State Fiscal Outlook

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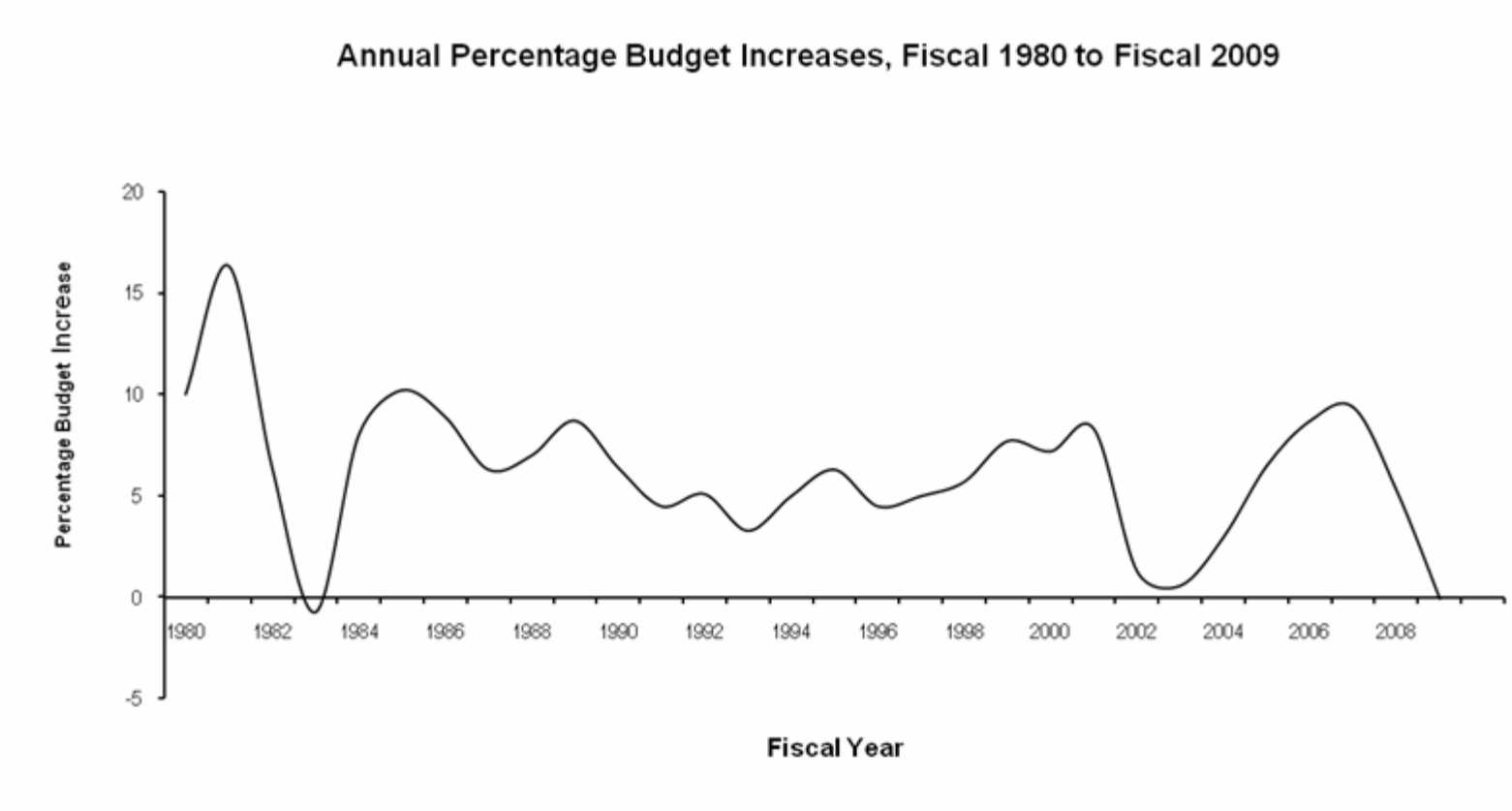
Recent State Fiscal Situation

- **Flat spending/declining revenue**
  - **First Decline Since 1983**
- **Shortfalls in the billions**
  - **$30 Billion+++**
- **Across the board budget cuts, layoffs**
- **Credit crisis impacting short- and long-term borrowing**
- **Most states in recession**

