



State Fiscal Outlook

TEF
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Current Fiscal Situation: Overview



State Fiscal Overview

- ❑ **The “Great Recession” was an extremely difficult fiscal period for states in all regions**

- ❑ **Fiscal 2013 projections show aggregate expenditures and revenues continue to improve**

- ❑ **States recovering, but not recovered; resources remain tight**

- ❑ **Federal uncertainty in a number of areas**
 - ❑ **Federal spending expected to decline**



Federal Overhang...

- **Sequestration cuts now scheduled for March 1, 2013**
- **Debt ceiling**
- **Many program authorizations expire**
- **“Grand bargain” Tax Reform?**

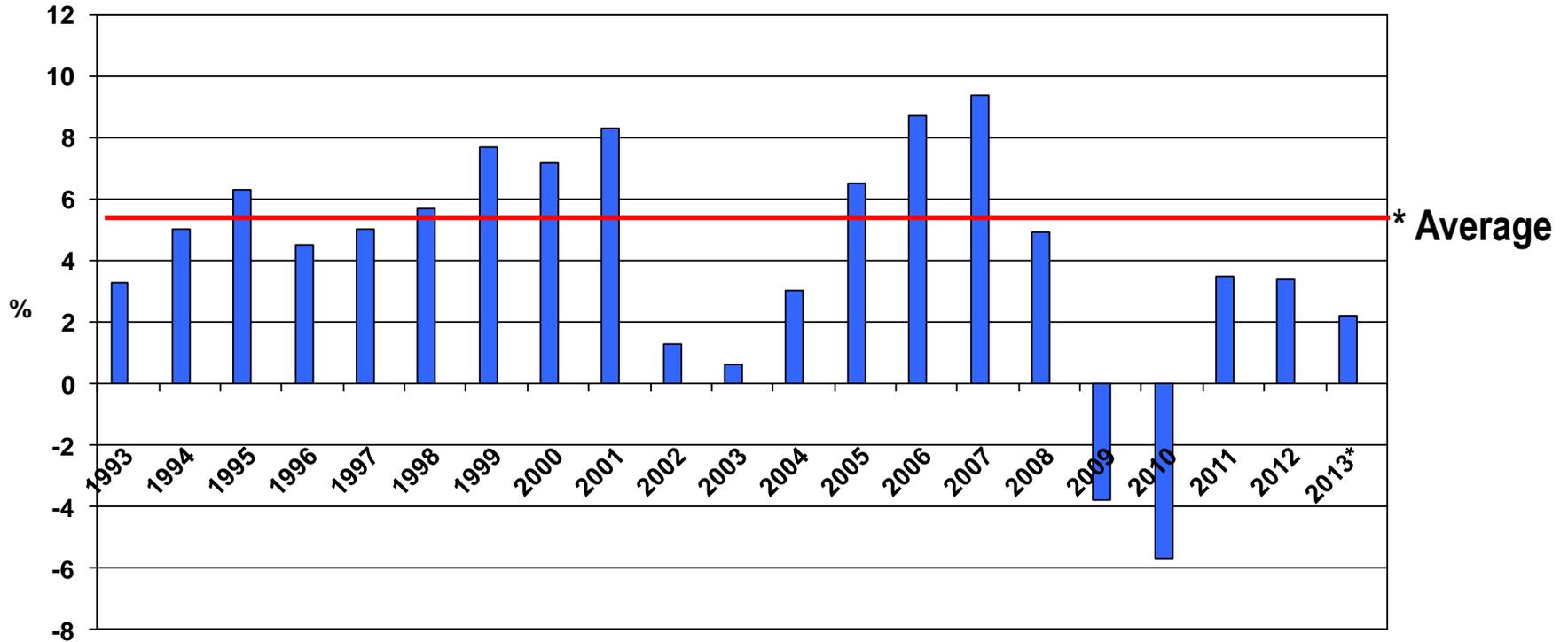


Current Fiscal Situation: Indicators



3 Years of Slow GF Growth Following 2 Years of Declines

General Fund Expenditure Growth (%)



* Average

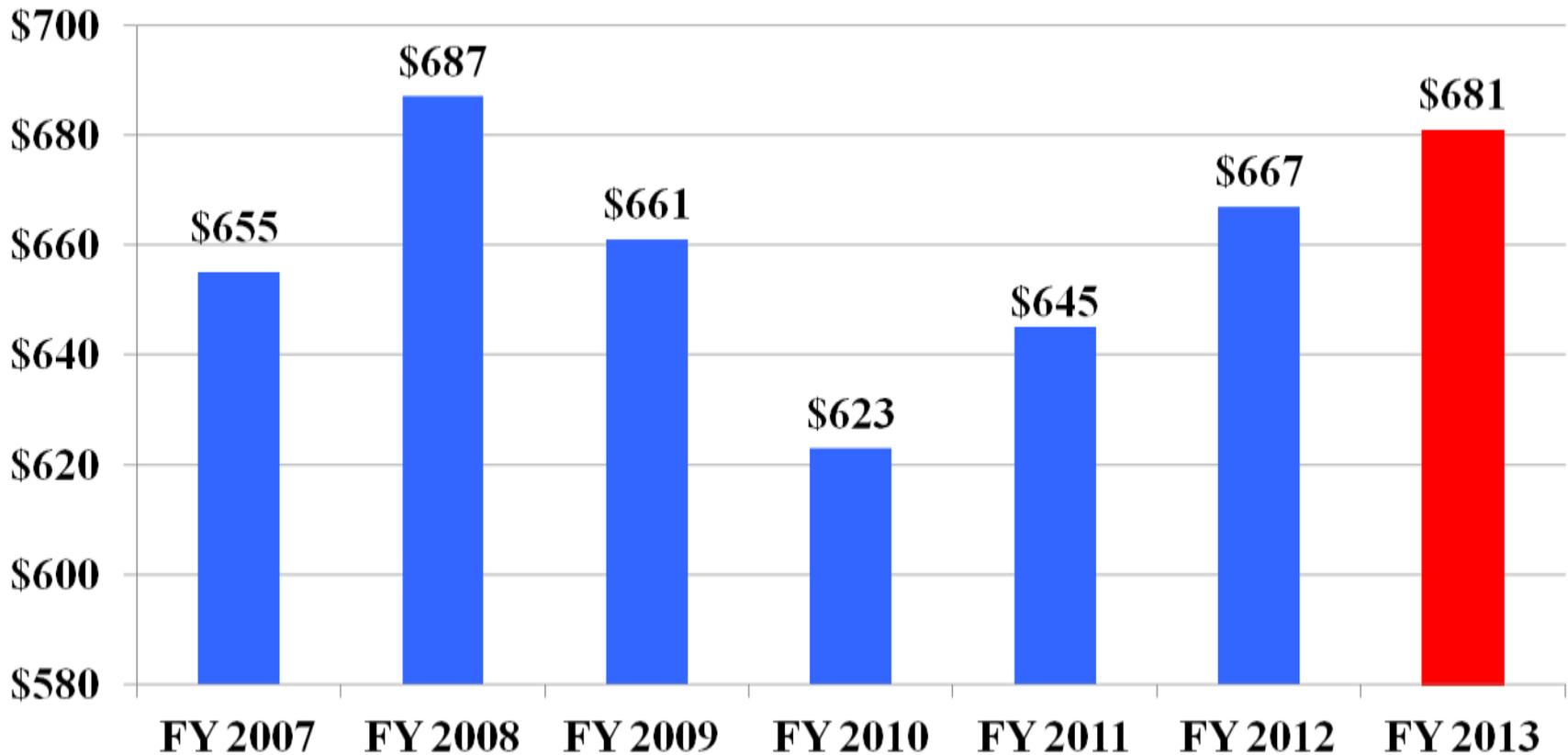
*35-year historical average rate of growth is 5.6 percent
Source: NASBO Fall 2012 Fiscal Survey of States

