

## State government spending

Budgets in 2010 generate a fair amount of pessimism in state governments. □ Staffers from the National Governors Association (NGA) and the National Association of State Budget Officers (NASBO) forecast continued fiscal difficulties for states in their preliminary draft of the biannual "Fiscal Survey of States" report. The groups note that the severe national recession drastically reduced tax revenues from every revenue source during fiscal year 2009, and that state revenue collections are expected to continue their decline in fiscal 2010.



**Sujit  
CanagaRetna**

Sujit CanagaRetna, a fiscal analyst for the Lexington, Ky.-based Council of State Governments (CSG), told *Government Product News*: "Even though there are green shoots of growth emerging on the national economic horizon, state revenues notoriously lag the national recovery, so states are looking at a grim immediate future."

States are pursuing aggressive strategies to rejuvenate their economies and are reviewing how they can pay for government services during and after the current recession, CanagaRetna said. □ "California, Colorado, Kentucky, Nevada and West Virginia formed commissions or blue-ribbon panels to address such topics as the expansion of the state sales tax to cover services. A majority of states apply their sales tax to less than one-third of 168 potentially taxable services, even though the U.S. economy has moved away from the manufacturing sector to one dominated by the service sector," CanagaRetna said.

He noted that states also are looking at applying sales taxes more universally on Internet purchases, a tax category that has grown exponentially in recent years.



## Jaymin Patel

Many states continue to rely heavily on revenues from gaming and lotteries. "In fiscal 2009, U.S. lottery traditional sales totaled \$53.3 billion, with approximately 30 percent of total lottery revenue being directed toward key struggling state programs, including education," said Jaymin Patel, CEO of GTECH, a Providence, R.I.-based lottery and gaming technology and services provider.

Patel told *Government Product News* that many of his firm's state government customers are reporting increased revenues when comparing this year to last. He also believes lotteries can have a bigger impact on states' fiscal health. "A study commissioned by Frost & Sullivan in 2009 found that if state lotteries implement small best practice changes and continue to modernize their lotteries, the potential exists for lotteries to generate an additional \$14 billion in funding for state governments facing unprecedented budget gaps."

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