Flat and Declining Expenditure Growth



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

**Fiscal 08 numbers are preliminary actual

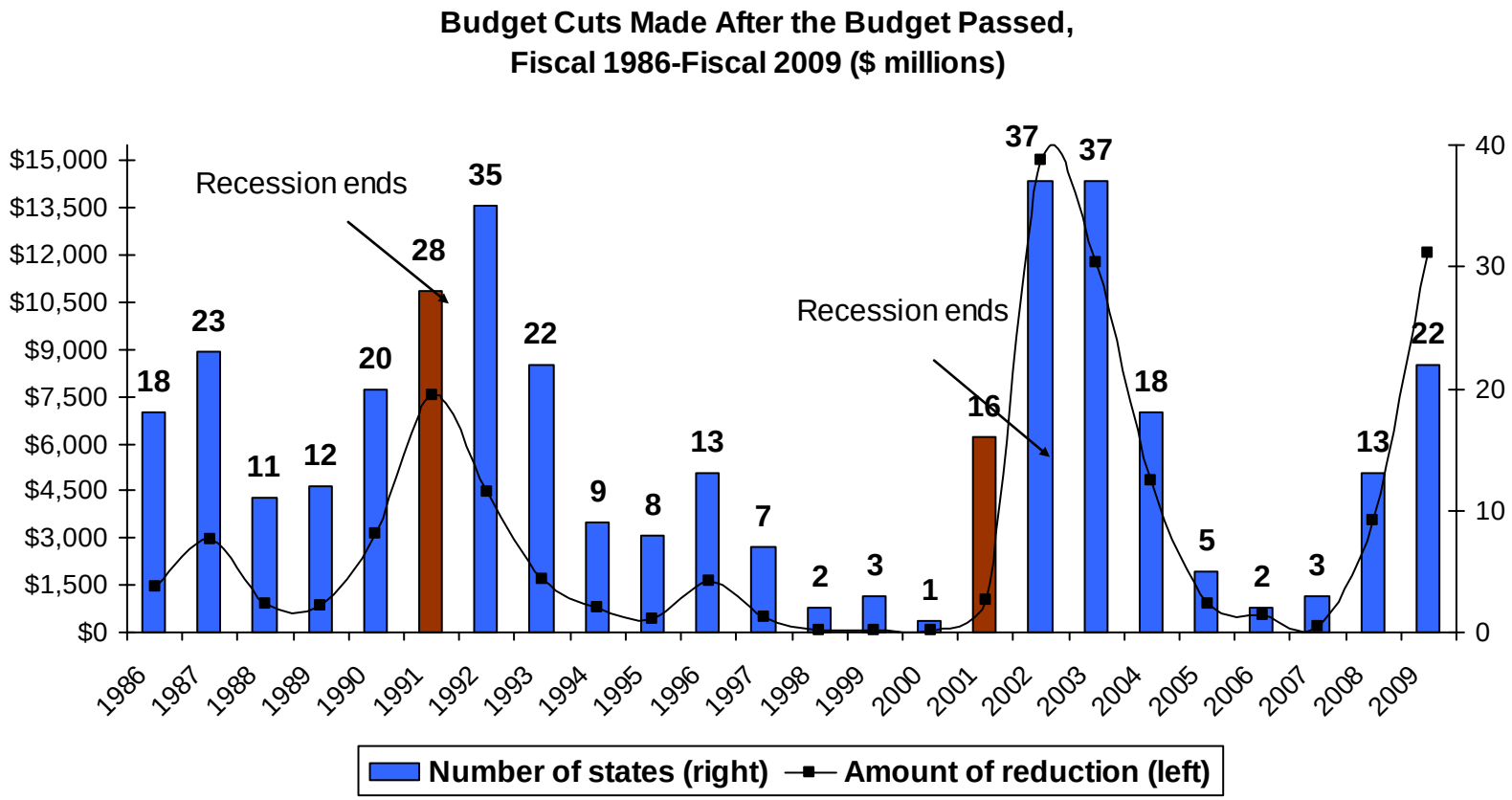
***Fiscal 09 numbers are appropriated

Source: NASBO December 2008 Fiscal Survey of States

