Fiscal 2019 expected to mark the 9th consecutive annual increase in general fund spending and revenues.

States are facing ongoing spending pressures and long-term demands.

Budget environment for most states indicates moderate growth.

Budget proposals for fiscal 2019 were mostly cautious and emphasized structural balance, long-term sustainability, and need to increase reserves.
STATE GENERAL FUND SPENDING EXPECTED TO SEE MODEST INCREASE IN FISCAL 2019

Annual General Fund Expenditure Growth (%)

*40-year historical average annual rate of growth is 5.4 percent.

**Fiscal 2019 percentage growth is based on recommended budgets (and enacted budgets for some biennial states that passed two-year budgets in 2017). Median growth rate for fiscal 2019 is 2.7 percent.

Source: NASBO Fiscal Survey of States
MOST GOVERNORS PROPOSED MODERATE SPENDING GROWTH IN FISCAL 2019, AN IMPROVEMENT OVER LAST YEAR

General Fund Spending Change in Fiscal 2019 Recommended Budgets*

- < 0% (7 states)
- 0% to 2% (8 states)
- 2 to 4% (21 states)
- > 4% (14 states)

* Compared to estimated fiscal 2018 spending levels. Source: NASBO Fiscal Survey of States
## FY 2019 GENERAL FUND ENACTED REVENUE FORECASTS

**General Fund Revenue Growth**  
+3.3%

- Personal Income  
  +4.1%

- Sales  
  +3.4%

- Corporate Income  
  +4.3%
VAST MAJORITY OF STATES MET OR EXCEEDED REVENUE PROJECTIONS FOR FISCAL 2018

General Fund Revenue Collections Compared to Original Budget Projections

Source: NASBO Fiscal Survey of States.
MEDIAN RAINY DAY FUND LEVEL EXCEEDS PRE-RECESSION PEAK, CONTINUES TO RISE

Median Rainy Day Fund Balance Over Time

Source: NASBO Fiscal Survey of States

13 States are under 3% in 2018
TOTAL STATE EXPENDITURES BY FUNCTION
ESTIMATED FISCAL 2017

- Medicaid: 29.0%
- Elementary & Secondary Education: 19.4%
- All Other: 28.7%
- Higher Education: 10.4%
- Public Assistance: 1.4%
- Transportation: 8.1%
- Corrections: 3.0%

Source: NASBO State Expenditure Report
General Fund Expenditures by Function
Estimated Fiscal 2017

- Medicaid: 20.3%
- Transportation: 0.8%
- Corrections: 6.7%
- All Other: 25.8%
- Higher Education: 9.9%
- Public Assistance: 1.1%
- Elementary & Secondary Education: 35.4%

Source: NASBO State Expenditure Report
Medicaid Has Increased as a Percentage of General Fund Spending Over Time – All States

Source: NASBO State Expenditure Report.
MAJOR CHALLENGES AND TRENDS IN MEDICAID

• Concern about impact of federal regulations, costly populations, high cost pharmaceuticals.

• What will we be seeing in administrative flexibility from CMS? Activity centered around waivers. What will be changes in policy involving state match in Medicaid?

• Greatest fiscal threat would be from any plans to cap federal reimbursement for Medicaid.
MAJOR CHALLENGES TO STATE BUDGETS: 2019+

- Modest economic growth and modest revenue growth
- Medicaid spending tends to grow at higher rate than revenues
- Pensions and retiree health liabilities
- Maintaining infrastructure and new transportation demands
- Preparing for the next economic downturn
- Federal uncertainty has lessened with no repeal of ACA, passage of tax reform, and two-year spending agreement