



UPDATE: The Latest State Fiscal Outlook



NASCIO

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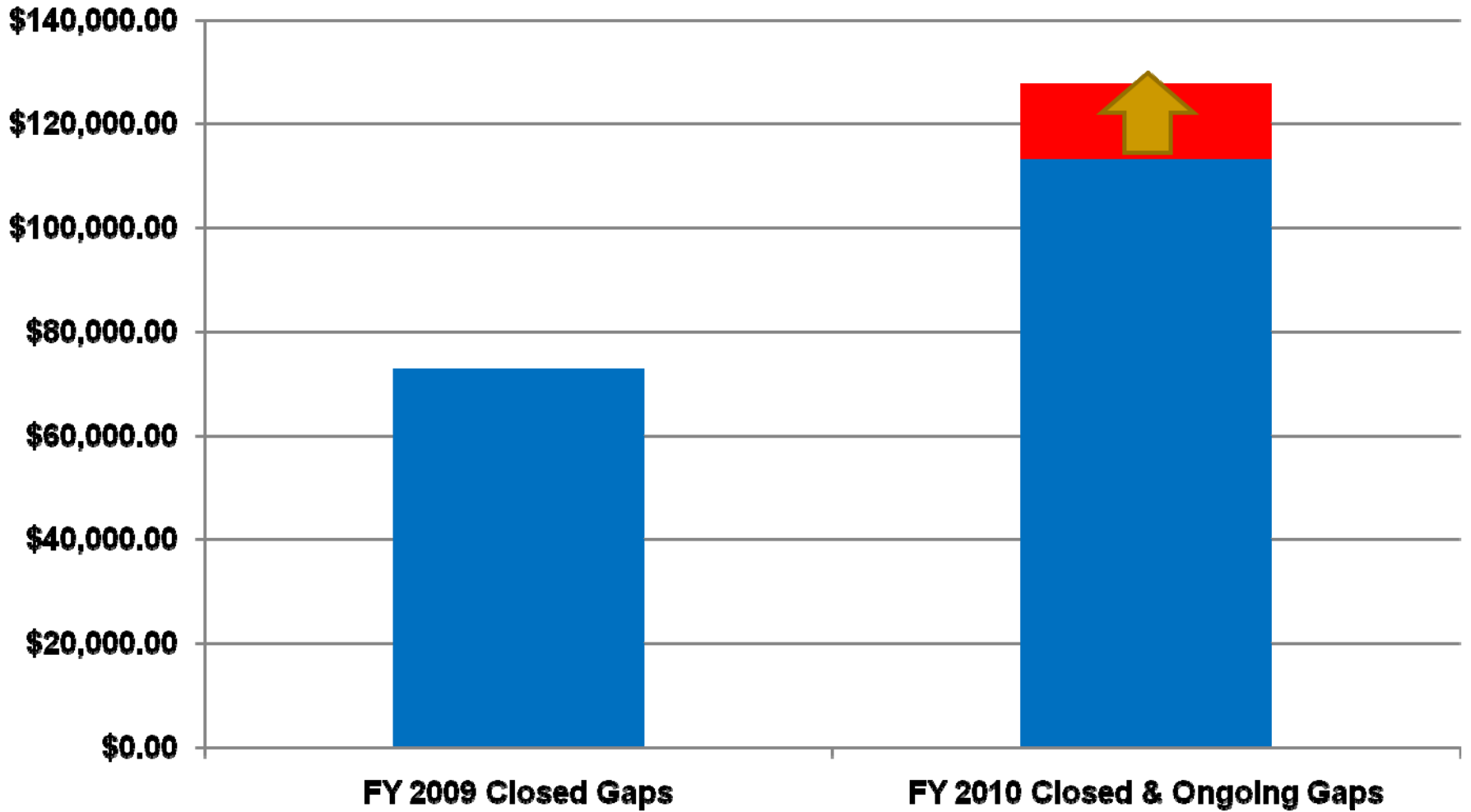
National Association of State Budget Officers



