



Sensible Solutions for State Budgets: AFSCME's 2008 State Legislative Agenda

State budget conditions are finally improved, but strong revenue growth still can't keep up with the cost of providing education, health care and other critical services. This long-term structural deficit means states can't make the investments necessary to secure the future. "Sensible Solutions for State Budgets" offers a better way to deal with these challenges.

Truth In Spending

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

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

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States need to ensure that tax exemptions are regularly reevaluated and that ineffective or overly expensive breaks are repealed.

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

Health Care

Health care costs continue to soar at rates that threaten to drain state budgets. In the continued absence of federal action on this crucial problem, states must take the lead. States should:

Help Contain Medicaid Costs. Attempts to cut Medicaid costs by broadly slashing enrollment, services, or provider payments may only put states on the line for greater uncompensated care costs, and deny them access to the federal funding stream that is part of Medicaid. Instead, states should focus on smart cost containment strategies including claims audits, disease management and pooled prescription drug purchasing. States should also enact Medicaid Disclosure, to shine a public light on large employers who enroll their workers in public health care programs at taxpayer expense.

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