RESEARCH REPORT

Prepping for the 2018 Session

Selected Research for State Budget Analysts

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ABOUT THE URBAN INSTITUTE

The nonprofit Urban Institute is dedicated to elevating the debate on social and economic policy. For nearly five decades, Urban scholars have conducted research and offered evidence-based solutions that improve lives and strengthen communities across a rapidly urbanizing world. Their objective research helps expand opportunities for all, reduce hardship among the most vulnerable, and strengthen the effectiveness of the public sector.

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Acknowledgments

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Executive Summary

For nearly 50 years, the Urban Institute has brought objective analysis and expertise to policy debates. Founded by President Lyndon Johnson to study the efficacy of antipoverty programs, Urban researchers now conduct research and offer evidence-based solutions on a range of public policy issues including education, criminal justice, housing, health care, taxation, and retirement security. Urban's scholars blend academic rigor with on-the-ground collaboration, often teaming with policymakers, community leaders, practitioners, and the private sector to improve lives and strengthen communities.

Urban's State and Local Finance Initiative produces research and analysis specifically on the fiscal challenges and opportunities facing state and local governments. However, Urban produces hundreds of studies, journal articles, briefs, books, and technical reports each year that contain evidence-based research relevant to state budgets. To help analysts charged with crafting next year's budgets—as well as reporters seeking to explain and citizens seeking to understand them—we compiled the best of Urban's state-focused research from in one place.

This compendium outlines the most informative reports, briefs, blog posts, and interactive data features over the past year and highlights what's most consequential for state-finance audiences. Issues are divided into the following sections:

- **Federal tax and budget proposals:** With a new president and Congress, what passes (or doesn't) in Washington could have major ramifications in all 50 state capitals. This section includes the Tax Policy Center's analysis of federal tax proposals as well as Urban's examination of possible spending changes.
- **Medicaid, the Affordable Care Act (ACA), and health care reform efforts:** Health care dominated the federal agenda in the first half of 2017, and Urban analyzed every major proposal, focusing on how changes to Medicaid would affect each state's finances and uninsured population. Urban also continued its analysis of Medicaid expansion and other health care trends since the ACA's passage.
- **Education:** Research and data tools in this section help readers examine whether elementary and secondary school district funding formulas are working for low-income students. Other reports explore state governments' role in supporting higher education.
- **Safety-net programs:** This section focuses mostly on five government services: the Supplemental Nutrition Assistance Program, Temporary Assistance for Needy Families, the

Child Care and Development Fund, Social Security Disability Insurance, and paid family leave. For those looking for a deep-dive on state data, check out the Transfer Income Model (TRIM 3) and accompanying reports.

- **Public employee pensions:** Use Urban's Public Pension Simulator to learn how specific reform options would affect plans in your state and read an in-depth report about New York's employee retirement system.
- **Criminal justice and corrections:** Urban researchers examined fiscal effects of the Justice Reinvestment Initiative and additional reports explored the economic impacts of gun violence.
- **Demographics and housing:** What will your state's demographics look like over the next decade? What does segregation cost communities and regions? What is the future of the Community Development Block Grant? Urban researchers examined these questions, and several interactive data tools will allow you to find answers for your own communities.
- **Immigration:** After contributing to a National Academies of Sciences report on the economic consequences of immigration, Urban researchers highlighted key findings for state and local governments. Other scholars examined how immigrants are affecting demographic trends and the labor force.
- **Economic development:** Was the Foxconn deal good for Wisconsin? Use our economic development strategies toolkit to learn what policies work for states courting businesses and why they are effective.
- **State finance:** A summary of the State and Local Finance Initiative's work on state fiscal issues over the past year. Among other resources, our interactive state budget data tool shows users how and why states make spending choices within their financial and demographic constraints.

We hope you find this compendium useful and welcome your suggestions for future updates. All the work in this bulletin can be found on urban.org or taxpolicycenter.org.

Federal Tax Reform and Budget Proposals

As of this compendium's publication, Congress had not passed major legislation this year. However, tax changes under consideration could affect all 50 states because most state income tax systems are linked to the federal government's rules and definitions. Further, federal funds provide nearly one-third of state revenues, so many spending proposals on Congress's and the Trump administration's agendas would kick huge budget decisions to the states.[1]

The Tax Policy Center (TPC) analyzed recent tax proposals from the White House and Congress, including the unified framework released in September, and several other aspects of 2017's tax reform debate, including proposals to eliminate the state and local tax (SALT) deduction. All reports are available at the "Preparing for the 2017 Tax Debate" page highlighted below. The Urban Institute has also released several publications on federal budget proposals and how they might affect states and their residents. Included here are briefs and blog posts that focused broadly on federal reform or on more than one topic. The next section in the compendium discusses reforms to Medicaid and the ACA, and others are covered in sections on the safety net and housing.

Federal Tax Changes

Collection: Preparing for the 2017 Tax Debate

TPC published a series of briefs describing key provisions of the tax code and proposed reforms. Topics range from building blocks of the federal system (e.g., tax rates and itemized deductions) to current taxation issues (e.g., a repatriation tax on foreign income of US-based multinational corporations). Three briefs in the series focus specifically on state and local issues. The page also hosts TPC's analysis of current tax reform plans.

Brief: Repeal of the State and Local Tax Deduction

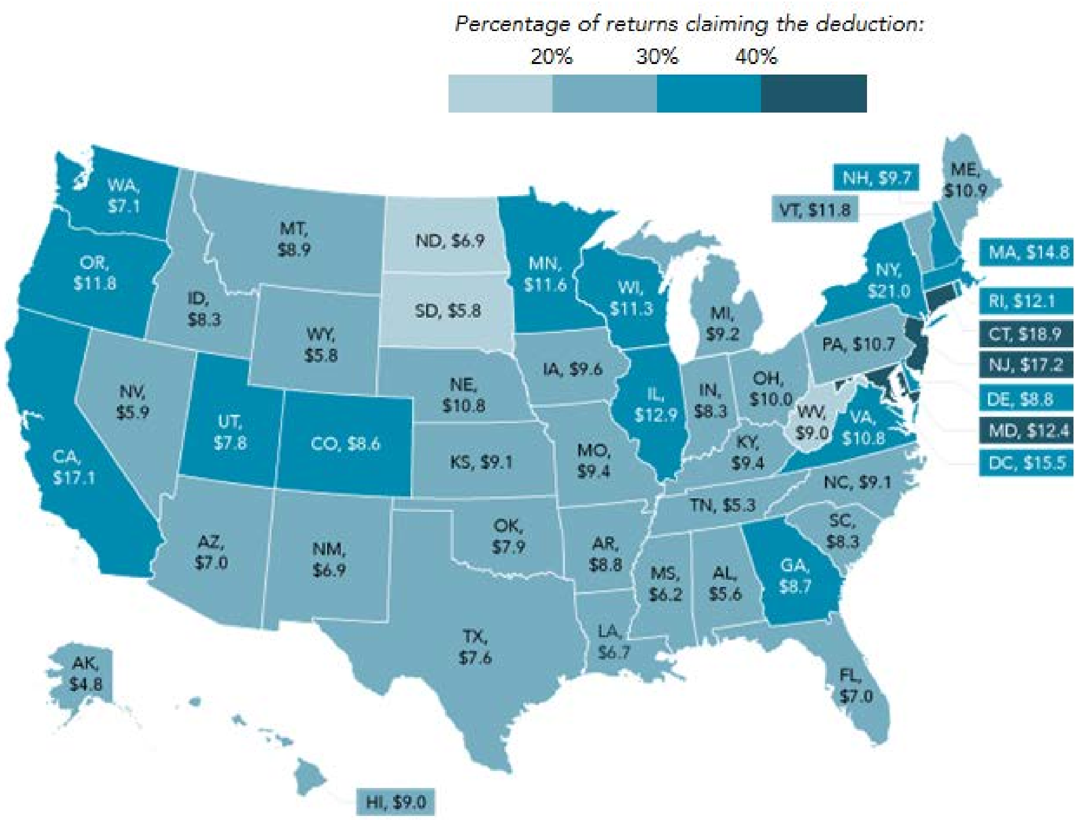
Frank Sammartino | March 6, 2017

Taxpayers who itemize deductions on their federal returns can deduct state and local real estate and personal property taxes as well as either state income taxes or general sales taxes. State and local income and real property taxes constitute the bulk of total state and local taxes deducted (about 60 percent and 35 percent, respectively); sales taxes and personal property taxes account for the remainder. Nearly all taxpayers who itemize (roughly 30 percent of filers) claim the state and local tax deduction, with high-income filers benefiting the most (the alternative minimum tax, or AMT, limits the benefit for some). The deduction is claimed in all 50 states and District of Columbia, but taxpayers in states with high-income filers and high state taxes are more likely to claim the deduction (and to claim a larger amount). In 2014, the share of filers claiming the deduction ranged from 17 percent in South Dakota and West Virginia to 45 percent in Maryland.

FIGURE 1

Returns Claiming the State and Local Tax Deduction and Average Deduction Claimed by State

Average deduction in thousands of dollars, 2014



Source: "Repeal of the State and Local Tax Deduction."

Brief: How Would Repeal of the State and Local Tax Deduction Affect Taxpayers Who Pay the AMT?

Frank Sammartino | June 15, 2017

Many tax-reform proposals would eliminate the SALT deduction. The overlap between the AMT and the SALT deduction might suggest that the loss of the deduction would not affect high-income AMT households.

However, TPC estimates that about 84 percent of AMT taxpayers would see their taxes rise by an average of about $5,180 if Congress eliminates the SALT deduction, because most AMT payers benefit from the SALT deduction even though they cannot claim it under the AMT (i.e., their tax bill without the SALT deduction would be higher than the AMT payment). Similarly, if both the SALT deduction and AMT are eliminated, 75 percent of those who now claim the AMT would pay higher taxes than under current law.

Brief: What Federal Business Tax Changes Mean for the States

Norton Francis | April 20, 2017

States link both their corporate income taxes and individual income taxes to federal definitions of income. Thus, any changes to the latter directly affect the former unless states take legislative action.

For example, if the federal government were to allow immediate expensing of business investment, states would lose money if they did not decouple from the provision (as many did when Congress adopted more generous depreciation rules for business in 2001). Similarly, if Congress creates preferential tax rates for pass-through income, that could influence the way businesses decide to organize themselves (and thus which state tax they pay).

Report: A Preliminary Analysis of the Unified Framework

TPC Staff | September 29, 2017

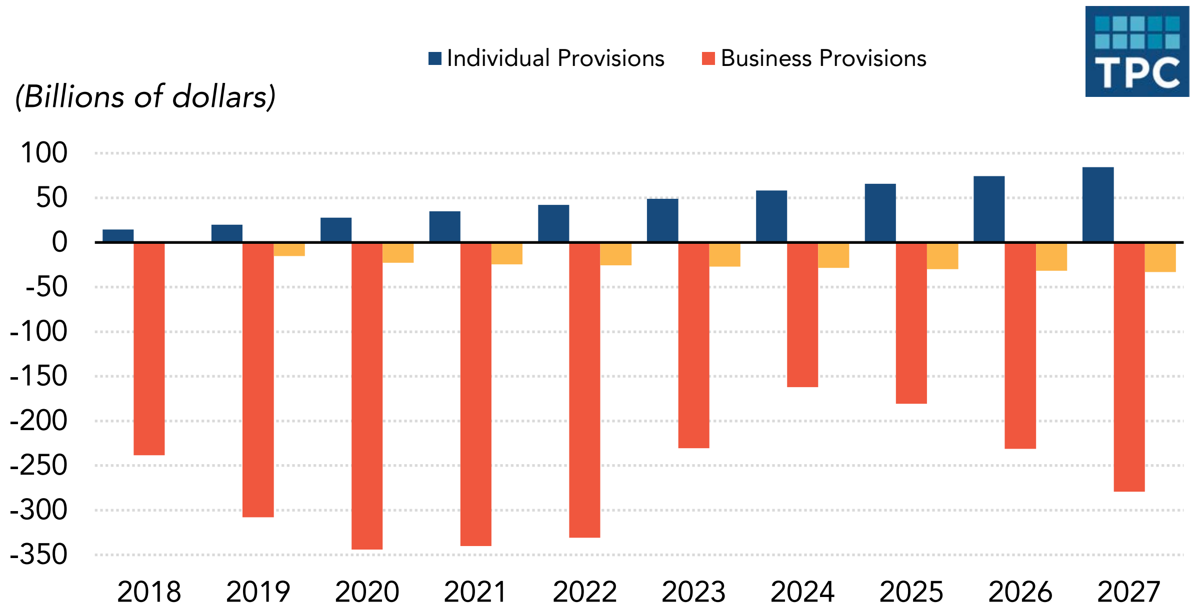
The proposals included in the "Unified Framework for Fixing our Broken Tax Code" would reduce federal revenue by $2.4 trillion over ten years and $3.2 trillion over the second decade (not including any dynamic feedback).

In 2018, all income groups would see their average taxes fall, but some taxpayers in each group would face tax increases. Those with the very highest incomes would receive the biggest tax cuts. The tax cuts are smaller as a percentage of income in 2027, and taxpayers in the 80th to 95th income percentiles would, on average, experience a tax increase.

FIGURE 2

Revenue Effects of Tax Proposals in the Unified Framework

Billions of dollars, fiscal years 2018-2027



Note: Other includes repealing the estate and GST (generation skipping transfer) taxes.

Source: "A Preliminary Analysis of the Unified Framework."

TaxVox post: My advice to the Senate Finance Panel about tax reform

Mark J. Mazur | July 19, 2017

Four basic principles should frame any serious tax reform effort: (1) the main purpose of the tax code is to produce revenue to pay for the goods and services that Americans demand from their government; (2) the revenue code should tax people who make the same amount of income equally; (3) the tax law should be progressive so those who make more pay more; and (4) taxes should be as simple as possible.

Federal Budget Changes

Brief: State Budgets in the Trump Era

Kim S. Rueben and Richard C. Auxier | January 25, 2017

Days after Donald Trump was sworn in as the nation's 45th president, Urban published a brief on how possible federal reforms may affect state fiscal issues including the individual income tax; corporate income tax; Medicaid, ACA, and health care; Temporary Assistance for Needy Families and Supplemental Nutritional Assistance Program; infrastructure; and elementary and secondary education.

Event video: State of the States: Budgeting in the Trump Era

January 26, 2017

At an accompanying Urban Institute panel, Joe Henchman from the Tax Foundation, John Hicks from the National Association of State Budget Officers, Nick Johnson from the Center on Budget and Policy Priorities, and Urban's Kim Rueben, discussed the issues that would keep statehouses busy this year. All four state experts mostly talked about the federal government.

TaxVox post: Trump's budget could create chaos in the states

Richard C. Auxier | June 15, 2017

The Trump administration and Congress are both interested in cutting federal payments to states, and states don't have enough money to replace those funds. As with health care, the federal budget cuts would probably reduce services and beneficiaries. But because each state runs its own programs, what each state will do is highly uncertain.

Urban Wire post: What welfare reform can teach us about proposed budget cuts to the safety net

Eleanor Pratt | June 2017

Welfare reform legislation in 1996 created the Temporary Assistance for Needy Families block grant, which gave states fixed funding amounts and the flexibility to determine many of their own rules. Although the block grant came with unique challenges, general lessons from the program's past 20 years show that when states control benefit levels, spending across states varies more dramatically, with negative consequences for racial minorities.

Additional Reading

Urban Wire post: **Proposed federal budget cuts threaten housing and health care partnerships**

Josh Leopold, Brenda C. Spillman, and Eva H. Allen | June 4, 2017

Urban Wire post: **The cost of homelessness will spike if Congress adopts Trump's 2018 budget proposal**

Mary K. Cunningham | June 5, 2017

Urban Wire post: **Trump's budget deals a double whammy to people struggling to gain a foothold in today's economy**

Demetra Smith Nightingale and Margaret Simms | June 13, 2017

Medicaid, the Affordable Care Act, and Health Care Reform Efforts

Efforts to repeal and replace the ACA have consumed most of Washington's attention this year. Although full repeal of the ACA seems unlikely to happen in 2017, changes to the US health care system, particularly to Medicaid, will remain at the center of the national political debate. And such changes could have dramatic effects on the states.

States administer Medicaid but share program funding responsibility with the federal government. For fiscal year 2018, the federal matching percentage ranged from 50 percent in 15 states (e.g., New York) to 76 percent in Mississippi (Kaiser Family Foundation 2017). Under the ACA, the costs of those made newly eligible for Medicaid were completely funded by the federal government (100 percent) for 2014 through 2016; that share phases down to 90 percent in 2020 (where it is currently set to remain in future years). In 2016, the federal government provided 63 percent of total Medicaid funding. Medicaid accounts for nearly 30 percent of total state spending, and ranged from 7.1 percent in Wyoming to 37.4 percent in Ohio (MACPAC 2017).

Of course, health care affects state budgets in other ways beyond Medicaid. Uninsured residents can burden budgets because they consume more uncompensated hospital care as well as mental health and substance abuse services. And hospitals and other safety-net providers are large employers in many states.

As Congress debated health care in the first half of 2017, Urban authors released reports that analyzed specific congressional proposals. All analysis can be found on **Urban's Health Policy Center page**.

ACA Repeal and Reform Efforts

Report: Instead of ACA Repeal and Replace, Fix It

John Holahan and Linda J. Blumberg | January 16, 2017

At the beginning of this year's health care debate, Urban researchers proposed nine ideas for fixing the ACA rather than repealing it outright. One proposal was to stabilize health insurance marketplaces by allowing states to receive the ACA's enhanced federal matching rate if they expanded Medicaid eligibility to 100 percent of the federal poverty level (FPL) rather than 138 percent, as current law requires.

Letting states receive the higher federal funding match rate might encourage some of the 19 states that have not expanded Medicaid (nonexpansion states) to do so, and that would provide coverage to a very low–income population currently unserved in these states. Further, if states that have already expanded Medicaid eligibility (expansion states) moved their eligibility rules down from 138 to 100 percent of FPL, enrollment in the ACA marketplaces would increase, most likely adding a relatively healthy population to the marketplaces and thus improving the nongroup market risk pool. However, this proposal depends in part on Congress increasing premium and cost-sharing assistance for those moving from Medicaid to private insurance.

Urban Wire post: How to stabilize nongroup insurance markets in four easy steps

Linda J. Blumberg and John Holahan | July 27, 2017

Brief: State-by-State Coverage and Government Spending Implications of the Better Care Reconciliation Act

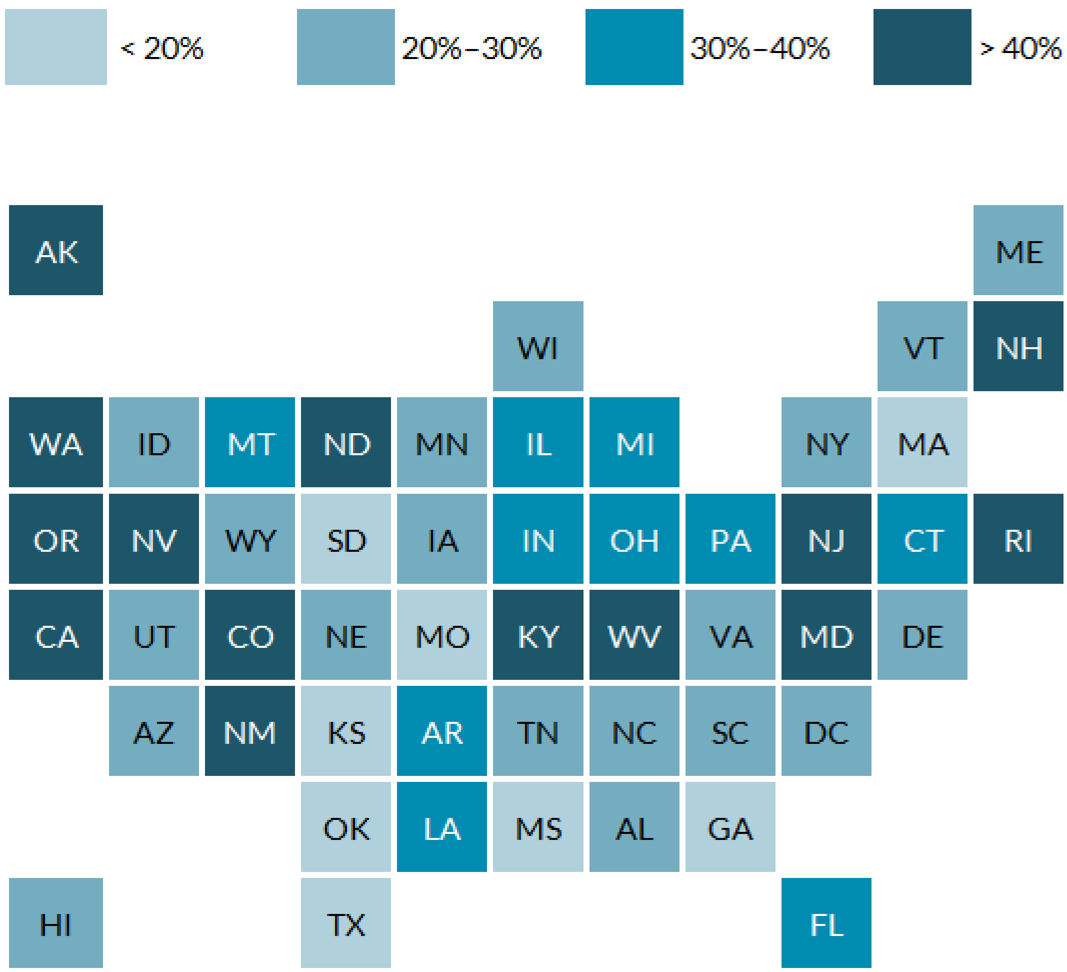
Linda J. Blumberg, Matthew Buettgens, John Holahan, Bowen Garrett, and Robin Wang | June 28, 2017

This report presents state-by-state estimates of the Better Care Reconciliation Act's (BCRA) impact on health care coverage and costs based on the Senate bill as it was introduced on June 22, 2017. Under BCRA, federal funding for Medicaid would be $102.2 billion lower than under the ACA (a 26.4 percent decline) in 2022, and federal funding for premium tax credits and cost-sharing reductions would fall $38.2 billion that year.

Federal funding declines in the states ranged from 13.2 percent in South Dakota to 58.5 percent in Kentucky. Because of fewer federal dollars, the authors projected that state Medicaid spending would increase by $565 million, but amounts would vary dramatically by state.

FIGURE 3

Federal Funding Decrease under BCRA in 2022



Source: *More than Medicaid: The Full Cost of ACA Repeal and Replace for the States.*
Note: Includes advanced premium tax credits, cost-sharing reductions, and federal Medicaid and Children's Health Insurance Program spending.

When the Senate released a revised bill on July 13, 2017, Urban provided updated maps of projected changes in the uninsurance rate and changes in federal spending on Medicaid and the Children's Health Insurance Program as well as tables with 50-state data on the bill's overall effects.

TaxVox post: More than Medicaid: The full cost of ACA repeal and replace for states

Tracy Gordon | July 11, 2017

Beyond cutting Medicaid funding, the House reform bill and the Senate leadership plan would have restructured tax credits and subsidies to help low- and moderate-income people purchase health insurance and defray deductibles, copayments, and other out-of-pocket costs. These changes would have hurt Medicaid expansion states. But nonexpansion states, such as Florida and Maine, would not be far behind in the loss of federal funds or increases in their uninsurance rates.

Report: The Impact of the AHCA on Federal and State Medicaid Spending and Medicaid Coverage: An Update

John Holahan, Linda J. Blumberg, Matthew Buettgens, and Clare Wang Pan | June 16, 2017

After legislators introduced the American Health Care Act (AHCA) in the House of Representatives, Urban researchers provided estimates for three scenarios of possible state responses to the legislation's Medicaid changes. The report includes 50-state tables for all three scenarios showing changes in federal spending, state spending, and the number of Medicaid enrollees losing coverage.

