



State Fiscal Outlook

Council of State Governments

Monday December 3, 2012

Scott Pattison
Executive Director
National Association of State Budget Officers



Current Economic and Fiscal Situation

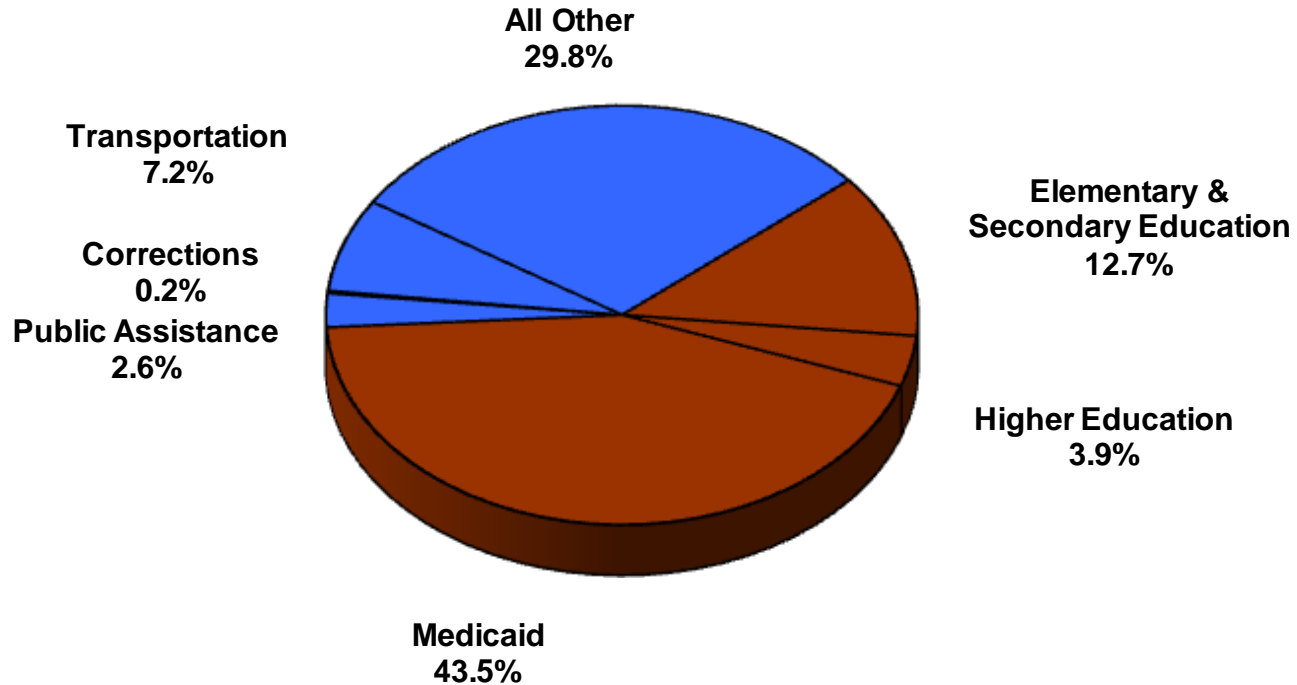


States Watching “Fiscal Cliff” Negotiations...

- **Automatic spending cuts included in Budget Control Act (sequestration)**
 - Impacts domestic and defense spending
- **Take action on expiring tax provisions**
 - Includes Bush tax cuts, AMT, payroll tax holiday, etc.
- **Many program authorizations set to expire**
 - Farm bill, NCLB

State Spending from Federal Funds

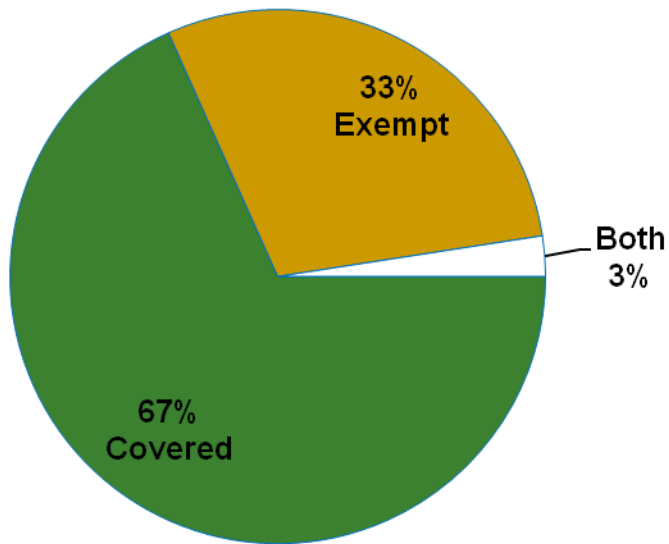
Federal Funds Spending, Estimated Fiscal 2011



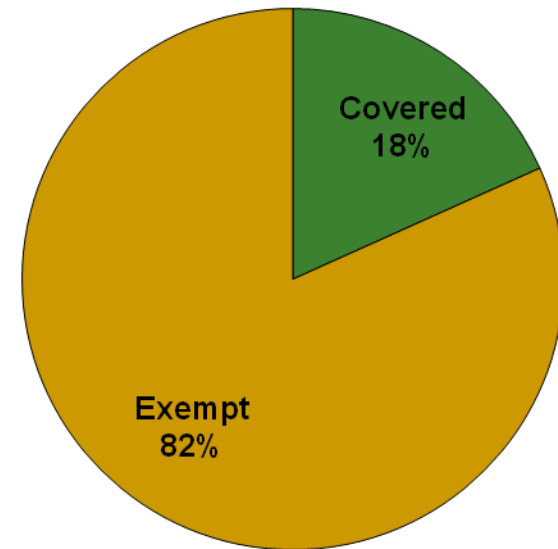
Source: NASBO 2010 State Expenditure Report

