



Fiscal Situation

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The Current Fiscal Situation

- Fiscal 2006 state finances were strong and stable
- Fiscal 2007 state finances are expected to continue to be in good shape, although growth will slow
- State tax revenue slowing in some states
- Competition for dollars continues:
 - Medicaid, pensions, IT, transportation, education, accounting changes
- Federal government funds tight



Always Spending Pressures...

'Transit and Roads Face Huge Shortfall'

- Massachusetts, *Boston Globe*, 3/29/07

'Big Deficit Seen in New Jersey Pension Fund'

- New Jersey, *New York Times*, 3/16/07

"REPORT RECOMMENDS SPENDING BILLIONS MORE ON SCHOOLS"

- Ohio, *Cincinnati Enquirer*, 3/7/07

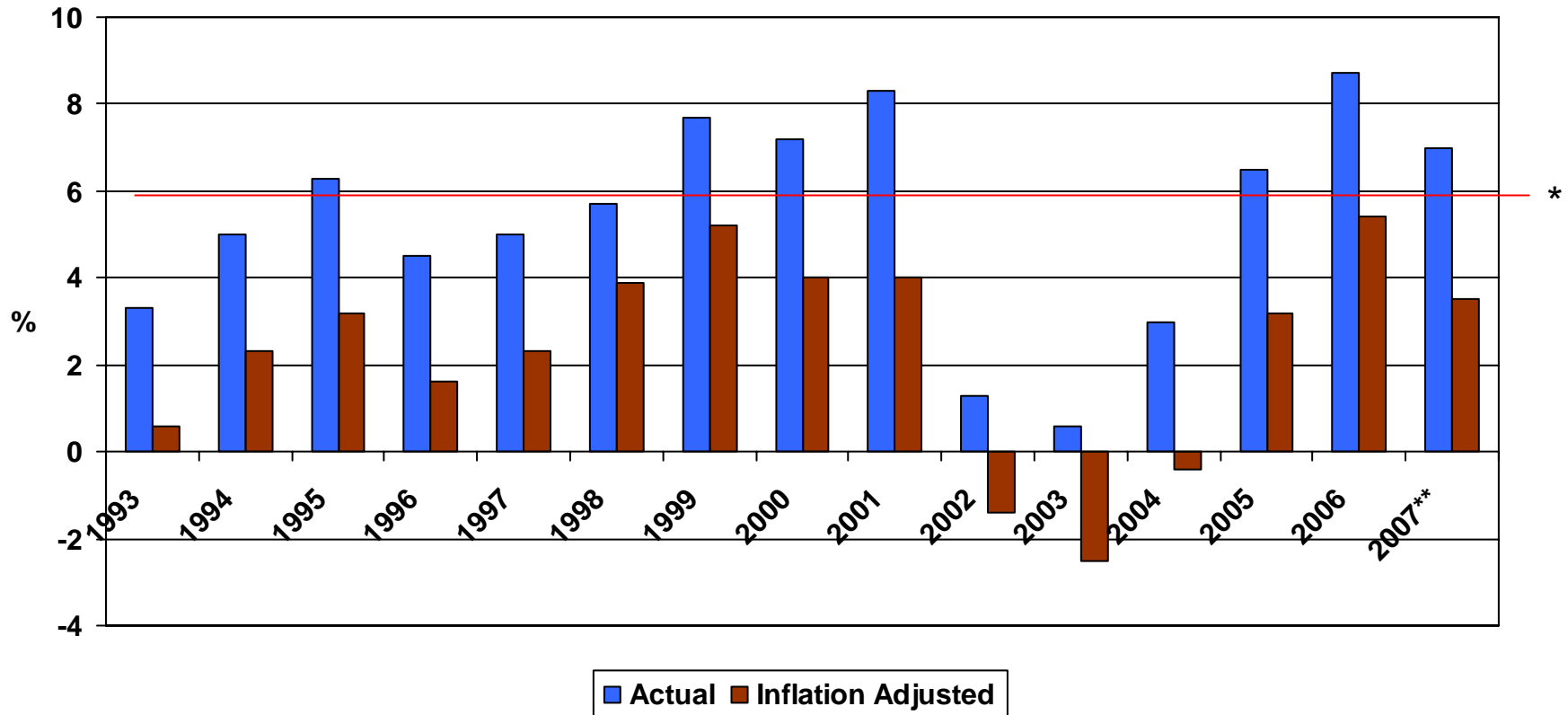
"Governor to Unveil Universal Health Plan"