Two other reports examining the AHCA , one from March 2017 (**Who Gains and Who Loses under the American Health Care Act**), when the bill was first introduced, and one from June 2017 (**State-by-State Coverage and Government Spending Implications of the American Health Care Act**), after BCRA was unveiled, were also released.

More Medicaid Proposals

Report: The Impact of Per Capita Caps on Federal and State Medicaid Spending

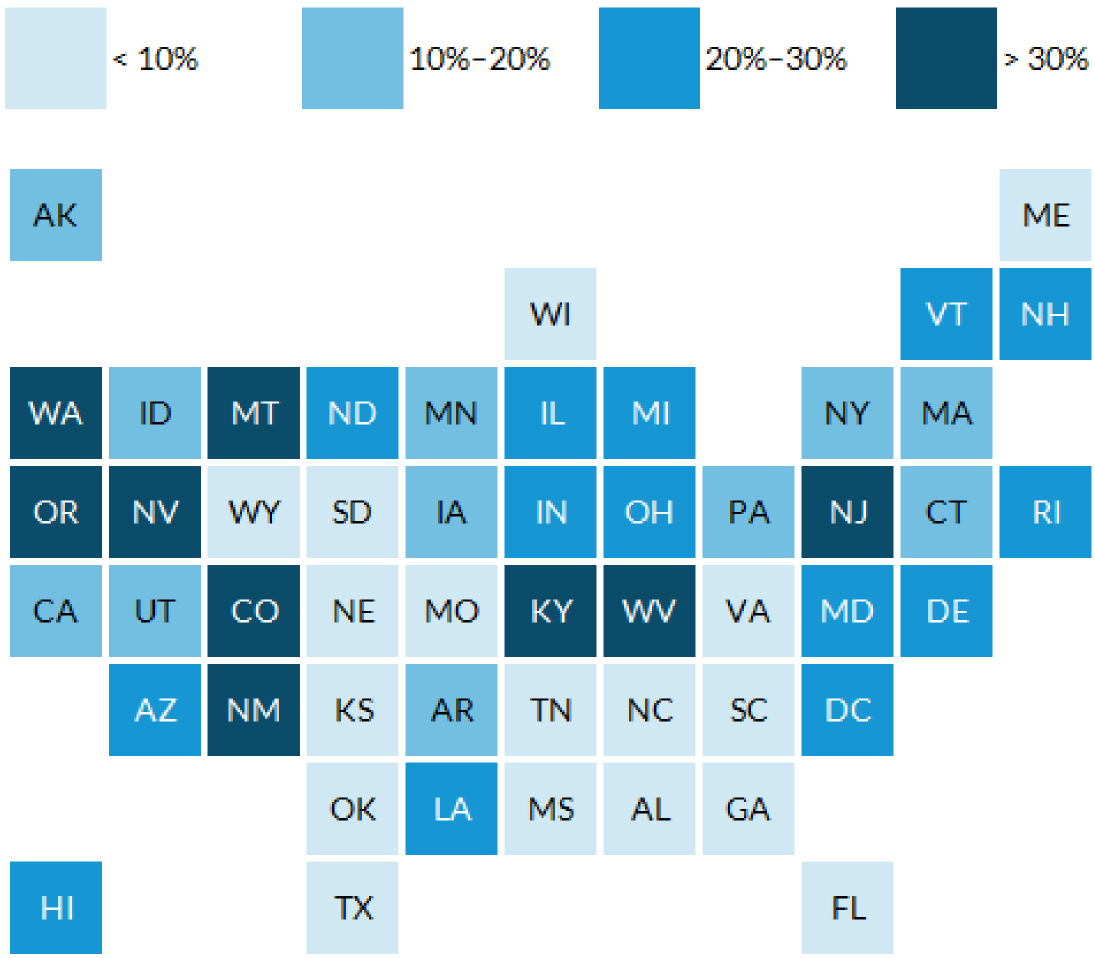
John Holahan, Matthew Buettgens, Clare Wang Pan, and Linda J. Blumberg | March 20, 2017

Several versions of this year's health care legislation would have changed Medicaid's current open-ended matching rate structure, where states receive federal matching payments based on total expenditures in their program, into a per capita cap. Per capita caps set federal contributions for specific enrollment groups based on historical federal spending per enrollee in a given state, and that amount increases each successive year by a predetermined growth rate.

If states wanted to maintain current levels of Medicaid coverage after such federal changes, they would need to substantially increase their own spending on the program. Under the AHCA, state spending increases would range from 2.9 percent in Wisconsin to 54.6 percent in New Mexico. Overall, nine states would need to increase their Medicaid spending 30 percent or more to maintain coverage if the AHCA as originally written were to become law.

FIGURE 4

Increase in State Spending, Assuming Full Offset of Federal Funding Reductions, 2019–28



Source: "The Impact of Per Capita Caps on Federal and State Medicaid Spending."
Note: Based on per capita cap in AHCA.

Urban Wire post: Senate health bill would lower the Medicaid per capita cap rate, causing greater state budget shortfalls

Matthew Buettgens | June 20, 2017

The Senate health care bill lowered the per capita cap growth rate to the Consumer Price Index for All Urban Consumers (CPI-U) beginning in 2025. The House bill used the medical Consumer Price Index (m-CPI) plus 1 percent for the elderly and disabled and m-CPI for all other Medicaid enrollees.

The lowered rate would ensure a growing shortfall between federal Medicaid payments and projected Medicaid costs. That is because the m-CPI is projected to grow at about 3.7 percent over the next decade, but the CPI-U will only grow at about 2.4 percent.

Urban Wire post: If the Senate repeal-and-replace health care bill goes forward, it would cut Medicaid just as more elderly Americans need long-term services and support

Judith Feder and Nicole Cafarella Lallemand | July 19, 2017

The number of 85-year-olds will double to 18 million from 2030 to 2050, and the share of elderly ages 85 and older will increase from 12 percent to 21 percent. Cuts to Medicaid proposed by Congress would begin taking effect amid this surge in the elderly population, hampering efforts to meet seniors' needs for long-term services and support.

Brief: The Cost of Not Expanding Medicaid: An Updated Analysis

Stan Dorn and Matthew Buettgens | April 26, 2017

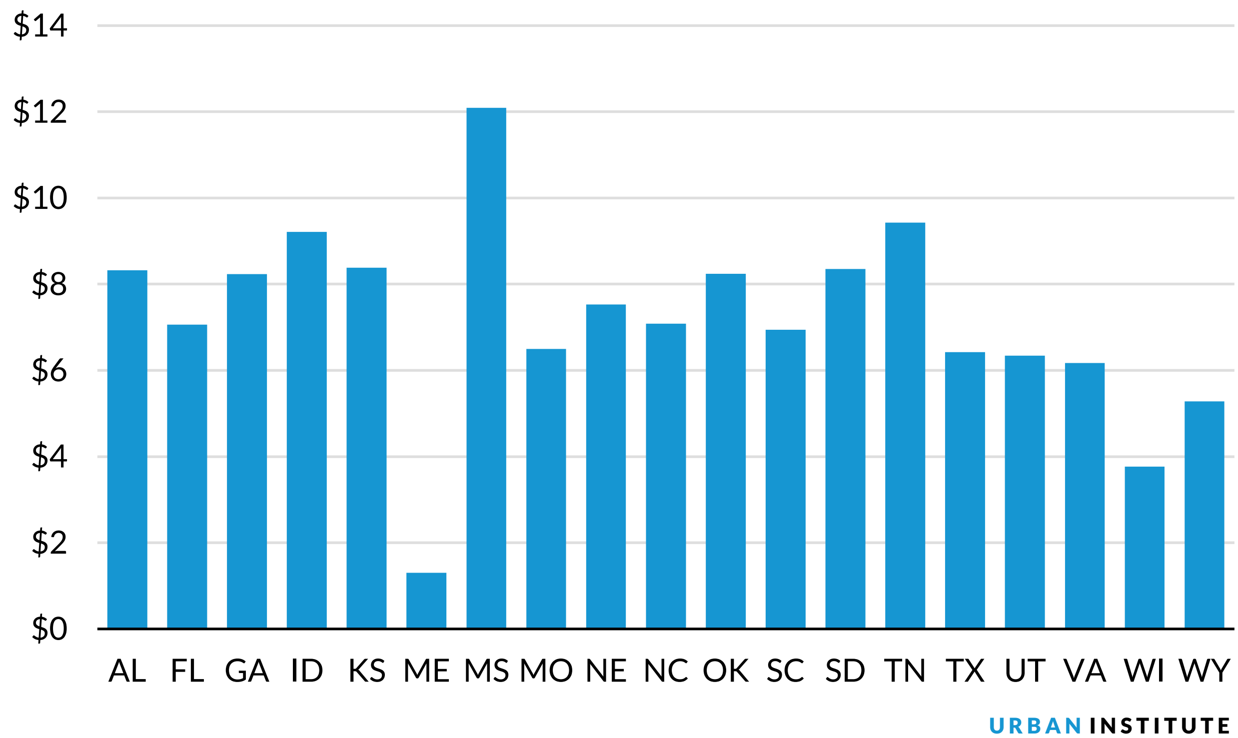
If the 19 nonexpansion states were to expand Medicaid, state spending would increase $59.9 billion because of more spending on caseloads tempered by savings from less uncompensated care.

Overall, on average, expansion would net states $7.14 from the federal government for every dollar states spent on Medicaid. Net federal dollars per state dollar spent would range from $1.30 in Maine to $12.09 in Mississippi. Each comprehensive review in Medicaid expansion states has found that expansion improved state budget balances and that savings and revenue from expansion have exceeded the cost of higher enrollment.

FIGURE 5

Fiscal Effects of Medicaid Expansion (Moderate Enrollment)

Net federal dollars gained for each estimated state dollar



Source: "The Cost of Not Expanding Medicaid: An Updated Analysis."
Note: Report also includes "high enrollment" estimates.

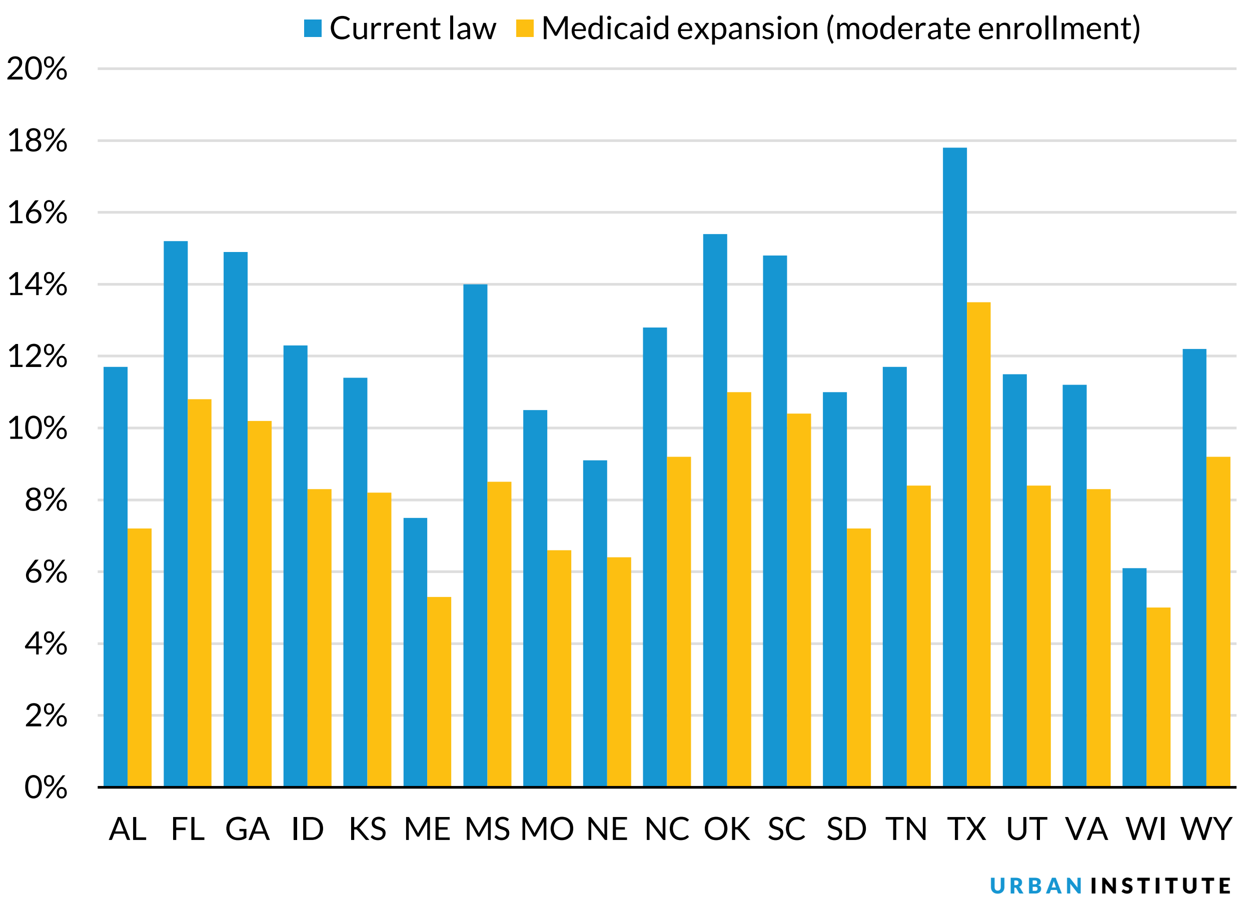
Brief: What if More States Expanded Medicaid in 2017? Changes in Eligibility, Enrollment, and the Uninsured

Matthew Buettgens and Genevieve M. Kenney | July 20, 2016

If all 19 nonexpansion states were to expand Medicaid in 2017 and were moderately successful in enrolling newly eligible residents as well as those who were already eligible but not enrolled, uninsurance rates would fall below 10 percent for 14 of the 19 states. Texas's uninsurance rate after expansion would be the highest, but its rate would have fallen more than 4 percentage points (17.8 percent to 13.5 percent). The largest drop in the uninsurance rate would be in Mississippi, where it would fall from 14.0 percent to 8.5 percent.

FIGURE 6

Projected Impacts of Medicaid Expansion on the Uninsured, by State, 2017



Source: "What if More States Expanded Medicaid in 2017? Changes in Eligibility, Enrollment, and the Uninsured."
Note: Report also includes "high enrollment" estimates.

Brief: Rapid Growth in Medicaid Spending on Medications to Treat Opioid Use Disorder and Overdose

Lisa Clemans-Cope, Marni Epstein, and Genevieve M. Kenney | June 28, 2017

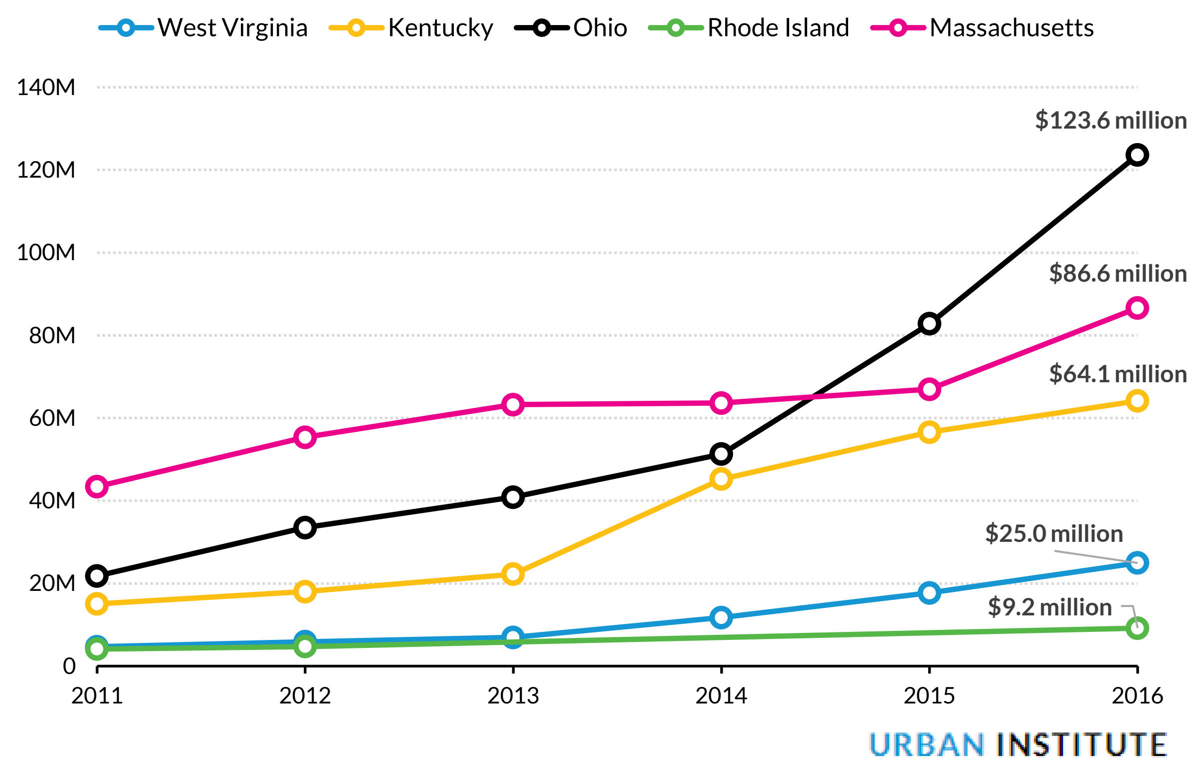
With the rise of the prescription drug epidemic, spending on three drugs used to treat opioid use disorder—buprenorphine, naltrexone, and naloxone—increased from $394.2 million in 2011 to $929.9 million in 2016, or by 136 percent.

Given their rapidly increasing costs, funding for these treatments would be in question if Congress were to pass proposed spending caps and restrictive growth rates for Medicaid. Particularly hard hit would be states with high drug overdose mortality rates, such as West Virginia, Kentucky, Ohio, Rhode

Island, and Massachusetts. The report includes state-by-state data of total Medicaid spending on buprenorphine, naltrexone and naloxone prescriptions.

FIGURE 7

Medicaid Spending on Buprenorphine, Naltrexone, and Naloxone Prescriptions for OUD in Expansion States in 2016



Source: "Rapid Growth in Medicaid Spending on Medications to Treat Opioid Use Disorder and Overdose."
Notes: Shows states with the five highest drug overdose mortality rates in 2015.

Report: Medicaid Coverage of Effective Treatment for Opioid Use Disorder

Lisa Clemans-Cope, Victoria Lynch, Marni Epstein, and Genevieve M. Kenney | June 7, 2017

Buprenorphine, a prescription treatment for opioid use disorder, is covered in all state Medicaid programs. The 176.4 percent increase in buprenorphine prescriptions between the fourth quarter of 2013 and the fourth quarter of 2016, along with the 70.1 percent increase in buprenorphine prescriptions per enrollee in Medicaid expansion states, suggest a large-scale increase in access to effective treatment in those states.

Yet persistent capacity shortages and other barriers to accessing treatment raise the question of whether treatment is meeting demand, even in Medicaid expansion states. At least 44 states require prior authorization, nine require documentation of counseling with a buprenorphine prescription, 11 have lifetime limits (ranging from 12 to 36 months) on prescriptions, and 14 have maximum daily limits on prescriptions after six months of use ranging from 8 to 16 milligrams, which may be too low for some individuals.

Urban Wire post: Repealing the ACA could worsen the opioid epidemic

Lisa Clemans-Cope, Dania Palanker, and Jane B. Wishner | January 30, 2017

Because of the ACA, an estimated 26 million people have health coverage through the marketplaces or Medicaid that includes substance use disorder treatment and prevention.

State of Health Care

Report: Health of the States

Multiple authors | October 26, 2016

How healthy is your state? Urban researchers ranked the states on 39 health outcomes and examined correlations between those health outcomes and 123 determinants of health spanning five domains: health care, health behaviors, social and economic factors, the physical and social environment, and public policies and spending.

For example, states with higher taxes on cigarettes had lower smoking rates as well as longer life expectancy and lower death rates (especially from tobacco-related illnesses, such as lower respiratory disease and strokes). Some health outcomes were more favorable among Medicaid expansion states. And the study found that infrastructure spending (e.g., mass transit) correlated with health outcomes. The correlation between education spending and health, however, was less robust.

Report: Workers Gaining Health Insurance Coverage under the ACA

Bowen Garrett, Anuj Gangopadhyaya, and Stan Dorn | July 20, 2017

This report highlights the ACA's impact on insurance coverage in working families and includes analyses by occupation type and state. Among the states, the largest percentage-point gains in worker coverage were in California, New Mexico, Oregon, and West Virginia, all four of which expanded Medicaid. The smallest percentage-point gains were in Hawaii, Maine, Massachusetts, South Dakota, Vermont, and Wisconsin.

Additional Reading

Report: Who Gained Health Insurance Coverage under the ACA, and Where Do They Live?

Bowen Garrett and Anuj Gangopadhyaya | December 21, 2016

Brief: Changes in Coverage by State and in Selected Metropolitan Areas

Laura Skopec, John Holahan, and Patricia Solleveld | September 15, 2016

Report: Health Insurance Coverage in 2014: Significant Progress, but Gaps Remain

Laura Skopec, John Holahan, and Patricia Solleveld | September 15, 2016

Report: A Look at Early ACA Implementation: State and National Medicaid Patterns for Adults in 2014

Genevieve M. Kenney, Jennifer M. Haley, Clare Wang Pan, Victoria Lynch, and Matthew Buettgens | September 8, 2016

Brief: Medicaid/CHIP Participation Rates Rose among Children and Parents in 2015

Genevieve M. Kenney, Jennifer M. Haley, Clare Wang Pan, Victoria Lynch, and Matthew Buettgens | May 17, 2017

Report: Veterans Saw Broad Coverage Gains Between 2013 and 2015

Jennifer M. Haley, Genevieve M. Kenney, and Jason A. Gates

Uninsurance rates among veterans fell from 9.6 percent in 2013 to 5.9 percent in 2014, a drop of nearly 40 percent.

References

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Education

Although states now spend more total funds on Medicaid, K–12 education remains the largest share of own-source spending at 35 percent, compared with 19 percent of total spending (NASBO 2016). Higher education is also large part of state spending, accounting for roughly 10 percent of both total and own-source spending (NASBO 2016).

However, neither K-12 nor higher education spending has been spared from state budget cuts since the Great Recession, and concerns over adequate education access remain. Those trends have moved efforts to increase spending and reform education policy to the front of many state legislative agendas.

Urban has produced several reports on how K-12 and higher education are funded as well what results that spending is producing. Also available are interactive data features that let users dig deeper into education data across all 50 states and the District of Columbia.

Primary and Secondary Education

Brief: Do Poor Kids Get Their Fair Share of School Funding?