Current Fiscal Situation: Indicators



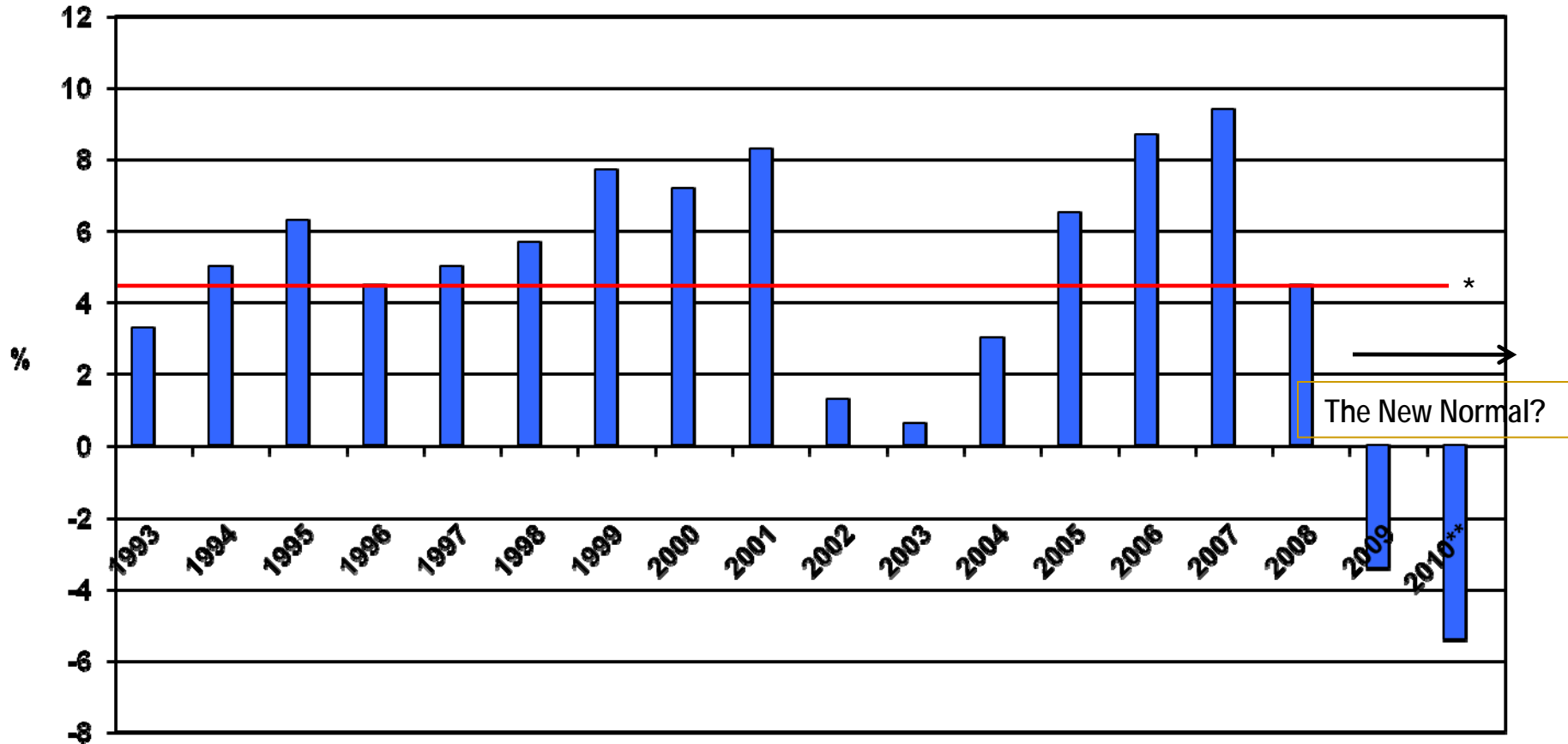
State Budget Gaps (in millions)





Negative Spending in Both FY 2009 and FY 2010

General Fund Expenditure Growth (%)