*Fiscal '13 numbers are appropriated



FY 2013 Appropriated Spending Still \$5.9 Billion Below FY 2008

General Fund Spending: FY 2007-FY 2013

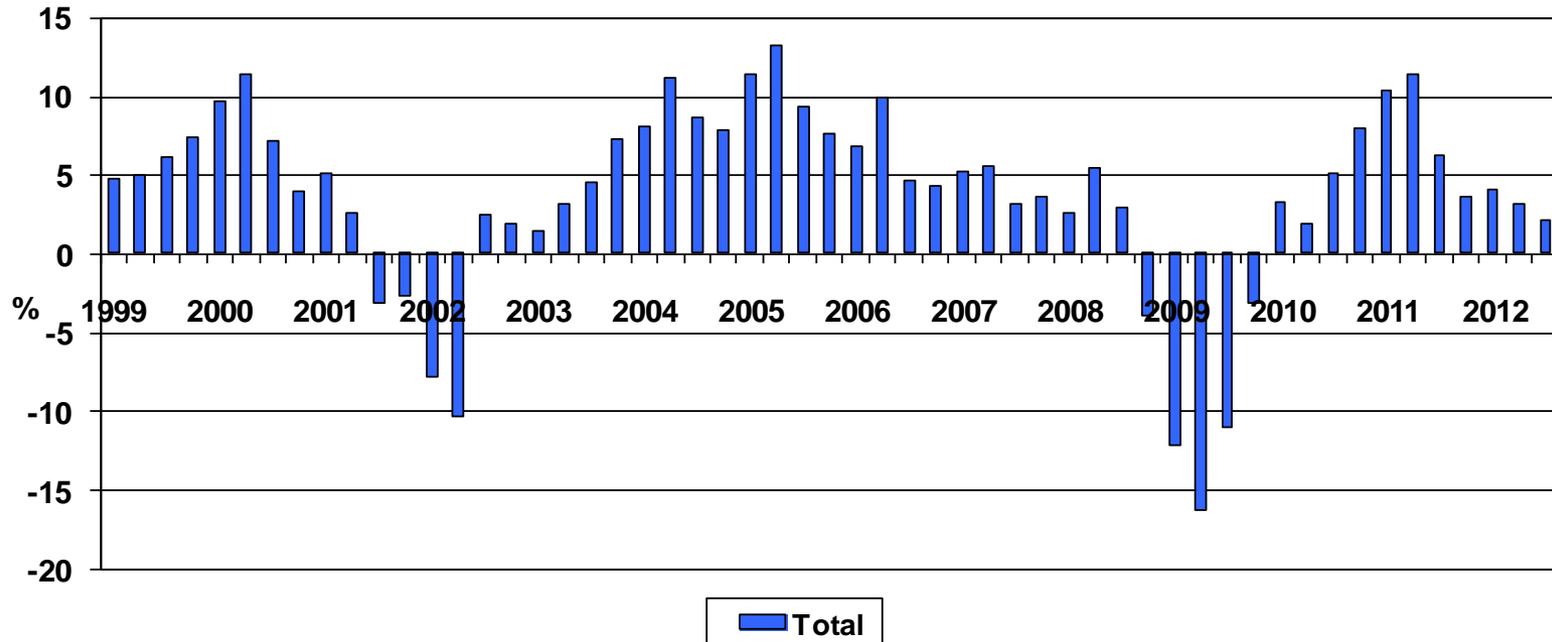


Source: NASBO Fall 2012 Fiscal Survey of States



State Revenue Continues to Grow in 3rd Quarter, but at Slower Rate

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

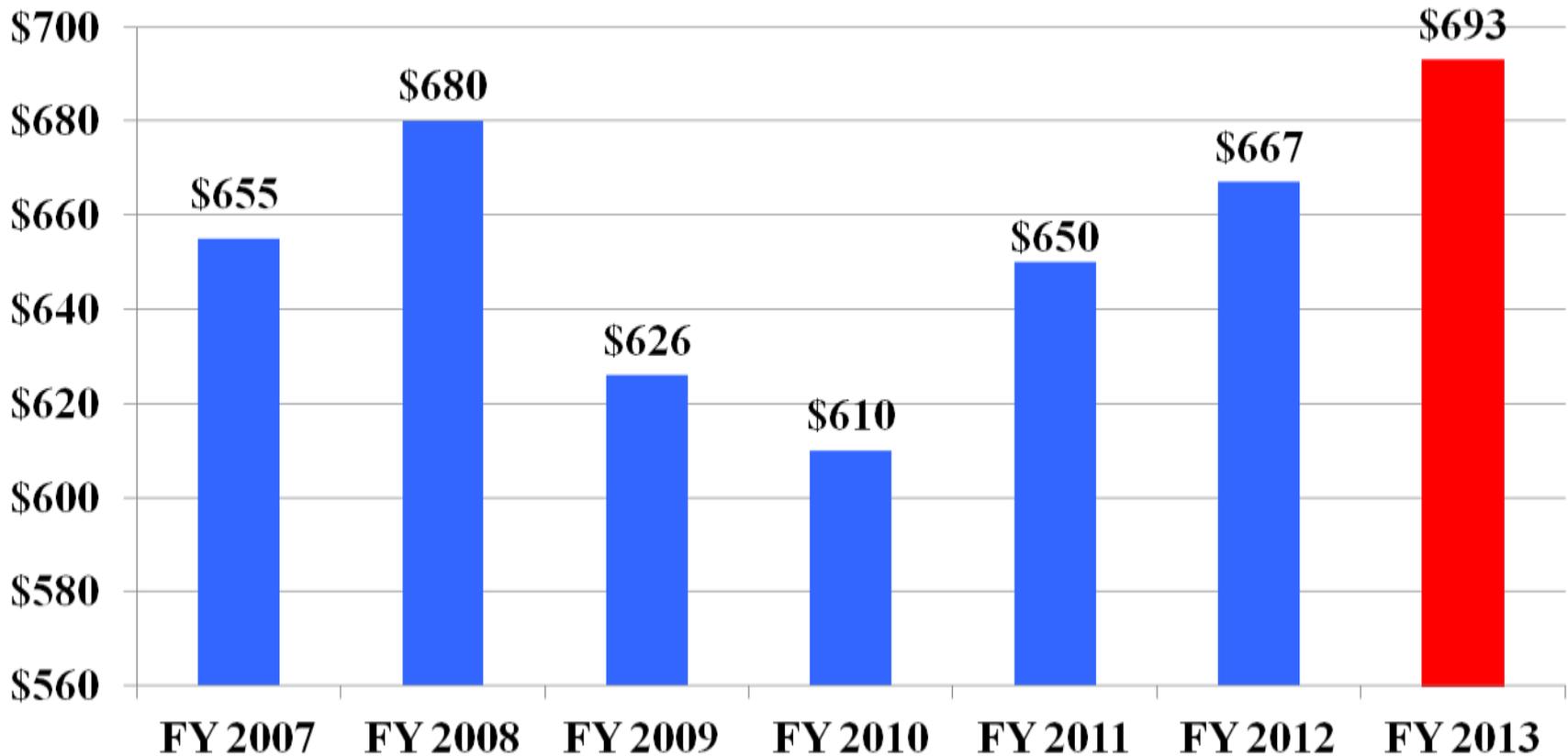