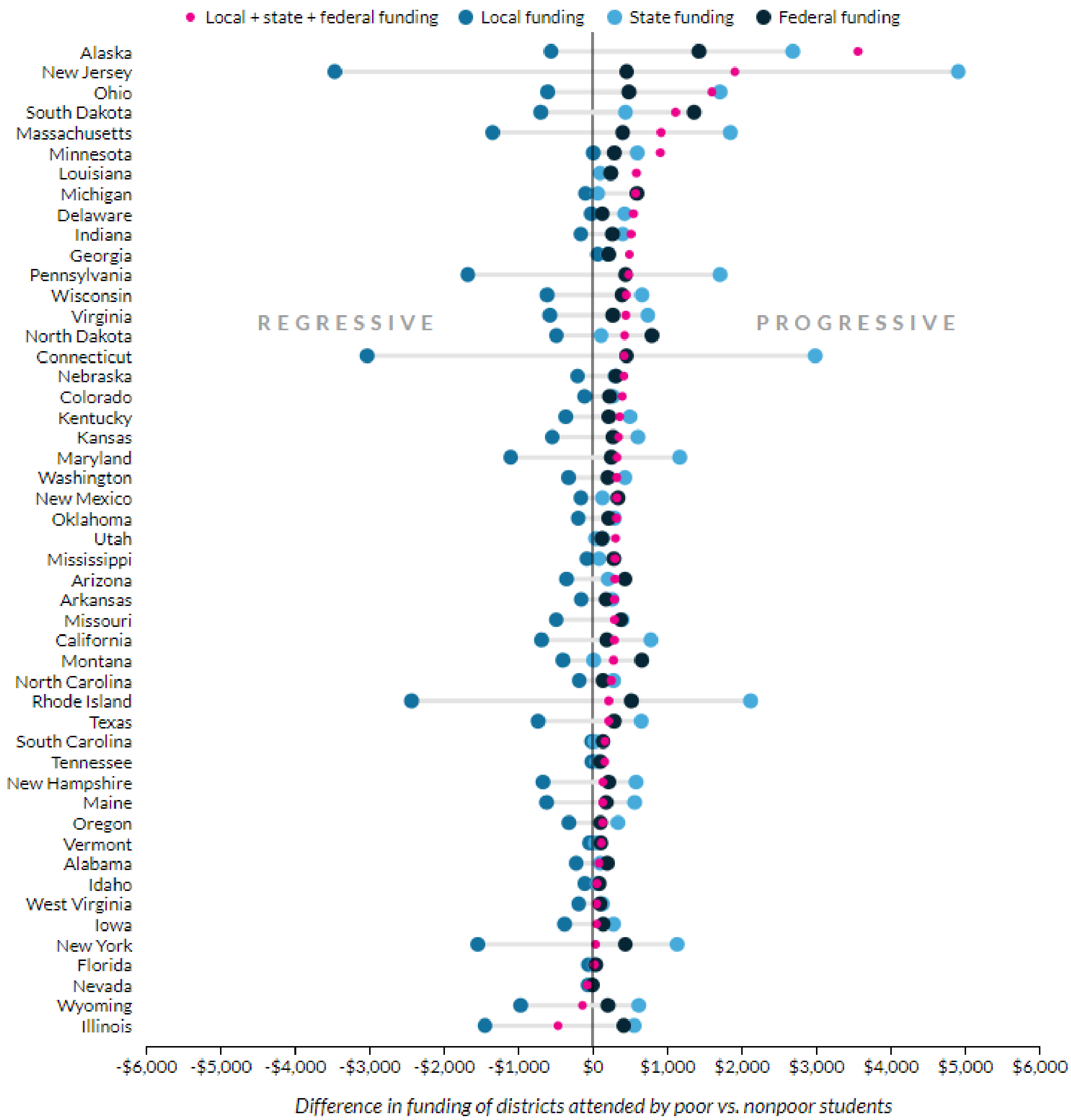
Matthew Chingos and Kristin Blagg | May 31, 2017

This brief offers a new measure of progressivity for school district funding formulas, focusing on the degree to which the average low-income student attends districts that are better funded than districts the average non-poor student attends. The results indicate that although many states have funding formulas that appear progressive (35 states have a provision in their funding formulas that provides additional funding to districts serving more low-income students), they do not meet this new definition of progressivity, suggesting that in practice, state education funding is not allocated in a way that favors the most disadvantaged students.

An accompanying **interactive data feature (School Funding: Do Poor Kids Get Their Fair Share?)** breaks down state-level data. Scroll through the tool to see the interaction of multiple funding streams, policies, and the demographic structure of a state and its districts. For example, 18 states that are regressive when looking only at state and local funding become progressive with the addition of federal dollars.

FIGURE 8

Differences between Federal, State, and Local Funding in Poor and Nonpoor School Districts



Note: We exclude Hawaii and Washington, DC, because they are both single districts. Data are from 2013–14.

Source: "School Funding: Do Poor Kids Get Their Fair Share?"

The feature also presents a comparison of New York and Florida that shows how demographically similar states can have different progressivity patterns by district and neighborhood.

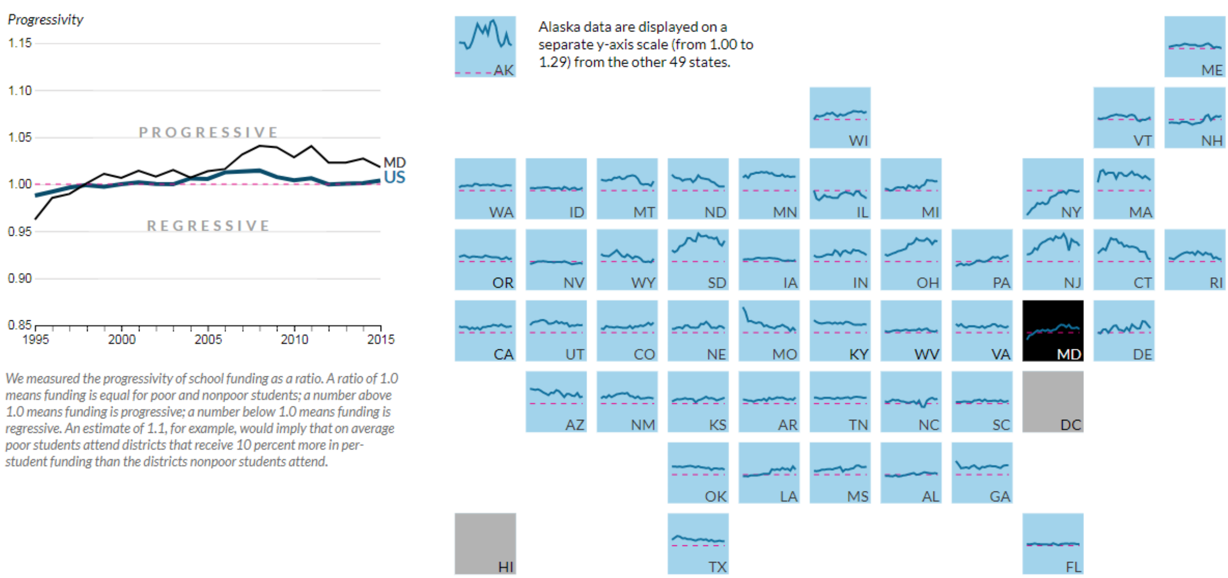
Interactive Data Feature: How Has Education Funding Changed over Time?

Matthew Chingos and Kristin Blagg | August 2017

This interactive tool allows users to visualize historical data and explore how local, state, and federal funding has changed over the past two decades both nationally and by state. Users can also turn the different funding sources on or off to view single types of funding (e.g., state government). On average, school district funding is about as progressive today as it was in 1995; progressivity has changed only slightly in most states. Further, more states have experienced an increase in progressivity than a decrease.

FIGURE 9

Changes in Federal and State Progressivity in School District Funding



We measured the progressivity of school funding as a ratio. A ratio of 1.0 means funding is equal for poor and nonpoor students; a number above 1.0 means funding is progressive; a number below 1.0 means funding is regressive. An estimate of 1.1, for example, would imply that on average poor students attend districts that receive 10 percent more in per-student funding than the districts nonpoor students attend.

Note: Washington, DC, and Hawaii are included in the national average calculations, however, we cannot calculate progressivity at the state level for either because both are single districts. All statistics exclude charter-only districts and other districts not tied to geography.

Source: "How Has Education Funding Changed over Time?"

Urban Wire post: Spending on public schools has declined in the wake of the Great Recession

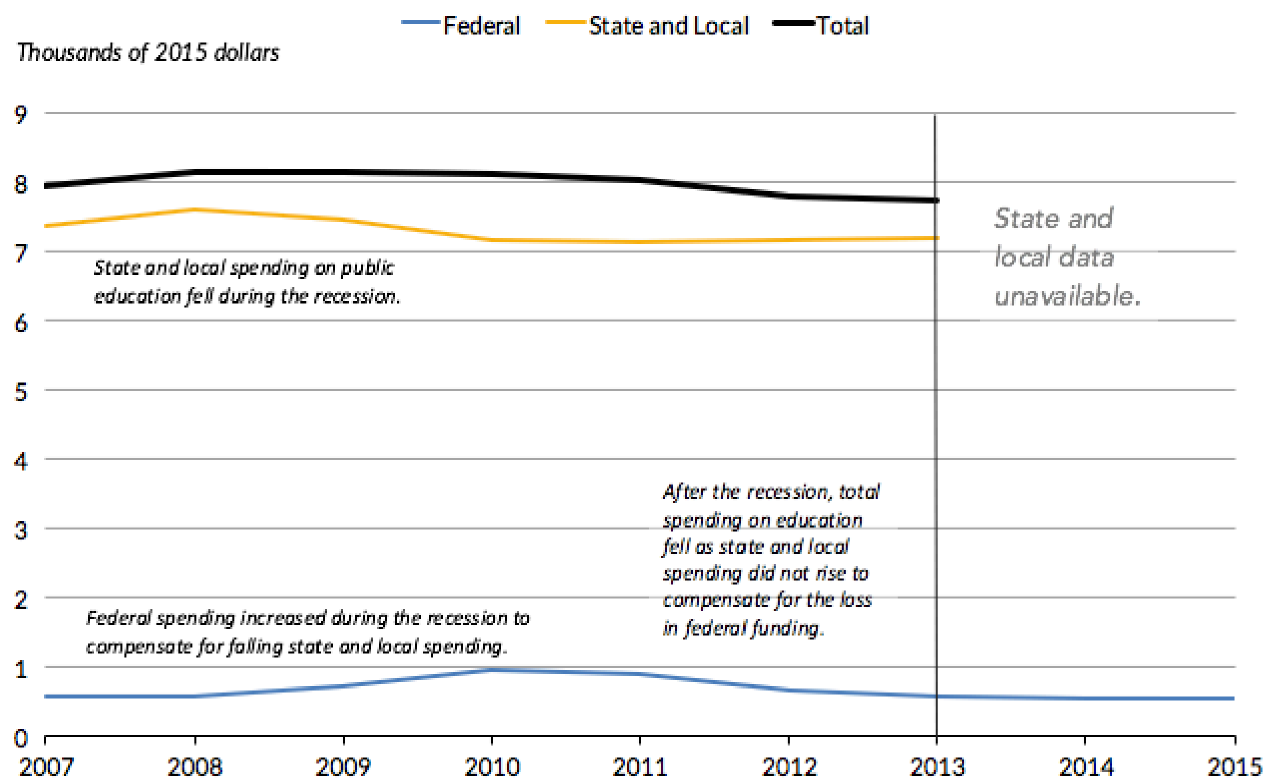
Julia B. Isaacs | September 28, 2016

This post highlights findings from Urban's **2016 Kids' Share** report, showing that overall spending on public education has fallen since the economic downturn of 2008. When state and local education spending fell immediately in response to the economic crisis, federal aid rose to compensate for the shortfall. Since 2010, however, federal funding has fallen, leaving total spending on education lower than before the recession.

Urban will update the annual **Kids' Share reports** with federal spending through 2016 and state and local spending through 2014 in fall 2017.

FIGURE 10

Federal, State, and Local Spending per Child on Education



Source: "Spending on public schools has declined in the wake of the Great Recession."

Interactive Data Feature: America's Gradebook

Matthew Chingos and Kristin Blagg | 2016

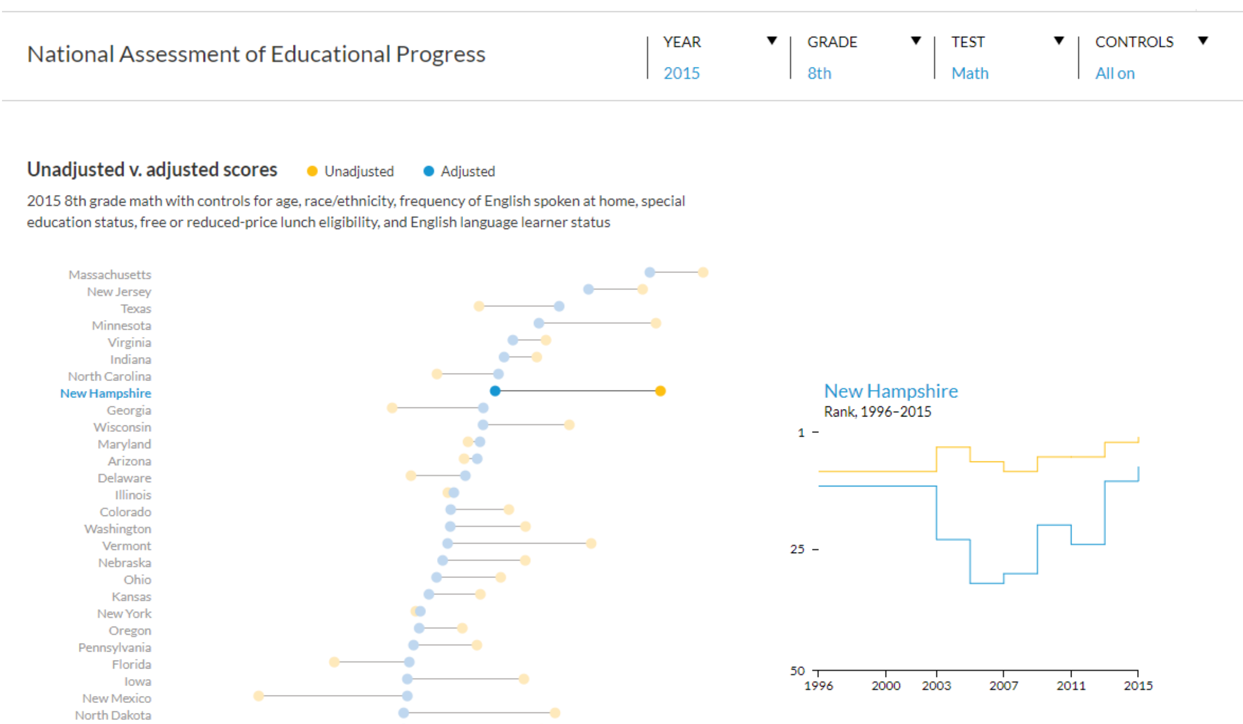
This interactive data tool allows users to compare scores from the National Assessment of Education Progress in all 50 states. The scores are adjusted to account for demographic differences across students in each state, meaning that states are judged by how well their students perform relative to students with similar characteristics across the country.

The adjusted scores of top two states, Massachusetts and New Jersey, are the same as the unadjusted scores. However, the next two states in the adjusted rankings, Texas and Florida, have only average unadjusted scores. For more on the methodology and results, see Urban's 2015 report, ***Breaking the Curve: Promises and Pitfalls of Using NAEP Data to Assess the State Role in Student Achievement***.

Choose a year (back to 1996), a grade (4th or 8th), test (math or reading), and what factors you want to consider in the adjustment (age, race, etc.), to see how states compare. Hover over a state's data to get a graphic of the state's historical data.

FIGURE 11

New Hampshire 8th Grade Math Scores from the National Assessment of Educational Progress, 2015



Source: "America's Gradebook."

Urban Wire post: **Using pay for success to fund early childhood education**

Meg Massey and Arden Kreeger | July 18, 2016

This post introduces the **PFS + ECE Toolkit**, a series of briefs that explore how innovative financing mechanisms like pay for success can be used to help fund early childhood education. The toolkit provides evidence that early childhood interventions are an effective way to help children grow into healthy, productive adults. It then explains how pay-for-success financing can be used to expand access to these programs, allowing them to more effectively serve children.

Higher Education

Report: **Community Colleges: Multiple Missions, Diverse Student Bodies, and a Range of Policy Solutions**

David Baime and Sandy Baum | August 17, 2016

As state and federal policy initiatives have increasingly targeted community colleges, the need to understand how these institutions function in different states and localities has grown. This report explores many of the variables that differentiate community colleges, such as how they are financed and supported by state and local governments and the composition of the populations they serve. Thanks to wide variation by state and locality, students across the country face dramatically different tuition amounts and barriers to enrollment.

Brief: **Examining the Federal-State Partnership in Higher Education**

Sandy Baum | May 16, 2017

This brief draws on three reports (listed below) to suggest strategies for meeting national goals for postsecondary education while preserving and enhancing states' roles. It examines current problems, such as the increasing costs of tuition, students leaving early without a degree, state funding rising and falling with the economy, and disparate levels of state funding across states. After establishing goals for reforms, the brief proposes seven strategies to achieve them, including allowing state financial aid funds to be used at out-of-state public and private institutions.

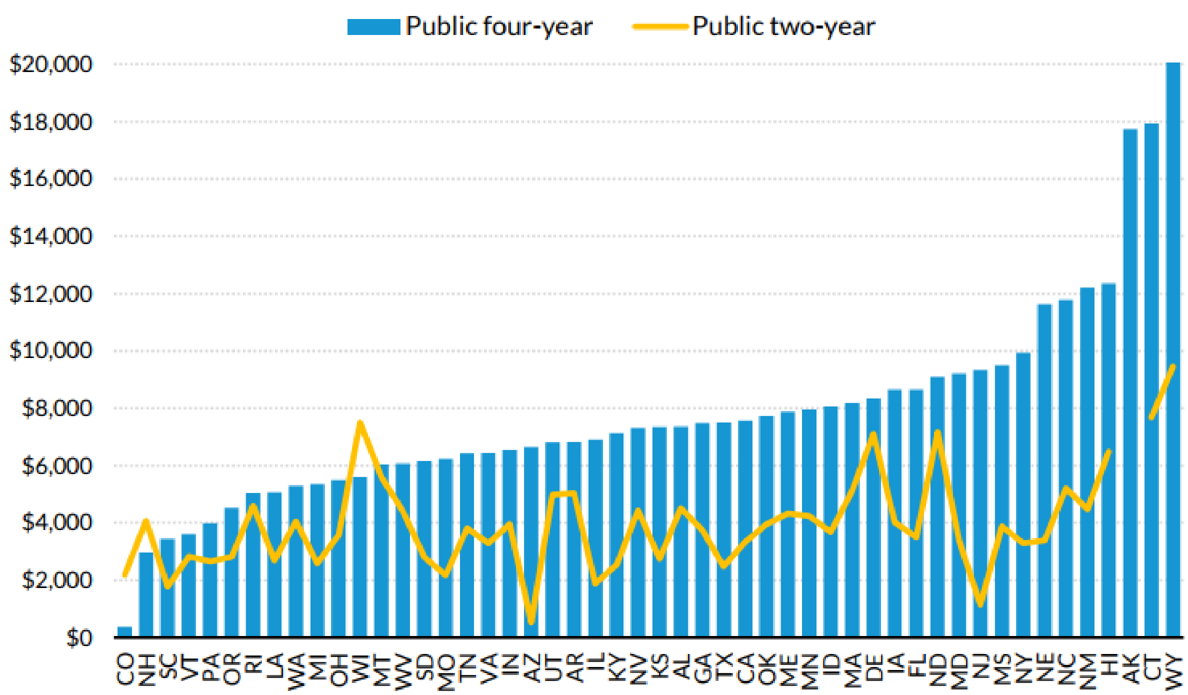
Report: **The Federal-State Higher Education Partnership: How States Manage Their Roles**

Matthew Chingos and Sandy Baum | May 16, 2017

The first report explores how disparate funding structures and demographic characteristics across states lead to differences in student opportunity and outcomes across states. The authors highlight variation in how states fund postsecondary education, their expectations and attitudes toward community colleges and other institutions, and student body demographics.

FIGURE 12

State and Local Funding per FTE Student at Public Four- and Two-Year Colleges, by State, 2014–15



Source: *The Federal-State Higher Education Partnership: How States Manage Their Roles.*
Notes: FTE = full-time equivalent. Colorado relies on a voucher system, replacing most state appropriations with vouchers to students who enroll in public colleges and universities, so the data for this state are not comparable with data for other states. Alaska does not have a community college system.

Report: The Federal-State Higher Education Partnership: Rethinking the Relationship

Michael McPherson and Sandy Baum | May 16, 2017

This second report on the federal-state higher education partnership takes a theoretical look at how the relationship between state and federal governments could change to better meet the needs of students as well as state and federal governments.

State budgets and demographics vary widely, leading to variation across states in the percentage of higher education funding coming from the federal government. In 2014–15, state and local appropriations per full-time equivalent student in public institutions ranged from $2,900 in New Hampshire and $3,200 in Vermont to $15,140 in Wyoming and $17,490 in Alaska, with a national average of $6,970.

Report: The Federal-State Higher Education Partnership: Lessons from Other Federal-State Partnerships

Kristin D. Conklin and Sandy Baum | May 16, 2017

This third report on the federal-state higher education partnership examines federal-state partnerships in other government programs, such as transportation, health care, and elementary and secondary education, that could provide lessons for higher education.

Collection: Understanding College Affordability

Sandy Baum, Martha Johnson, Victoria Lee, and Alexandra Tilsley | 2017

This standalone website provides a wealth of information, graphics, and data on how much students in different circumstances pay for different kinds of education and the resources they can draw on to cover their expenses. The site provides many resources on topics such as the diversity of college, nontuition expenses, where financial aid comes from, and which students it helps.

Safety-Net Programs

States provide many services that can be considered safety-net programs. This section largely focuses on five government services:

- Temporary Assistance for Needy Families (TANF)
- Supplemental Nutrition Assistance Program (SNAP)
- Paid family leave
- Child Care and Development Fund (CCDF)
- Social Security Disability Insurance (DI)

TANF is a state-administered and federal-and-state-funded program that provides cash assistance and other services (e.g., child care and employment programs) to low-income residents. The cash assistance portion of TANF accounts for roughly 1 percent of total state expenditures (NASBO 2016). In the decades since federal welfare reform passed in 1996 and a block grant program was created, states have increasingly provided other services instead of cash assistance.

SNAP, CCDF, and DI are state-administered programs that are mostly federally funded (states contribute some administrative money). Paid family leave programs are state-run and -funded. So far, however, only three states have such programs, and as such these programs do not represent a significant amount of total state expenditures.

Large expenditure programs, specifically education, housing, and Medicaid, are mostly covered in other sections of this compendium. However, they are discussed below in Urban publications that take a comprehensive look at state safety-net services. Urban also maintains a host of data tools that can help policymakers and stakeholders learn about their own programs as well as those in other states.

TANF and SNAP

Interactive Data Feature: Transfer Income Model, version 3 (TRIM3)

This microsimulation model simulates major tax and transfer programs. For those searching for state data, the model includes TANF, SNAP, CCDF, and state income taxes among other programs (find all programs modeled by TRIM3 here). Registered public users can access the microlevel variables produced by the model's baseline simulations as well as the model's historical library of program rules.

Urban also uses TRIM in its research, such as in the following two reports.

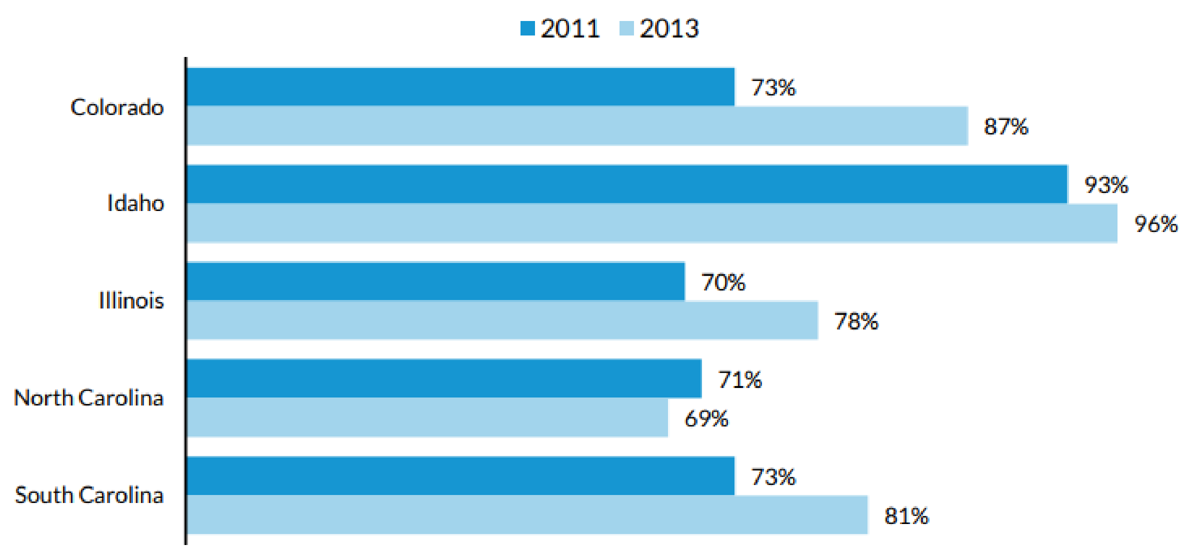
Report: Changes in Joint Medicaid/CHIP and SNAP Participation Rates, 2011 to 2013: Findings from the Work Support Strategies Evaluation

Pamela J. Loprest, Victoria Lynch, and Laura Wheaton | June 26, 2016

As part of the Work Support Strategies (WSS) initiative, participating states committed to improving access to multiple benefits through a range of efforts, including increased coordination of eligibility processes and policies across programs and reduction of bureaucratic redundancies that hindered receipt of benefits from multiple programs. Five of those states (Colorado, Idaho, Illinois, North Carolina, and South Carolina) provided data that allowed Urban to calculate and examine changes in joint participation rates for SNAP and Medicaid/CHIP from 2011 to 2013. Colorado, Idaho, Illinois, and South Carolina had increases in joint participation rates from 2011 to 2013 in almost all age groups. Increases were substantial in Colorado, Illinois, and South Carolina.

