



Fiscal Forecast

NASCIO Midyear Conference

Baltimore

April 30, 2009

Scott Pattison

Executive Director

National Association of State Budget Officers





Economics

Last year:

- **Slowing spending growth, states experiencing *significant* shortfalls**
- **Across the board budget cuts for some**
- **The flip side: weak dollar and energy prices help some states**

Now:

- **44 states in recession; 6 at risk**
- **Revenue expected to weaken further**
- **Significant budget cuts**



This downturn vs. Post '01

■ Last Time:

- ❑ Housing sector strong in '01
- ❑ Primarily income tax decline

■ This Time:

- ❑ Broad economic decline
- ❑ Localities hit this time
- ❑ Credit crisis this time



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**



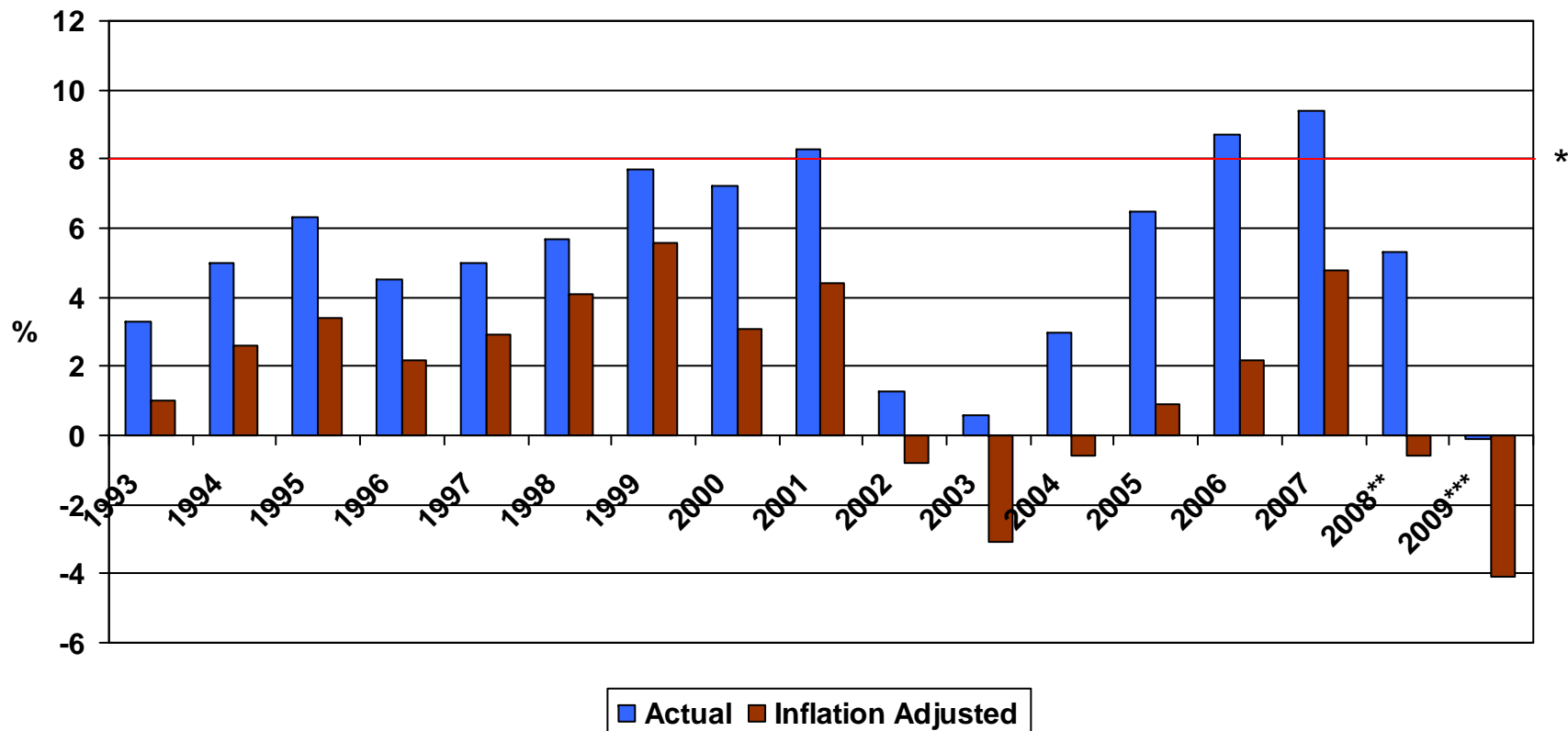
American Recovery and Reinvestment Act (Stimulus)

