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By MICHAEL COOPER, New York Times
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When total state government revenues across the nation plummeted by a record-breaking 30.8 percent in 2009, the steep investment losses of pension funds proved to be an even bigger drain on state coffers than recession-battered tax collections, according to census data released Wednesday.

States reported $1.1 trillion in total revenues in 2009, down from $1.6 trillion a year earlier — the steepest drop the United States Census Bureau has reported since it began collecting data on state government finances in 1951.

Tax collections fell by $66 billion, blowing a hole in the operating budgets of many states. But the biggest losses will be felt only in the future: states reported a $477 billion decline in what the census calls "insurance trust revenue," mostly from pension funds but also from funds for unemployment insurance and workers' compensation.

It is hardly a secret that the bursting of the housing bubble and the Great Recession pummeled state finances. But the new census data, for the fiscal year that ended for most states at the end of June 2009, provides the most comprehensive view yet of the decisions states made in the year they saw their revenues fall by record amounts.

The data told a tale of states struggling to adapt to the new fiscal reality. Thanks to an infusion of federal aid, largely from the stimulus, states saw their general revenues decrease by only 1.4 percent — but general expenditures by state governments rose by 3 percent.

The downturn gave states new priorities and needs. As more people lost their jobs, states found themselves paying $66 billion in unemployment benefits in 2009, up from the $35 billion that they had paid a year earlier.

Donald J. Boyd, a senior fellow at the Nelson A. Rockefeller Institute of Government in Albany, said the new census data showed how state governments as a whole began to respond to the recession in what he called "the year of shock and awe for state government taxes."

Public welfare spending rose 6.1 percent in 2009, as needs rose during the prolonged recession and the federal stimulus bill provided more money to states for programs like Medicaid and the Temporary Assistance to Needy Families. But at the same time, Mr. Boyd pointed out, "spending on some of the bread-and-butter operations of government came to a virtual standstill" as corrections spending grew by only 1 percent, spending on government administration grew by less than half a percent, and spending on parks and recreation fell by 4.6 percent.

Even though President Obama only signed the stimulus bill into law in February 2009, midway through the fiscal year for most states, the injection of federal money helped offset some of the loss of tax revenue: total federal grants to the states rose by nearly 13 percent that year to $477.7 billion. The stimulus money is set to run out this summer — leaving states facing big deficits next year, since their tax collections, which have begun to rise again, are still far below their pre-recession levels.

The biggest loss recorded — the $477 billion decline in revenues earned by the pension funds and other social insurance trust funds — had little immediate impact on state budgets. But its effects are likely to be felt for years.

"It is truly astounding," Mr. Boyd said of the losses. "They don't translate immediately into budgetary stress for states. But what does happen is through the wizardry of actuarial valuations, they will drive pension contributions by states and localities up considerably in the coming years, and that's true despite the good stock market of 2009, and the relatively good stock market of 2010."

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