Impact of Sequestration on State Budgets in 2013

Coverage Status by Grant Program



Coverage Status by Funding Amount

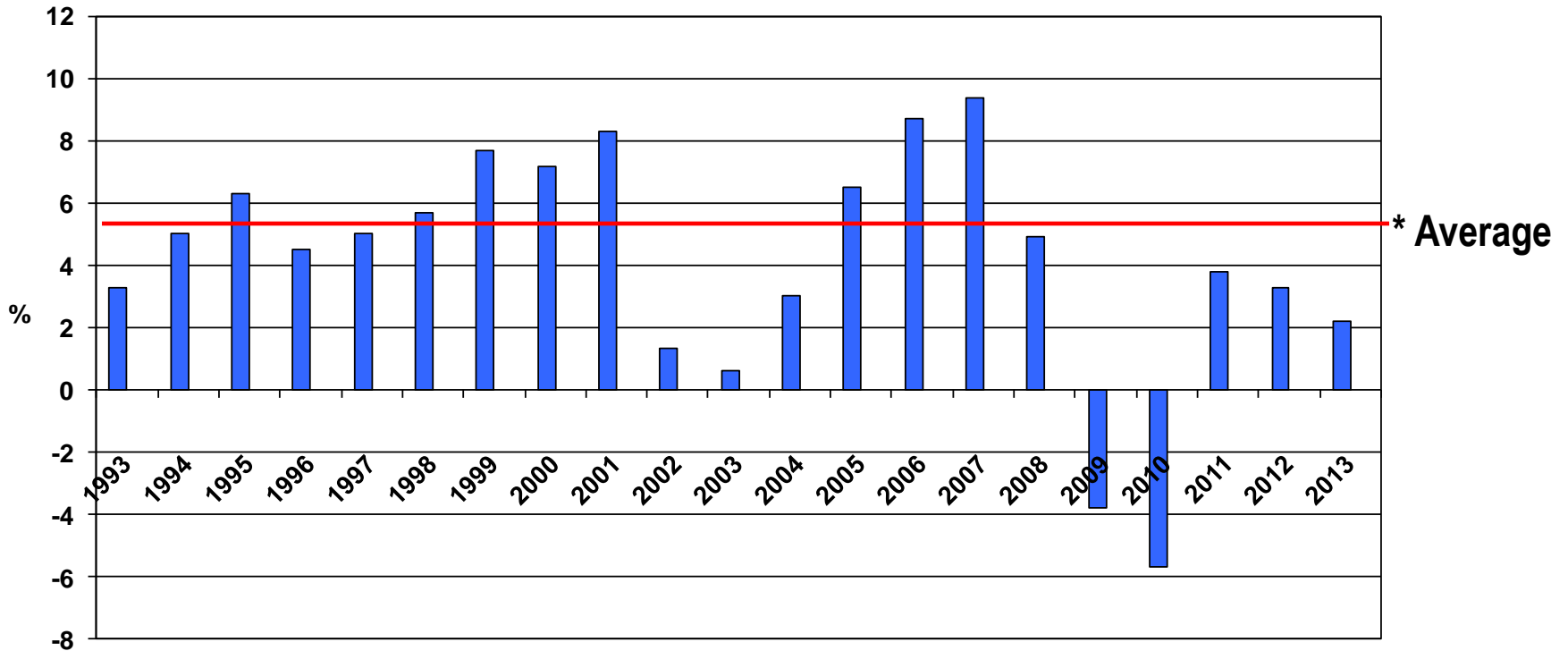


Source: Federal Funds Information for States (FFIS), as presented at NASBO Fall 2012 Meeting (Note: Above figures only include programs that are part of FFIS VIP Series.)



Budget Growth

General Fund Expenditure Growth (%)



35-year historical average rate of growth is 5.7 percent
 Source: NASBO Spring 2012 Fiscal Survey of States

