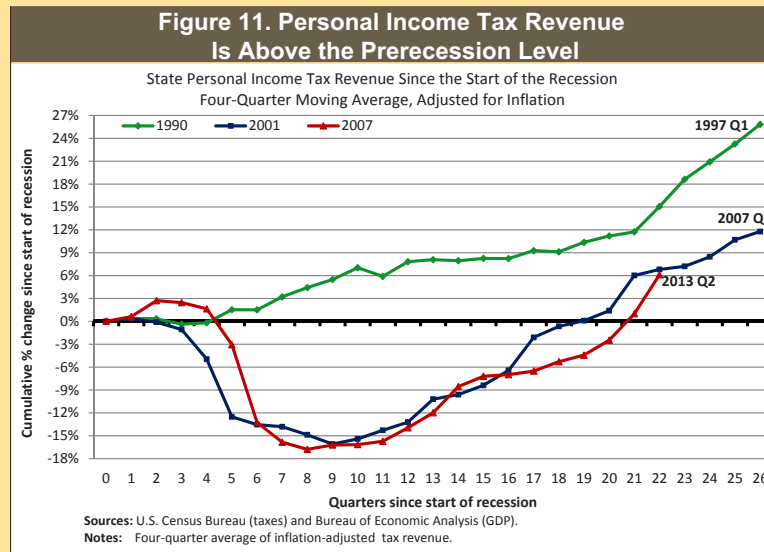


Figure 12 repeats the analysis for corporate income tax collections. Corporate income tax revenue fell, from the start of the recession to the trough, by about as much in the 2001 recession as it did in the Great Recession. However, about four years into that recession, corporate income tax revenue showed robust and continuous recovery until the start of the Great Recession. But five years after the start of the Great Recession, corporate income tax revenues remain about 17.5 percent below their level at the start of the recession and there is no sign of recovery on the horizon.

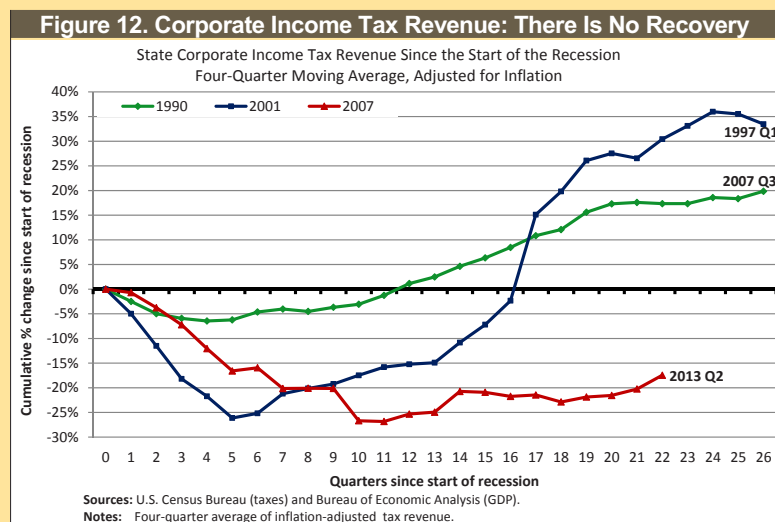
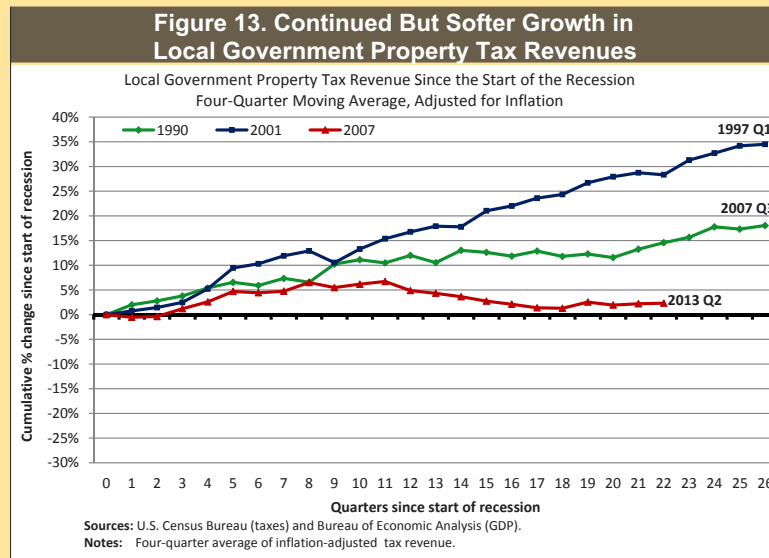


Figure 13 shows similar analysis for local property tax collections. Property tax revenues not only did not experience any declines in the 1990 or 2001 recessions, but showed strong and continuous growth during and after both recessions. By contrast, local property tax revenues showed some declines in the start of the Great Recession, but quickly resumed the growth until mid-2010. Since then, the growth has been much softer and generally has been slow and stagnant. Many local governments will face substantial fiscal challenges if this trend continues.