FIGURE 13

Joint SNAP and Medicaid/CHIP Participation Rates for Individuals under Age 65, 2011 and 2013



Source: *Changes in Joint Medicaid/CHIP and SNAP Participation Rates, 2011 to 2013: Findings from the Work Support Strategies Evaluation*.
Note: Estimates include only joint eligible who are receiving Medicaid/CHIP or uninsured.

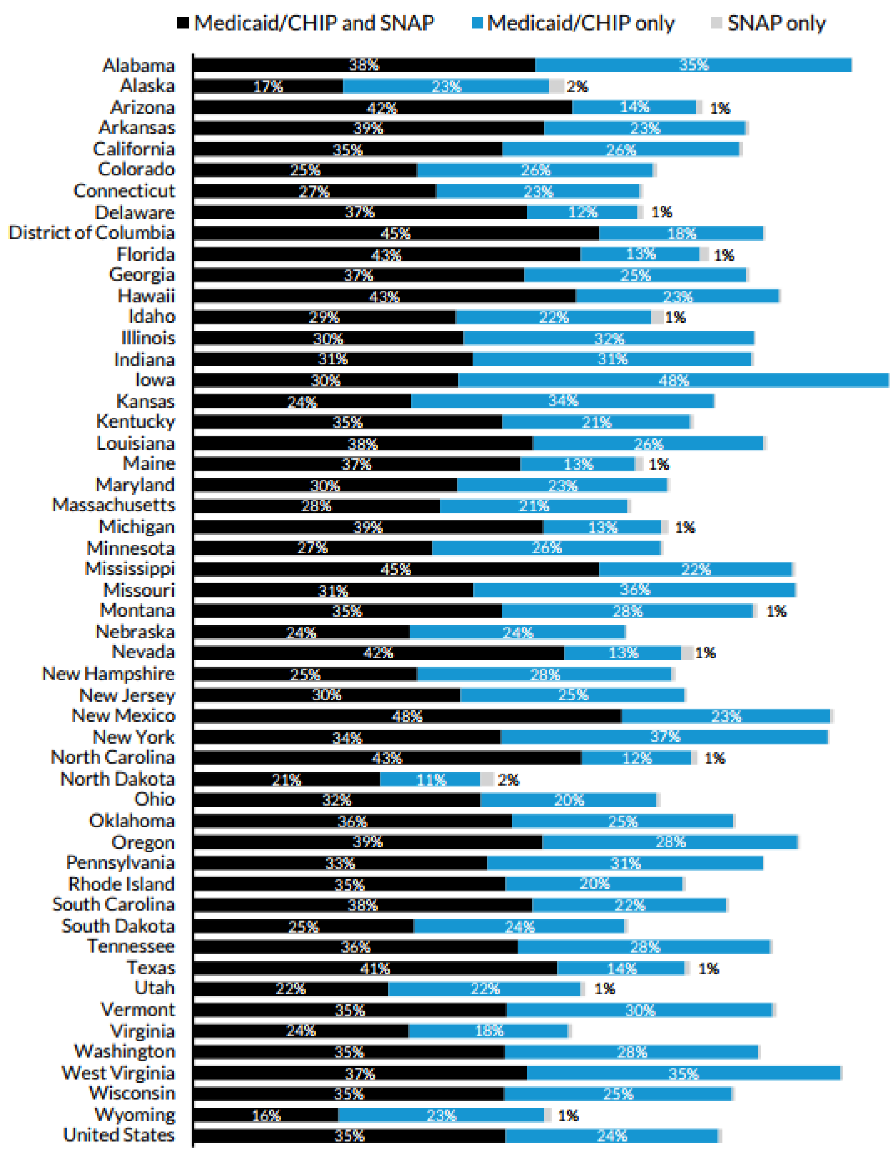
Report: The Overlap in SNAP and Medicaid/CHIP Eligibility, 2013

Laura Wheaton, Victoria Lynch, and Martha C. Johnson | January 9, 2017

In 2013, nearly 60 percent of children were eligible for SNAP or Medicaid; a majority of that share were eligible for both. Very few children were eligible for SNAP but not Medicaid/CHIP, because the latter's scope is far broader. Eligibility for both programs is lower among parents and nonparents than among children, and both groups are more likely to be eligible for SNAP than for Medicaid.

FIGURE 14

Children Eligible for SNAP and/or Medicaid/CHIP, 2013



Source: *The Overlap in SNAP and Medicaid/CHIP Eligibility, 2013.*
Note: Children are defined as people under the age of 19. Bar segments without labels represent a share of less than 1 percent.

The numbers of children eligible for at least one program ranged from 34 percent in North Dakota to 78 percent in Iowa. In nine states, at least 40 percent of children were eligible for both SNAP and Medicaid/CHIP.

One-quarter of all parents were eligible for at least one program, though shares of eligible parents by state ranged from 14 percent in Wyoming to 43 percent in the District of Columbia. One-quarter of all nonparents were eligible for either SNAP or Medicaid, with state shares ranging from 14 percent in Nebraska, New Hampshire, and Wyoming to 35 percent in the District of Columbia.

Urban will update both reports with 2015 data in fall 2017.

Interactive Data Feature: Welfare Rules Database

The is the primary source of data on state TANF policies nationwide, providing a detailed longitudinal account of changes in welfare rules in all 50 states and the District of Columbia. Users can pull information based on variables, states, and years (back to 1996).

Report: Welfare Rules Databook: State TANF Policies as of July 2015

Elissa Cohen, Sarah Minton, Megan Thompson, Elizabeth Crowe, and Linda Giannarelli | October 27, 2016

Tables containing key TANF policies for each state and the District of Columbia as of July 2015, as well as longitudinal tables describing selected state policies from 1996 through 2015.

Report: Why Does Cash Welfare Depend on Where You Live?

Heather Hahn, Laudan Y. Aron, Cary Lou, Eleanor Pratt, and Adaeze Okoli | June 5, 2017

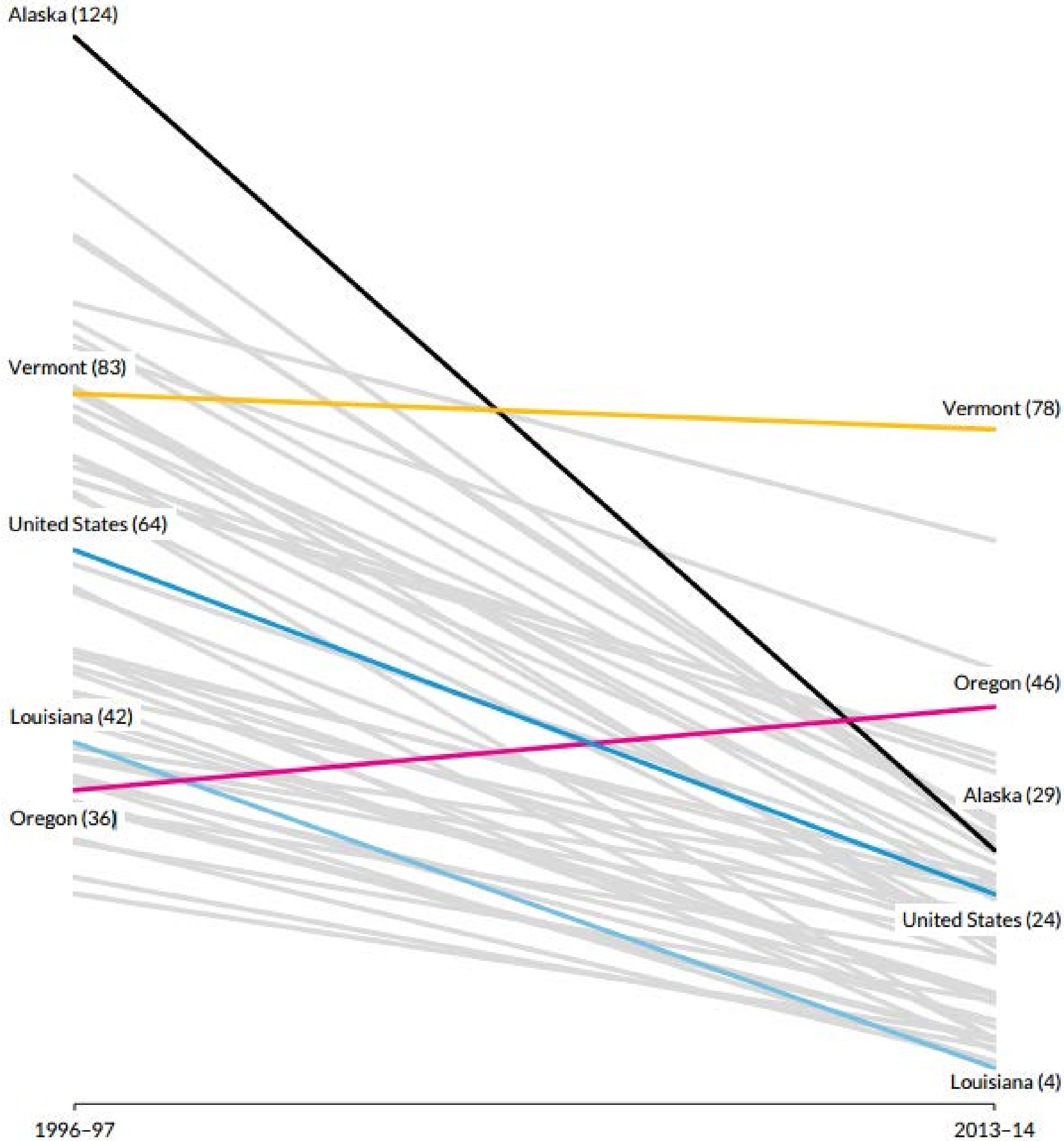
The generosity of TANF, a federal welfare program that provides cash assistance to low-income families with children, varies widely by state. In a dozen states, fewer than 10 percent of families with children in poverty receive TANF cash assistance; in two other states, over 60 percent receive it. TANF's structure allows states to determine the mission, design, and benefits of their programs. In fact, states are not legally obligated to provide any cash assistance at all.

This report finds that states with generous TANF programs tend to be more generous on multiple fronts, offering higher maximum monthly benefits, longer benefit durations, and more lenient work requirements. It also finds that TANF policy decisions and their effects are correlated with race; states with the largest African American populations tend to have the least generous TANF programs.

FIGURE 15

State-by-State Changes in the TANF-to-Poverty Ratio, 1996–2014

Ratio of state TANF cases to families in poverty in the state



Source: *Why Does Cash Welfare Depend on Where You Live?*.

Urban Wire post: Why cash assistance is essential to moving Americans out of poverty

Mary Bogle | September 11, 2016

Urban Wire post: What would happen to SNAP if proposed $191 billion cut became law?

Elaine Waxman and Jonathan Schwabish | May 2017

Trump's budget proposal asked states to pick up 25 percent of Supplemental Nutrition Assistance Program (SNAP) costs by 2023. With tight budgets, states may be unable or unwilling to absorb new expenditures.

Take Virginia. In fiscal year 2015, an average of 860,000 Virginians participated in SNAP every month. In that year, the federal government paid $97.5 million in administrative costs and $1.23 billion in benefits while Virginia paid $99.5 million in administrative costs. A 10 percent additional cost-share for Virginia's SNAP benefits in that year would have added another $123 million to the state's program obligations, an increase of 224 percent.

Report: Unequal Playing Field?

Julia B. Isaacs and Sara Edelstein | April 25, 2017

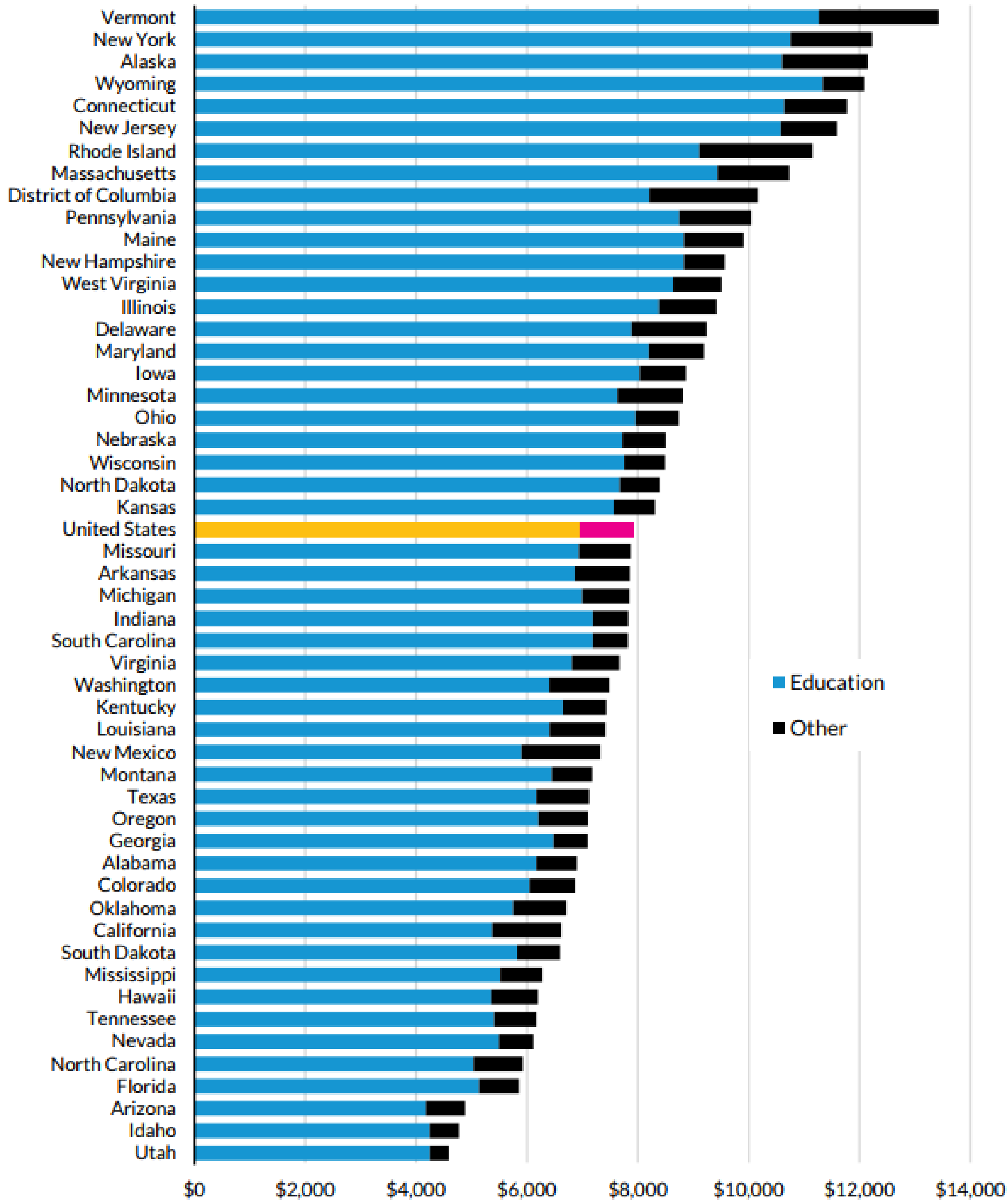
State and local governments provide dozens of public programs designed to support the health and development of children, including public education; health systems; and social services such as TANF, Promoting Safe and Stable Families, child care assistance, and child welfare services.

This report describes the extent of spending discrepancies across states, noting that the highest-spending state, Vermont ($13,430 per child), spends nearly three times as much per child as the lowest-spending state, Utah ($4,594 per child). Many states find themselves at one extreme of spending or the other, and only a handful spend close to the national average of $7,900 per child. Differences in education spending drive most of the overall spending gap. Native American and Latino children are more likely to live in low-spending states than their peers.

Spending estimates do not include federal spending in states through programs such as SNAP or the federal share of joint programs such as Medicaid and TANF.

FIGURE 16

State Per-Child Spending on Education and Other Services, 2013



Source: *Unequal Playing Field?*

Paid Leave

Brief: Paid Family Leave in the United States

Julia B. Isaacs, Olivia Healy, H. Elizabeth Peters | May 10, 2017

This policy brief reviews evidence from several states' current parental leave programs to help policymakers design a new national paid leave policy. California enacted paid family leave legislation in 2002, New Jersey in 2008, Rhode Island in 2013, and New York in 2016 (the New York plan goes into effect in January 2018).

The brief lists several forces that could drive the adoption of new legislation, including increased bipartisan political support and growing popular discontent over the current patchwork of state-level leave policies.

Urban Wire post: Would six weeks of paid parental leave be a good step forward?

Julia B. Isaacs | May 24, 2017

Only one in seven American workers has access to paid parental leave through public or private leave programs.

Child Care and Development Fund

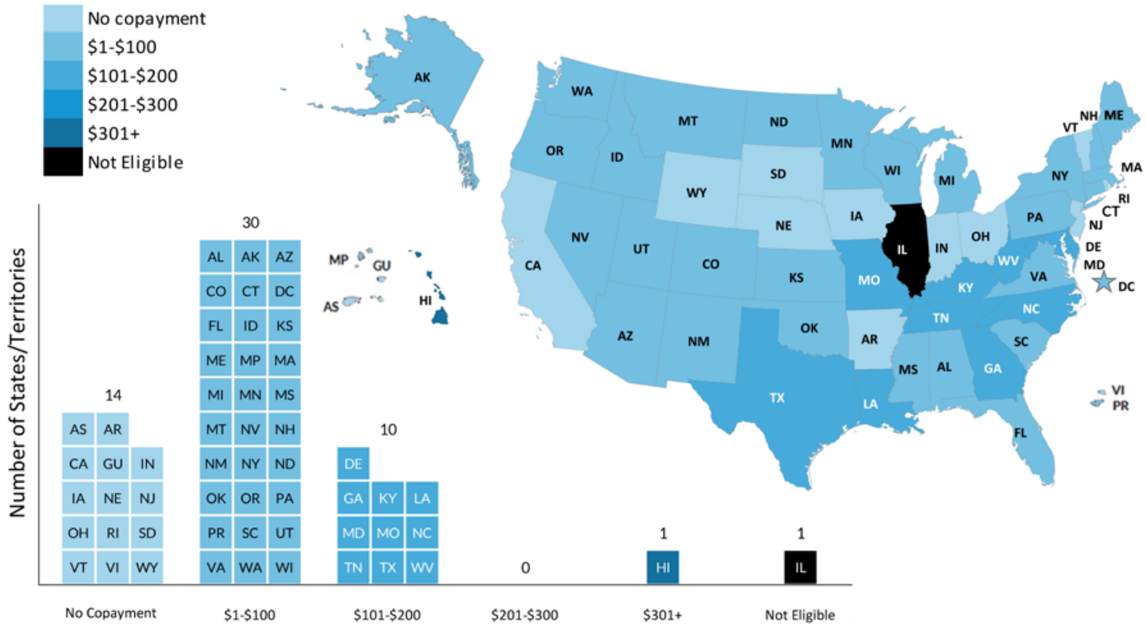
Interactive Data Feature: Child Care and Development Fund (CCDF) Policies Database

January 2017

The CCDF Policies Database is a single source of information on the detailed rules for states' and territories' child care subsidy program. Users can pull information for different variables, states, and years (back to 2009) from the online interface.

FIGURE 17

State/Territory Copayment Policies for a Family of Three Earning $15,000 Annually (2015)



Source: Child Care and Development Fund (CCDF) Policies Database.

Report: The CCDF Policies Database Book of Tables

Kathryn Stevens, Sarah Minton, Lorraine Blatt, and Linda Giannarelli | January 26, 2017

This report contains tables of key CCDF policies for states and territories as of October 1, 2015, as well as longitudinal tables describing selected state policies from 2009 through 2015.

Disability Insurance

Brief: Geographic Patterns in Disability Insurance Receipt

Jonathan Schwabish | June 29, 2017

The share of 18- to 65-year-olds receiving DI benefits for mental disorders is markedly higher in New England. Although many factors driving this trend are demographic or related to health, policy also plays a role.

DI is administered at the state level, but its eligibility rules are set by the federal government, so variation in DI by state is not necessarily a function of the program itself. States with higher insured populations, however, have significantly higher DI rates, and New England states have significantly higher health insurance rates than do other parts of the country. Massachusetts and Rhode Island have the highest insurance rates; Vermont is only slightly behind.

Urban Wire post: Why do more New Englanders receive Disability Insurance benefits for mental disorders?

Jonathan Schwabish | July 10, 2017

Urban Wire post: Efforts to reform the Disability Insurance program should start now

Jonathan Schwabish | July 9, 2017

One way to encourage work among people with disabilities is to urge employers to support such workers, especially at the early stages in their disability when interventions might be most effective. The Centers of Occupational Health and Education program in Washington State is a model for that approach, and it appears to be one that will be tested under President Trump's budget.

Public Employee Pensions

Most state and local government employees participate in a defined-benefit pension plan. Such plans typically provide pensions based on members' years of service and average salary over a specified period before retirement. However, state and local pensions have attracted considerable attention and reform efforts in recent years.

Large investment losses during the Great Recession and inadequate past contributions have left pension plans underfunded by at least $800 billion and possibly as much as $3 to $4 trillion depending on modeling assumptions. Many states are now moving from defined-benefit plans to defined-contribution plans or a combination of the two.

Urban continued its work on pensions over the past year, producing an interactive presentation of reform efforts across the country and a closer analysis of what's driving increased costs.

Reform Options

Interactive Data Feature: Public Pension Simulator

Updated 2017

Employee retirement systems accounted for 10 percent of state and local direct general expenditures in 2014. However, these expenditures do not account for unfunded future liabilities and thus underestimate the full burden of pensions on state and local governments. In fact, many plans (typically defined benefit plans) face serious financial problems, and efforts for reform are ongoing.