*Fiscal '12 numbers are estimated
 *Fiscal '13 numbers are recommended

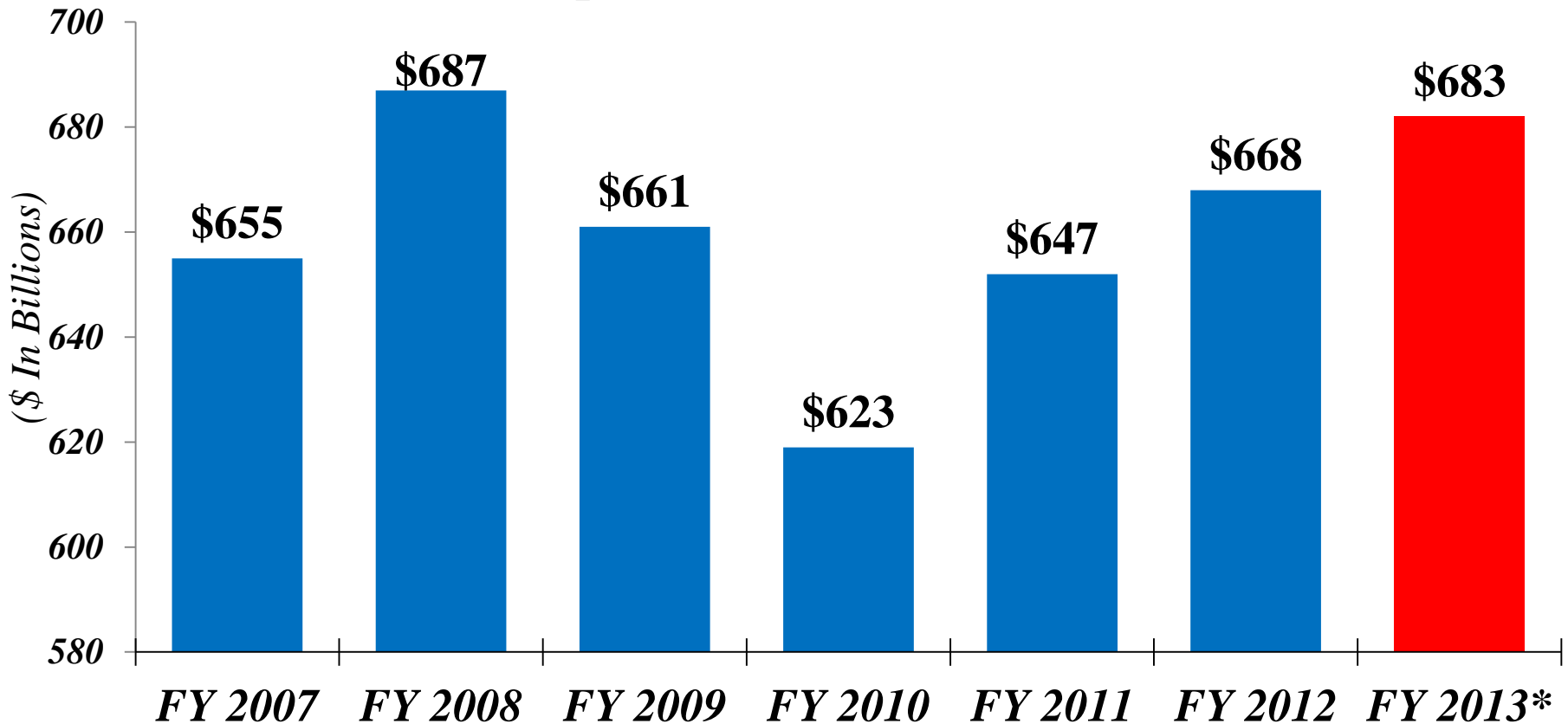


Current Fiscal Situation: Indicators



FY 2013 Recommended Spending Still \$4.6 Billion Below FY 2008

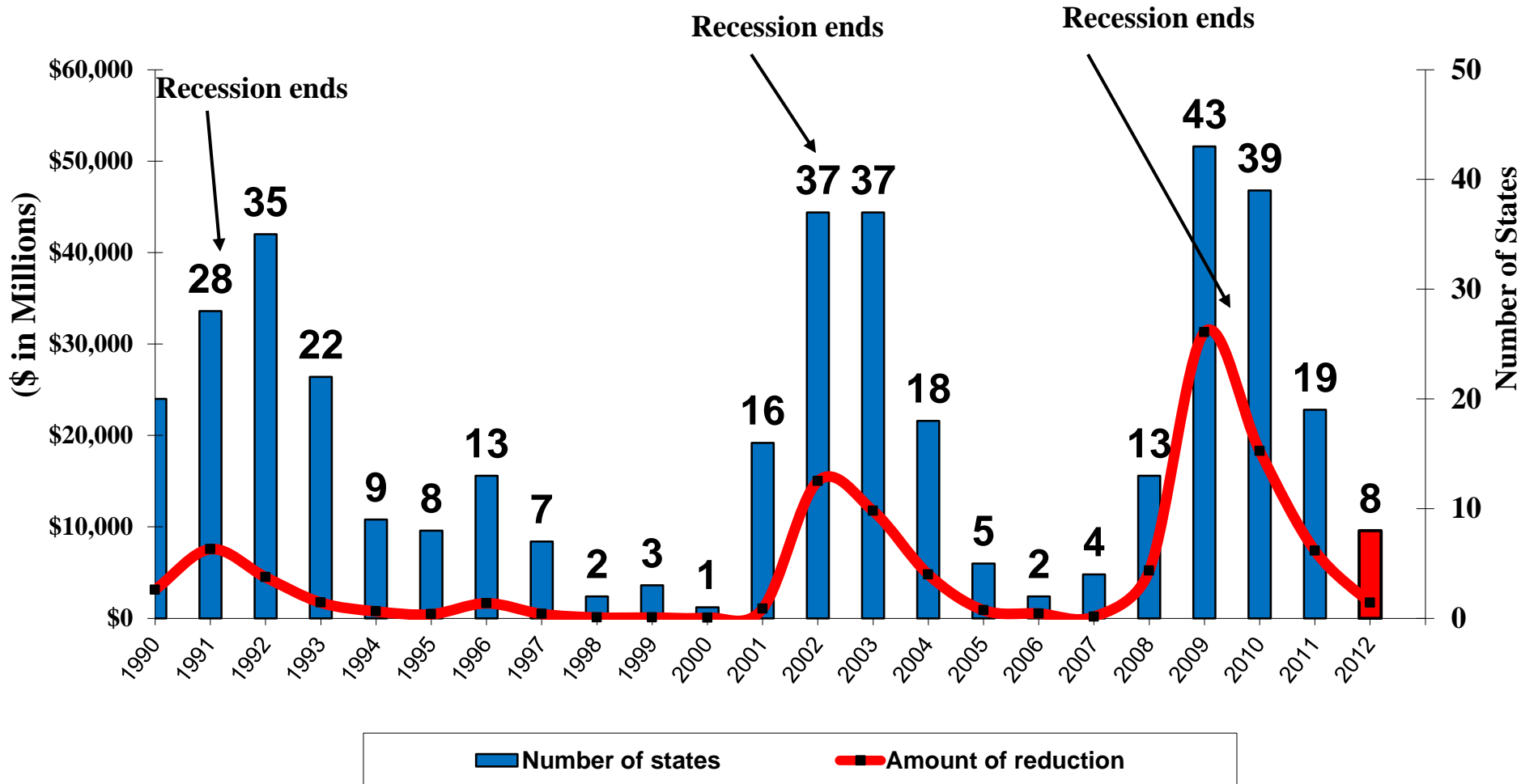
General Fund Spending FY 2007-FY 2013 (In Billions)



* Fiscal 2013 is Proposed Spending

Minimal Mid-Year Budget Cuts in FY 2012, Eight States Cut \$1.7B

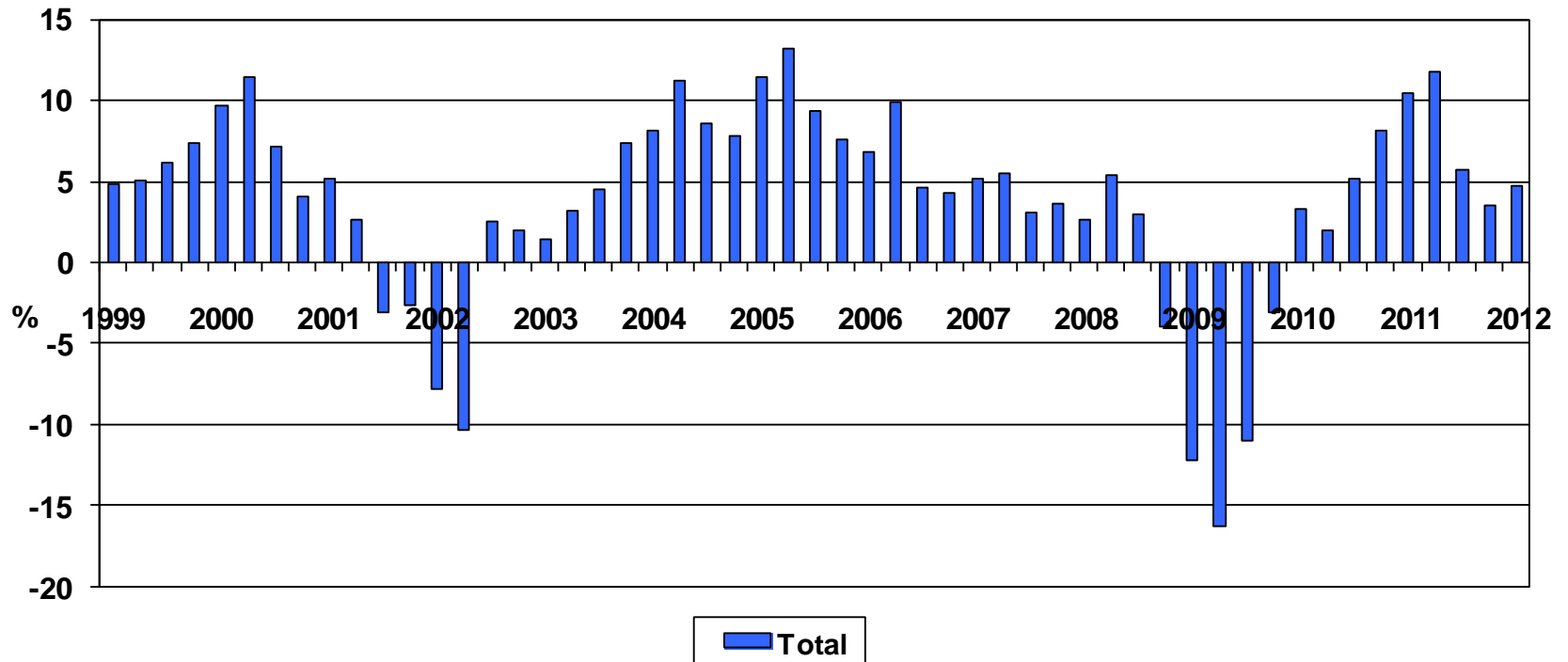
Budget Cuts Made After the Budget Passed (\$ millions)