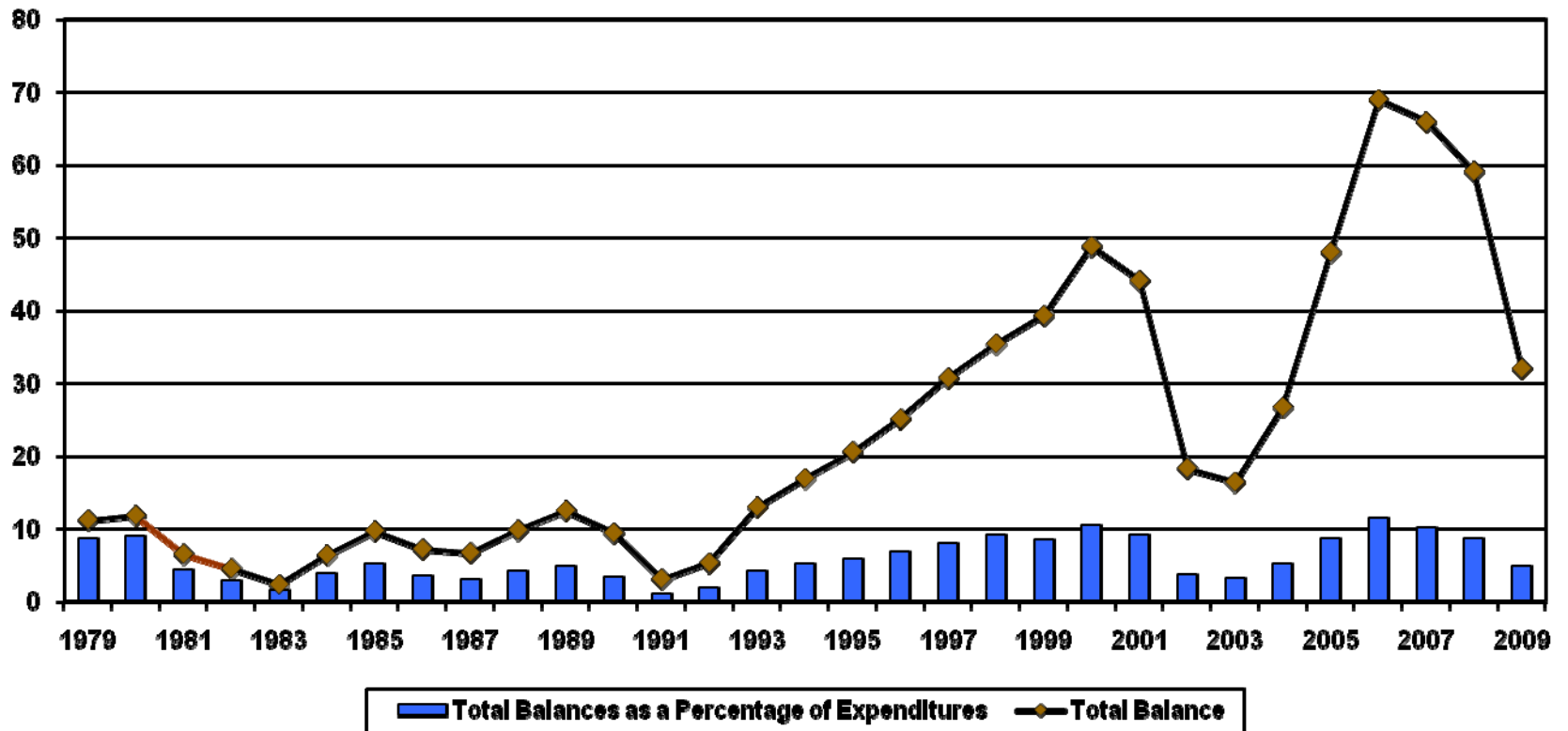


*32-year historical average rate of growth is 5.6 percent
Source: NASBO Fall 2009 Fiscal Survey of States

**Fiscal 10 numbers are appropriated

Balances Declining

Total Year-End Balances and Total Year-End Balances as a % of Expenditures, Fiscal 1979-Fiscal 2009