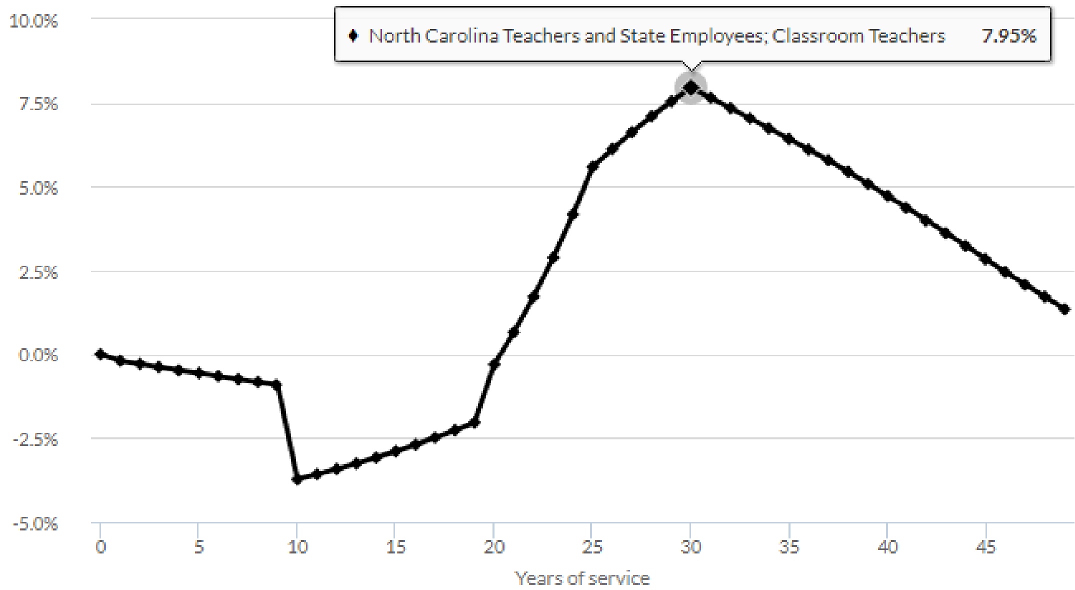
Urban's Public Pension Simulator lets users explore how possible reform options would affect specific state and local pension plans. The simulator includes plans from California, Georgia, Indiana, Michigan, Minnesota, Mississippi, North Carolina, Pennsylvania, and Texas. Urban will add more states and plans to the simulator going forward.

The simulator shows how much state and local government retirees would receive in pension benefits, how much governments will pay for those benefits, and how costs and benefits would change under various pension reforms. Below is a chart from North Carolina.

FIGURE 18

Average Employer Cost as a Percentage of Payroll for New Hires, by Years of Service

Percentage of Salary



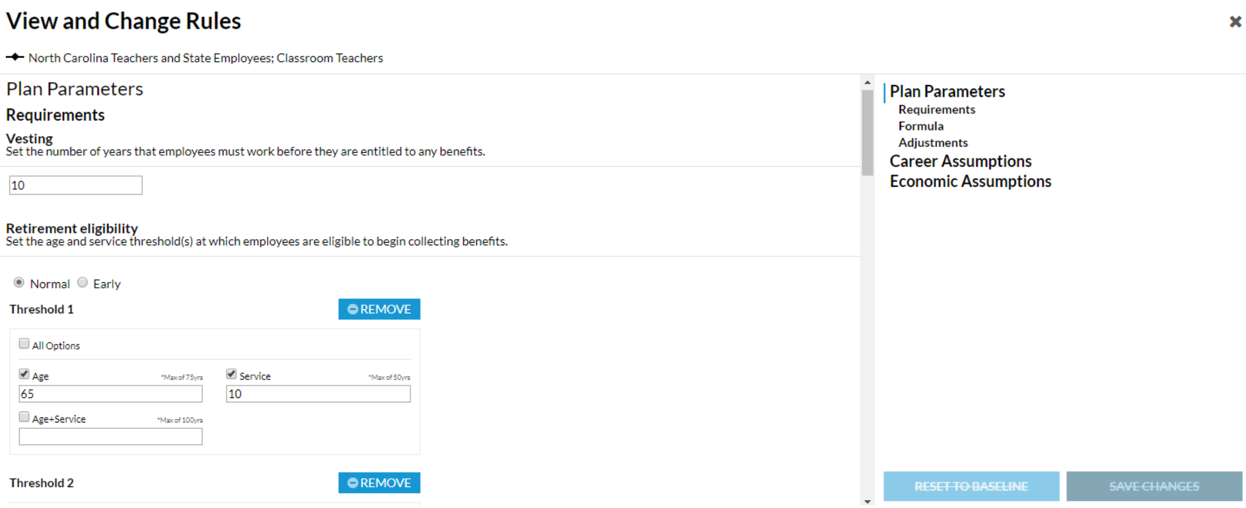
For an employee who separates after 30 years of service, an employer must contribute 7.95% of salary each year to the North Carolina Teachers and State Employees; Classroom Teachers plan to cover future pension costs.

Source: Public Pension Simulator.
Note: These costs, referred to as normal costs by actuaries, exclude amortization of outstanding debt.

Calculations depend on various user-set assumptions. For benefit estimates, users enter an employee's starting age and starting salary, the rate at which salary grows each year (in inflation-adjusted dollars), the inflation rate, and the rate at which employees discount future benefits. For cost estimates, users also set the rate of return the plan earns on fund assets, the amortization method, and the amortization period. The simulator assumes that plan participants forgo survivor benefits for their spouses and receive their pensions as single-life annuities. All estimates are reported in constant, inflation-adjusted dollars.

FIGURE 19

Variable Settings for the Public Pension Simulator



Source: Public Pension Simulator.

The simulator also has an accompanying report to help users understand the tool and its data.

Report: Evaluating Pension Reform Options with the Public Pension Simulator

Richard W. Johnson and Owen Haaga | April 10, 2017

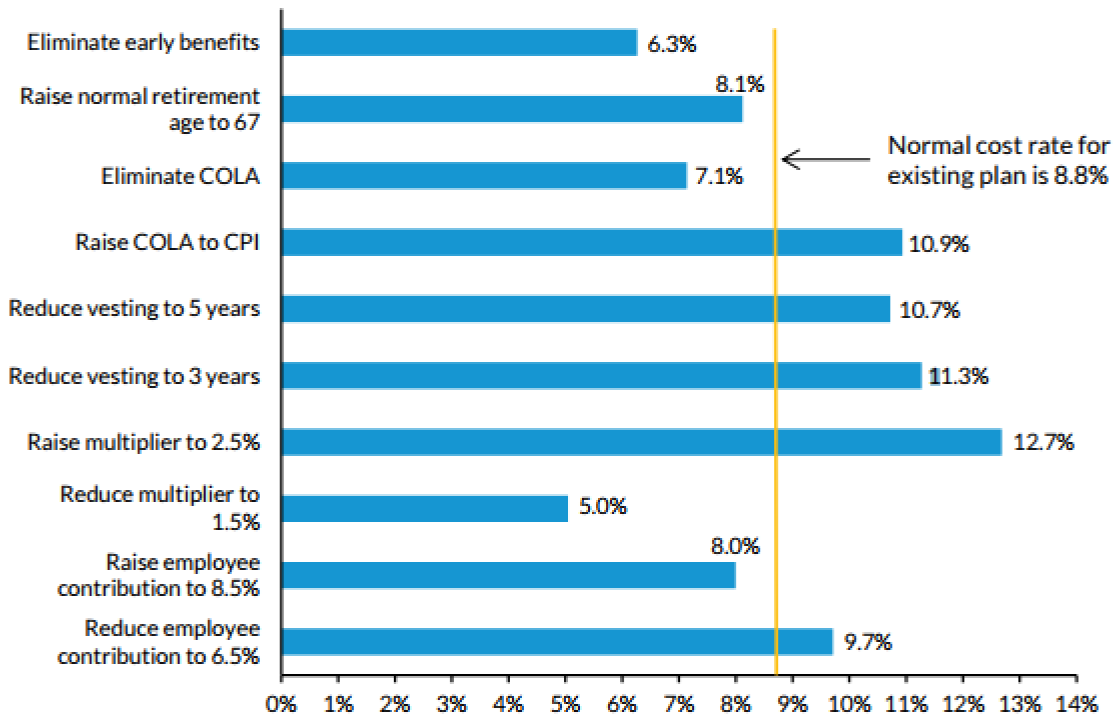
The report includes a case study on Pennsylvania. The state's public school teachers currently qualify for a lifetime retirement pension tied to their salary and years of service once they've worked long enough and have reached the plan's retirement age. These inputs vary based on when the teacher was hired (the state cut future benefits in 2011).

The report then examines how 10 possible reforms would affect the state and pension beneficiaries. For example, reducing the benefit multiplier to 1.5 percent, eliminating early retirement benefits, and eliminating cost-of-living adjustments would lower the state's costs the most. However, those changes would also reduce the value of lifetime benefits for teachers, especially teachers with 35 years of complete service.

FIGURE 20

Employer Normal Cost Rate for Pension Benefits under Various Pension Reforms

Pennsylvania teachers hired on or after July 1, 2011 (class T-E)



Source: *Evaluating Pension Reform Options with the Public Pension Simulator*.

Rising Costs

Report: Understanding the Growth in Government Contributions to New York State's Public Pension Plans

Richard W. Johnson, Owen Haaga, and Benjamin G. Southgate | June 9, 2016

What's causing the increasing costs of public employee pensions? This report examines New York, where plans are funded (92 percent of future obligations were covered in 2014) but at a large cost for the state's taxpayers (government contributions increased 609 percent between 2002 and 2014 in real dollars, compared with 133 percent nationally).

The authors find that investment losses (both after the 2001 and 2008 recessions) drove most of the government's increased contributions and highlight the downside of investing in risky assets. The losses were not limited to New York, but many other states did not fill the financial gaps and allowed their plans' financial status to deteriorate.

New York provides more generous pensions than most states, but benefits were reduced for newer hires. The authors do not recommend further cuts but instead provide recommendations for distributing pension benefits more fairly across the workforce.

Criminal Justice and Corrections

State spending on corrections, such as building and operating prison systems and juvenile justice programs, accounts for 3 percent of total state expenditures (NASBO 2016). Unlike Medicaid and other safety-net programs that are funded in part or almost entirely by the federal government, states provided nearly all funds for corrections.

Spending on criminal justice and corrections has slowed over the past few years in part because many states are reforming their criminal justice systems to limit the growth of correctional and supervision populations. However, reform efforts vary across states, and not all states are engaging in them. And other correctional costs, such as health care and maintenance of aging facilities, affect all states.

Urban researchers continue to investigate how policymakers can improve their correctional systems and save their state money as well as how criminal justice affects state economies.

Reforms and Reinvestment

Report: Reforming Sentencing and Corrections Policy: The Experience of Justice Reinvestment Initiative States

Multiple authors | December 19, 2016

The Justice Reinvestment Initiative (JRI) is a data-driven project to reduce corrections populations and promote public safety in 24 states. Reforms include substantial legislative and administrative changes to sentencing, release, and supervision policies.

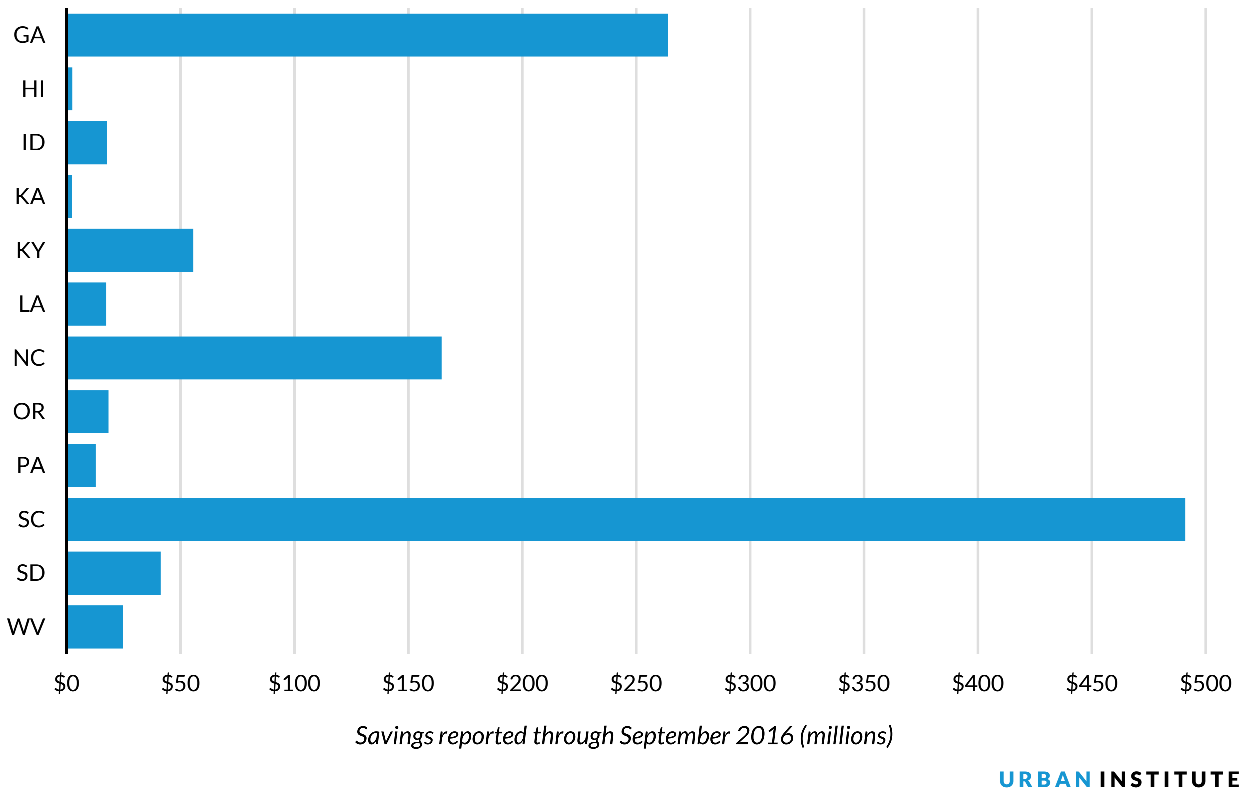
JRI strategies have helped 15 states decrease their prison populations or keep them below levels predicted before reform. Such reductions can cut state spending on new prison construction, new contracts to secure additional beds, and more.

But estimating those savings is difficult for many reasons. For one, savings are often averted costs. Thus, agencies may be reluctant to identify savings (for fear triggering budget reductions), and marginal costs are not always clearly defined. The report notes the mechanisms different states use to calculate savings.

Despite these challenges, 12 JRI states reported saving a combined $1.1 billion between 2010 and 2016, ranging from $2.5 million in Kansas to $490 million in South Carolina. JRI states invested nearly half that ($450 million) in crime-reduction strategies.

FIGURE 21

Reported Savings in JRI States, 2010–16



Source: *Reforming Sentencing and Corrections Policy: The Experience of Justice Reinvestment Initiative States.*
Note: States use different methodologies to calculate actual savings and averted costs.

The report also examines policies and outcomes (including assessment measures) with many state-specific examples, several of which were outlined in an accompanying blog post.

Urban Wire post: States spearhead ambitious criminal justice reform policies

Chelsea Thomson and Samantha Harvell | December 22, 2016

Interactive Data Feature: Justice Reinvestment Initiative State Data Tracker

Samantha Harvell and Jeremy Welsh-Loveman | Updated August 2017

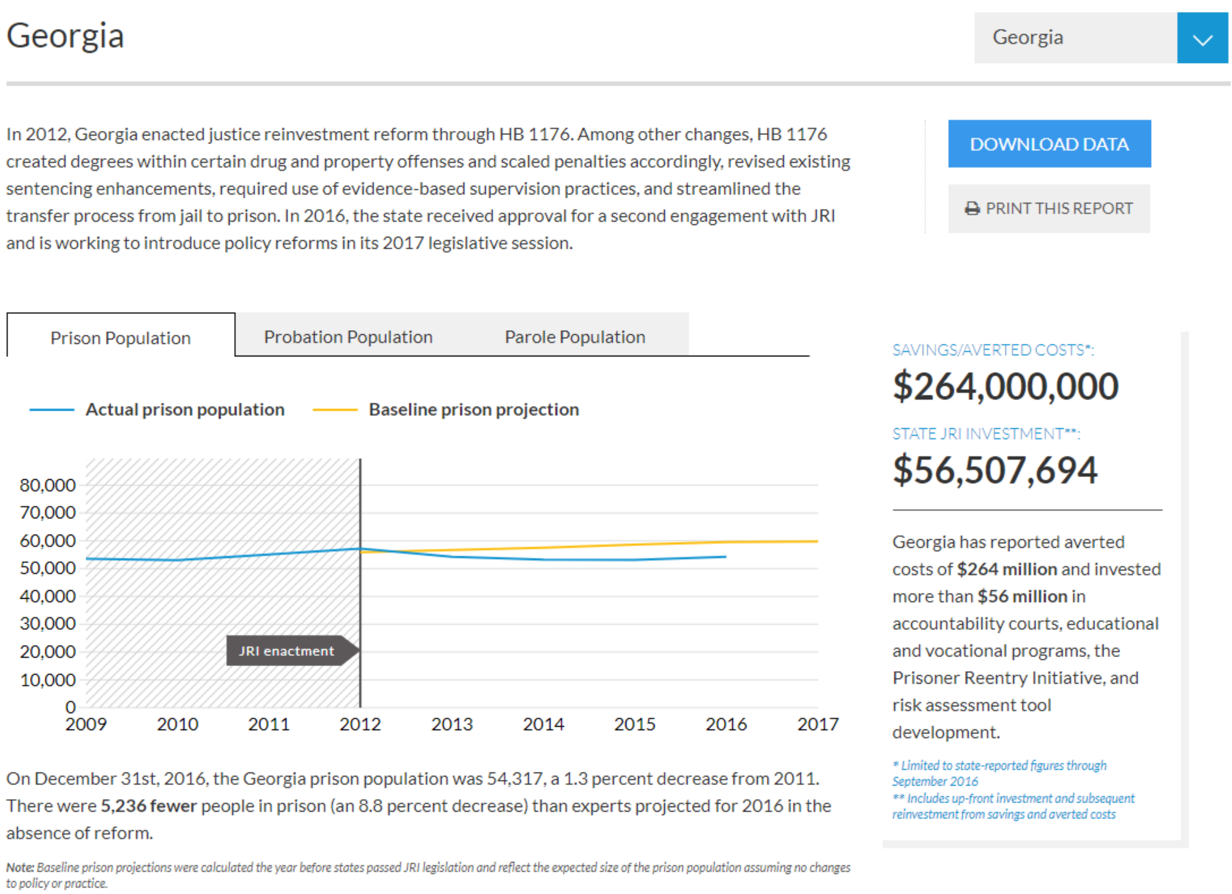
Urban's state data tracker provides information on system-level indicators such as prison, probation, and parole populations, and overall state savings and reinvestment.

Although these indicators track trends on key JRI objectives, accurately interpreting those trends requires careful consideration of contextual factors, because changes in them are affected by policies and practices that extend beyond the reforms passed during JRI engagement.

The tracker includes data for 18 JRI states. Choosing a state brings up interactive graphics on its prison population (actual versus baseline projection), probation population, and parole population; documented costs savings and reinvestment; and information on how money is being saved or reinvested.

FIGURE 22

Projected and Actual Georgia Prison Population after Justice Reinvestment, 2009–17



Source: Justice Reinvestment Initiative State Data Tracker.

Urban Wire post: Federal leadership joins states in seeking needed updates to juvenile justice

Julia Durnan, Samantha Harvell, and Robin Olsen | June 11, 2017

The Juvenile Justice Delinquency Prevention Act would make important updates to the core requirements and state plans for receiving federal funding, thus ensuring federal support for best practices around the country.

Brief: A Path Forward

Leah Sakala and Ryan King | November 22, 2016

This brief details the trends that increased Florida's prison population: admissions for less serious offenses; increased lengths of stay; and insufficient treatment, rehabilitation programs, and reentry support. It also explains how the state can address these issues, improve public safety, and use its limited resources more efficiently. The report cites examples of reforms in other states and what those changes are estimated to save each state's budget.

Criminal Justice and the Economy

Collection: Economic Impacts of Gun Violence

A series of Urban publications shares research based on newly available business establishment and credit score data, along with gunshot and sociodemographic data by census tract and gun homicide data in six cities.

The specific economic effects of gun violence differ by city, but the results demonstrate that gun violence is detrimental to neighborhood economic health, slowing business growth and lowering housing values. The project's research has led to the recommendation that cities and states increase public-private community partnerships to reduce gun violence.

Brief: Using Jail to Enroll Low-Income Men in Medicaid

Kamala Mallik-Kane, Akiva Liberman, Lisa Dubay, Emily Tiry, and Jesse Jannetta | December 15, 2016

Jails can connect otherwise hard-to-reach, low-income people with health insurance. A Connecticut pilot study found that those who left jail with Medicaid coverage availed themselves of outpatient services, prescription medicines, and behavioral health care, often within one month of release. Improving the health coverage of people upon their release from jail could considerably improve public health and reduce costs, and it may improve employment outcomes and reduce reoffending.

Additional Reading

Brief: **State Variation in the Hospital Costs of Gun Violence, 2010 and 2014**

Embry M. Howell and Anuj Gangopadhyaya | January 27, 2017

Urban Wire post: **Police body camera policies: What's in and what's out**

Nancy G. La Vigne and Margaret Ulle | January 12, 2017

Urban Wire post: **What could happen if the Violence Against Women Act is defunded?**

Kelly Walsh and Janine M. Zweig | November 22, 2016

Demographics and Housing

Unlike other sections in this compendium, most Urban research highlighted here does not analyze specific government services (except the Community Development Block Grant program). Instead, it focuses on two large drivers of many government services: demographics and housing.

The makeup of a state's population and its communities affects how it raises revenue and spends on services. As Urban's interactive **Mapping America's Futures** data show, disparate population gains and losses over the next two decades will leave some states scrambling to build new schools while others will have to adjust to a shrinking tax base. Meanwhile, housing changes are affecting not only neighborhood composition but also economic growth, transportation, health care, and public safety.

Demographic Changes

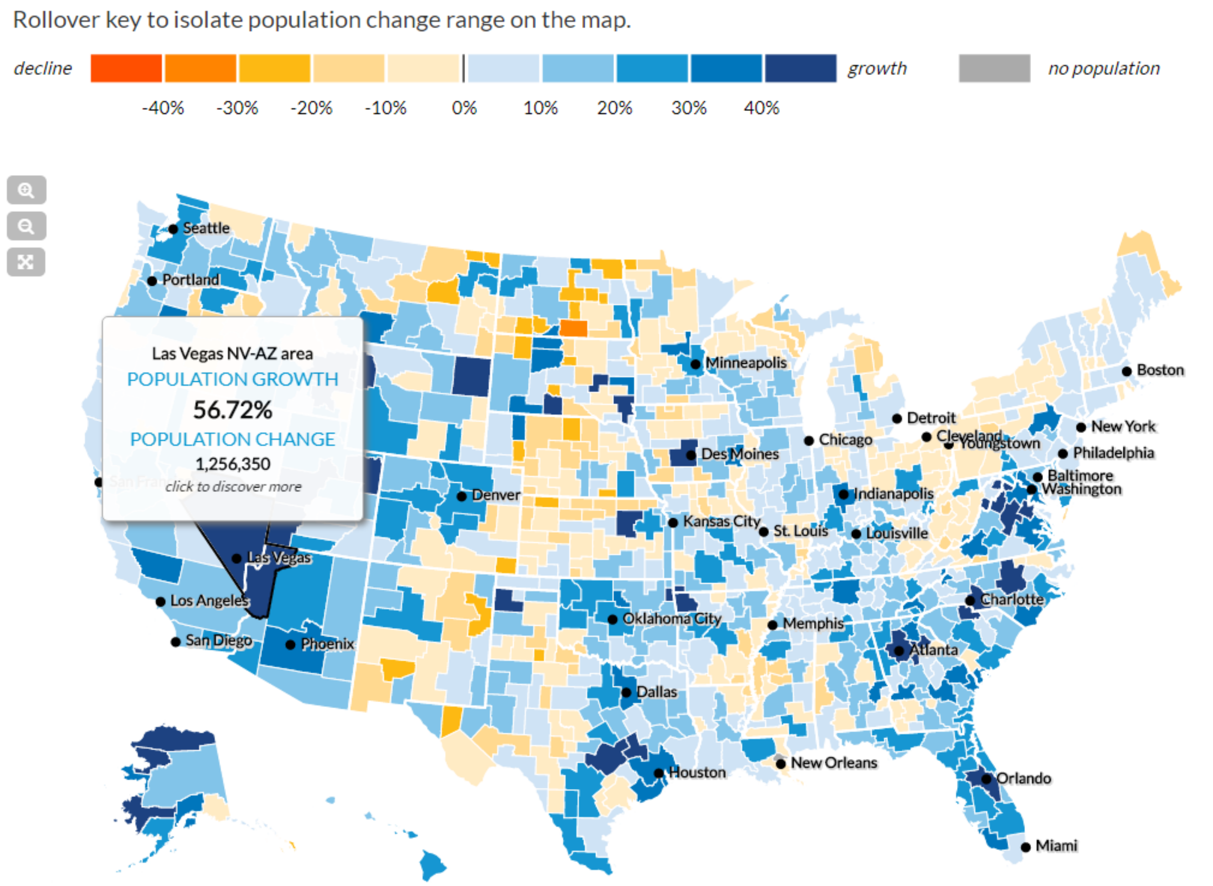
Interactive Data Feature: Mapping America's Futures

2015

Users can test possible scenarios for how the US population might change by 2020 and 2030 in states and communities across the country with this interactive data tool. The results will change depending on whether users choose low, average, or high rates for future births, deaths, and migration.