State Revenue Continues to Grow in 1st Quarter, but at Slow Rate

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

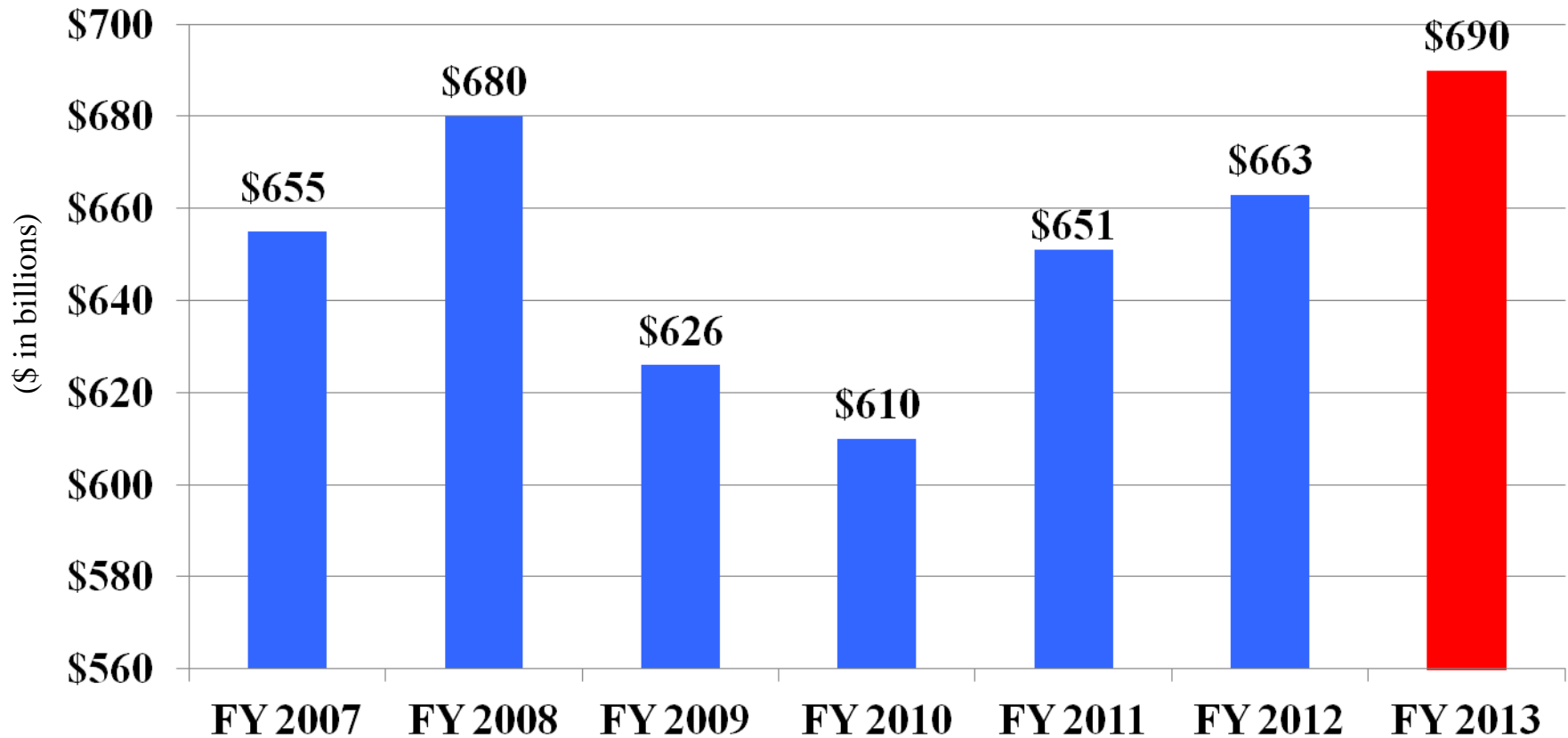


Source: Fiscal Studies Program, Rockefeller Institute of Government; U.S. Census Bureau



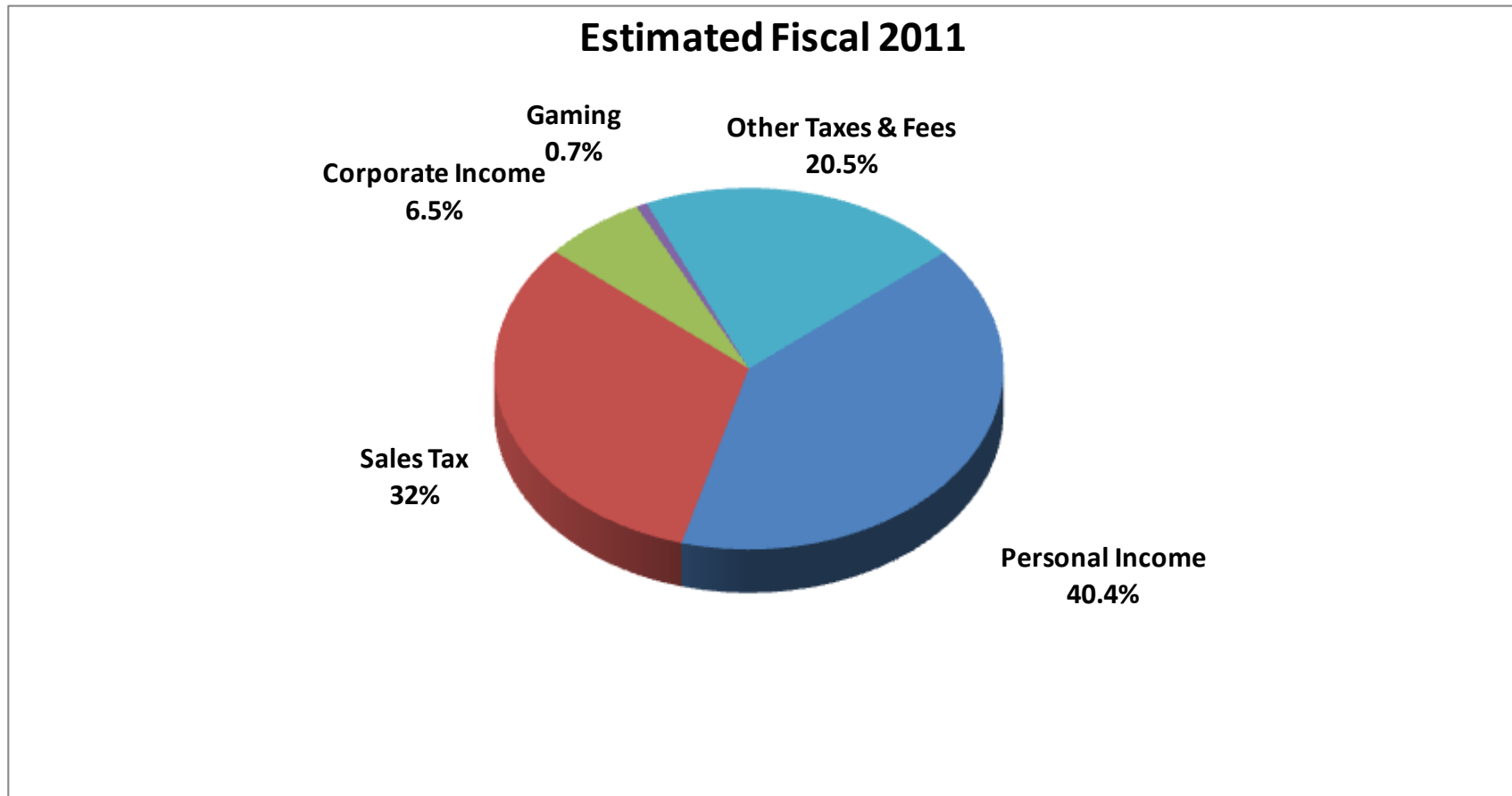
General Fund Revenue Projected to Surpass Fiscal 2008 by \$10B