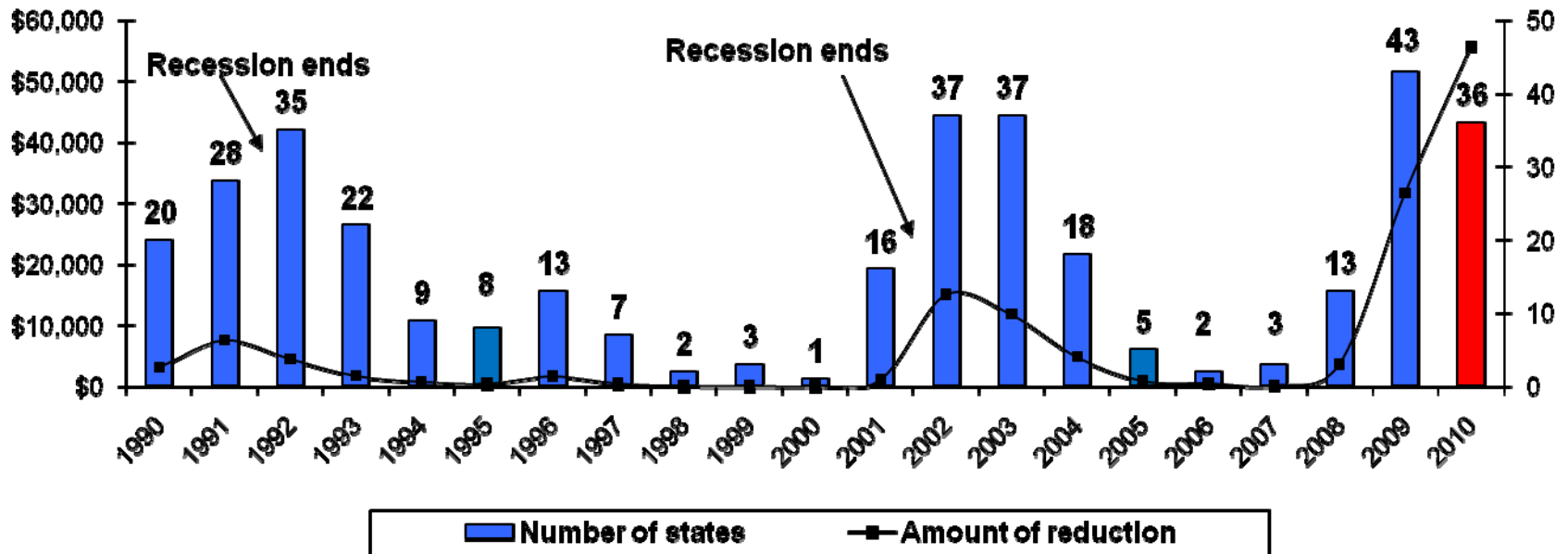
*32-year historical average is 5.5%

Source: NASBO Fall 2009 Fiscal Survey



Budget Cuts at Record Levels

Budget Cuts Made After the Budget Passed, Fiscal 1990-Fiscal 2010 (\$ millions)

