

Arkansas

Federal Policies Have Cost Arkansas \$1.5 Billion over the Past Four Years

Federal Policies Affect Arkansas Revenue and Spending Levels, 2002-2005

Cost to
Arkansas

➤	<i>Federal Tax Changes:</i> Recently enacted federal tax cuts reduce state revenue directly.	\$33 million
➤	<i>Remote Sales:</i> States cannot collect sales taxes on goods & services purchased over the Internet due to federal law and court decisions.	\$658 million
➤	<i>Internet Access:</i> States are generally prohibited from applying tax to Internet access charges.	\$34 million
➤	<i>Unfunded Mandates:</i> Federal government imposes responsibilities on states but provides insufficient funding.	\$706 million
➤	<i>Medicare/Medicaid Dual Eligibles:</i> Increased use of prescription drugs shifts costs of health care for low-income elderly from federal Medicare program to state Medicaid programs.	\$203 million
➤	<i>Federal Fiscal Relief:</i> Congress approved temporary grants in 2003.	(\$176 million)
TOTAL COST (net of fiscal relief), 2002-2005:		\$1.5 billion

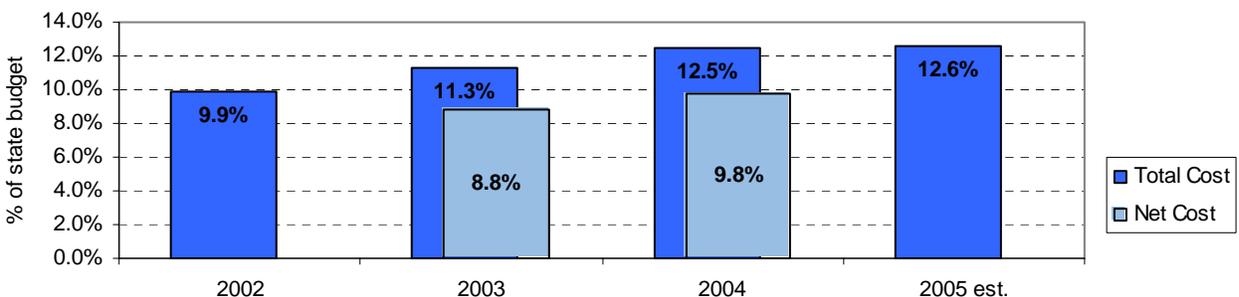
Arkansas Has Been More Affected by Federal Policies than Most States

Ranking among 50
states plus D.C.

➤	Total cost as percent of General Fund budget (2002-2005):	11.6%	7th
➤	Net cost as percent of General Fund budget, including offsetting federal fiscal relief (2002-2005):	10.4%	6th

Arkansas has been affected heavily by federal policy in part because it is the one of the poorest states in the nation. Poor states tend to have greater needs for a variety of government services and less ability to raise their own funds to pay for those services, so they are hit harder by adverse federal policies. Arkansas is also among the ten states most reliant on federal revenue, another contributing factor.

Net Cost of Federal Policy to Arkansas as a Percentage of State General Fund Budget



Source: Center on Budget and Policy Priorities, *Passing Down the Deficit: Federal Policies Contribute to the Severity of the State Fiscal Crisis*, May 12, 2004.