General Fund Revenue: FY 2007-FY 2013



* FY 2007- -2011 are actual. FY 2012 is preliminary actual and FY 2013 is proposed

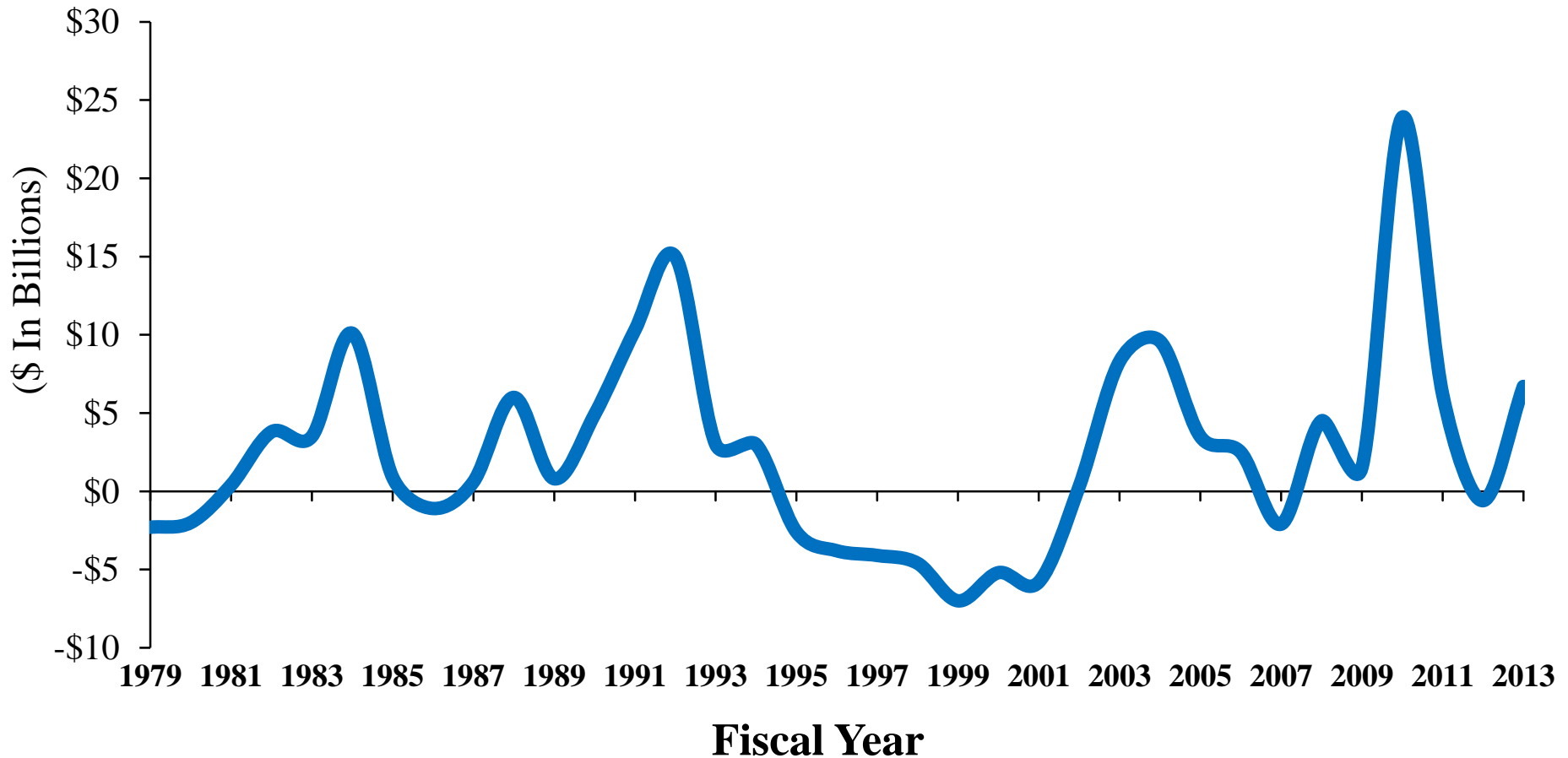
Revenue Sources in the General Fund (Percentage)



Source: NASBO 2010 State Expenditure Report

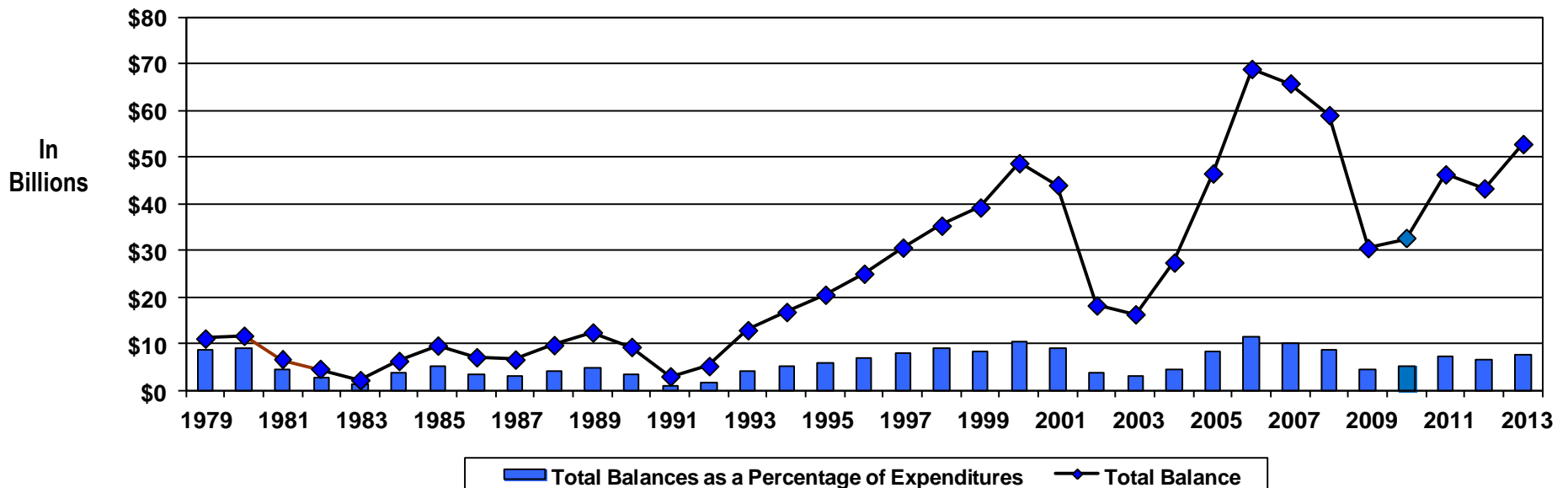
States Propose \$6.7 Billion in Additional Taxes and Fees