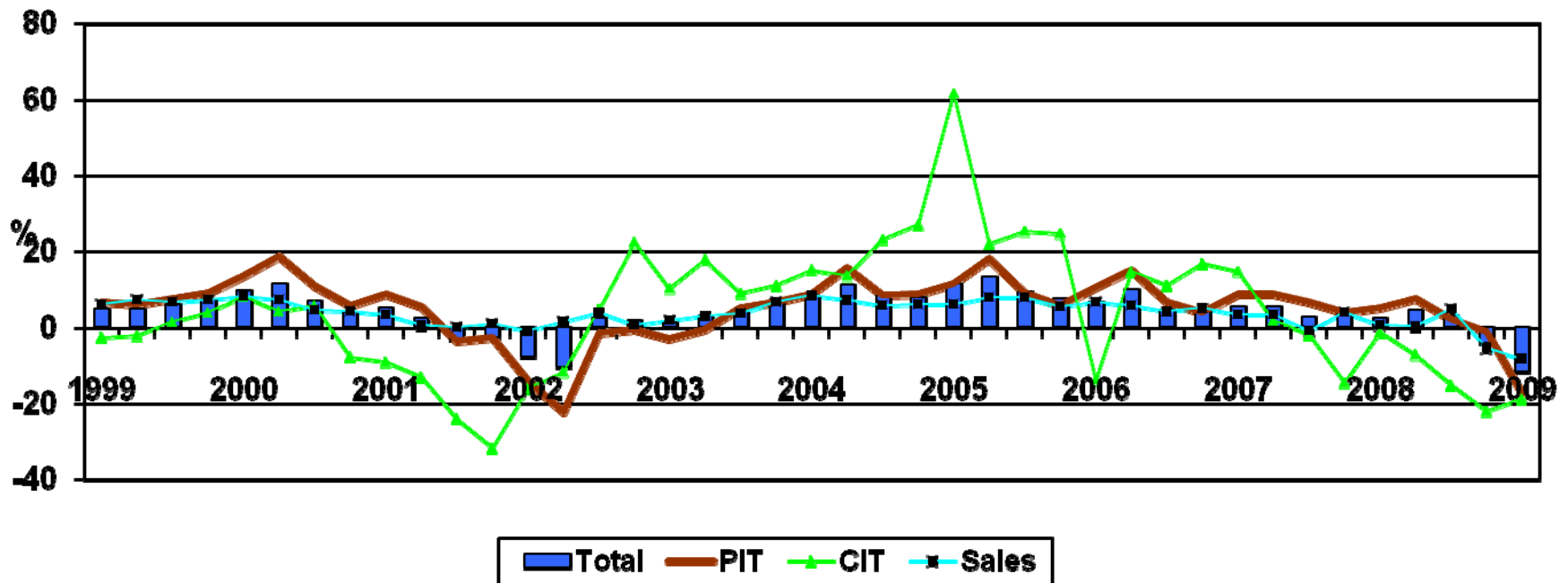


Source: NASBO Fall 2009 Fiscal Survey of States



State Revenue Down 17% in 2nd Quarter: Largest Decline on Record

Year-Over-Year Real Change In Quarterly State Tax Revenue

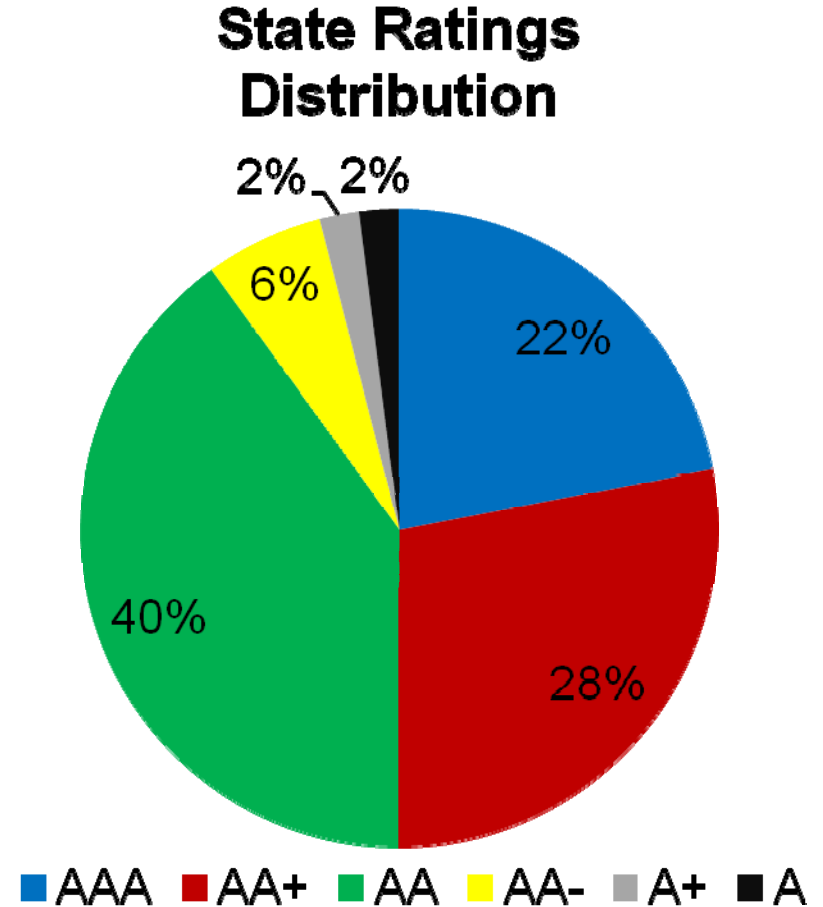


Source: Fiscal Studies Program, Rockefeller Institute of Government; U.S. Census Bureau

So far...