FIGURE 23

Projected US Population Change Given Certain Birth, Death, and Migration Rates, by Commuting Zone



Source: Mapping America's Futures.

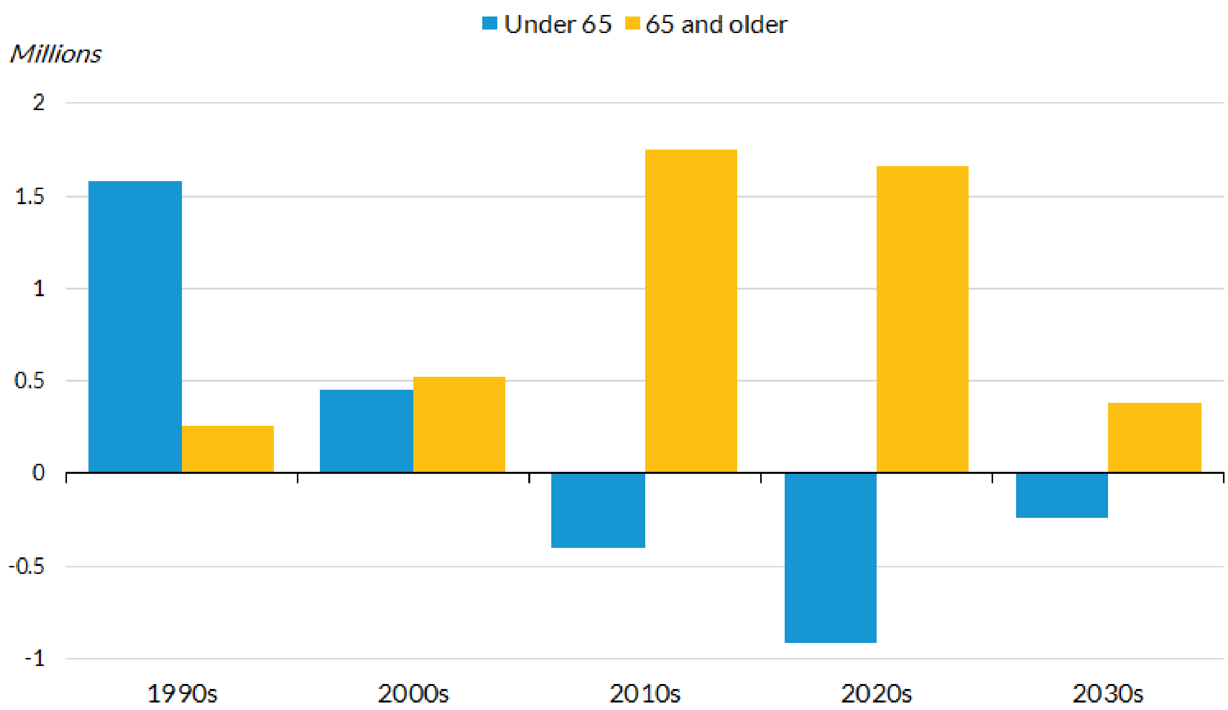
Report: The Future of Rural Housing

Rolf Pendall, Laurie Goodman, Jun Zhu, and Amanda Gold | October 20, 2016

Looking at the future of rural counties, Urban researchers find slow population growth rates: between 2020 and 2030, rural populations are projected to increase only 1 percent, compared with 8 percent in urban areas. Further, rural populations are aging faster than those in urban areas. Rural households will remain predominantly white, not becoming as diverse as the nation was in 1990 until 2030.

FIGURE 24

Population Change by Age Group in Rural Communities



Source: "People and homes are aging quickly in our rural communities."
Note: Numbers for the 2020s and 2030s are Urban Institute projections.

The slow-growing and aging population in these regions will put stress on rural housing demand and on government services like transportation and health care.

Moreover, the growing senior population may shift the income distribution downward in many rural counties, also affecting limited government resources.

Urban Wire post: People and homes are aging quickly in our rural communities

Rolf Pendall, Laurie Goodman, Jun Zhu, and Amanda Gold | October 19, 2016

An accompanying blog post highlights four changes governments can make to address these looming challenges:

1. Increase construction labor force training.
2. Ensure capital is available for housing rehabilitation and not just new construction.
3. Encourage seniors to move to smaller, newer homes.

4. Expand home equity programs.

Report: The Cost of Segregation

Gregory Acs, Rolf Pendall, Mark Treskon, and Amy Khare | March 28, 2017

This report examines economic and racial segregation, which both vary across the country and do not always correlate. For example, New York City has the most economic segregation, but it is not a leader in racial segregation. Alternatively, Reading, Pennsylvania has little economic segregation but ranks high in racial segregation. Urban analyzed the 100 most populous commuting zones (which are similar to metropolitan areas) between 1990 and 2010, focusing on Chicago as a case study.

Researchers find that higher levels of economic segregation impede the economic progress of a region's residents, and especially its black residents. Higher levels of black-white segregation are likewise associated with lower black per capita income and lower levels of four-year college degree attainment for both blacks and whites, and higher homicide rates.

Urban Wire post: **Less segregated communities aren't only more inclusive. They're more prosperous**

Mark Treskon | March 27, 2017

Housing Policy

Report: Taking Stock of the Community Development Block Grant

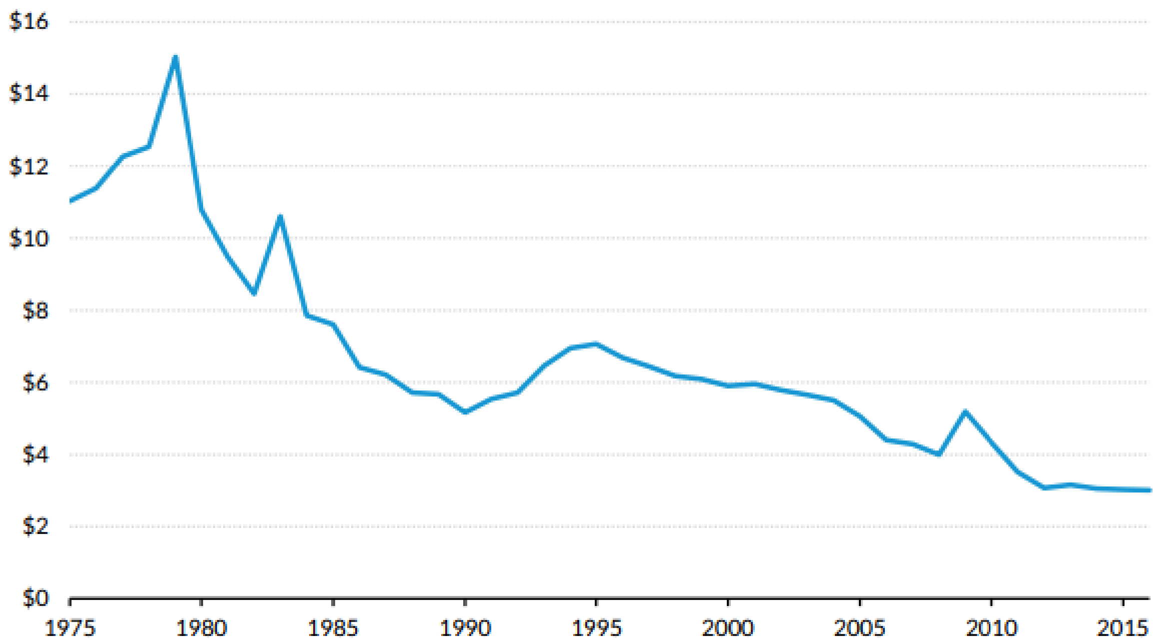
Brett Theodos, Christina Plerhoples Stacy, Helen Ho | April 13, 2017

The Community Development Block Grant, which provides federal funds to state and local grantees, is one of the country's most important programs for advancing community and economic development. But funding for the program has declined in recent years, leading the US Department of Housing and Urban Development to recognize the need changes. This brief introduces and answers eight key questions about the design and implementation of Community Development Block Grant and provides recommendations for improvement for each issue.

FIGURE 25

Declining Community Development Block Grant Funding

Dollars (2016 billions)



Source: *Taking Stock of the Community Development Block Grant.*

Urban Wire post: We need to know more about block grant programs to improve them

Brett Theodos and Christina Plerhoples Stacy | April 12, 2017

Urban Wire post: Four ideas for strengthening the finances of community development financial institutions

Ellen Seidman, Brett Theodos, and Sameera Fazili | November 14, 2016

Report: Revitalizing Neighborhoods

Rolf Pendall, Leah Hendey, Margery Austin Turner, and Erika C. Poethig | October 26, 2016

This report focuses on the federal government's efforts to improve neighborhoods, but chief among the recommendations is engaging state stakeholders. For example, the authors suggest the Department of Housing and Urban Development could coordinate with state agencies to maximize the joint impact of federal and state capacity-building investments or to have states use revenue from the National Housing Trust Fund to boost investment in housing for low-income households. Further, states could partner with local governments on Promise Zone initiatives, in which state governments sponsor grant competitions for revitalization programs without federal action.

Urban Wire post: Moving to Work expansion provides an opportunity to test new models of rental assistance

Josh Leopold and Mary K. Cunningham | October 4, 2016

Absent a significant increase in federal vouchers, public housing authorities are trying to figure out how to do more with less. The expansion of Moving to Work, which gives public housing authorities greater flexibility to adjust policies, provides an opportunity to experiment with different models of "shallow subsidies."

Collection: The State of Low- and Middle-Income Housing

Diana Elliott, Tanaya Srini, Shiva Kooragayala and Carl Hedman | March 2017

Reports on **Miami, Florida** and **Denver, Colorado** describe how households that do not typically qualify for federal housing subsidies (i.e., those with income ranging from 50 to 120 percent of the area median income) are faring in rapidly changing cities. Along with extensive data on these areas' demographics, economics, and housing, the reports examine how state and local policy affect the local context of affordable housing and could be modified to create and preserve affordability for these households in the future. A third report, focusing on Austin, Texas, will be published in October 2017.

Collection: The Cost of Eviction and Unpaid Bills of Financially Insecure Families for City Budgets

Diana Elliott and Emma Cancian Kalish | January 25, 2017

When families have little or no savings and their income or expenses are disrupted, bills may be missed and consequences such as eviction may result. Urban assessed the costs incurred to a city when financially insecure residents (those with less than $2,000 in savings) are evicted or cannot pay their property taxes or utility bills. Authors examined Chicago, Illinois; Columbus, Ohio; Dallas, Texas; Houston, Texas; Los Angeles, California; Miami, Florida; New Orleans, Louisiana; New York, New York; San Francisco, California, and Seattle, Washington.

Costs to city governments ranged from a low of $8 million in New Orleans to a high of $646 million in New York (every city was given a range of possible costs). The study used national- and city-level data, including data from the US Census Bureau, the Bureau of Labor Statistics, and city budget estimates.

Interactive Data Feature: State Economic Monitor: Housing

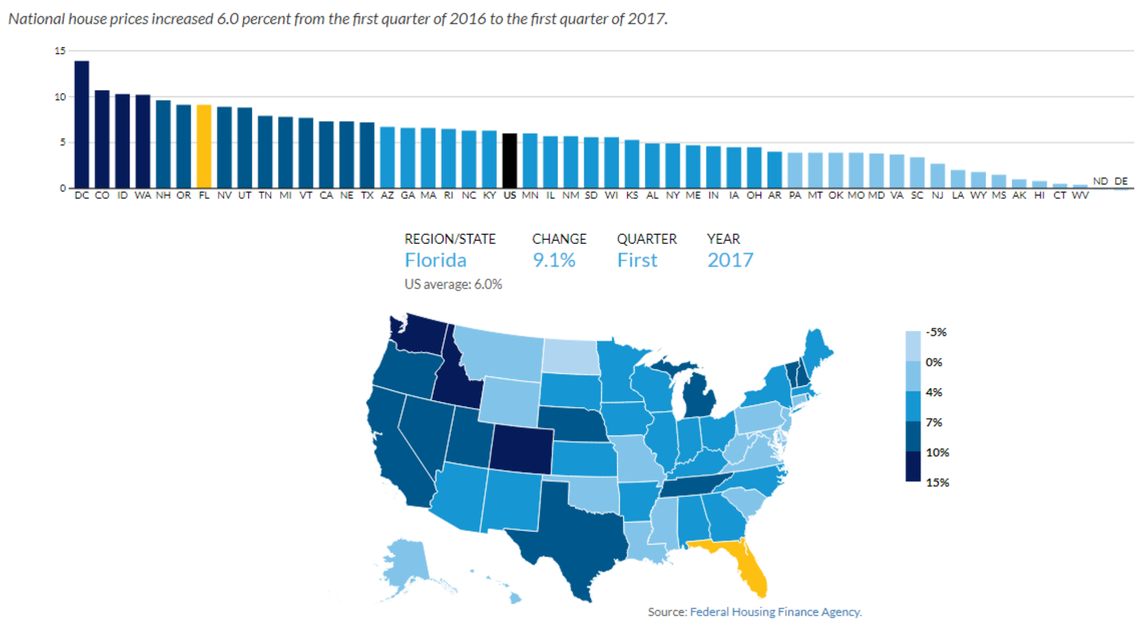
2017

Urban's State Economic Monitor's housing page displays interactive house price data from the Federal Housing Finance Agency. Updated every quarter, the page presents each state's housing price changes over the past year and its prices compared with the national housing peak before the Great Recession (the first quarter of 2007).

FIGURE 26

National and State House Prices, Quarter 1 2016 to Quarter 1 2017

Percent change



Source: State Economic Monitor.

Collection: Housing Finance at a Glance: A Monthly Chartbook

2017

Urban's reference guide for mortgage and housing market data. Updated monthly, it includes analyses and figures describing housing credit availability, first-time homebuyer share, government-sponsored entity portfolios, and the latest agency and nonagency issuance activities.

Interactive Data Feature: A new view of the housing boom and bust

2017

Interactive maps show users how variation in the housing market over the past decade has affected different communities.

Additional Reading

Report: How Much House Do Americans Really Own? Measuring America's Accessible Housing Wealth by Geography and Age

Wei Li and Laurie Goodman | July 14, 2016

Report: The Lasting Impact of Foreclosures and Negative Public Records

Wei Li, Laurie Goodman, and Denise Bonsu | November 1, 2016

Urban Wire post: What rural communities stand to lose from proposed housing budget cuts

Corianne Scally | April 9, 2017

Urban Wire post: Cuts to USDA's Rural Development Agency are a blow to rural America

Corianne Scally | May 25, 2017

Urban Wire post: Proposed cuts to public housing threaten a repeat of the 1980s' housing crisis

Susan J. Popkin | May 31, 2017

Immigration

More than 40 million immigrants now reside in the United States, accounting for 13 percent of the population. As of 2013, adult immigrants as a share of state populations ranged from 1 percent in West Virginia to 35 percent in California. Immigrants are 20 percent or more of the adult population in California, Hawaii, Florida, Nevada, New Jersey, New York, and Texas. In 2014, children of immigrants accounted for nearly one-quarter of all US children.

How are these populations affecting states and their governments? The National Academies of Sciences, Engineering, and Medicine (NAS) commissioned a panel of experts to study this and other related issues and in 2016 released ***The Economic and Fiscal Consequences of Immigration***. Urban researchers contributed to the report and later published a follow-up brief on its findings regarding state finance.

Meanwhile other Urban researchers have examined how immigrants are affecting the nation's demographic trends, labor force, and policy decisions.

State Finance

Report: State and Local Fiscal Effects of Immigration

Kim S. Rueben and Sarah Gault | June 5, 2017

Immigrants spend and receive government funds in roughly the same pattern as native-born Americans: they benefit the federal government but burden state and local governments. This pattern has more do with the federal government's progressive income tax and the services delivered by states and localities (specifically education) than demographics. However, immigrants are costlier to state and local governments than the native population because they have more children (0.52 dependent children versus 0.36 dependent children per adult, respectively) who need state and local education resources.

Importantly, all calculations of fiscal costs depend on how such costs are allocated. If the costs of government spending, including public goods, are allocated to all people equally, immigrant adults are costlier to state and local budgets than native adults, with almost $3,000 more spent per adult (when the costs of children are assigned to their parents). If immigrants are not assigned a share of these costs and only assigned marginal costs (spending that increase with each additional person, such as for education and health care), the gap drops to $450.

Results vary by state under both scenarios, mostly because of tax systems. States that do not collect income taxes, such as Florida and Texas, place a relatively high burden on low-income residents and thus many immigrants. Although the overall tax bill is lower in these states, immigrants pay a considerably higher portion of their income in state taxes than do native-born Americans.

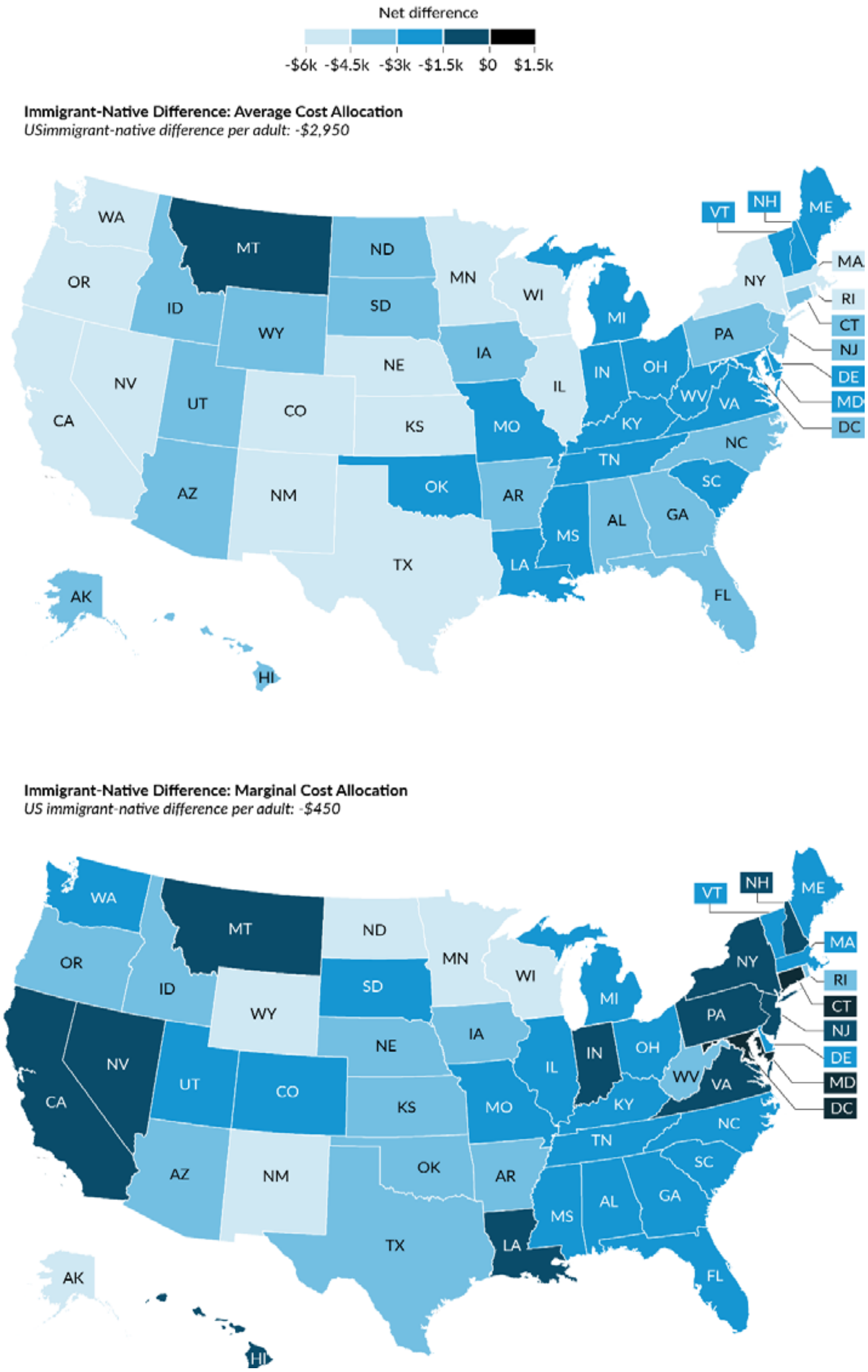
Further, these are static estimates. In such a snapshot, families with children are costlier to state and local governments. But children grow up and contribute to governments. As highlighted in the larger NAS report, the children of immigrants were the most positive fiscal contributors to most states' fiscal health in their adult years.

Urban Wire post: What do immigrants cost state and local governments?

Kim S. Rueben and Sarah Gault | June 6, 2017

FIGURE 27

Difference in Net Fiscal Impact between Immigrants and Natives using Average versus Marginal Cost Allocations, by State



Source: *State and Local Fiscal Effects of Immigration.*

TaxVox post: What immigration means for our economic and fiscal future

Kim S. Rueben | September 26, 2016

The NAS report also discusses how immigrants are critical to filling the looming gap in the workforce created by retiring baby boomers.

Urban Wire post: Ending DACA removes protection and opportunities but not accomplishments and dreams

Audrey Singer and Charmaine Runes | September 5, 2017

Considering that many DACA recipients have obtained degrees and well-paying jobs, many educational institutions and businesses may be forced to turn away current members of their community or turn a blind eye to the law.

Labor Force and Demographic Trends

Urban Wire post: Labor force growth increasingly depends on immigrants and their children

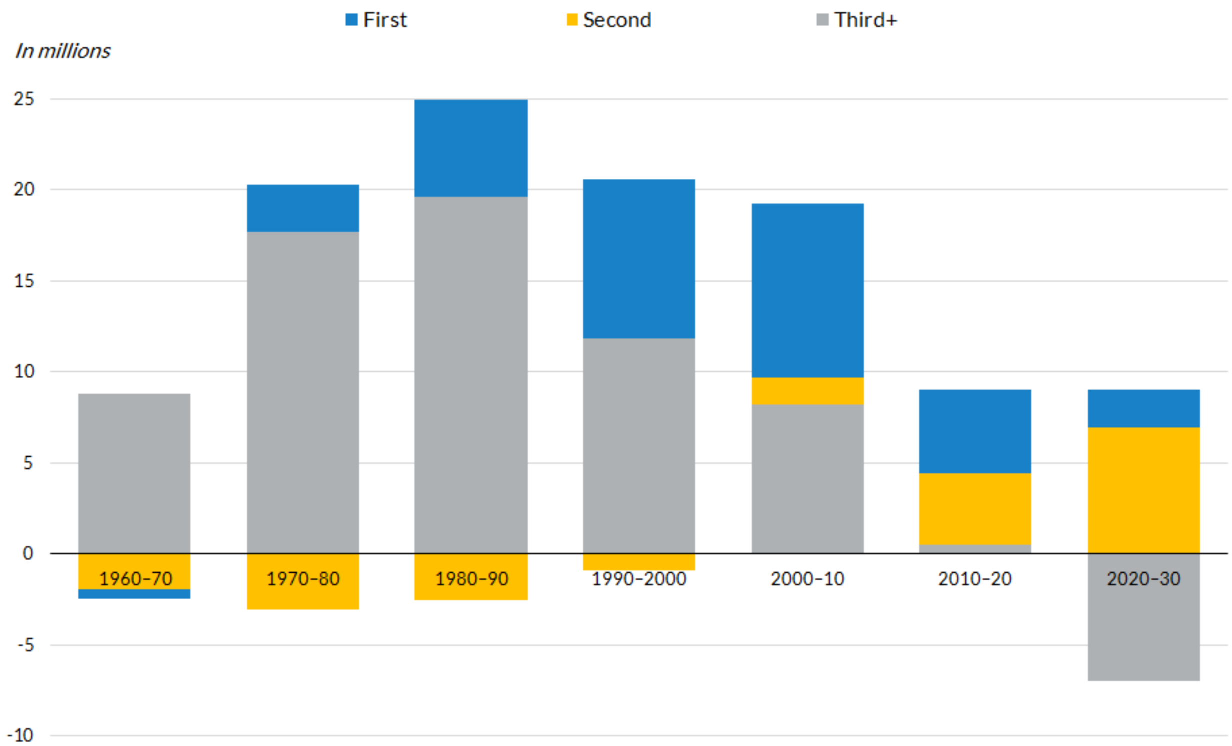
Audrey Singer and Dowell Myers | September 29, 2016

Until 2000, native-born Americans were the majority contributors to workforce growth. But after that year, trends began to shift. Immigrant workers and their adult children contribute to workforce growth more their US-born counterparts.