Enacted State Revenue Changes, Fiscal 1979 to Fiscal 2012 and Proposed State Revenue Actions, Fiscal 2013



State Balance Levels Recovering

Total Year-End Balances and Total Year-End Balances as a % of Expenditures, Fiscal 1979 - Fiscal 2013



* Fiscal 2012 totals are estimated and fiscal 2013 are proposed

**35-year historical average is 5.9%

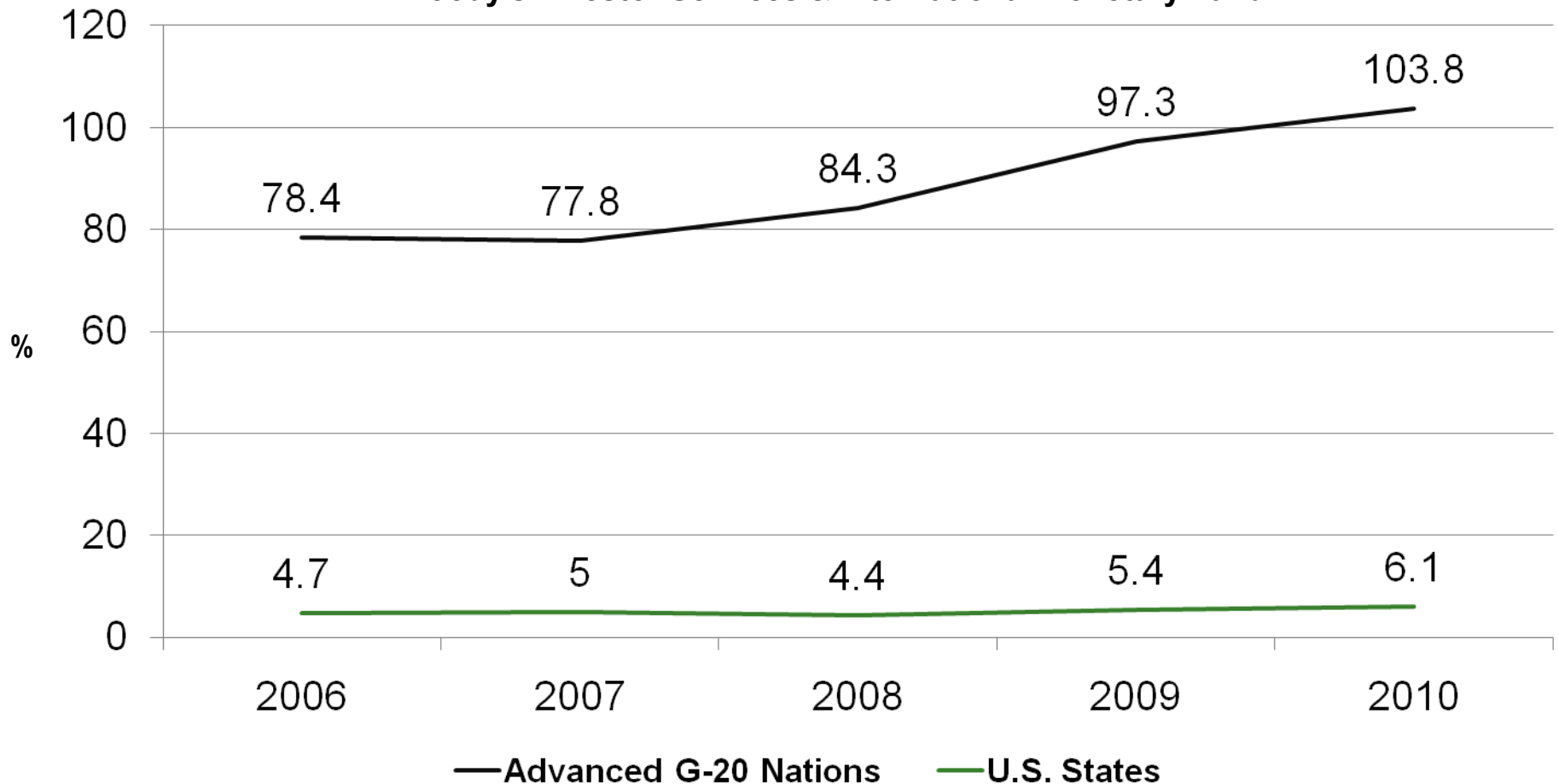
Source: NASBO Spring 2012 Fiscal Survey



FY 11-12 Background on State Spending Trends

