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Economic Downturn Hits State Budgets, Affects Funding for Health Care

The combination of rising inflation and falling tax revenue is putting state budgets nationwide “under severe stress,” the *Christian Science Monitor* reports.

At least 25 states will face deficits in fiscal year 2009 with a combined budget deficit totaling at least \$39 billion, according to data compiled by the Center on Budget and Policy Priorities. CBPP’s review of state budgets found that among cuts made or being considered by states are reductions in health care programs.

For example, Gov. Arnold Schwarzenegger (R) has proposed requiring some families to pay more for coverage under Healthy Families, California’s ver-

sion of the State Children’s Health Insurance Program.

A Rockefeller Institute of Government report released on March 31 found that combined state tax revenues decreased by 4.3% in the fourth quarter of FY 2007 after accounting for the effects of inflation. According to the report, “jumps in fuel and health care and pension costs [were] big contributors,” the *Monitor* reports.

Robert Ward, deputy director of the institute, in the report said, “The result may be a squeeze on states’ ability to fund services.” Ward said, “States are experiencing a classic nutcracker effect: costs are rising sharply just as revenues falter” (Grier, *Christian Science Monitor*, 4/2).