- **Will not alone fully solve states' budget shortfalls**
- **States will still need to cut spending, use rainy day funds, examine revenue increases**
- **States focusing on reporting, accountability, and transparency**
- **States will need to determine how to deal with the end of stimulus funding**



Continued Negative Spending Growth Expected - Fiscal 2009

General Fund Expenditure Growth (%)



*31-year historical average rate of growth is 6.3 percent

**Fiscal 08 numbers are preliminary actual

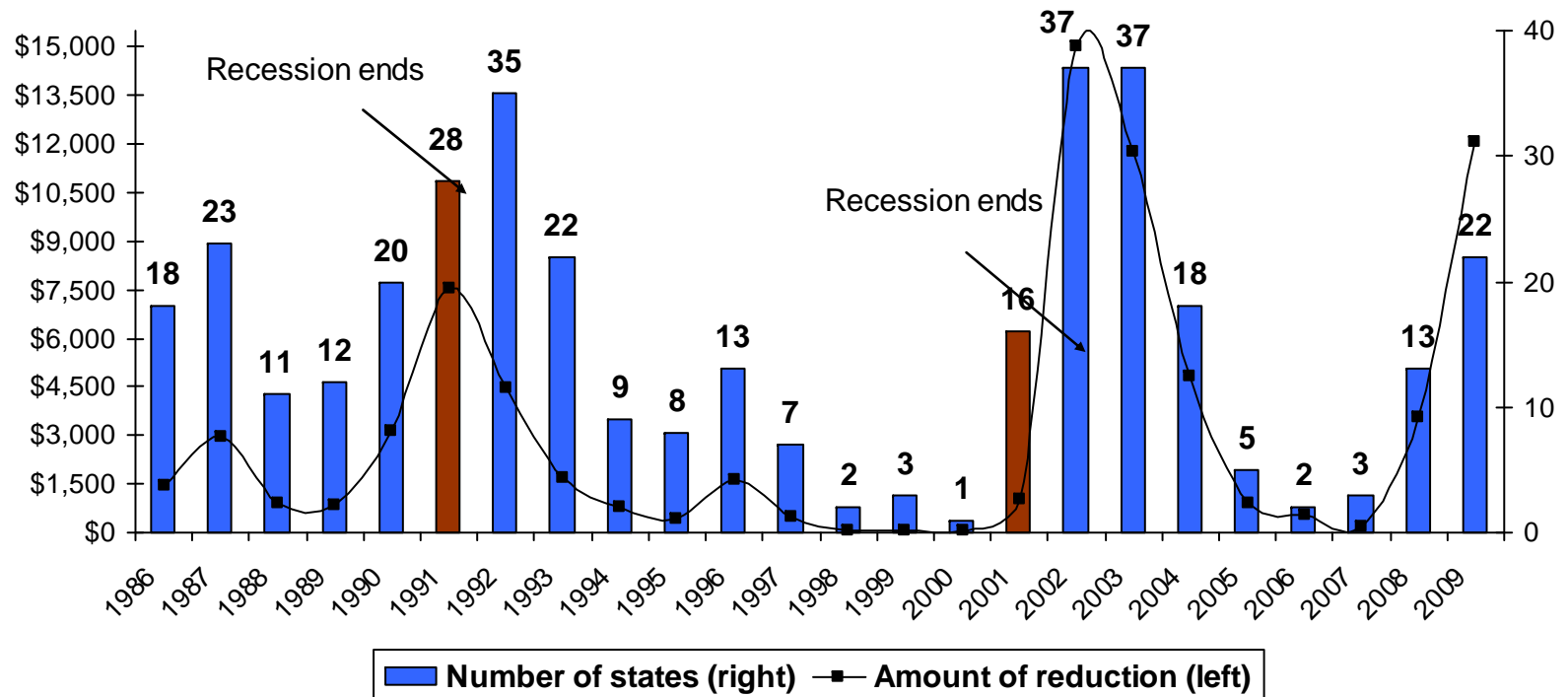
***Fiscal 09 numbers are appropriated

Source: NASBO Dec. 2008 Fiscal Survey of States



Budget Cuts Increasing

Budget Cuts Made After the Budget Passed,
Fiscal 1986-Fiscal 2009 (\$ millions)

