



» Modest Revenue Growth, Strategic Decisions

For states in the coming year, no news is good news when it comes to finances. For the last few years, states on the whole have seen a slow and steady increase in revenues. In the coming year, state leaders will have a little bit more breathing room when making fiscal decisions. States collected \$912 billion in total tax revenues in fiscal year 2015—an increase of 5.6 percent over 2014 levels.¹ Growth over this time was widespread—47 states reported growth—while three states, Alaska, Illinois and North Dakota, reported declines. For states reliant on natural resources, that cautious revenue growth could be derailed by volatility in the oil market. For other states, that breathing room comes with a complex set of choices: Do they shore up their savings or invest in infrastructure? In addition to decisions on saving for a rainy day and infrastructure investment, state leaders may begin taking a look at tax reform, but it is unlikely there will be significant changes in tax policy anytime soon.

» Workforce Development, Wages and Innovation

States are looking for innovative strategies to overhaul economic development programs and tie those strategies to workforce development goals, including worker re-training programs. That will mean identifying ways for the public, private and academic sectors to work together more efficiently to create and sustain high-paying jobs and foster an environment conducive to entrepreneurial investment. In addition, a renewed focus and commitment by the federal government on workforce development through programs like the Workforce Innovation and Opportunity Act, or WIOA, will help drive policy and provide resources for state initiatives in 2016.

» Public Pensions Remain a Priority

Public pensions will continue to be a major area of concern for many states as accounting requirements and the financial assumptions used to calculate how much states must pay into their systems transition. State-run retirement systems had a \$968 billion shortfall in 2013, but recent strong investment returns, new accounting standards and state reforms have led to a reduction in unfunded liability for a majority of states.² However, shortfalls are expected to remain between \$800 and \$900 billion in 2016, which means pensions will remain a big fiscal concern for state leaders in the coming year.

» Federal Instability Trickles Down

As the federal appropriations process remains largely dysfunctional, that volatility and instability will continue to affect states negatively. Federal dollars made up 30 percent of state revenue in fiscal year 2013—a decline after reaching a peak of 35.5 percent in fiscal 2010 after the Great Recession.³ However, Congress has not approved all 12 appropriations bills on time since 1996, and it has relied on the use of stopgap continuing resolutions, also known as CRs, and omnibus bills to provide federal appropriations. That causes significant uncertainty, making it difficult for state and local governments to manage fiscal resources and plan strategically.

» Health Care Continues to Dominate Budgets

Health care will continue to be a substantial part of state spending, which means states will continue to invest resources to deliver health care services in the most efficient manner to residents while keeping costs low by placing a bigger emphasis on evidence-based strategies. In fiscal year 2014, state spending on Medicaid grew 4.4 percent and in fiscal year 2015, state spending on Medicaid is expected to grow 4.8 percent. Medicaid will make up an estimated 27.4 percent of total state spending (state and federal dollars) in fiscal year 2015.⁴ In addition, 30 states and the District of Columbia have expanded Medicaid eligibility to 138 percent of the federal poverty level as allowed by the Affordable Care Act, and they will be required to contribute matching funds beginning Jan. 1, 2017.

For more information on these topics and for additional resources on fiscal and economic development policy, see
» www.csg.org/top5in2016.

1. Analysis of Census Bureau data by the Rockefeller Institute of Government
 2. The Pew Charitable Trusts
 3. The Pew Charitable Trusts
 4. National Association of State Budget Officers, State Expenditure Report (Fiscal 2013–2015 Data)



Jennifer Burnett joined CSG in 2006. She is the director for fiscal and economic development policy, serves as research fellow to the State International Development Organizations and coordinates CSG national research efforts, including the collection, analysis and presentation of data, particularly public access to interactive online databases and infographics. Her areas of expertise are fiscal, international, economic and government operational policy, including labor, state budget and tax policy, and performance management and technology policy.

Burnett also created and manages States Perform, a website that provides users with access to interactive, customizable and up-to-date comparative performance measurement data for states in six key areas.

Prior to joining CSG, Burnett was a research associate at the University of Kentucky Center for Business and Economic Research and a legislative aide for a member of the Canadian Parliament. She holds bachelor's degrees in economics and finance from the University of Kentucky, a master's degree from the Patterson School of Diplomacy and International Commerce at the University of Kentucky, and a law degree from the Salmon P. Chase College of Law at Northern Kentucky University.

Get Involved

CSG provides state leaders a variety of regional and national opportunities to actively engage on issues of importance to their jurisdictions and constituents. CSG regional and national committees and task forces are designed to encourage multi-state problem solving, the sharing of best practices, and networking among state officials and between the public and private sectors.

The CSG Fiscal and Economic Development Public Policy Committee is chaired by Rep. Helene Keeley of Delaware and Sen. Bo Watson of Tennessee. The committee was formed and met for the first time in 2013 and has so far focused on the effectiveness of state economic development initiatives, particularly tax and financial incentives and how the public, private and academic sectors can work together to create and sustain high-paying jobs and foster an environment conducive to entrepreneurial investment. The committee will focus on workforce development policy in 2016 as part of the CSG State Pathways to Prosperity initiative.

CSG interactive databases—including *The Book of the States* Online, States Perform, infographics and more—help policymakers access comparative information across states that is both reliable and easy to use. Visit www.csg.org/datacenter to see the innovative resources that CSG has to offer.

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