FIGURE 28

Net Change in Working-Age Population, by Decade and Immigrant Generation

Millions



Source: "Labor force growth increasingly depends on immigrants and their children."

In fact, the number of US-born workers is projected to *decline* 7 million in the coming decade as more exit the labor force for retirement than young people enter. In past decades, immigrants made up for the shrinking growth of native workers, but immigration growth is projected to shrink in the future.

Interactive Data Feature: Visualizing Trends for Children of Immigrants

Devlin Hanson, Tyler Woods, Karina Fortuny, and Margaret Simms| Updated October 2016

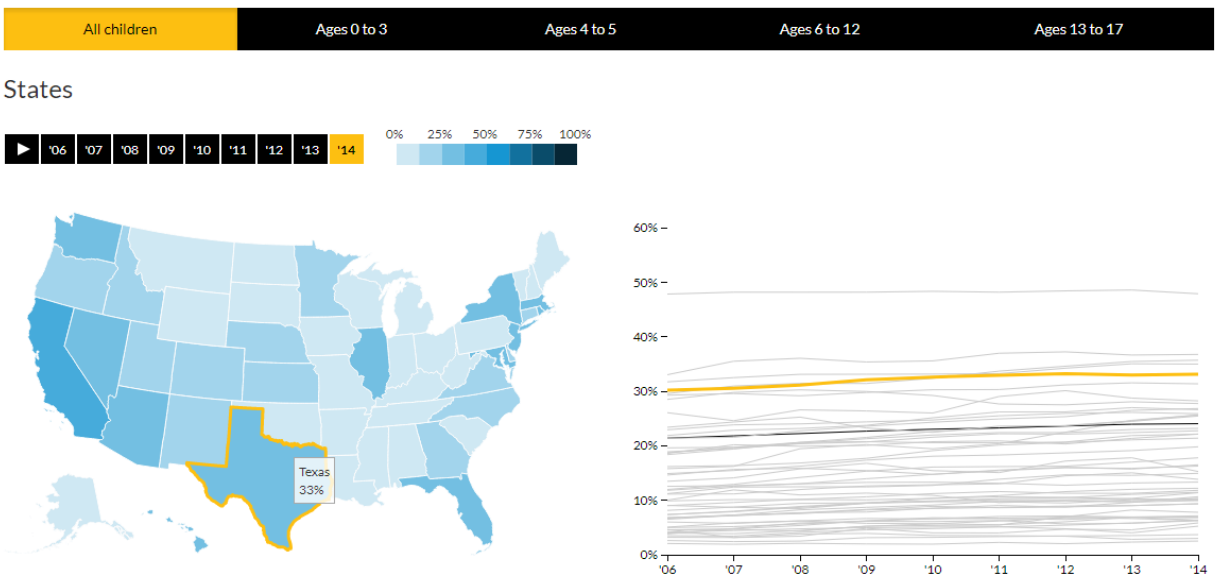
In 2014, children of immigrants accounted for nearly one-quarter of all US children. The increase in the number of children of immigrants is responsible for all population growth among US children from 2006 to 2014.

This interactive data tool presents maps and charts that use data from the American Community Survey to describe the characteristics of children of immigrants and their families and how these characteristics have changed over the years.

View data on the share of children with immigrant parents (shown in the figure below), parents' country of origin, citizenship, education of children, education of parents, English proficiency of children, English proficiency of parents, number of children in household, number of parents in household, and income and benefits (e.g., the share with family incomes below the federal poverty level).

FIGURE 29

Share of Children with Immigrant Parents in Texas, 2014



Source: "Visualizing Trends for Children of Immigrants."

Urban Wire post: Building America: The immigrant construction workforce

Carlos Martin | November 16, 2016

Construction work has long played a critical role for the immigrant community as a fundamental employer, a skill-building opportunity, and a source of entrepreneurialism. Nine percent of foreign-born workers in the United States work in construction and extraction occupations. Over 15 percent of immigrant men work in construction, making it the sector with highest employment of immigrant men.

Immigrants and State Policy Decisions

Interactive Data: State Immigration Policy Resource

Julia Gelatt, Hamutal Bernstein, and Heather Koball | May 4, 2017

Although the federal government regulates immigration, states have wide latitude to develop policies to complement or counter federal laws. This has led to a patchwork of policy interactions that shape the lives of legal and unauthorized immigrants and their children across the country.

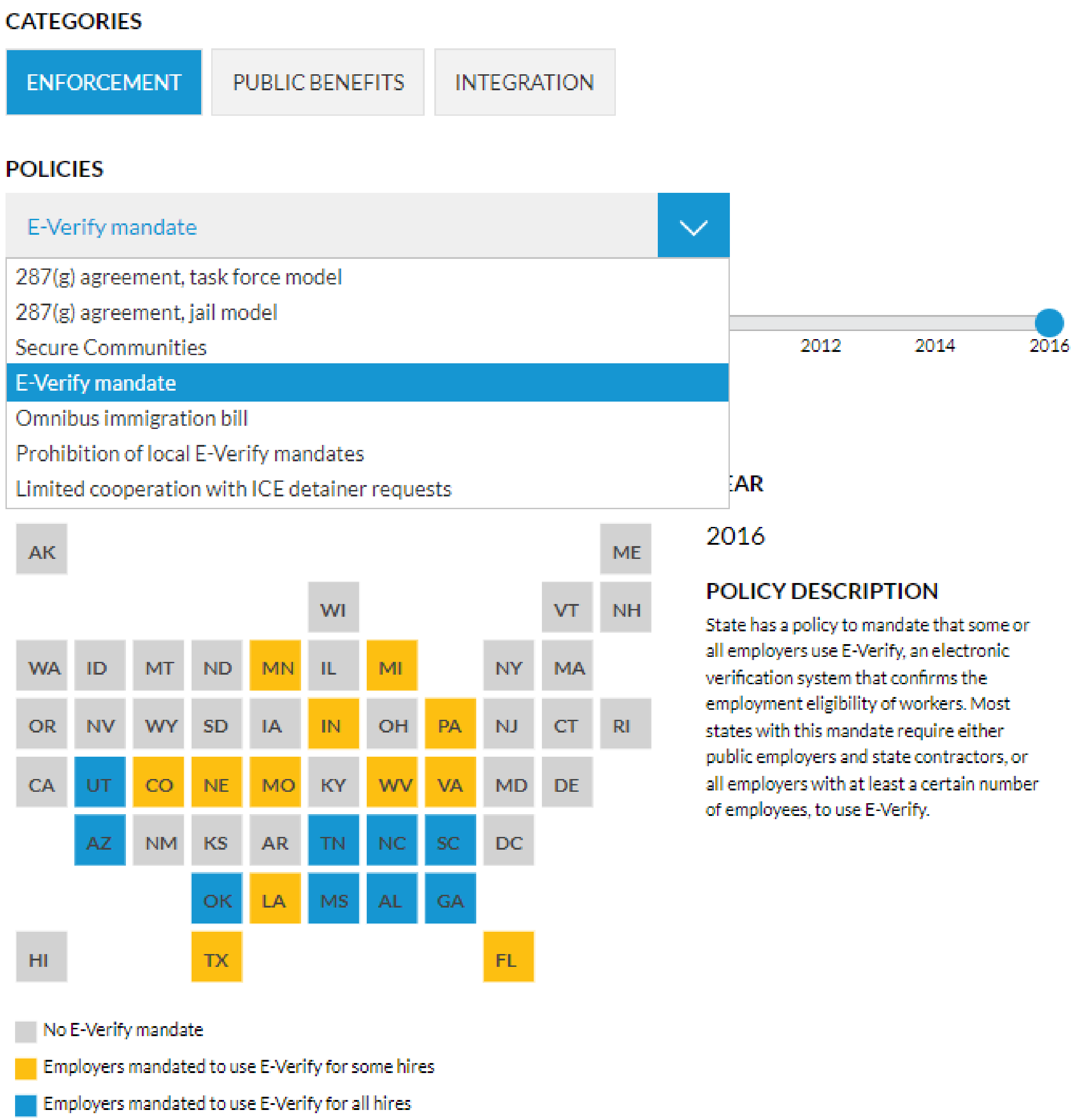
To illustrate this variation, Urban's State Immigration Policy Resource compiles state-level immigrant and immigration policies from 2000 to 2016 for three major areas: enforcement, public benefit access, and integration.

The tool captures the many ways that states can structure their policies, such as by implementing e-verify mandates that require employers to verify the employment eligibility of their employees, policies to fill in health insurance coverage gaps, or efforts to improve access to higher education.

A related report, ***State Immigration Enforcement Polices: How They Impact Low-Income Households***, shows how state policy choices can affect the well-being of US households. Both legal and unauthorized low-income immigrant households with children suffered increased material hardship as states increased immigration enforcement efforts.

FIGURE 30

Number of States Requiring an E-Verify Mandate, 2016



Source: State Immigration Policy Resource.

Urban Wire post: Blocking funds to sanctuary cities could hurt all Americans

Solomon Greene, Audrey Singer, and Tanaya Srini | January 27, 2016

Economic Development

Every government attempts to both lure businesses to its state and grow existing firms, ultimately aiming to offer better jobs, provide higher wages, and collect more tax revenue. Governments use many policies for these ends, including tax incentives, cash grants, workforce training, and development and maintenance of reliable infrastructure. But what works?

The **State Economic Development Strategies Toolkit** presents a collection of Tax Policy Center and Urban Institute research on this topic and is a great resource for all government officials, business partners, and advocates working on such projects. The toolkit page hosts all the reports and briefs published on economic development as well as several relevant blog posts and interactive data tools.

And for anyone who needs a quick briefing before walking into a meeting, Urban scholars have also posted **six fact sheets** that explain economic development terms and concepts in two-page memos.

The economic development research, highlighted below, focuses on four topics:

- Defining and financing economic development
- Evaluating economic development policies
- Workforce and economic development
- Taxes and economic development

Defining and Financing Economic Development

Report: State Economic Development Strategies

Norton Francis and Megan Randall | April 24, 2017

The principal research report in the toolkit stresses the importance of coordinating investments across agencies, interagency communications, program evaluation, and long-term planning. State policymakers often have grand plans for economic development, but resources are scarce, so targeting them is critical. Further, most evidence shows that government actions are not the primary driver of firm siting and operation decisions.

The report defines three key economic development strategies:

1. Investments targeted at businesses (e.g., tax incentives)
2. Investments in the workforce (e.g., job training)
3. Investments in the broader community (e.g., infrastructure improvements)

The report also advises states on implementing evaluation methods and encouraging transparency so that governments can learn what works and how to better spend public dollars that encourage job and wage growth.

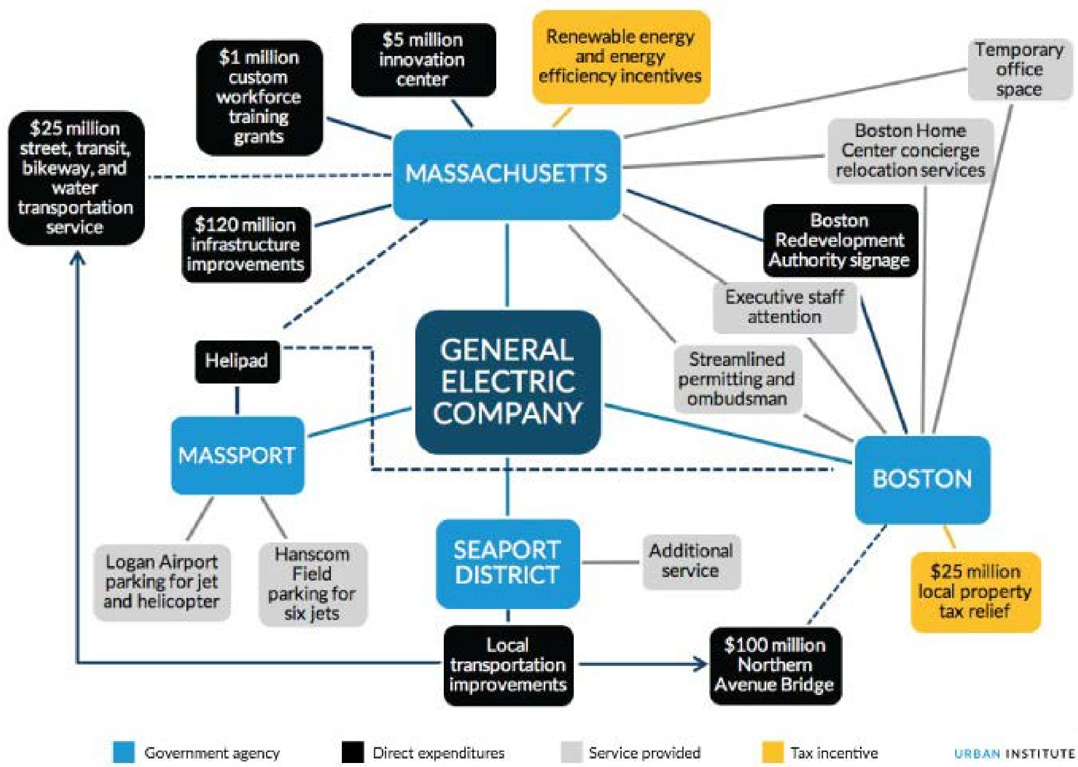
Urban Wire post: Massachusetts gave GE a "mega-deal" to move, but did it matter?

Megan Randall | May 8, 2017

General Electric decided to relocate its headquarters from Fairfield, Connecticut, to Boston, Massachusetts, last year. To convince GE to make the move, state government agencies and the city of Boston collaborated to offer the company millions of dollars in incentives, including special access to Logan International Airport and assistance for GE workers relocating to Boston.

FIGURE 31

Incentives Offered to General Electric for 2016 Headquarters Relocation



Source: "Massachusetts gave GE a "mega-deal" to move, but did it matter?".

Urban Wire post: **Three questions policymakers should be asking about the Foxconn megadeal**

Megan Randall | August 1, 2017

The Foxconn megadeal would purportedly bring 13,000 jobs and $10 billion in capital investment to Wisconsin. At $200 million to $250 million per year in public incentives, the state is averaging a cost of $15,000 to $19,000 per job annually—over six times the national average of $2,457 per job for an average incentive package. Given this high cost per job as well as forgone infrastructure investments and workforce initiatives, it is worth asking whether these deals really make sense for states or the country.

Brief: **What Do State Economic Agencies Do?**

Norton Francis | July 27, 2016

States spend billions of dollars every year on economic development activities that range from recruiting new businesses to helping local businesses expand. Who manages this money? State economic development agencies (EDAs) are government agencies, departments, or government-supported nonprofits that coordinate and implement states' economic development efforts. This brief explains how different states are implementing their strategies, the role of the EDAs, and why transparently reporting both good and bad outcomes is critical for allowing policymakers to adjust resources and approaches.

Evaluating Economic Development Policies

Report: **The Synthetic Control Method as a Tool to Understand State Policy**

Robert McClelland and Sarah Gault | March 29, 2017

One increasingly popular method for state policy evaluation is the synthetic control method. The method synthesizes a control state by using a weighted sum of donor regions chosen from a pool of potential candidates. This allows researchers to compare the policy outcomes in a real state with the outcomes in a hypothetical state that did not enact the policy. The researchers provide a case study on an analysis of how California's tobacco tax increase affected the purchase of cigarettes.

This report provides a step-by-step guidance for its application, and explores its benefits and potential problems.

Workforce and Economic Development

Working paper: State Workforce and Economic Development Collaboration

Lauren Eyster and Amanda Briggs | November, 29 2016

Workforce development initiatives seek to connect firms with skilled labor while giving workers the opportunity to obtain jobs with good benefits and sustaining wages. States should align their workforce and economic development activities to support the mutual goal of economic prosperity. The disconnect in coordination between workforce development and economic development agencies may be caused by differences in state agency structures, differences in perspectives on workforce and economic development goals and activities, differences in funding streams, or differences in performance measurement and metrics of success.

The report explores four strategies for fostering collaboration among employers and agencies within states:

1. Supporting collaboration between employers and education providers to build workers' skills
2. Developing sector strategies for joint planning and programming
3. Coordinating funding to achieve workforce and economic development goals
4. Using technology and data to connect employers and the workforce

Urban's researchers also contacted state experts and reported case studies from Arkansas, California, Maryland, Mississippi, Nevada, and Pennsylvania to document how this collaboration was achieved through joint planning and programming, policy, funding, and data sharing.

For example, a Maryland program (Employment Advancement Right Now) was created in 2013 in response to a need to serve employers who were struggling to find qualified entry-level workers and expressed a need to upskill incumbent workers. A grant administrator commented the program helped businesses and nonprofits see "the value of collaborating with other agencies with whom they traditionally work in silos to meet their workforce needs." As of November 2016, the program had awarded $7.4 million (out of the state's general fund) across 40 partnership grantees.

Taxes and Economic Development

States invest in business assistance through the tax code to attract firms and help them succeed. Tax policy is an alluring economic development tool for politicians because it can appear in the short term to generate jobs and attract firms.

Brief: Investments in the Marketplace: How States Help Businesses Succeed

Norton Francis and Megan Randall | April 24, 2017

The estimated value of annual state and local economic development tax incentives is $45 billion. But tax incentives aren't the only (or the most effective) way states invest in their business marketplace. This fact sheet explains the different incentives and assistance programs that governments use.

Brief: How State Tax Commissions Approach Economic Development

Richard C. Auxier | October 16, 2017

Some states dedicate entire tax commissions toward finding the right tax formula for economic growth. Typically, the creators of the commissions get the answer they wanted at the outset: tax cuts.

Of the 27 commission reports analyzed, 18 recommended reducing (or eliminating) the state's corporate income tax and 15 recommended reducing individual income taxes. However, these state tax reports too often contain little exploration or explanation on how taxes and economic development are (or are not) linked. This is a missed opportunity.

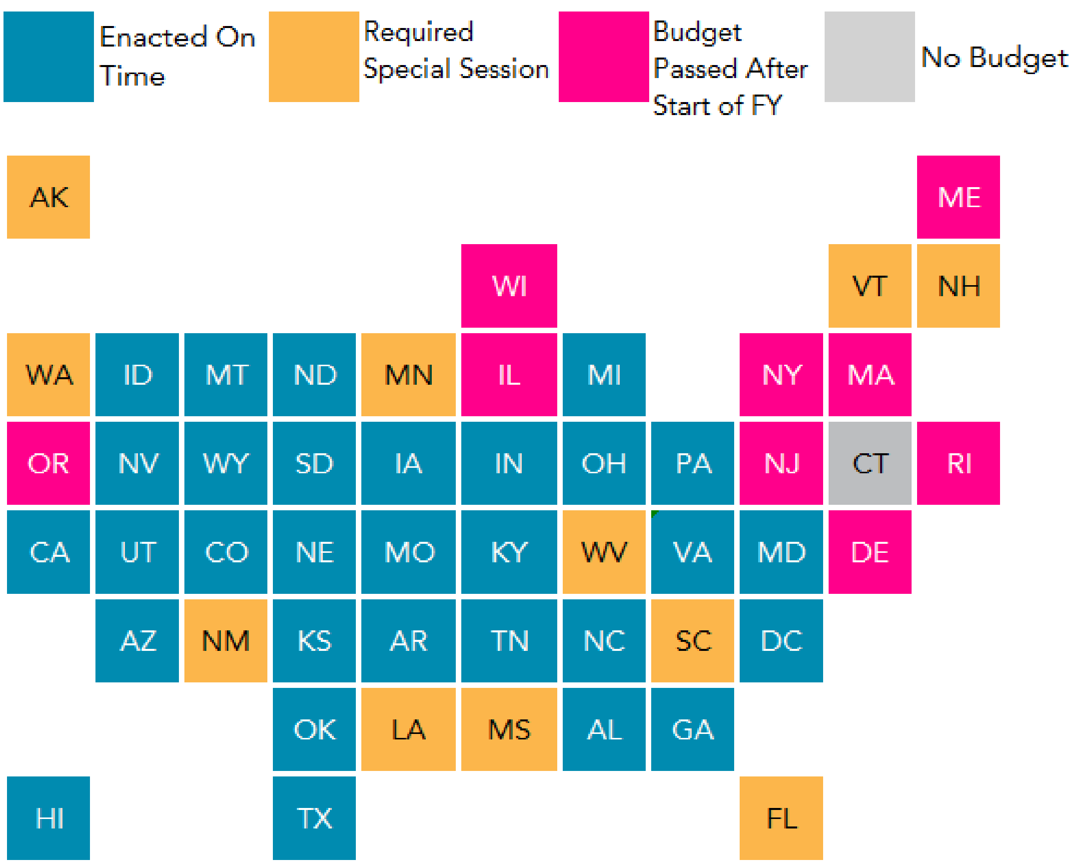
State Budgets and Taxes

While the nation was fixated on the politics in Washington, much of the year's policy action took place in state capitals. Many states struggled with lower-than-expected revenues: the National Association of State Budget Officers reported that 33 states saw fiscal year 2017 general fund revenues come in below original forecasts. With less money than anticipated and the growing costs of some services, many state legislatures were forced to make tough budget cuts and pass large tax hikes.

Consequently, passing a budget on time was all the more challenging for state legislatures this year. According to the National Conference of State Legislatures, 10 states failed to pass budgets by the start of their fiscal year, and two of those states had not done so as of this compendium's publication. Twelve more (including two that passed late budgets) needed special sessions to finish the job.

FIGURE 32

Fiscal Year 2018 Budget Status



Source: "Don't laugh at Illinois, your state could be next."

Note: Kentucky, Virginia, and Wyoming passed biennial budgets last year. New York and Illinois passed late budgets and required special sessions.

Urban produced several publications that put these evolving budget dynamics in context. Researchers' largest effort was an interactive data tool breaking down the drivers behind state spending.

