



## *Truth In Spending*

State budget conditions look dire. At least half the states project moderate to severe budget challenges going into 2008. In recent years, even with strong revenue growth, states struggled to pay for education, health care and other critical services. Now, with a weakening economy and a credit crisis, states will find it even harder to make the investments necessary to secure the future. Clearly, state revenue systems need to be reformed in order to keep up with the demand for state services (see AFSCME's "State Fiscal Conditions: The Current Challenges"). On the spending side of the equation, state policymakers need to look beyond the "tip of the iceberg" that usually gets examined.

Legislative spending debates often revolve around just the "tip of the iceberg" services that are detailed each year in the budget. In fact, some big ticket items are never scrutinized because they are not publicly reported. To make sure lawmakers and taxpayers get the full picture, states should:

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

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States need to ensure these tax exemptions are regularly evaluated and that ineffective or overly expensive breaks are repealed.

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

These items together comprise almost half of total state spending. Bringing them under control would go a long way towards easing spending pressures on state budgets.

For more information on these issues, and ways to address them, see:

[www.afscme.org/budgetandtaxes](http://www.afscme.org/budgetandtaxes)