This Downturn vs. Post '01

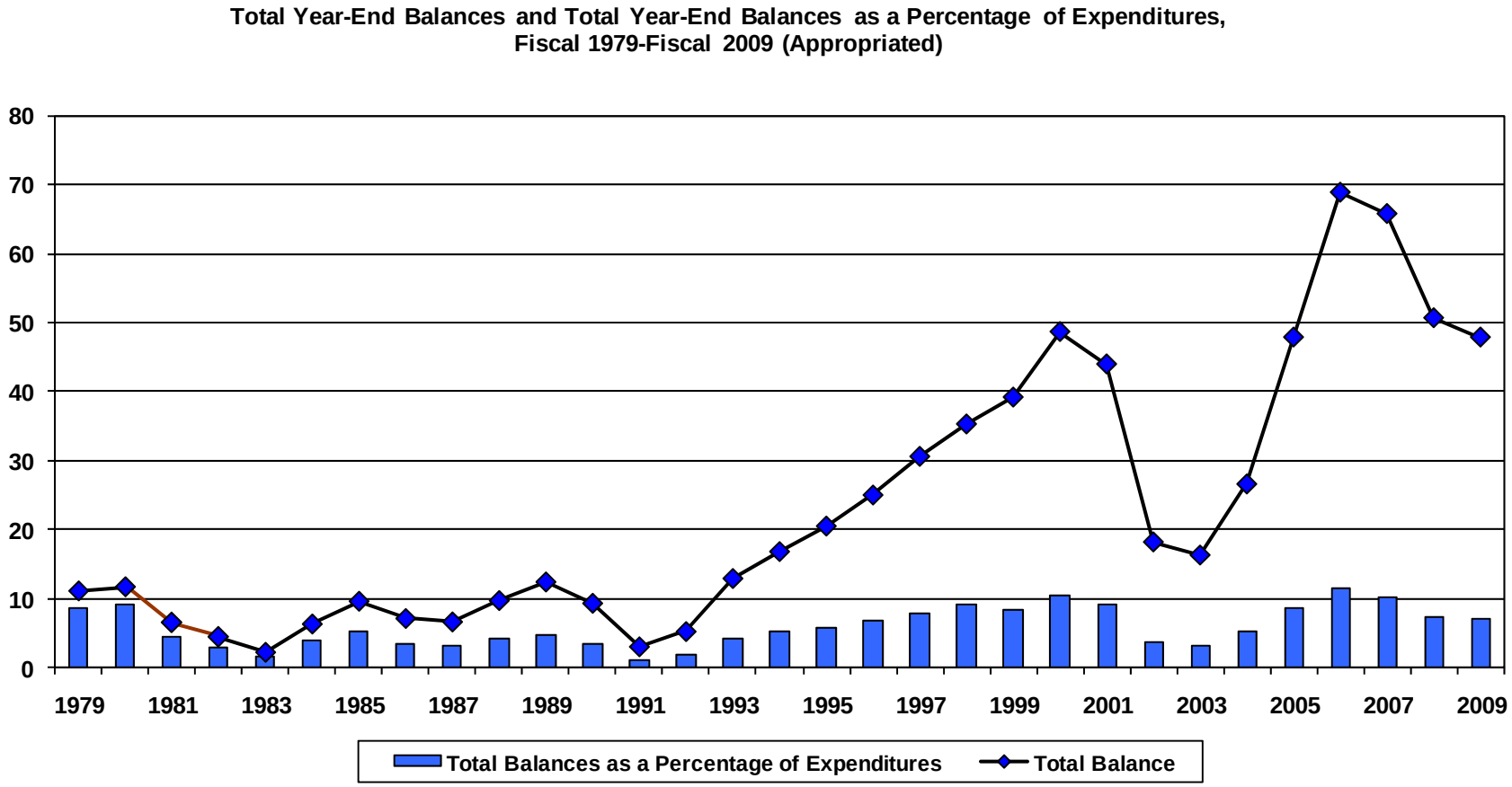
- **Housing sector strong in '01**
- **Dramatic non-witholding decline**
- **Financial decline post '01**
- **Broad decline**
- **Localities hit this time**
- **Credit crisis this time**