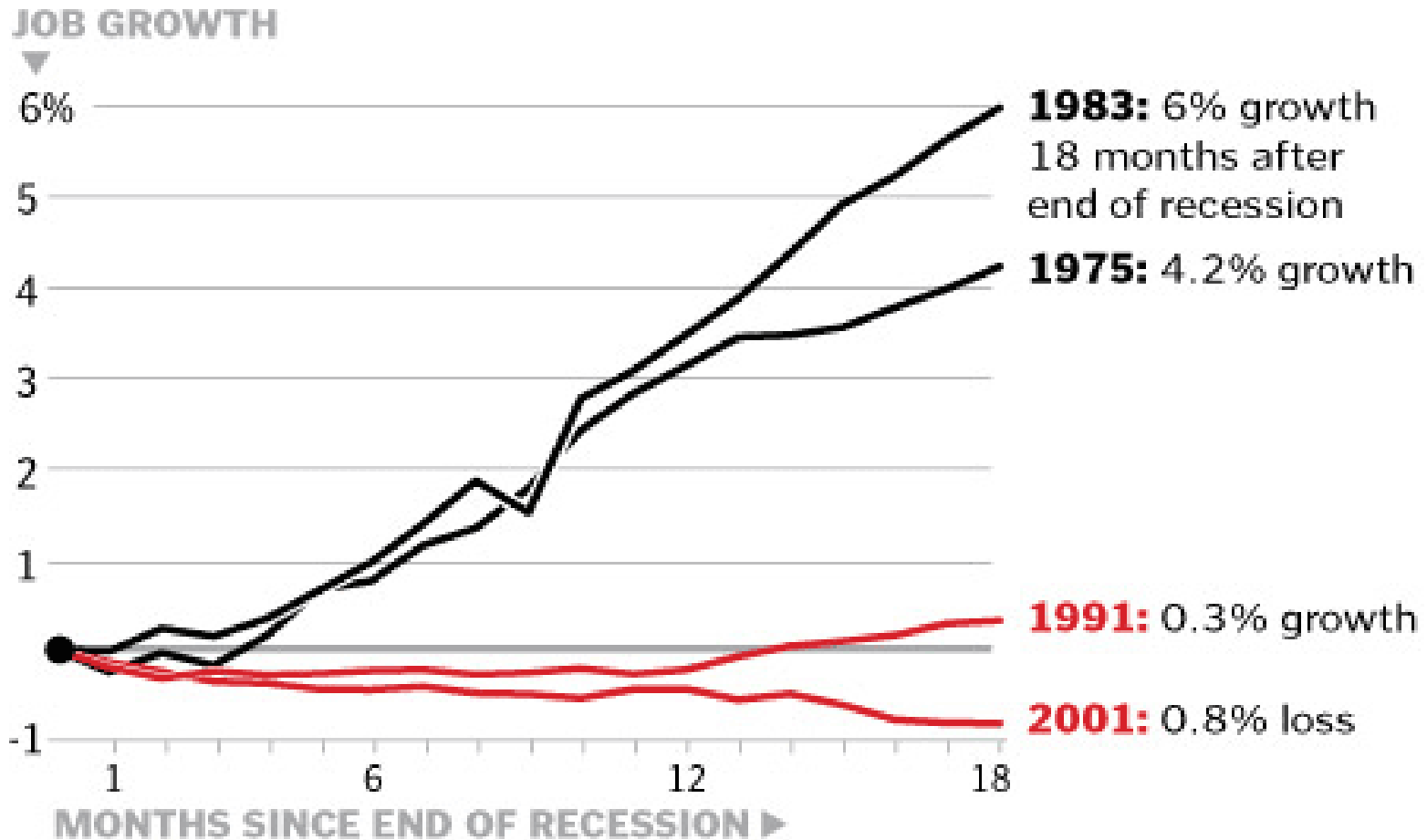
State Bond Ratings Stable

- 45 have a stable outlook, 5 negative
- 2 states have had ratings lowered in 2009 (CA, IL)
- 3 have had ratings raised (ND, TX, WV)