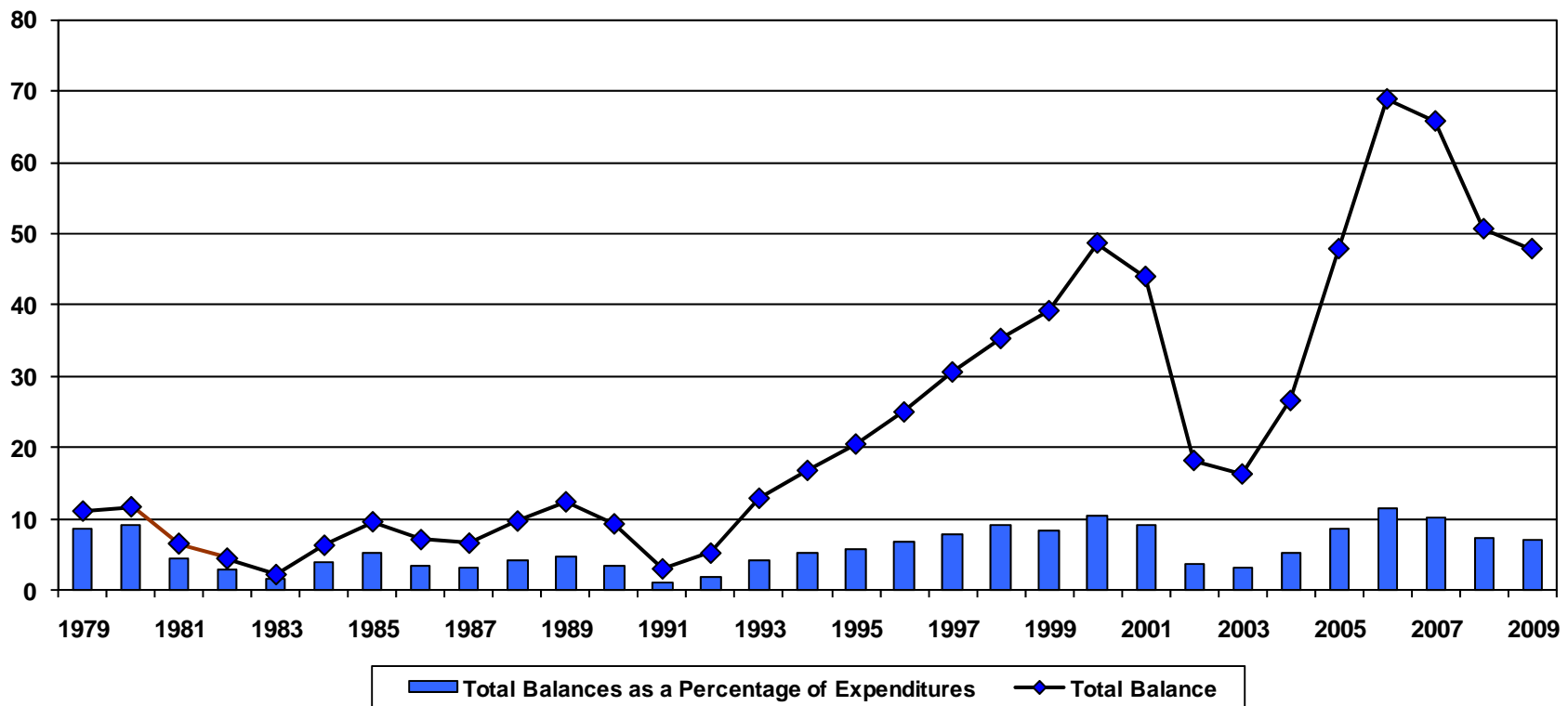


Source: December 2008 Fiscal Survey of States



Balances Declining

Total Year-End Balances and Total Year-End Balances as a Percentage of Expenditures, Fiscal 1979-Fiscal 2009 (Appropriated)