Budget Cuts Increasing



Source: December 2008 Fiscal Survey of States

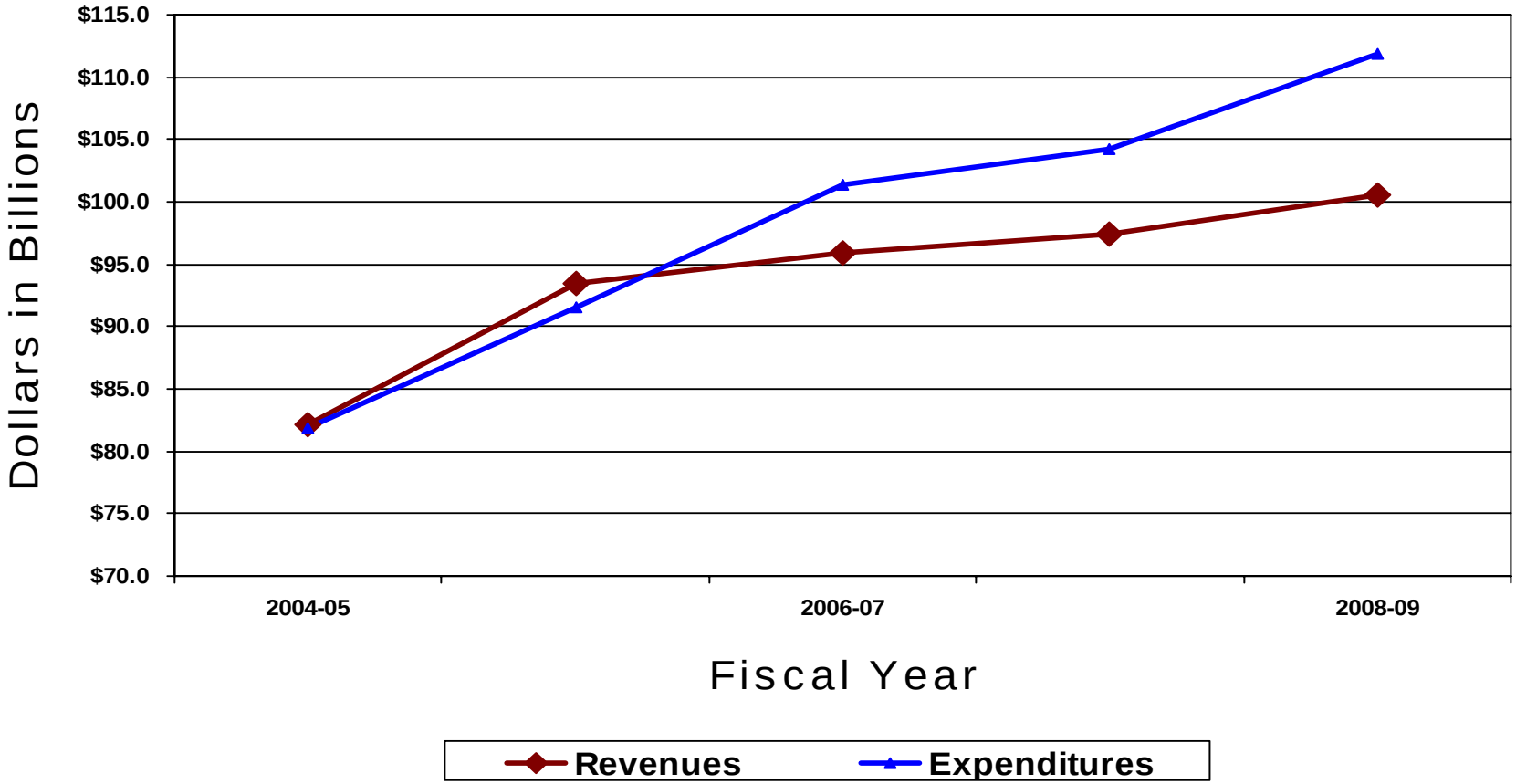
Balances Declining



**31-year historical average is 5.7%*

Source: NASBO December 2008 Fiscal Survey of States

Structural Imbalance: The Example of California



*2008-09 is projected workload budget

Source: California Governor's Budget 2008-09

State Fiscal Outlook

- Much will depend on the national economy
- Expect significant drops in revenue and spending
- States will face dramatic budget cuts
- States will look for creative financing and revenue opportunities to meet these spending demands
- Opportunity for reform
- Recovery for states at best in FY '11

Silver Lining

- **Efficiencies**
- **Priorities**
- **Public-Private Partnerships**
- **Outsourcing**
- **Necessary Reforms**

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