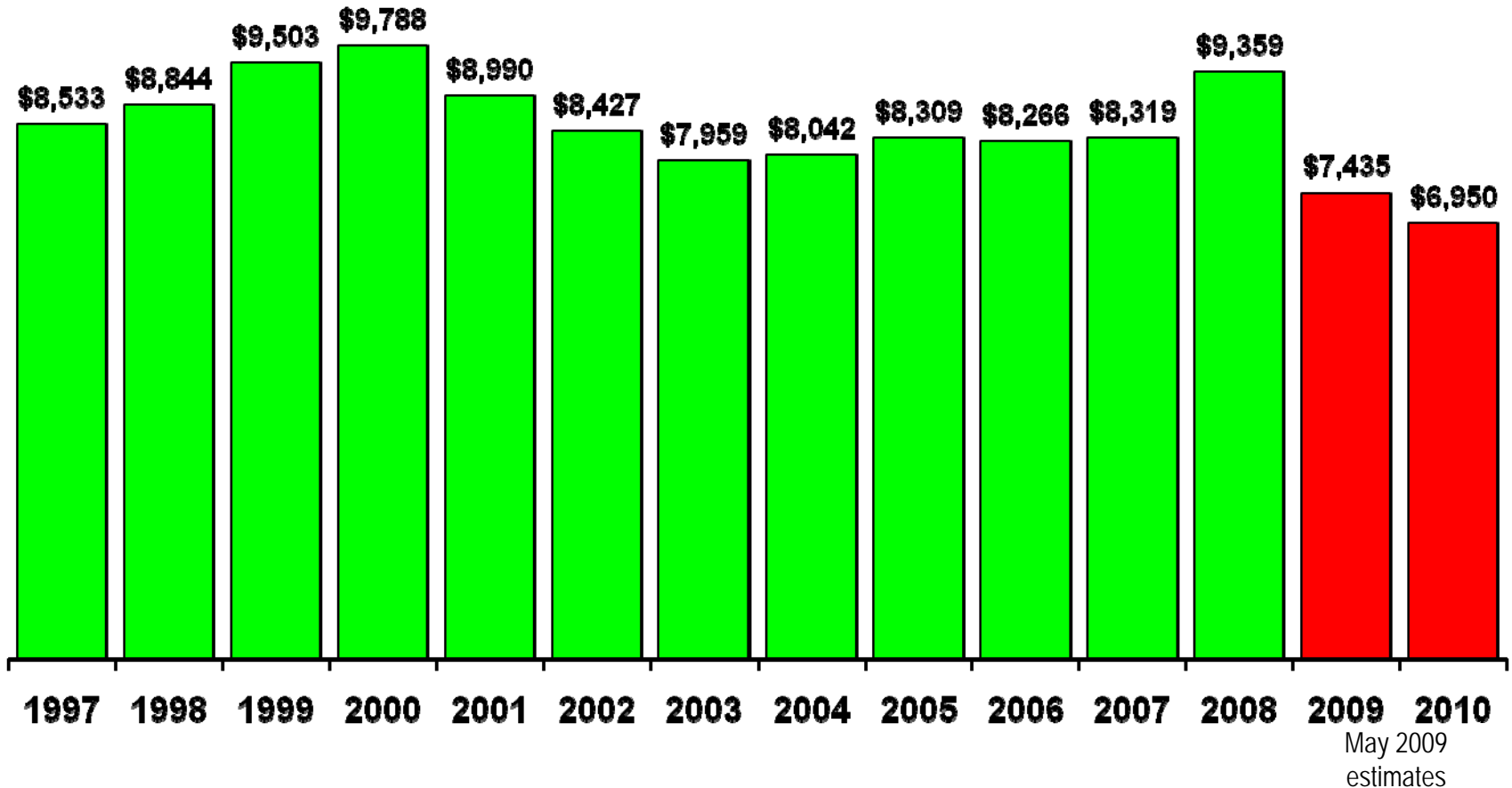
Source: Standard & Poor's, 8/21/09

Job Growth - "The Lag"