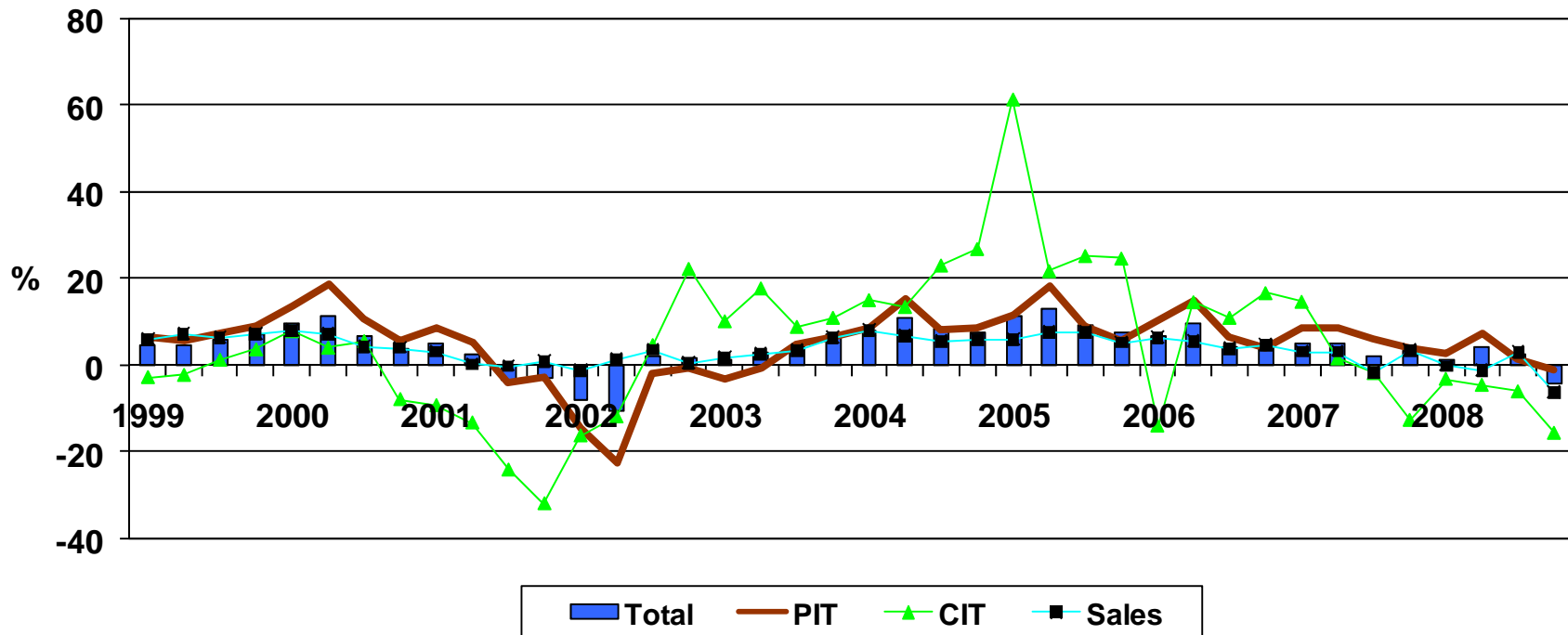
*31-year historical average is 5.7%

Source: NASBO December 2008 Fiscal Survey of States



State Tax Revenue Decline

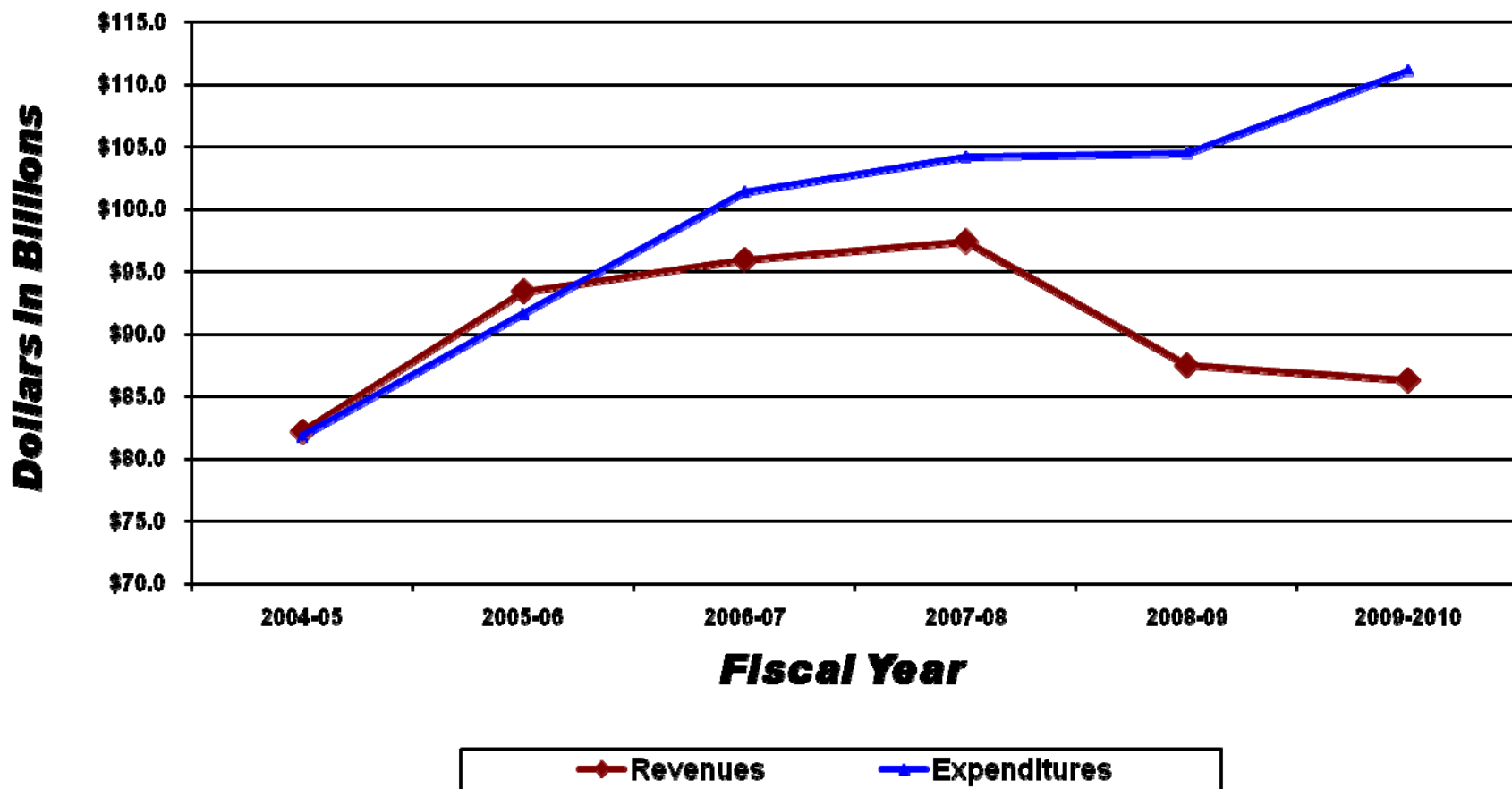
Year-Over-Year Real Change in Quarterly State Tax Revenue



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



Structural Imbalance Continues: The Example of California



Source: California Governor's Budget 2009-10



State Fiscal Situation

- **Much will depend on the length and severity of the recession**
- **Expect continued significant drops in state revenue and spending**
- **States will need to be creative**
- **Reform/changes coming – Reset!**
- **Recovery for states at best in FY '11**





www.nasbo.org

Scott Pattison
(202) 624-8804
spattison@nasbo.org