- Illinois, *Springfield State Journal-Register*, 3/4/07



State Expenditure Growth: Above Average in Fiscal 2006*

General Fund Expenditure Growth (%)



*

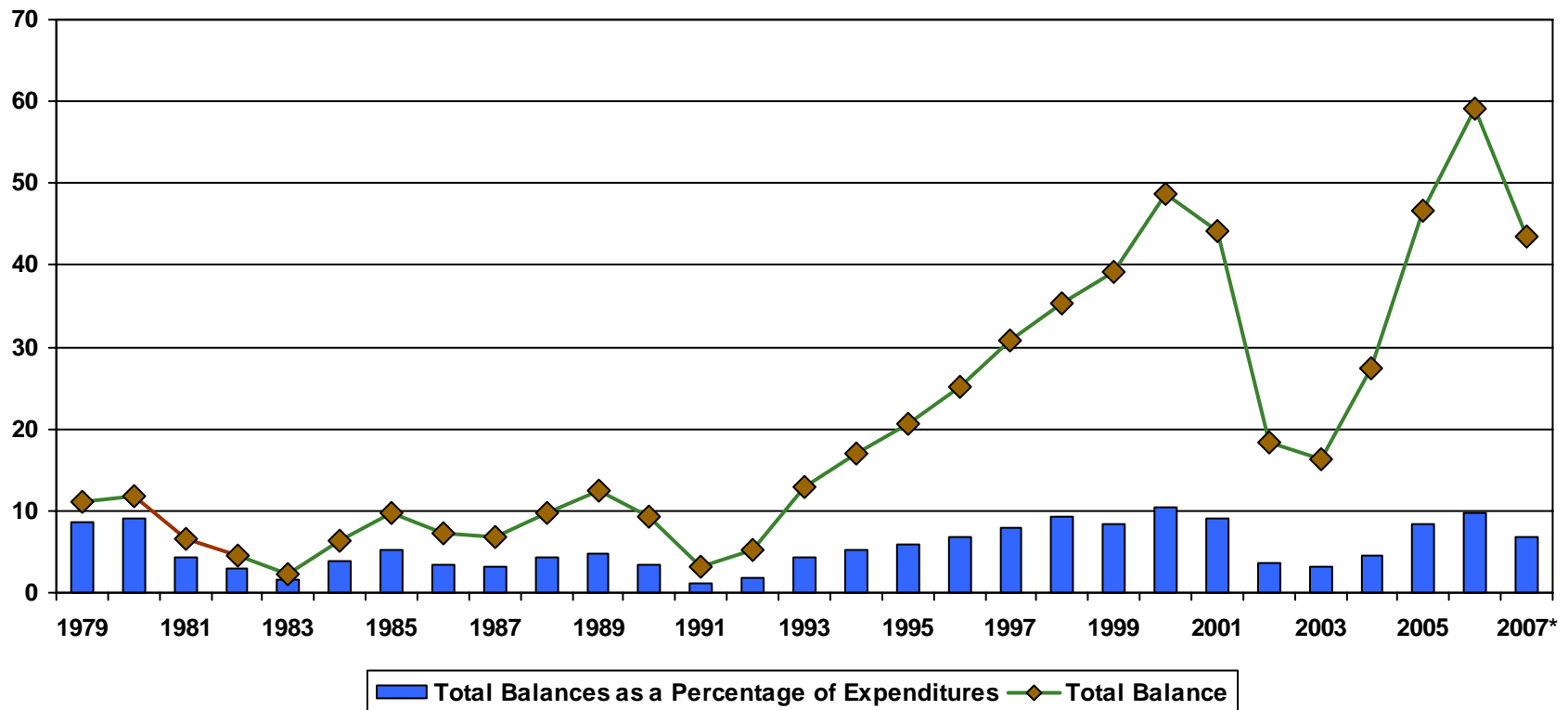
*28-year historical average rate of growth is 6.4 percent