Source: Fiscal Studies Program, Rockefeller Institute of Government; U.S. Census Bureau



FY 2013 General Fund Revenue is Expected to Surpass FY 2008 by \$13B

General Fund Spending: FY 2007-FY 2013

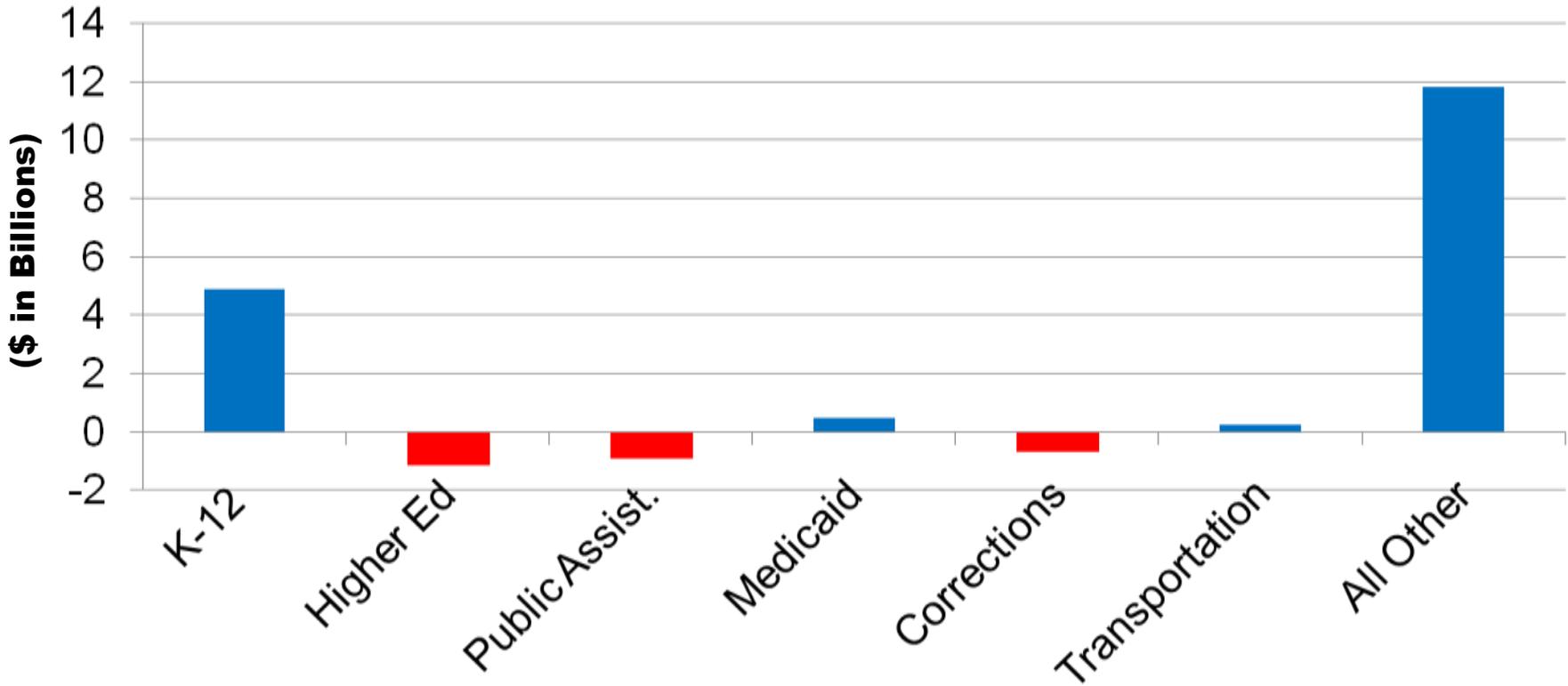


Source: NASBO Fall 2012 Fiscal Survey of States



States Restoring Some Cuts Made During Recession

Fiscal 2013 Enacted General Fund Spending Changes by Category (\$ in Billions)

