



Sensible Solutions for State Budgets: AFSCME's 2009 State Legislative Agenda

State budget conditions look dire. At least half the states were forced to close moderate to severe budget shortfalls as they completed their 2008 legislative sessions. Early signs indicate that next year will be even worse. Now, with the economy and revenues slowing, states are scrambling to find ways to deal with their long-term structural deficits without compromising vital public services. AFSCME's Legislative Agenda offers a sound way to deal with these challenges.

Truth In Spending

In the battle to curb wasteful and inefficient spending, lawmakers too often focus on the wrong targets-usually just the "tip of the iceberg" services that are detailed each year in the budget. In fact, some big ticket items are never scrutinized because they are not in the budget. To correct this imbalance, states should:

Examine Contract Spending. States spend \$300 billion per year on contracting out and local governments spend another \$200 billion, but lawmakers and the public usually have no idea what they are getting for our money. States should fully disclose information contracted services every budget cycle so that they are subject to the same scrutiny as all other state spending.

Scrutinize Special Interest Tax Breaks –tax expenditures- which cost state treasuries \$300 billion per year. States need to ensure that tax exemptions are regularly reevaluated and that ineffective or overly expensive breaks are repealed.

End "No Strings Attached" Development Subsidies that cost state and local governments \$50 billion per year. Lawmakers are under intense pressure to hand corporations lucrative development deals, but the corporations often fail to deliver the promised jobs. States need to disclose the terms of these subsidies and require that corporations keep their promises or return the money back to taxpayers.

Health Care

Health care costs continue to soar at rates that threaten to drain state budgets. States must join the demand for comprehensive national health reform in 2009, but in the meantime, states can take action to:

Help Contain Medicaid Costs. Attempts to cut Medicaid costs by slashing enrollment, services, or provider payments may only expose states to greater uncompensated care costs, and deny them access to the federal funding stream that is part of Medicaid. Instead, states should focus on smart cost containment strategies including claims audits, disease management and pooled prescription drug purchasing.

Expand Access to Health Benefits and Reduce Costs. As employer-based insurance has eroded due to rising costs, states must bolster this crucial sector of health coverage, and not simply shift responsibility for coverage to individuals. Re-insurance for catastrophic claims and insurance pools for small business can help reduce costs. "Pay or play" initiatives, requiring employers who do not provide health insurance to pay into a pool for the uninsured, make sure that our system is equitably financed.