**Fiscal 2007 numbers reflect enacted budgets

Source: NASBO December 2006 Fiscal Survey of States

Balances

Total Year-End Balances and Total Year-End Balances as a Percentage of Expenditures, Fiscal 1979-Fiscal 2007 (Enacted)

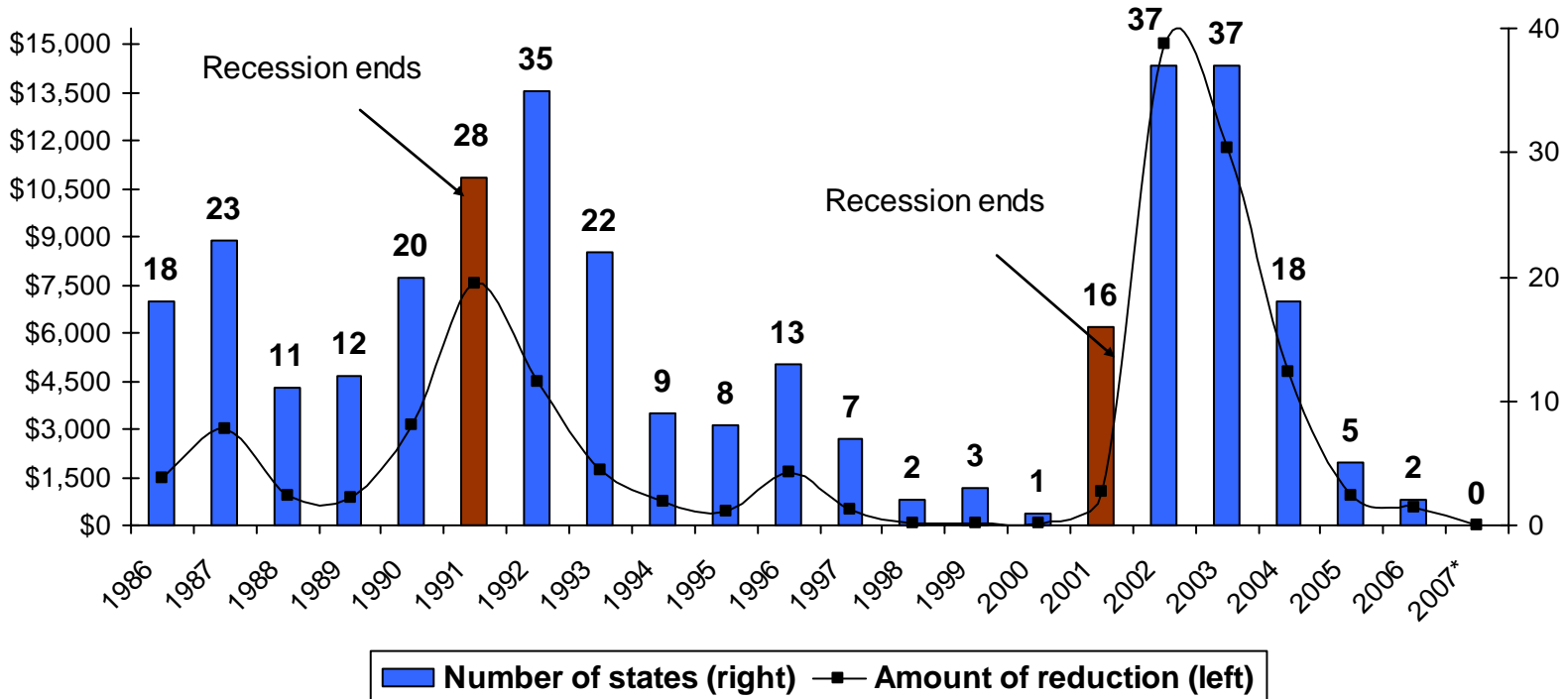


*2007 figures are based on enacted budgets

Source: NASBO Fiscal Survey of States

Budget Cuts

**Budget Cuts Made After the Budget Passed,
Fiscal 1986-Fiscal 2007 (\$ millions)**

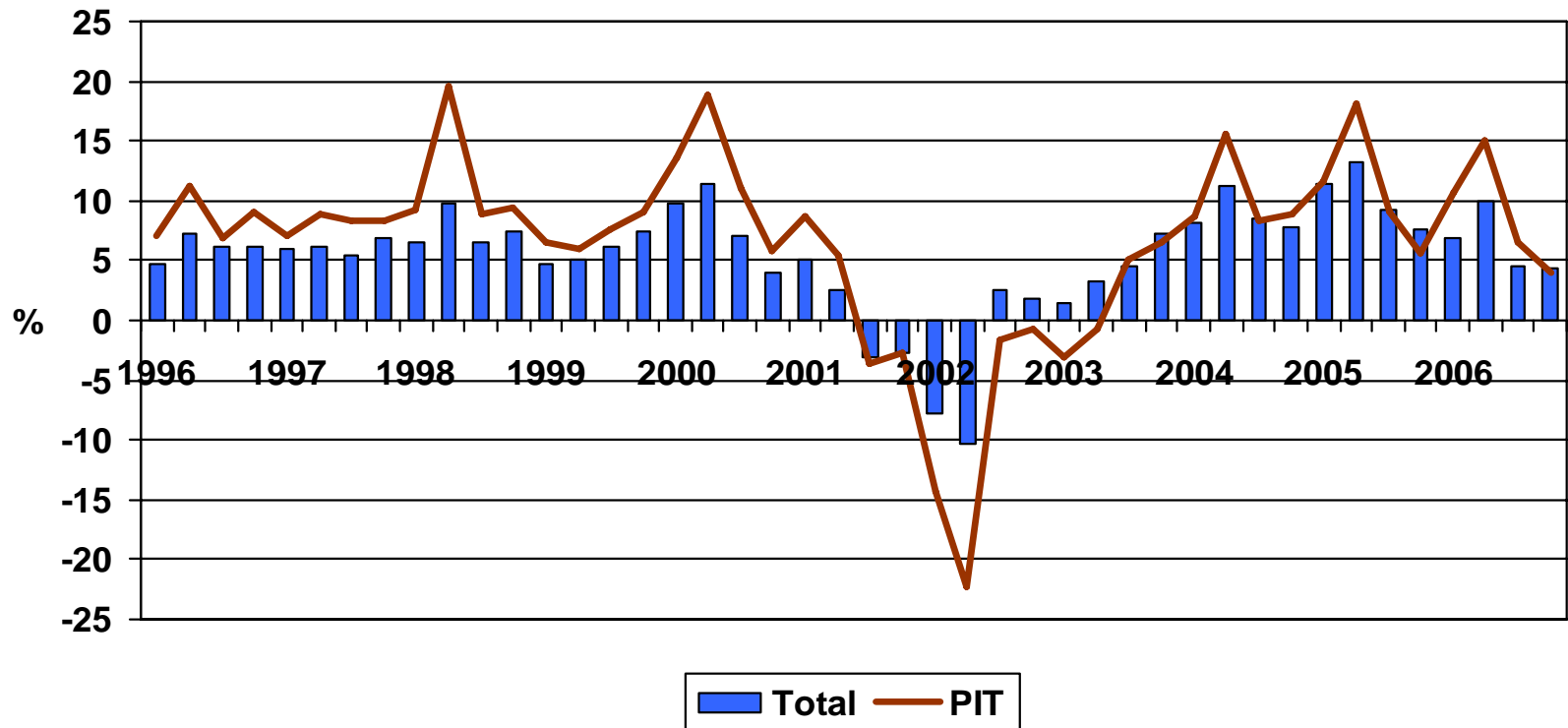


*No States have made budget cuts so far in fiscal 2007

Source: NASBO December 2006 Fiscal Survey of States

Revenue Increases Slowing

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



Source: Fiscal Studies Program, Rockefeller Institute of Government



Competing Fiscal Pressures Continue

- **Medicaid and Health Care**
- **K-12 Increases**
- **Higher Education**
- **Demographic Changes**
- **IT**
- **Infrastructure**
- **Pension**





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