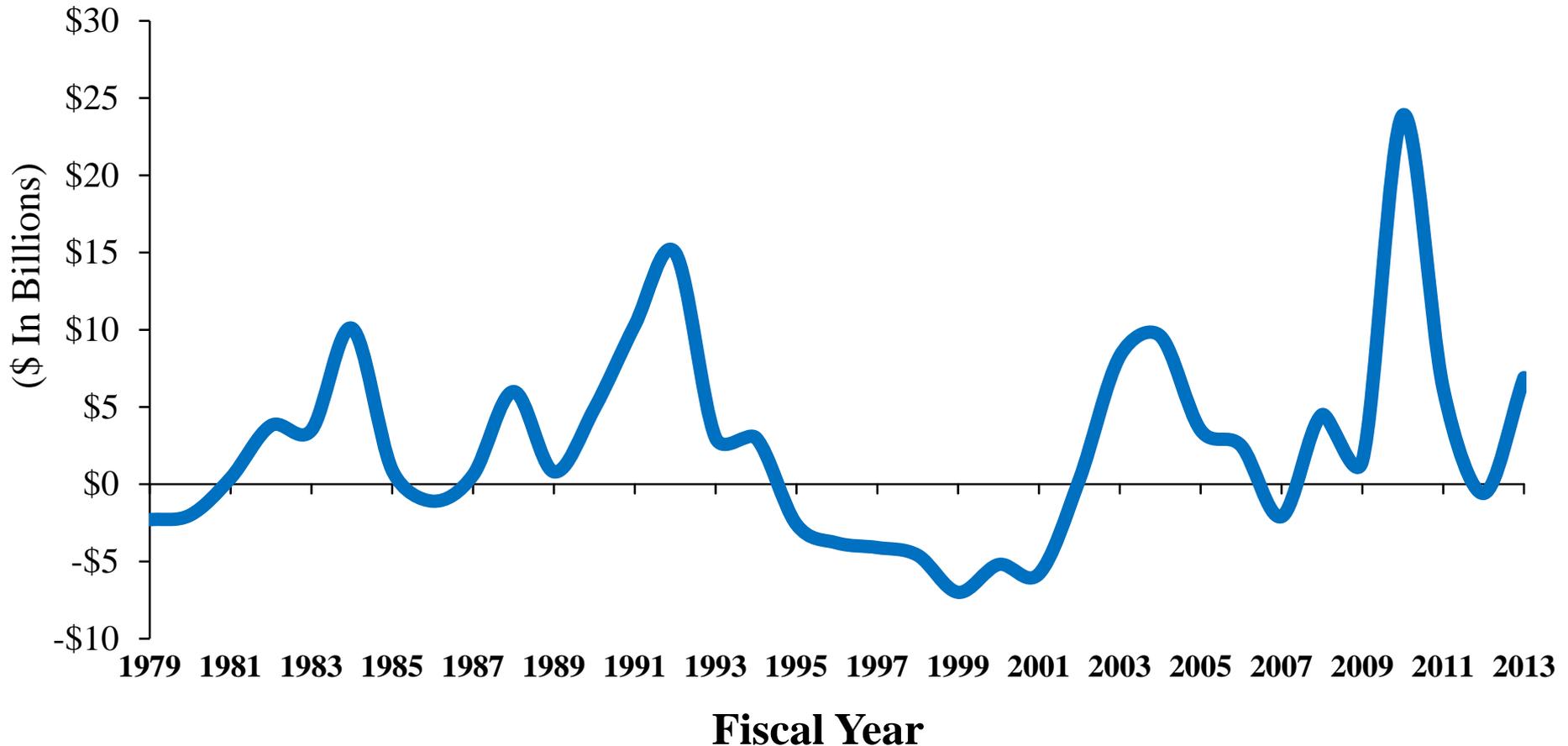


Source: NASBO Fall 2012 Fiscal Survey



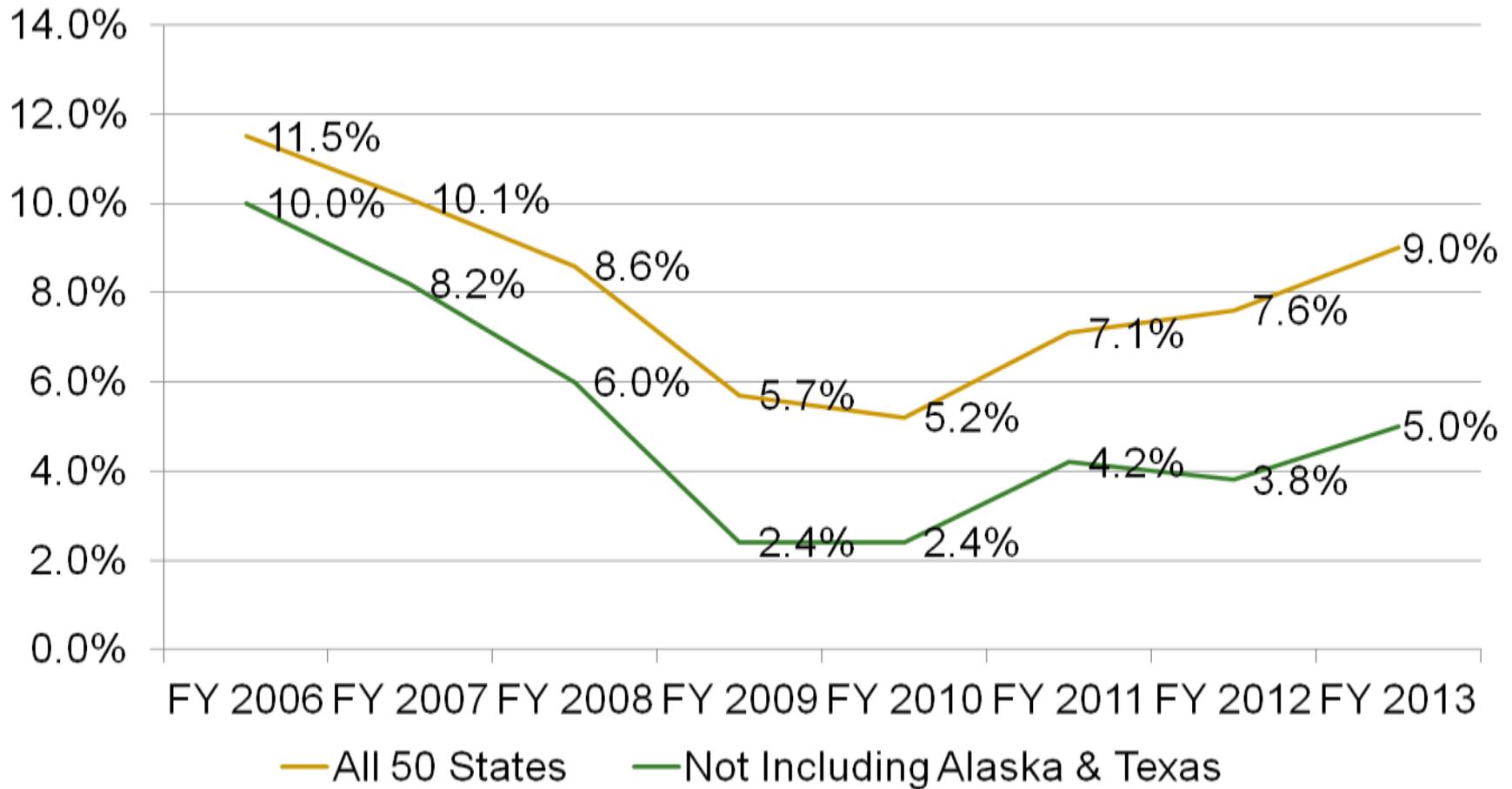
States Enact \$6.9 Billion in Additional Taxes and Fees