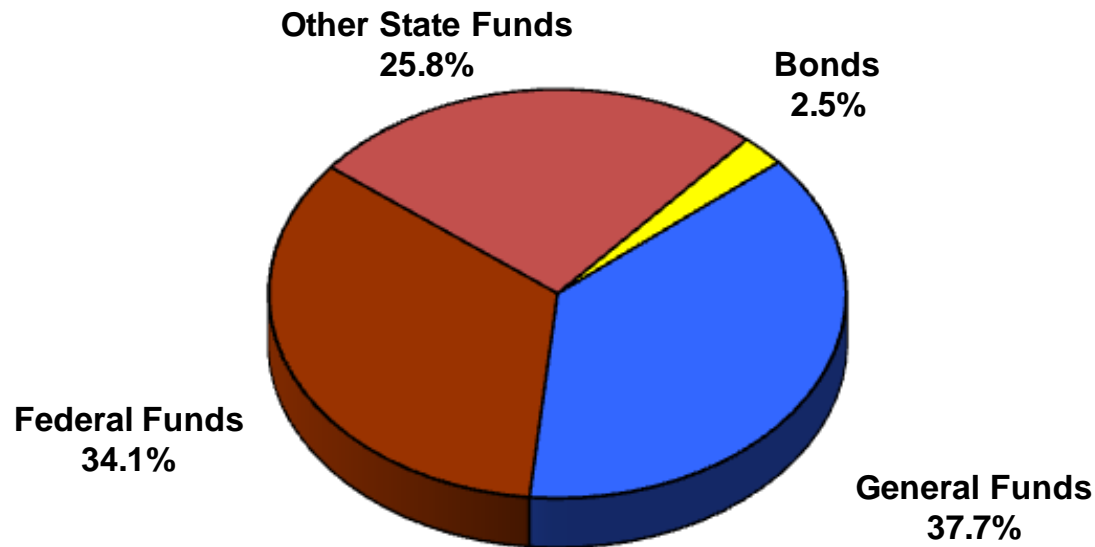
State Debt Not the Problem

**Debt-to-GDP: U.S. States Compared to Advanced G20 Nations –
Moody's Investor Services & International Monetary Fund**



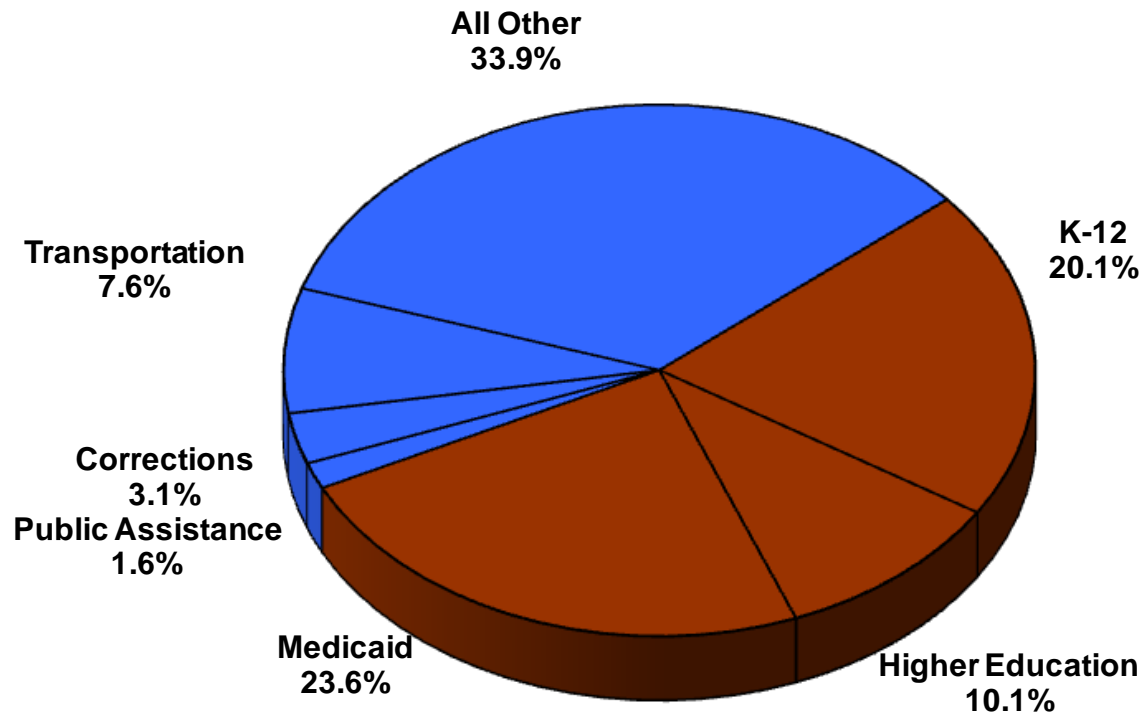
Spending by Funding Source (High Percentage Federal)

Total State Expenditures By Funding Source, Estimated Fiscal 2011



Total State Expenditures: Medicaid Grows Again

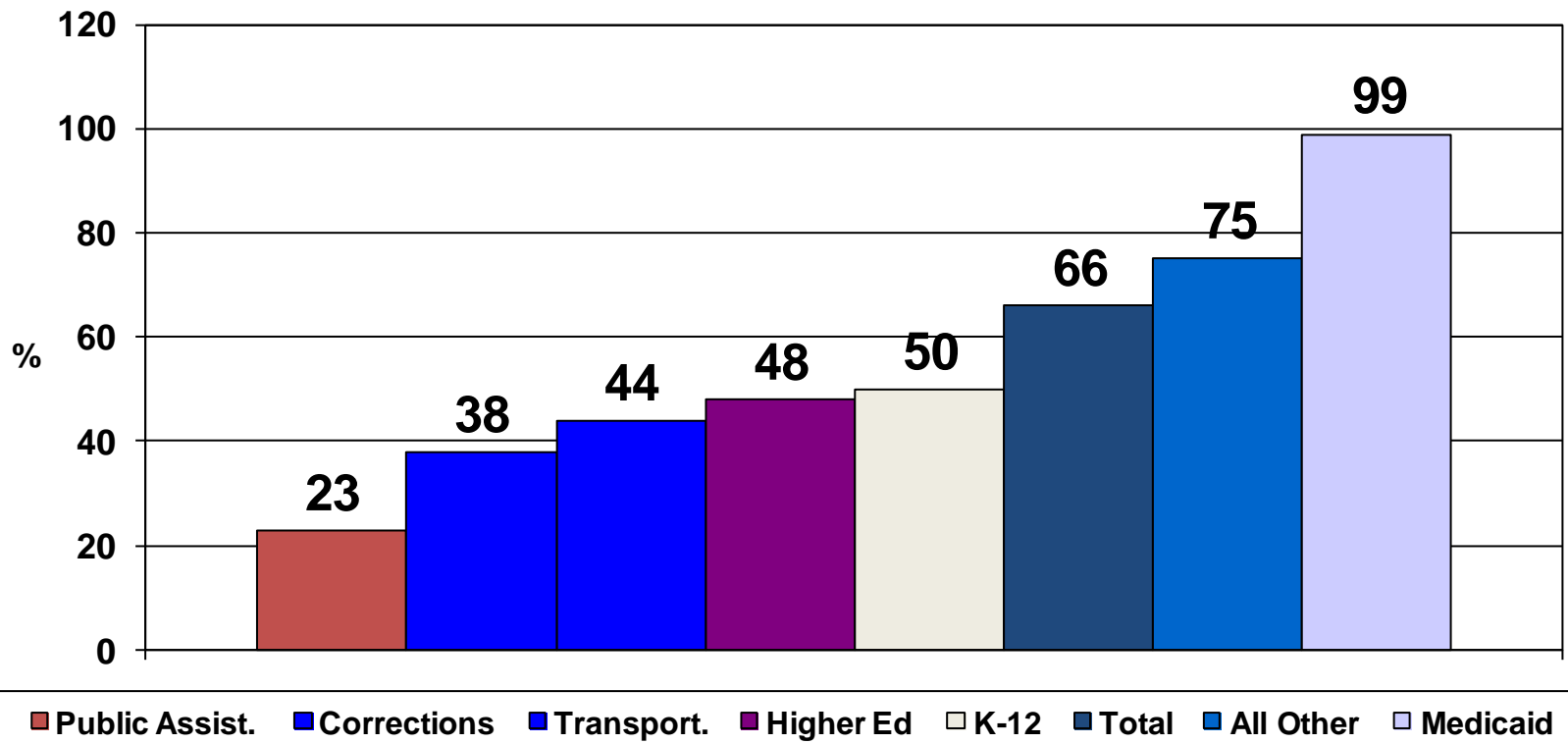
Total Expenditures by Function, Estimated Fiscal 2011