In sum, while state tax revenues are recovering, they remain below their prior peak and well below where previous trends would have suggested. While the Great Recession ended over three years ago, the damage caused by the Great Recession on state tax revenues is significant and it will take years before the states fully recover.

Adjustments to Census Bureau Tax Collection Data

The numbers in this report differ somewhat from those released by the Bureau of the Census in September of 2013. For reasons we describe below, we have adjusted Census data for selected states to arrive at figures that we believe are best-suited for our purpose of examining underlying economic and fiscal conditions. As a result of these adjustments, we report a year-over-year increase in tax collections of 9.0 percent in the second quarter, compared with the 9.4 percent increase that can be computed from data on the Census Bureau's Web site (<http://www.census.gov/govs/ntax/>). In this section we explain how and why we have adjusted Census Bureau data, and the consequences of these adjustments.

The Census Bureau and the Rockefeller Institute engage in two related efforts to gather data on state tax collections, and we communicate frequently in the course of this work. The Census Bureau has a highly rigorous and detailed data collection process that entails a survey of state tax collection officials, coupled with Web and telephone follow-up. It is designed to produce, after the close of each quarter, comprehensive tax collection data that, in their final form after revisions, are highly comparable from state to state. These data abstract from the fund structures of individual states (e.g., taxes will be counted regardless of whether they are deposited to the general fund or to a fund dedicated for other purposes such as education, transportation, or the environment).

The Census Bureau's data collection procedure is of high quality, but is labor-intensive and time-consuming. States that do not report in time, do not report fully, or that have unresolved questions may be included in the Census Bureau data on an estimated basis, in some cases with data imputed by the Census Bureau. These imputations can involve methods such as assuming that collections for a missing state in the current quarter are the same as those for the same state in a previous quarter, or assuming that collections for a tax not yet reported in a given state will have followed the national pattern for that tax. In addition, state accounting and reporting for taxes can change from one quarter to another, complicating the task of reporting taxes on a consistent basis. For these reasons, some of the initial Census Bureau data for a quarter may reflect estimated amounts or amounts with unresolved questions, and will be revised in subsequent quarters when more data are available. As a result, the historical data from the Census Bureau are comprehensive and quite comparable across states, but on occasion amounts reported for the most recent quarter may not reflect all important data for that quarter.

The Rockefeller Institute also collects data on tax revenue, but in a different way and for different reasons. Because historical Census Bureau data are comprehensive and quite comparable, we rely almost exclusively on Census data for our historical analysis. Furthermore, in recent years Census Bureau data have become far more timely and, where practical, we use them for the most recent quarter as well, although we supplement Census data for certain purposes. We collect our own data on a monthly basis so that we can get a more current read on the economy and state finances. For example, as this report goes to print we have data on tax collections for the third quarter of 2013 for forty-seven states; while the numbers are preliminary, they are still useful in understanding what is happening to state finances.

In addition, we collect certain information that is not available in the Census Data — figures on withholding tax collections, payments of estimated income tax, final payment and refunds, all of which are important to understanding income tax collections more fully. Our main uses for the data we collect are to report more frequently and currently on state fiscal conditions, and to report on the income tax in more detail.

Ordinarily, there are not major differences between our data for a quarter and the Census data. Normally we use the Census data without adjustment for full quarterly *State Revenue Reports*. In the last two years, states have been slow in reporting tax revenues to the Census Bureau on a timely manner due to furloughs and reduced workforce. For example, for the April-June quarter, the Census Bureau did not receive data for eleven states and reported estimated figures for those states.

Therefore, we have made some adjustments to the Census data. Table 11 shows the year-over-year percent change in national tax collections for the following sources: (1) preliminary figures collected by the Rockefeller Institute that appeared in our “Data Alert” dated September 18, 2013; (2) preliminary figures as reported by the Census Bureau; and (3) the Census Bureau’s preliminary figures with selected adjustments by the Rockefeller Institute.

Table 11. RIG vs. Census Bureau Quarterly Tax Revenue By Major Tax				
April-June, 2012 to 2013, Percent Change				
	PIT	CIT	Sales	Total
RIG Data Alert	20.3	7.1	5.0	11.0
Census Bureau Preliminary	19.4	10.8	4.7	9.4
Census Bureau Preliminary with RIG Adjustments	18.4	11.0	5.3	9.0

The last set of numbers with our adjustments is what we use as the basis for this report. For the second quarter of 2013, we made adjustment for twelve states — Connecticut, Hawaii, Indiana, Kansas, Massachusetts, Nevada, New Hampshire, New Jersey, New Mexico, Oregon, Rhode Island, and Washington — based upon data and information provided to us directly by these states. For eleven of these twelve states, the Census Bureau had not received a response in time for its publication and so used imputed data that will be revised in later reports. However, the Institute obtained data from all eleven; these data may not be as comprehensive as what would be used by the Census Bureau, but we believe they provide a better picture of fiscal conditions than imputed data. In addition, figures reported for Connecticut were preliminary and did not include accrual revenues for the final month of fiscal 2013. Thus, we adjusted tax revenues in Connecticut as well. We also made adjustments to tax collections for some previous quarters for those states where Census Bureau reported imputed or preliminary figures. For example, we made adjustments to tax numbers for the first quarter of 2013 for the following four states — Indiana, Oregon, Rhode Island, and Washington — for which the Census Bureau still did not receive revenue data from the states and reported estimated data.