Enacted State Revenue Changes, Fiscal 1979 to Fiscal 2013





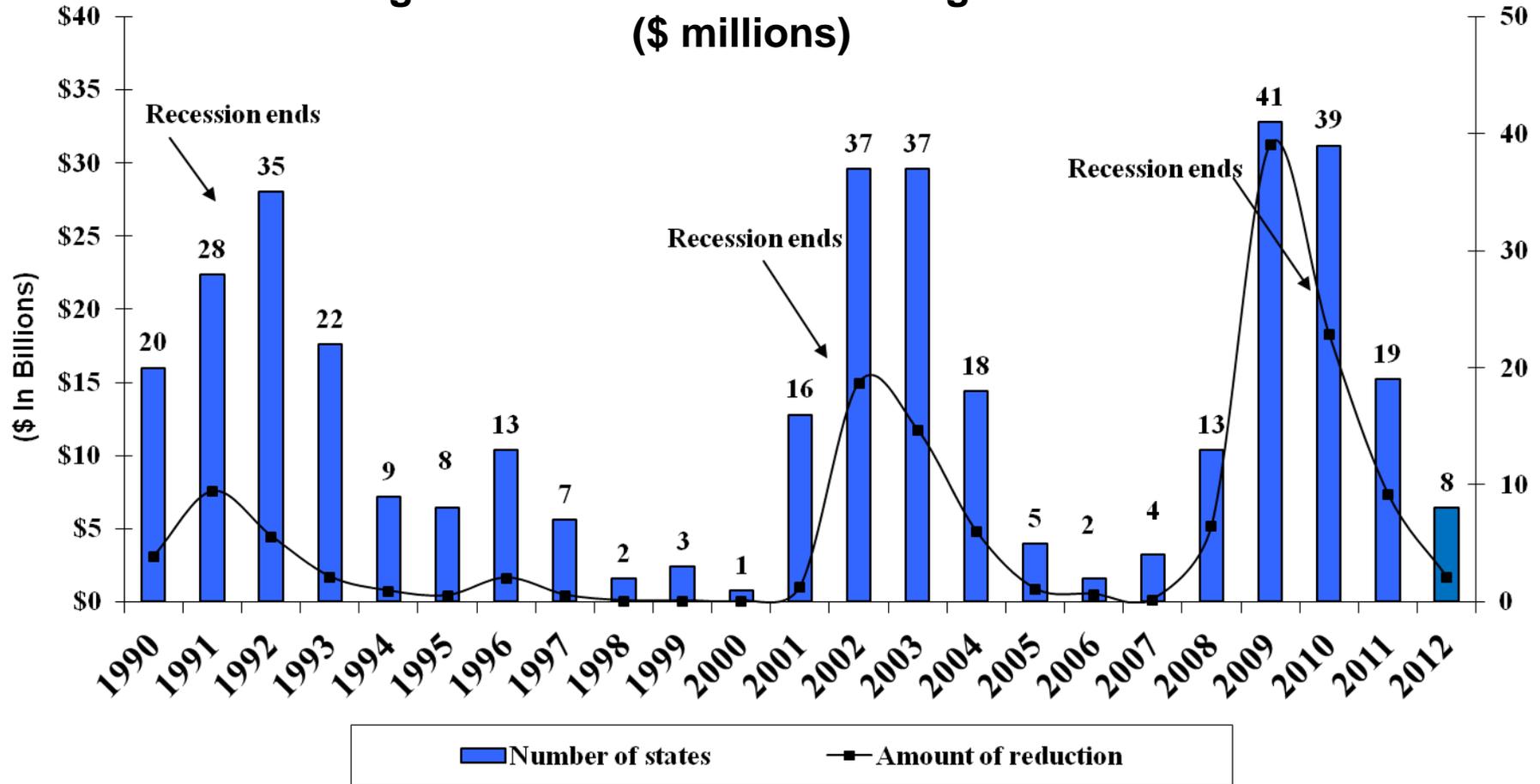
States Continue To Rebuild Budgetary Reserves After Recession





Minimal Midyear Budget Cuts in FY 2012, 8 States Cut \$1.7 Billion

Budget Cuts Made After the Budget Passed (\$ millions)



Source: NASBO Fall 2012 Fiscal Survey



Strategies Used to Reduce or Eliminate Budget Gaps, FY 2013

- **Reduce Local Aid: 8 states**
- **Layoffs: 9 states**
- **Furloughs: 3 states**
- **Cuts to Employee Benefits: 9 states**
- **Across-the-Board Cuts: 13 states**
- **Targeted Cuts: 21 states**
- **Rainy Day Fund: 4 states**
- **Reorganize Agencies: 10 states**

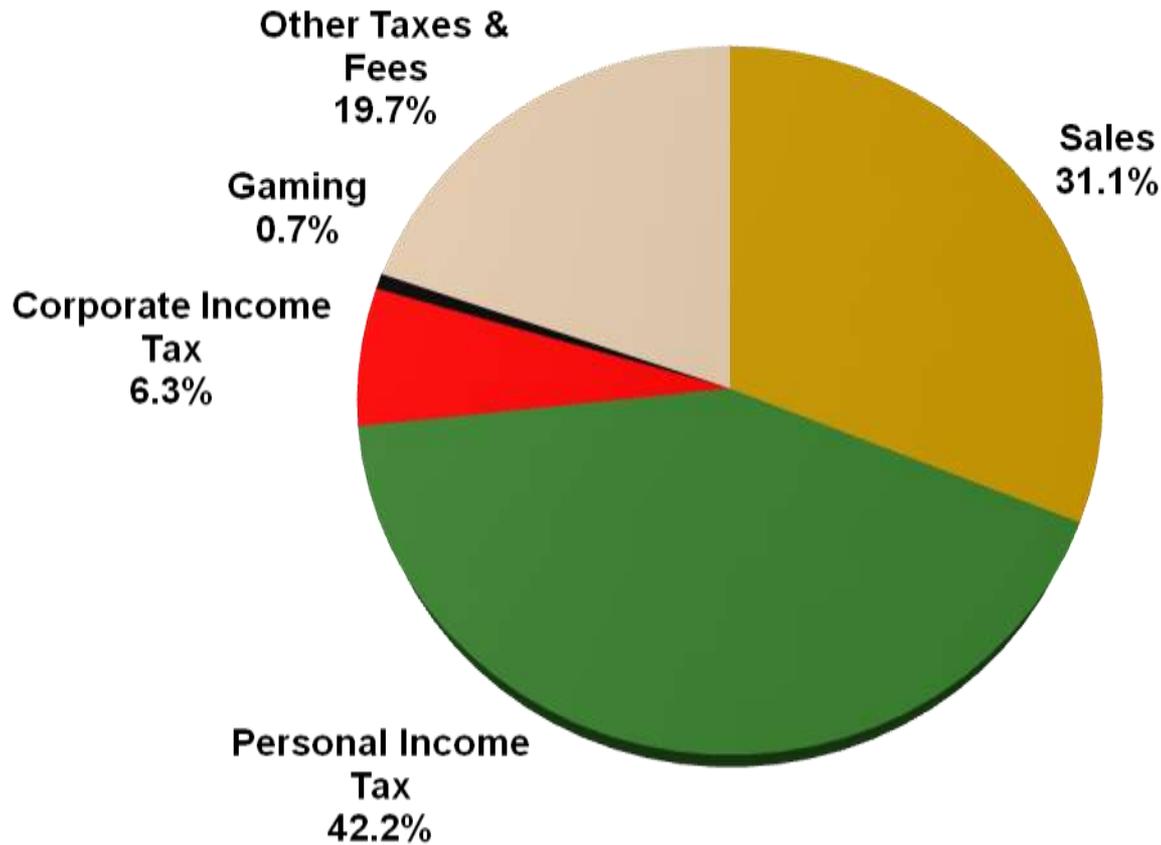
Source: NASBO Fall 2012 Fiscal Survey of States