Source: Washington Post; Bureau of Labor Statistics

Example of Michigan



Source: Michigan Office of Revenue and Tax Analysis, Dept. of Treasury, 7/31/09



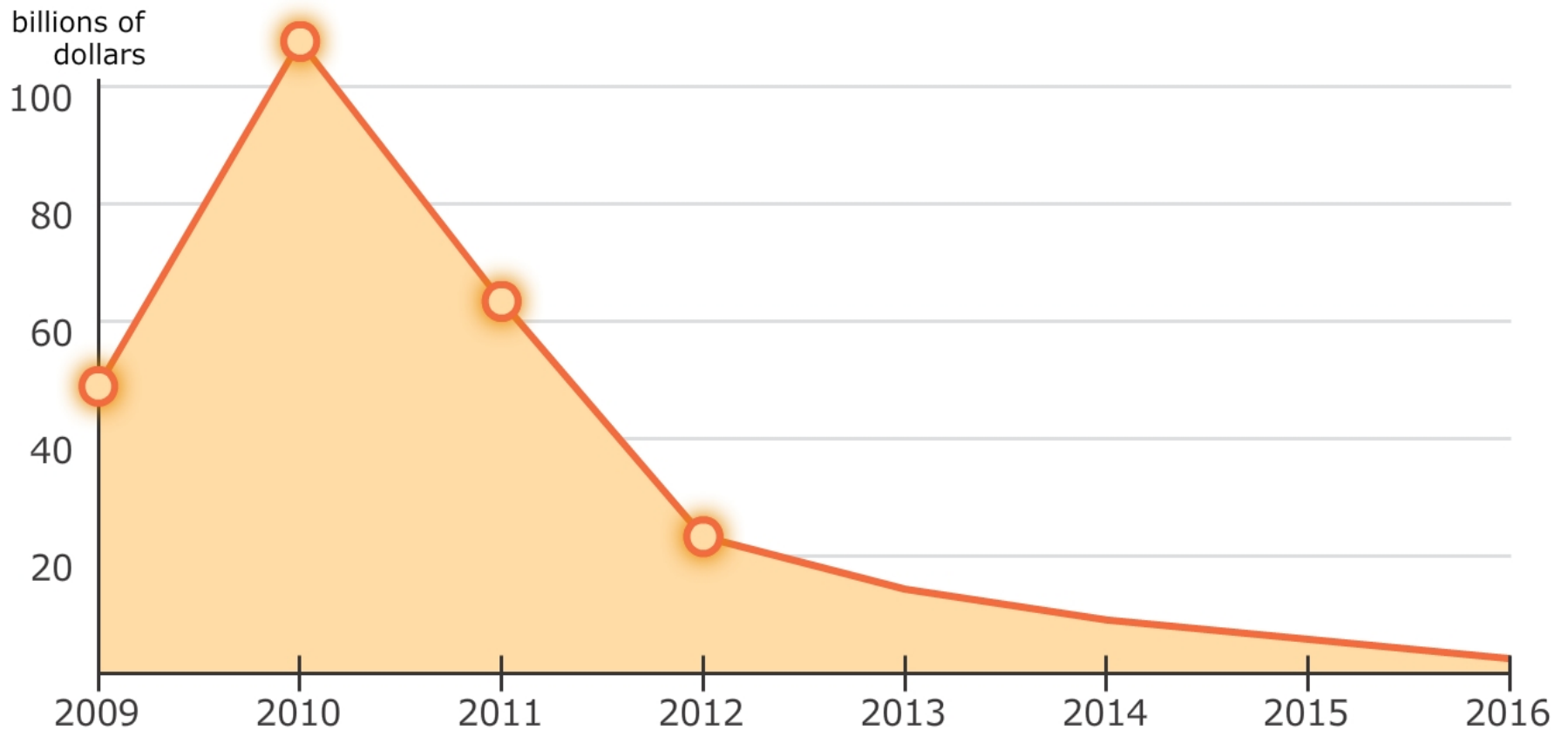
American Recovery and Reinvestment Act – State \$

Approximately \$246 billion+ going to or through states

- **State Fiscal Stabilization Fund - \$53.6 billion:**
 - **\$39.5 billion to schools and higher ed**
 - **\$5 billion in incentive grants**
 - **\$8.8 billion in flexible funds**
- **Medicaid Funding: \$87 billion**
- **Highway and Bridge Infrastructure: \$27.5 billion**
- **Also safety net expansions, economic development, other appropriated programs**

The Cliff...

Total stimulus spending by year



Source: Stateline.org



Outlook



State Fiscal Outlook

- **Austere state budgets for at least the next several years**
- **Health care reform will have an impact on state finances**
- **Tough competition for state general funds**
- **Demand for performance and results**
- **Opportunity for reform**



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