Endnotes

- 1 We made adjustments to Census Bureau data for the second quarter of 2013 for twelve states — Connecticut, Hawaii, Indiana, Kansas, Massachusetts, Nevada, New Hampshire, New Jersey, New Mexico, Oregon, Rhode Island, and Washington — based upon data and information provided to us directly by these states. In addition, we made adjustments to tax numbers for the previous five quarters for several states, where Census Bureau reported imputed data. These revisions together account for some noticeable differences between the Census Bureau figures and the Rockefeller Institute estimates.
- 2 Lucy Dadayan and Donald J. Boyd, “State Tax Revenues Continue Slow Rebound,” *State Revenue Report*, No. 90 (Albany, NY: The Nelson A. Rockefeller Institute of Government, February 2013), http://www.rockinst.org/pdf/government_finance/state_revenue_report/SSR-90.pdf.
- 3 We have adjusted the historical data for local property tax revenue as reported by the Census Bureau, revising the data for the third quarter of 2008 and earlier periods upward by 7.7 percent, consistent with the higher level of property tax revenue in the new sample compared with the previous sample, as reported in the Census Bureau’s “bridge study”. For more information on methodological changes to the local property tax and the results of the bridge study, please see <http://www2.census.gov/govs/ntax/bridgestudy.pdf>.
- 4 Preliminary figures for July-September quarter of 2013 are not available for the following three states: Alaska, New Mexico, and Wyoming. Total tax collections for these three states combined represent about 1-3 percent of nationwide tax collections. Therefore, it is unlikely that the nationwide picture for collections during the third quarter of 2013 will change significantly once we have complete data for all fifty states for the third quarter of 2013.

- 5 For a fuller discussion, see “Bumpy Ride Ahead: The Behavioral Impact of the Fiscal Cliff on State Tax Revenue” in Dadayan and Boyd, *op. cit.*, 8.
- 6 See California Legislative Analyst’s Office, “The 2014-2015 Budget: California’s Fiscal Outlook” (Sacramento, CA: California Legislative Analyst’s Office, November 21, 2013), http://www.pasadena.edu/Files/News/5284_File.pdf.
- 7 Ibid.
- 8 For a technical discussion of these indexes and their national counterpart, see Theodore M. Crone and Alan Clayton-Matthews, “Consistent Economic Indexes for the 50 States,” *Review of Economics and Statistics* 87, 4 (2005), pp. 593-603; Theodore M. Crone, “What a New Set of Indexes Tells Us About State and National Business Cycles,” *Business Review*, Federal Reserve Bank of Philadelphia (First Quarter 2006), http://www.philadelphiafed.org/research-and-data/publications/business-review/2006/q1/Q1_06_NewIndexes.pdf; and James H. Stock and Mark W. Watson, “New Indexes of Coincident and Leading Economic Indicators,” *NBER Macroeconomics Annual* (1989), pp. 351-94. The data and several papers are available at www.philadelphiafed.org/econ/indexes/coincident.
- 9 For more discussion of the relationship between property tax and housing prices see Lucy Dadayan, *The Impact of the Great Recession on Local Property Taxes* (Albany, NY: The Nelson A. Rockefeller Institute of Government, July 2012), http://www.rockinst.org/pdf/government_finance/2012-07-16-Recession_Local_Property_Tax.pdf.
- 10 Rockefeller Institute analysis of data from the National Association of State Budget Officers.
- 11 This treats the 1980-82 “double-dip” recession as a single long recession.
- 12 Ibid.

About The Nelson A. Rockefeller Institute of Government’s Fiscal Studies Program

The Nelson A. Rockefeller Institute of Government, the public policy research arm of the University at Albany, State University of New York, was established in 1982 to bring the resources of the 64-campus SUNY system to bear on public policy issues. The Institute is active nationally in research and special projects on the role of state governments in American federalism and the management and finances of both state and local governments in major areas of domestic public affairs.

The Institute’s Fiscal Studies Program, originally called the Center for the Study of the States, was established in May 1990 in response to the growing importance of state governments in the American federal system. Despite the ever-growing role of the states, there is a dearth of high-quality, practical, independent research about state and local programs and finances.

The mission of the Fiscal Studies Program is to help fill this important gap. The Program conducts research on trends affecting all fifty states and serves as a national resource for public officials, the media, public affairs experts, researchers, and others.

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