Background on State Spending Trends

Revenue Sources in the General Fund

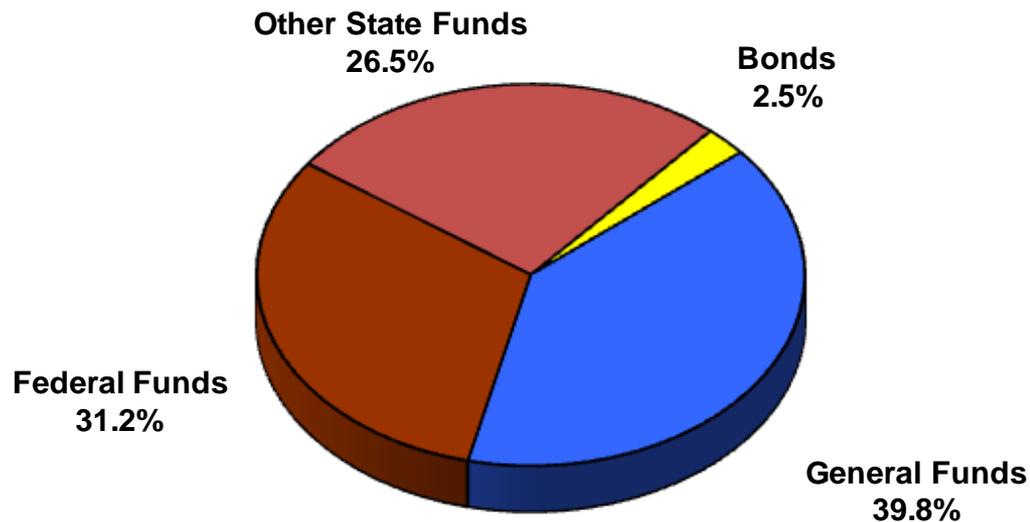
Estimated Fiscal 2012



Source: NASBO State Expenditure Report

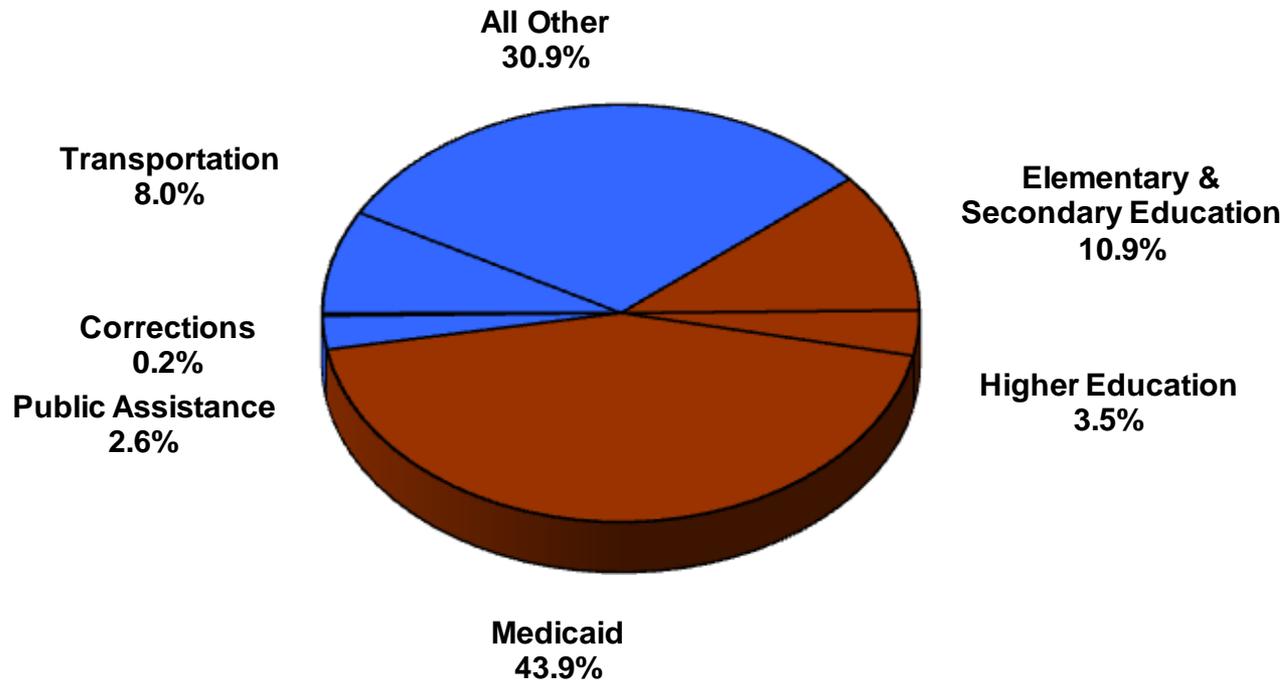
Spending by Funding Source (Percentage)