State Budgets

Interactive Data Feature: What everyone should know about their state's budget

Tracy Gordon and John Iselin| January 26, 2017

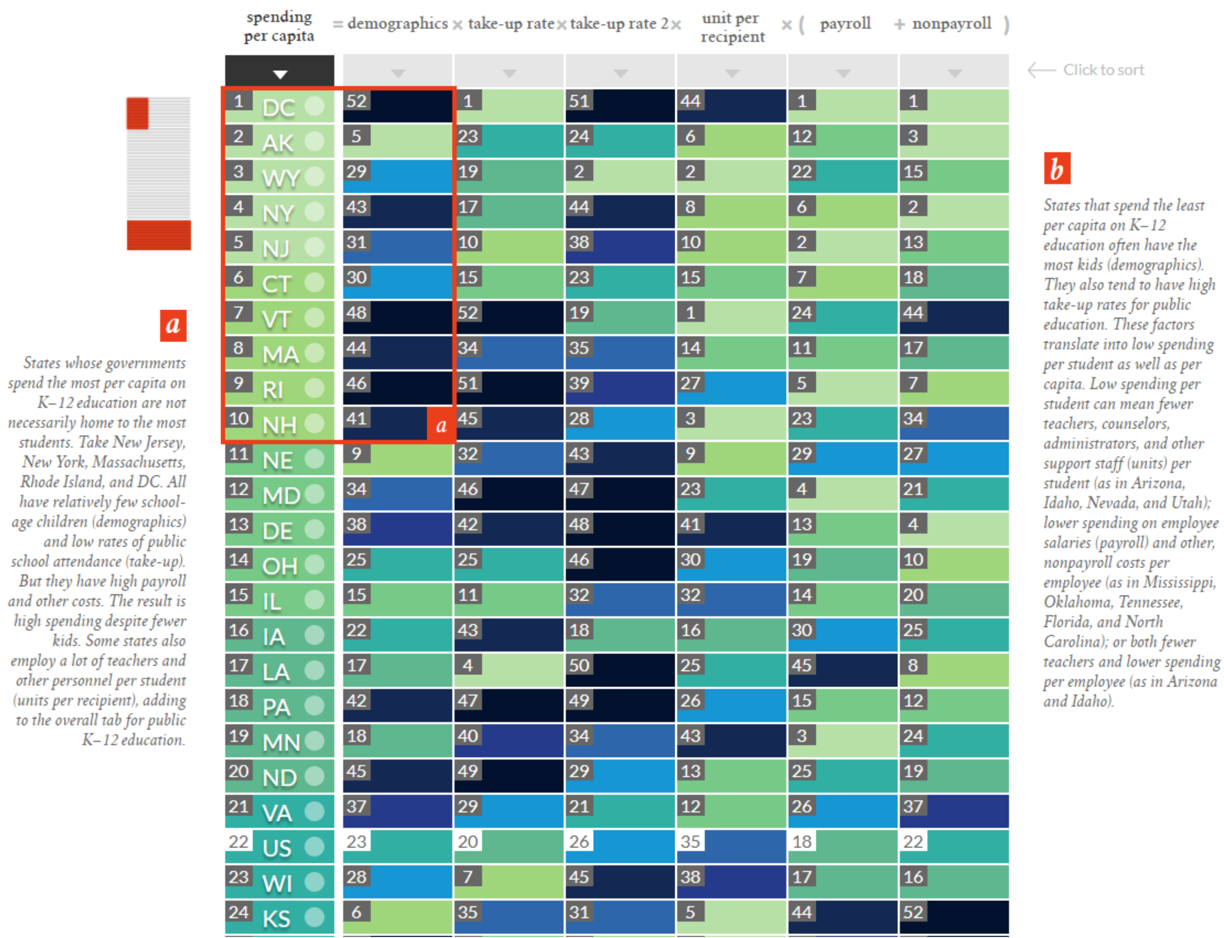
Where does your state rank in spending on particular government services? And what factors are driving that spending?

Urban's interactive budget tool breaks down spending per capita in each state so users can see how many people get a specific service and how much state and local governments spend per recipient. It also provides information about human resources devoted to programs—the ratio of staff to participants of a program, and how much states and localities spend on salaries versus everything else.

The tool also reports outcomes or what taxpayers get for their money. Data are available for all states and the District of Columbia and across all major functional categories: K-12 education, higher education, transportation, public safety, Medicaid, social programs, housing and environment, and administration.

FIGURE 33

Breakdown of State Spending on K–12 Education



spending per capita		demographics	take-up rate	take-up rate 2	unit per recipient	payroll	nonpayroll
1	DC	52	1	51	44	1	1
2	AK	5	23	24	6	12	3
3	WY	29	19	2	2	22	15
4	NY	43	17	44	8	6	2
5	NJ	31	10	38	10	2	13
6	CT	30	15	23	15	7	18
7	VT	48	52	19	1	24	44
8	MA	44	34	35	14	11	17
9	RI	46	51	39	27	5	7
10	NH	41	45	28	3	23	34
11	NE	9	32	43	9	29	27
12	MD	34	46	47	23	4	21
13	DE	38	42	48	41	13	4
14	OH	25	25	46	30	19	10
15	IL	15	11	32	32	14	20
16	IA	22	43	18	16	30	25
17	LA	17	4	50	25	45	8
18	PA	42	47	49	26	15	12
19	MN	18	40	34	43	3	24
20	ND	45	49	29	13	25	19
21	VA	37	29	21	12	26	37
22	US	23	20	26	35	18	22
23	WI	28	7	45	38	17	16
24	KS	6	35	31	5	44	52

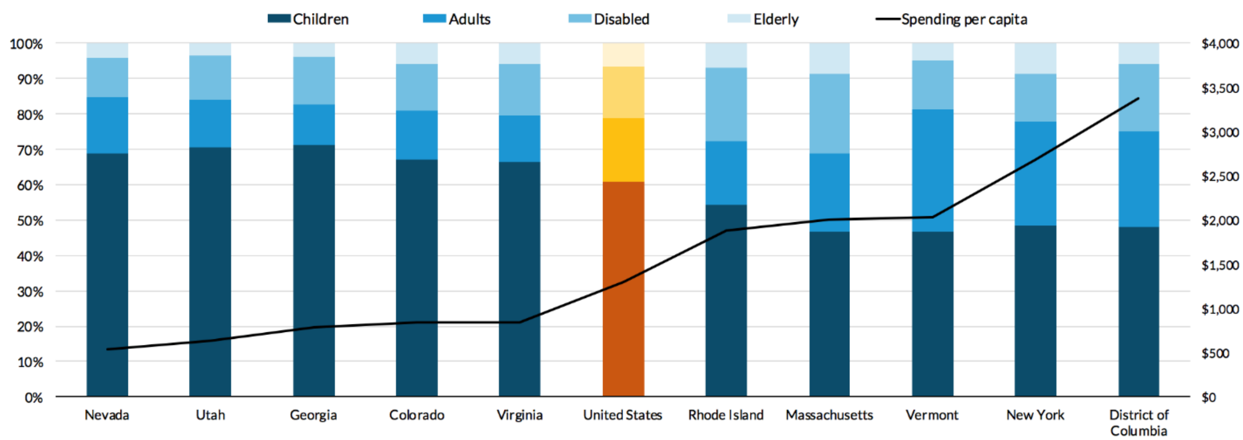
Source: "What everyone should know about their state's budget."

Charts within the rankings draw from supplementary data to help further explain spending. For example, the chart below shows that states with low spending per capita on Medicaid have a higher percentage of children receiving Medicaid. This limits spending because children are relatively inexpensive to cover, so spending per recipient and per capita is low in these states.

FIGURE 34

Medicaid Recipients by Subgroup and Spending per Capita

Top and bottom five states plus US overall, by percentage of recipients and spending per capita



Source: "What everyone should know about their state's budget."

The tool does not judge whether any state should be more like another. Rather, it shows how and why states make choices within their financial and demographic constraints. Just as with personal finance, a state that spends more in one area will have less for other priorities, unless it brings in more revenue.

TaxVox post: A new tool to get under the hood of state and local budget choices

Tracy Gordon | January 27, 2017

TaxVox post: Don't laugh at Illinois, your state could be next

Richard C. Auxier and Kim S. Rueben | July 10, 2017

State legislators are starting to recognize fiscal realities, including the state of the national economy and ongoing efforts to cut federal spending. Increasingly, they are taking tough but prudent votes even at the risk of defying an executive of their own party.

TaxVox post: The next recession: are the states ready?

Norton Francis | November 11, 2016

The number of states with reserves over 10 percent fell from 21 states in 2015 to 17 in 2016 and was expected to fall to 13 in 2017 late last year. This is not a good trend, especially when combined with forecasts of anemic state revenue growth despite economic growth.

TaxVox post: State revenue outlook has few bright spots

Norton Francis | November 11, 2016

Despite low unemployment and a strong stock market, state economists expect tepid economic growth over the next few years, which will lead to relatively slow revenue growth.

Interactive Data Feature: State and Local Finance Initiative Data Query System

2017

Many of the Tax Policy Center's and Urban's reports depend on Census State and Local Government Finance data. This annually updated data tool allows users to quickly access and download detailed revenue, expenditure and debt variables for the United States, each of the 50 states, and the District of Columbia, from 1977 to 2014.

The data can also be sorted by government type (state, local, state and local totals, and local government detail). Further, users can view the data along different dimensions; in real or nominal dollars; and by per capita or fraction of personal income, general revenues, or total expenditures. This tool is useful for comparative, single state, or time series analysis.

State Taxes

Report: Federal-State Income Tax Progressivity

Frank Sammartino and Norton Francis | June 29, 2016

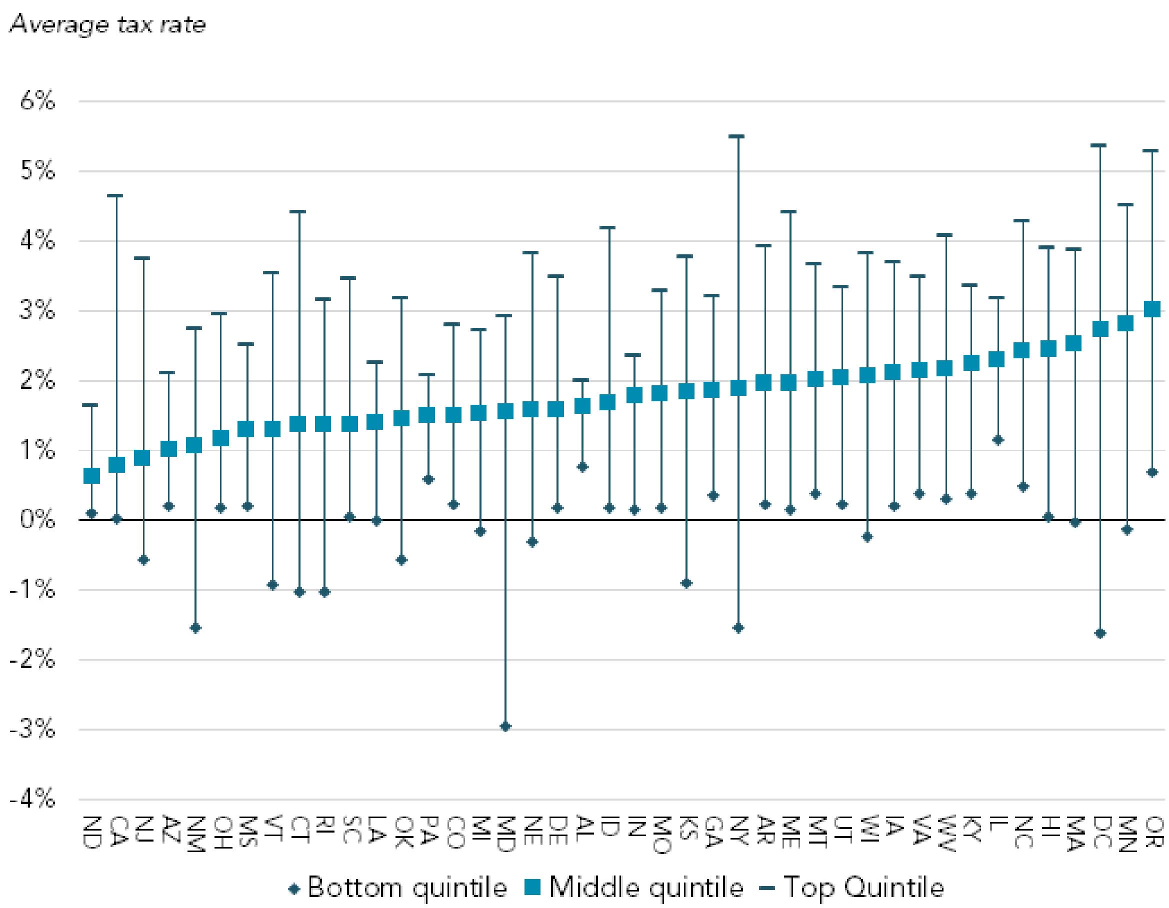
This report examines the progressivity of federal and state income taxes by using a sample of federal individual income tax returns with state representative weights. The authors find that federal income taxes are much more progressive than state income taxes: 2011 average federal individual income tax rate ranged from about -5 percent in the lowest income quintile to 13 percent in the highest income quintile and to 20 percent for the 1 percent of people with the very highest incomes. In contrast, the overall average state individual income tax rate in 2011 ranged from 0 percent for the lowest quintile to 3 percent for the highest income quintile and to just over 4 percent for the top 1 percent.

Income tax progressivity varies widely across states. The difference between the average tax rate in the lowest and highest income quintiles was smallest in Alabama (1.2 percentage points), Pennsylvania (1.5 percentage points), and North Dakota (1.5 percentage points) and greatest in New York and DC (7 percentage points).

FIGURE 35

Average State Income Tax Rates

By state and income quintile, 2011



Source: *Federal-State Income Tax Progressivity*.

Report: The Pros and Cons of Taxing Sweetened Beverages Based on Sugar Content

Norton Francis, Donald Marron, and Kim S. Rueben | December 12, 2016

Several jurisdictions have enacted taxes on soft drinks and many more are considering them. How a government should tax soda depends on its goals.

If policymakers want to reduce sugar consumption, they should tax sugar content and not drink volume. Taxes based on sugar encourage consumers to choose healthier options and may prompt manufacturers and retailers to redesign their product lineups. Focusing the tax on sugar also maximizes sugar reduction while not overburdening consumers. If jurisdictions are interested in raising revenue, however, broader taxes that include all sweetened beverages, including diet drinks, are the better option.

The brief also examines administrative questions about taxing sweetened beverages, such as collection points, legal authority, and cross-border coordination.

Brief: Tax Policy outside of the Emerald City

William G. Gale, Aaron Krupkin, and Kim S. Rueben | July 12, 2017

Kansas and other states provide some of the clearest experiments the country has ever had to assess how tax cuts affect economic growth. The policies were largely failures. Kansas's experience, in particular, offers three lessons.

First, tax cuts do not guarantee economic growth (for more, see the Tax Policy Center's 2015 report, ***The Growth Mirage: State Tax Cuts Do Not Automatically Lead to Economic Growth***). Second, special tax rates for businesses mainly generate more tax-sheltering behavior and less revenue instead of a real increase in business activity. Third, people are more willing to pay higher taxes when they can see the link between tax revenues and the societal benefits that government provides. Other states should pay attention.

TaxVox post: The Brownback Tax Cut Experiment Ends in Kansas

Howard Gleckman | June 7, 2017

In 2012, Brownback called his tax plan a "real live experiment." It appears to have failed.

Podcast: TPC's New Podcast, Taxology, Explores The Laffer Curve

July 27, 2017

Many tax-cut advocates, at the state and federal level, argue that cuts pay for themselves. Kim Rueben and Bill Gale join the Tax Policy Center's podcast to explain that many states that tried this idea, most notable Kansas, saw it "crash and burn."

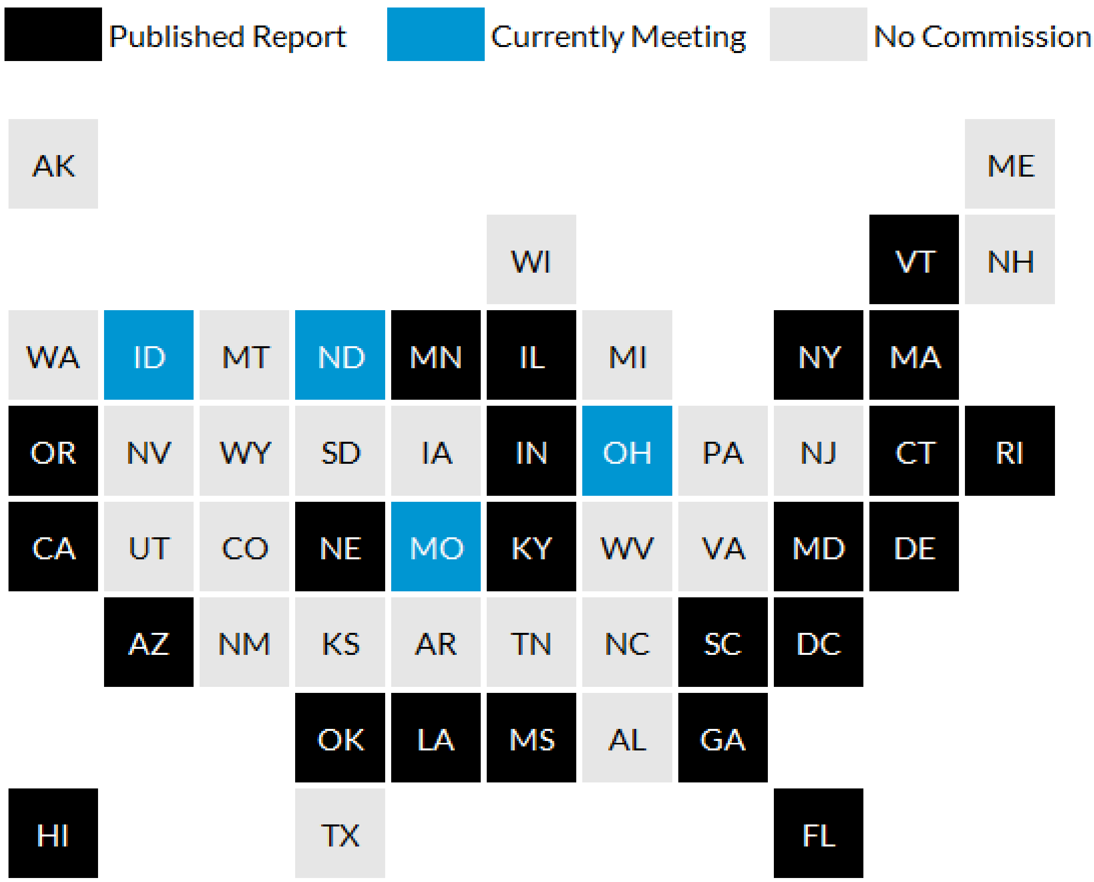
Brief: State Tax Commissions 2006–16

Richard C. Auxier | October 16, 2016

States often create special tax commissions before attempting major tax reform. From 2006 to 2016, tax commissions published reports in 22 states and the District of Columbia.

FIGURE 36

State Tax Commissions 2006–16



Source: "State Tax Commissions 2006–2016."
Note: California, Indiana, New York, and Massachusetts have each had two tax commissions publish reports since 2006.

This brief discusses who establishes commissions, who serves on commissions, who advises commissions, what commissions recommend, and if and when their reports lead to changes in state tax policy.

The most common recommendations were for corporate income tax and individual income tax cuts; eliminating income tax expenditures (typically in partnership with cuts); and broadening the sales tax base to more services.

Commission recommendations, especially those packaged as structural reform, did not often become law, with the notable exceptions of the District of Columbia's commission and Massachusetts's 2007 recommendations. But commissions that offered smaller reforms frequently saw their recommendations become law.

Further, other measures of success can be used. Good reports, typically those with politically and professionally diverse members, presented a full picture of their recommendations (both the advantages and disadvantages of their proposals) and provided specific instead of vague solutions. These reports left a roadmap for future lawmakers looking to improve their tax systems.

Interactive Data Feature: State Economic Monitor: Employment, Earnings, and Taxes

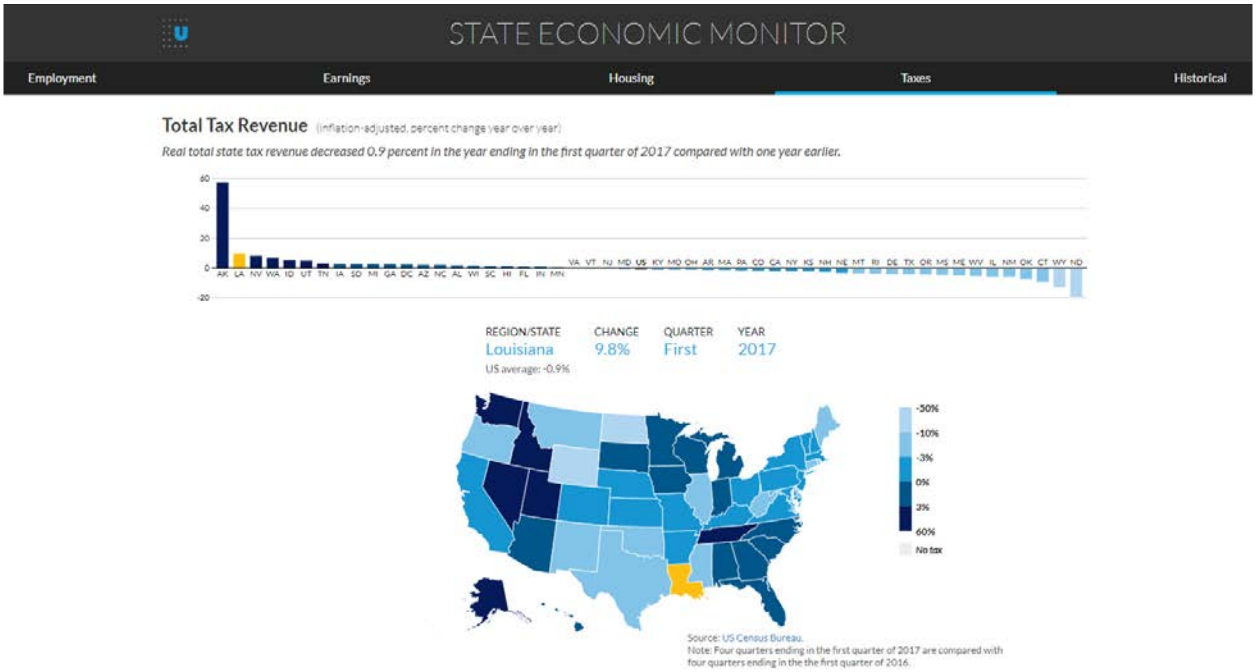
Urban's State Economic Monitor displays interactive state employment and earnings data from the Bureau of Labor Statistics (updated monthly) and state tax data from the US Census Bureau (updated quarterly).

The employment page displays each state's unemployment rate, one-year change in unemployment rate, one-year change in total employment, and one-year change in public employment. The earnings page presents average weekly earnings of private firms and one-year change in real average weekly earnings. The tax page shows real one-year changes for total tax revenue, sales tax revenue, personal income tax revenue, and corporate tax revenue. All data are available for download.

FIGURE 37

Changes in Total Tax Revenue, Quarter 1 2016 to Quarter 1 2017

Inflation-adjusted percent change



Source: State Economic Monitor (2017).

Additional Reading

TaxVox post: **Why an unusual coalition defeated Washington state's carbon tax initiative**

Megan Randal | November 14, 2016

TaxVox post: **Missouri voters were sold a bill of (taxable) goods**

Richard C. Auxier | November 16, 2016

Urban Wire post: **Do you pay sales tax on your online holiday shopping?**

Richard C. Auxier | November 28, 2016

TaxVox post: **Colorado's ballot battle over health care may be the first of many**

Kim S. Rueben | November 29, 2016

TaxVox post: **Measuring big variations in state revenue capacity**

John Iselin | January 9, 2017

Urban Wire post: **The federal government's role in minimum wage policy may be to take a backseat**

Daniel Kuehn | February 24, 2017

TaxVox post: **A Trump Crack Down on Legal Marijuana Would Hurt State Budgets**

Richard C. Auxier | April 4, 2017

TaxVox post: **A Tale of Two Tax Triggers**

Richard C. Auxier | May 17, 2016

Note

1. All state budget data not otherwise explicitly cited come from the National Association of State Budget Officers, 2016, "State Expenditure Report," Washington, DC: http://www.nasbo.org/reports-data/state-expenditure-report.

About the Editors

Richard C. Auxier is a research associate in the Urban-Brookings Tax Policy Center at the Urban Institute. His work focuses on state and local tax policy, budgets, and other finance issues. Before joining Urban, Auxier was on the staff of the DC Tax Revision Commission and helped write the commission's final report on recommendations for improving the District's tax system. He also was previously a researcher and editor at the Pew Research Center. Auxier attended the University of Maryland for his undergraduate degree and his master's degree in public policy.

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