Total State Expenditures By Funding Source, Estimated Fiscal 2012



State Spending from Federal Funds

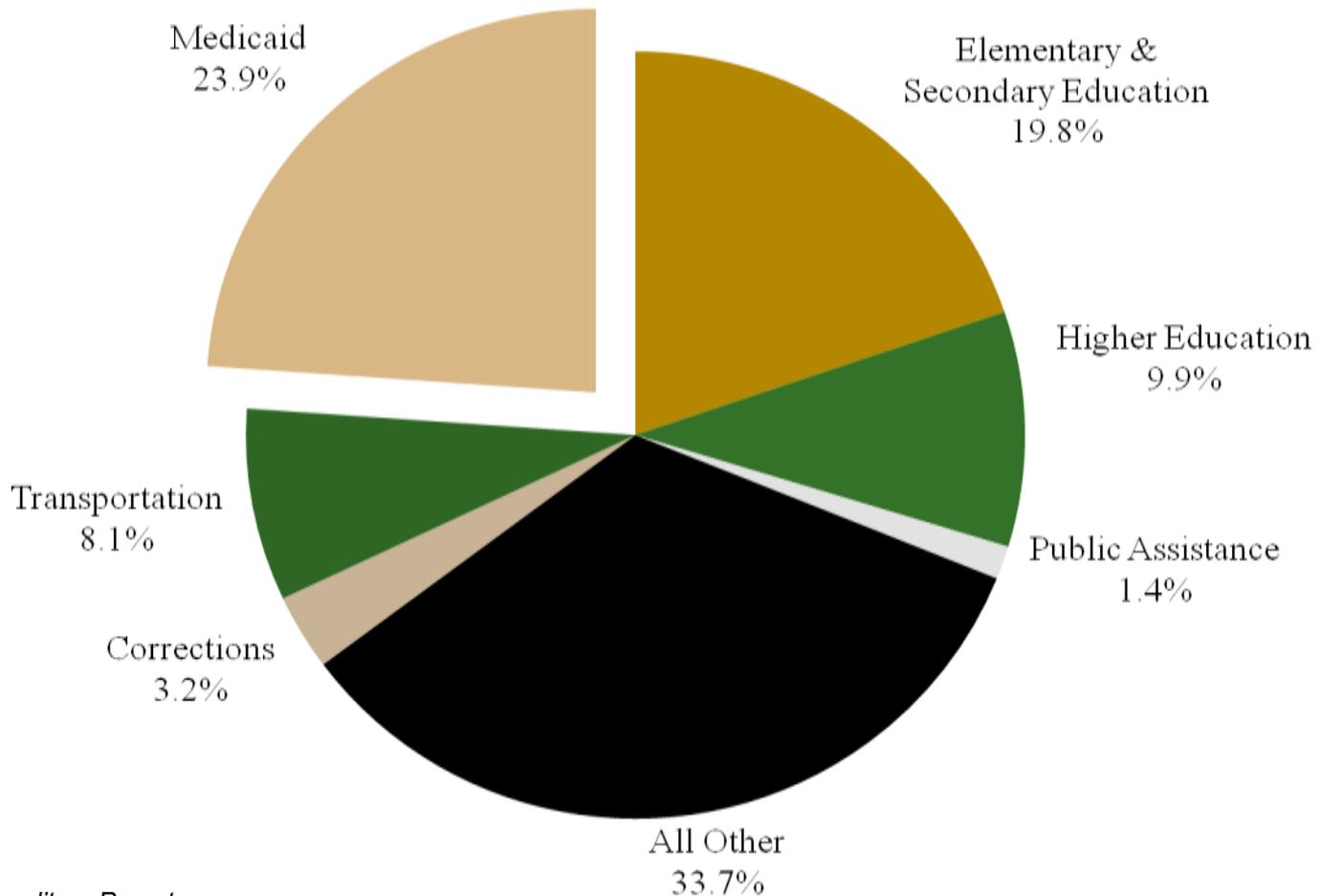
Federal Funds Spending, Estimated Fiscal 2012



Source: NASBO State Expenditure Report



Total State Expenditures by Function, Estimated Fiscal 2012

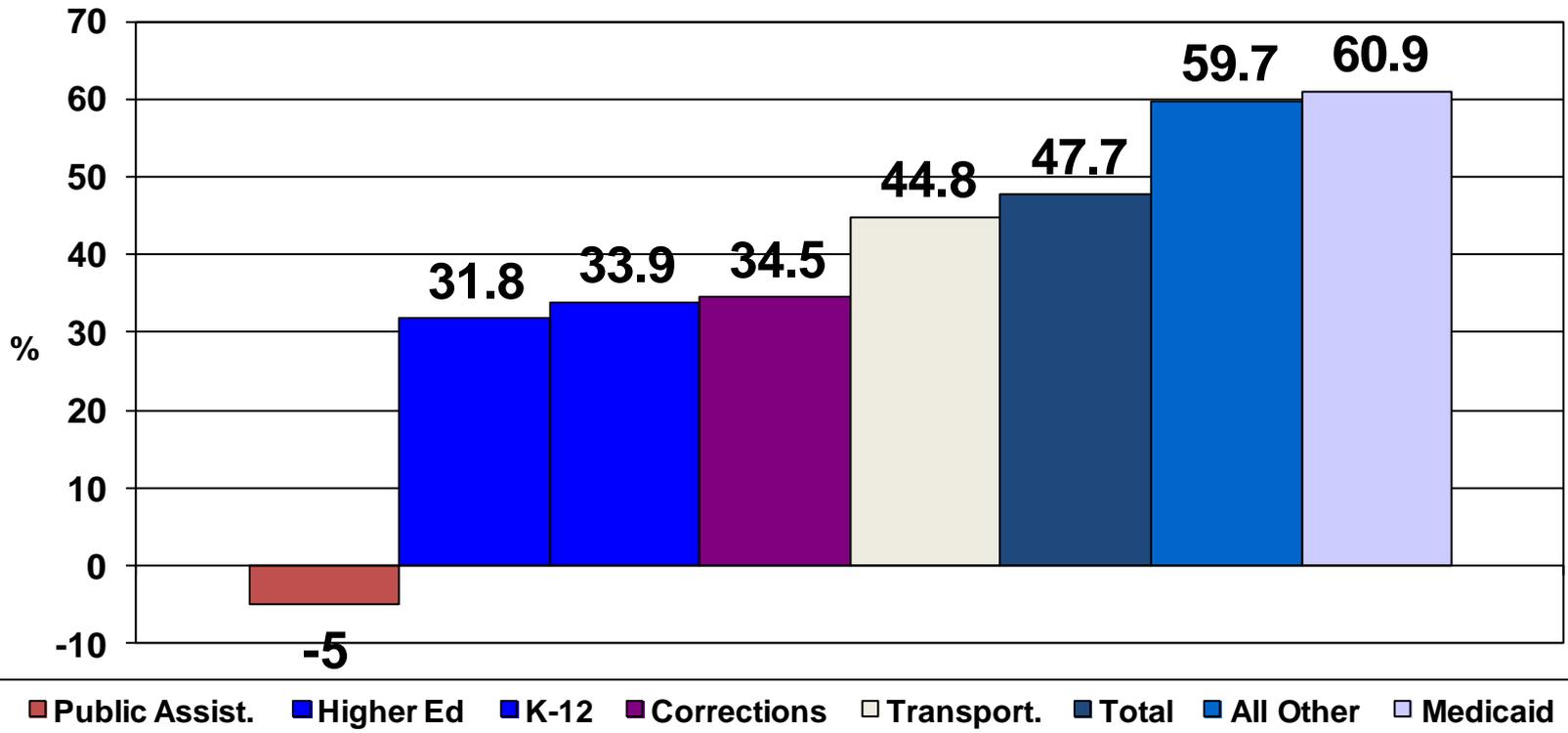


Source: NASBO State Expenditure Report



Total Expenditures Percentage Growth in Spending Categories Over 10 Years

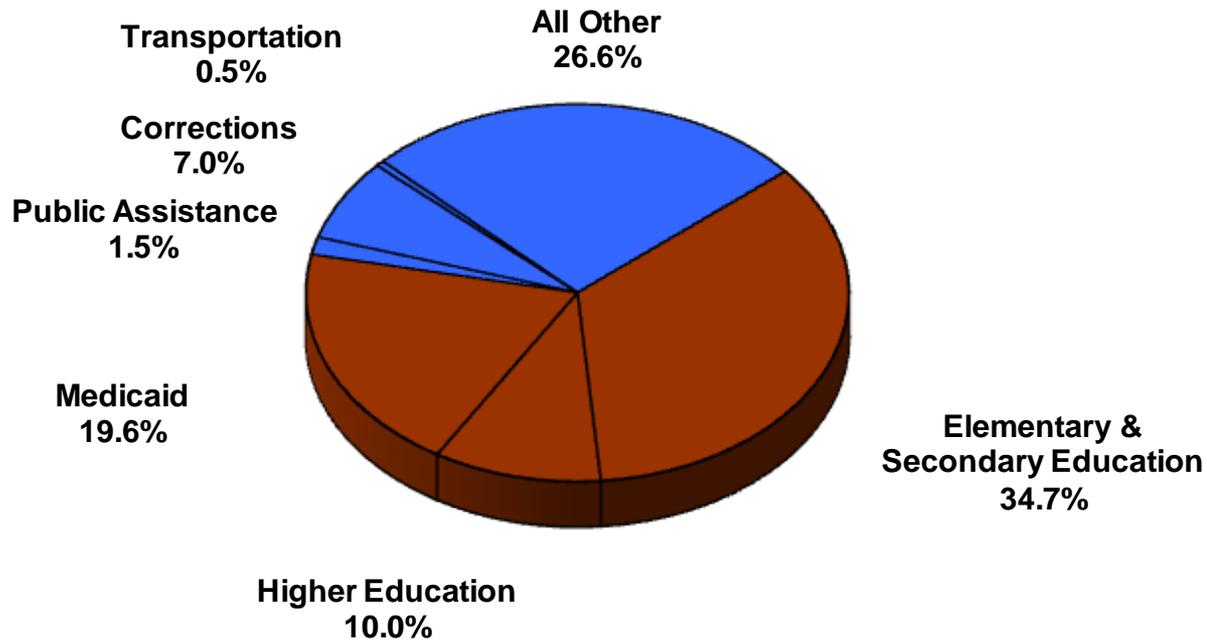
Percentage Growth in Spending Categories Between Fiscal 2003 and Fiscal 2012 (Total Funds)



Sources: NASBO State Expenditure Reports

General Fund: Medicaid & Education 64.3%

General Fund Expenditures by Function, Estimated Fiscal 2012

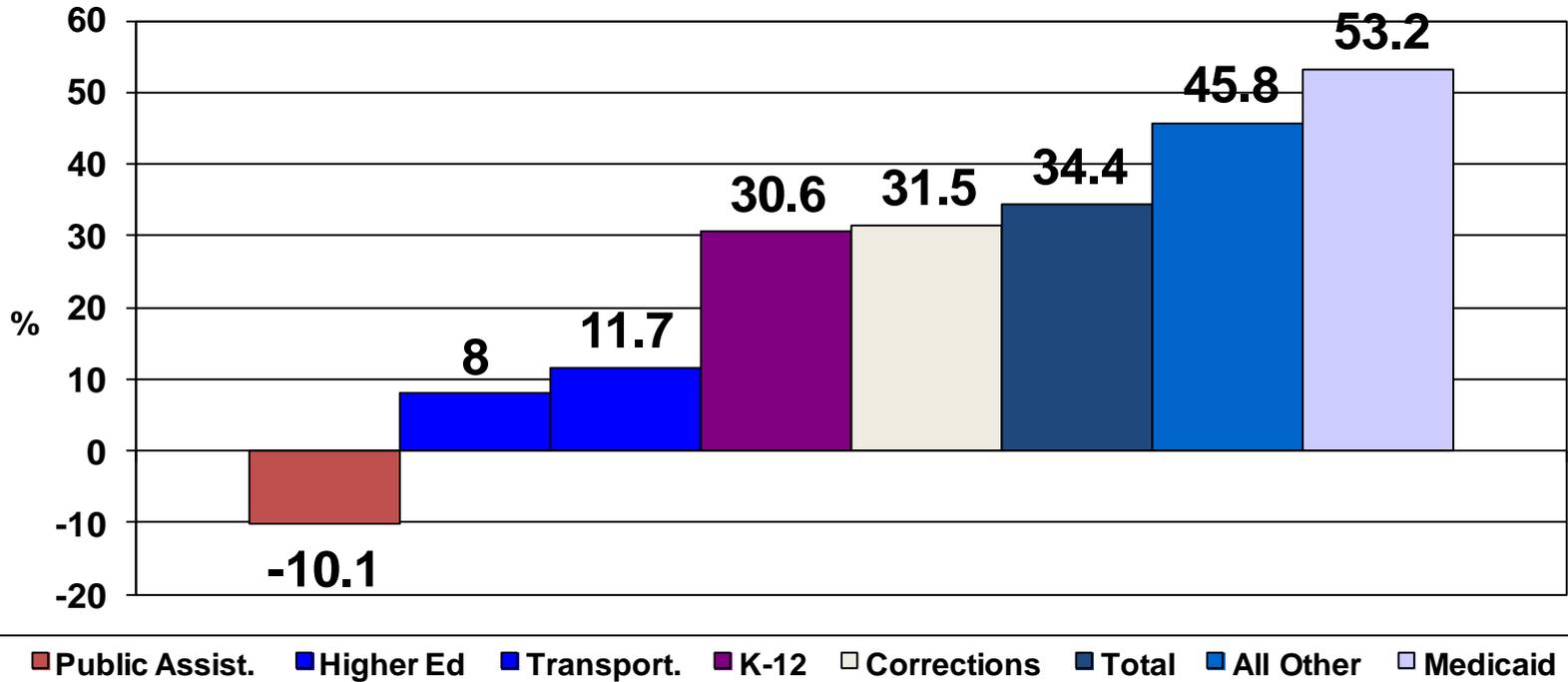


Source: NASBO State Expenditure Report



General Fund Percentage Growth in Spending Categories Over 10 Years

Percentage Growth in Spending Categories Between Fiscal 2003 and Fiscal 2012 (General Funds)



Sources: NASBO State Expenditure Reports



Outlook



State Fiscal Outlook

- **Austere state budgets for at least the next several years**
- **Health care reform**
- **Tough competition for general funds and limited federal funds**
- **Dealing with long-term liabilities**
- **States will continue to make painful choices**



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