Source: NASBO 2010 State Expenditure Report

Total Expenditures Percentage Growth in Spending Categories

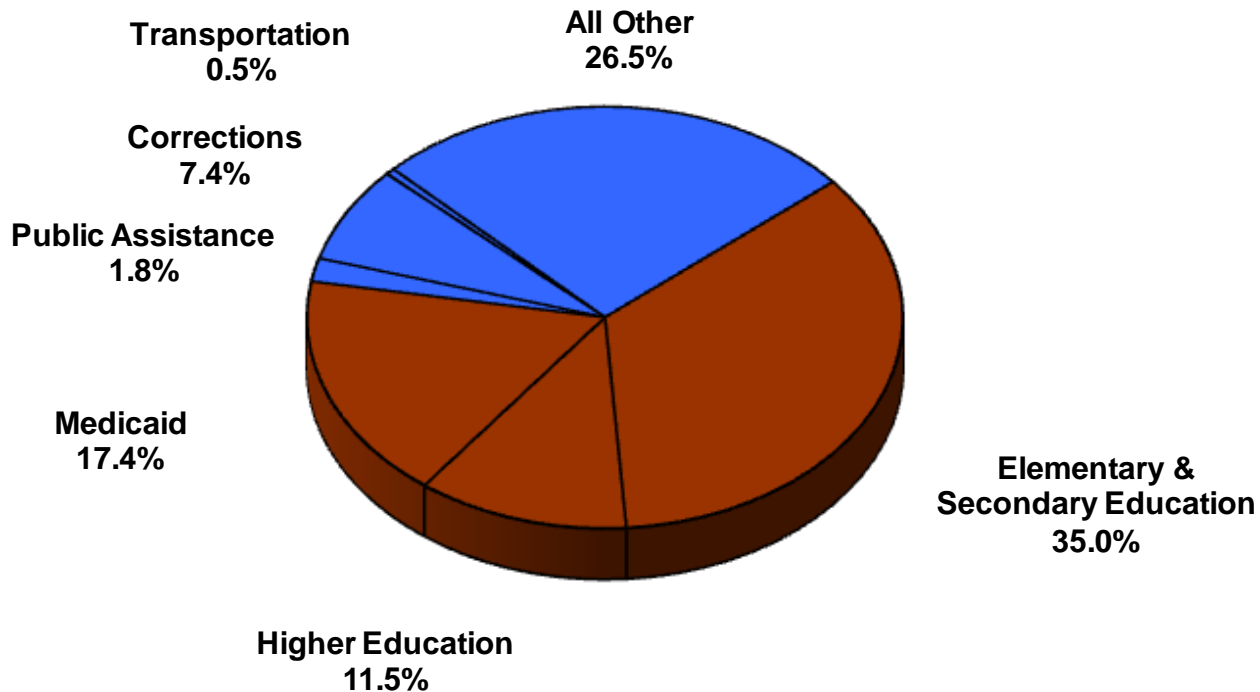
Percentage Growth in Spending Categories
Between Fiscal 2001 and Fiscal 2011 (Total Funds)



Sources: NASBO 2002 and 2010 State Expenditure Reports

General Fund: Growing Medicaid & Education 64%

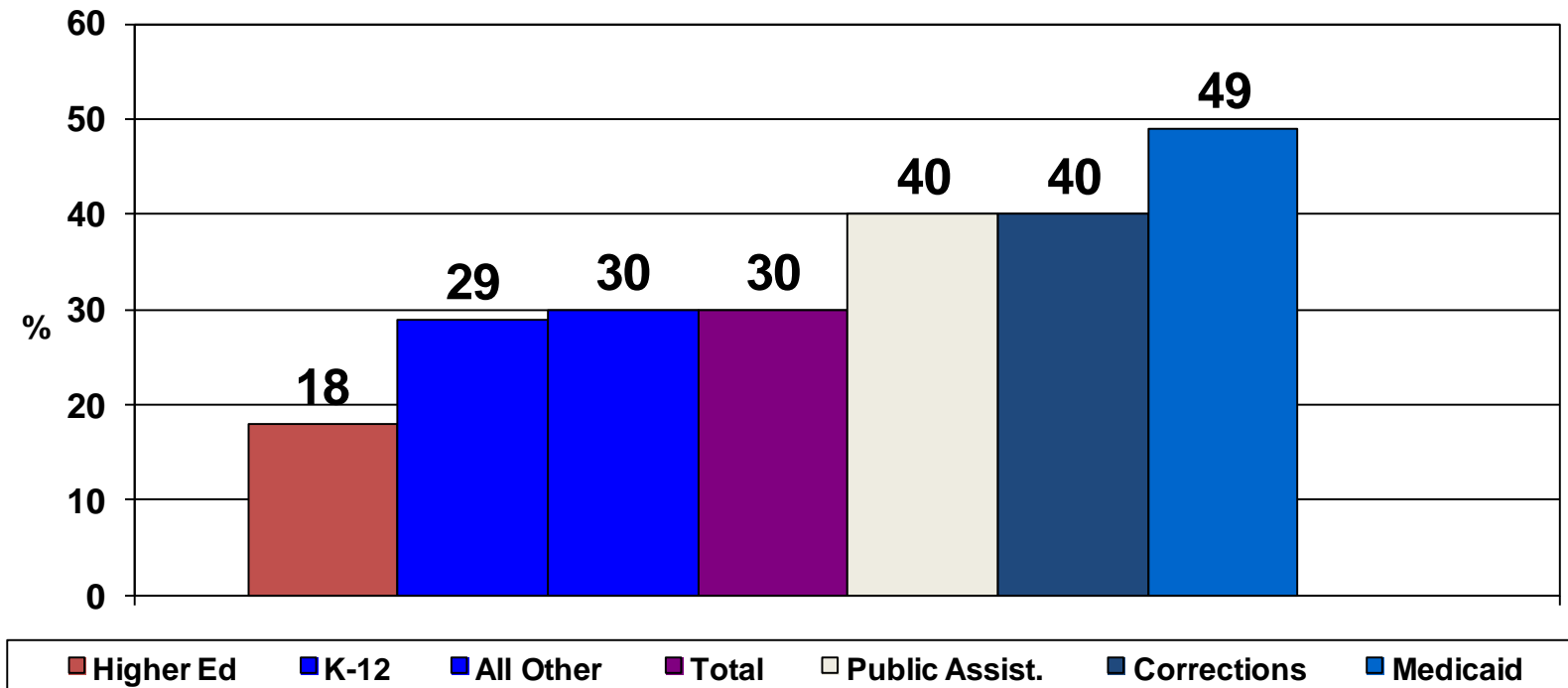
General Fund Expenditures by Function, Estimated Fiscal 2011



Source: NASBO 2010 State Expenditure Report

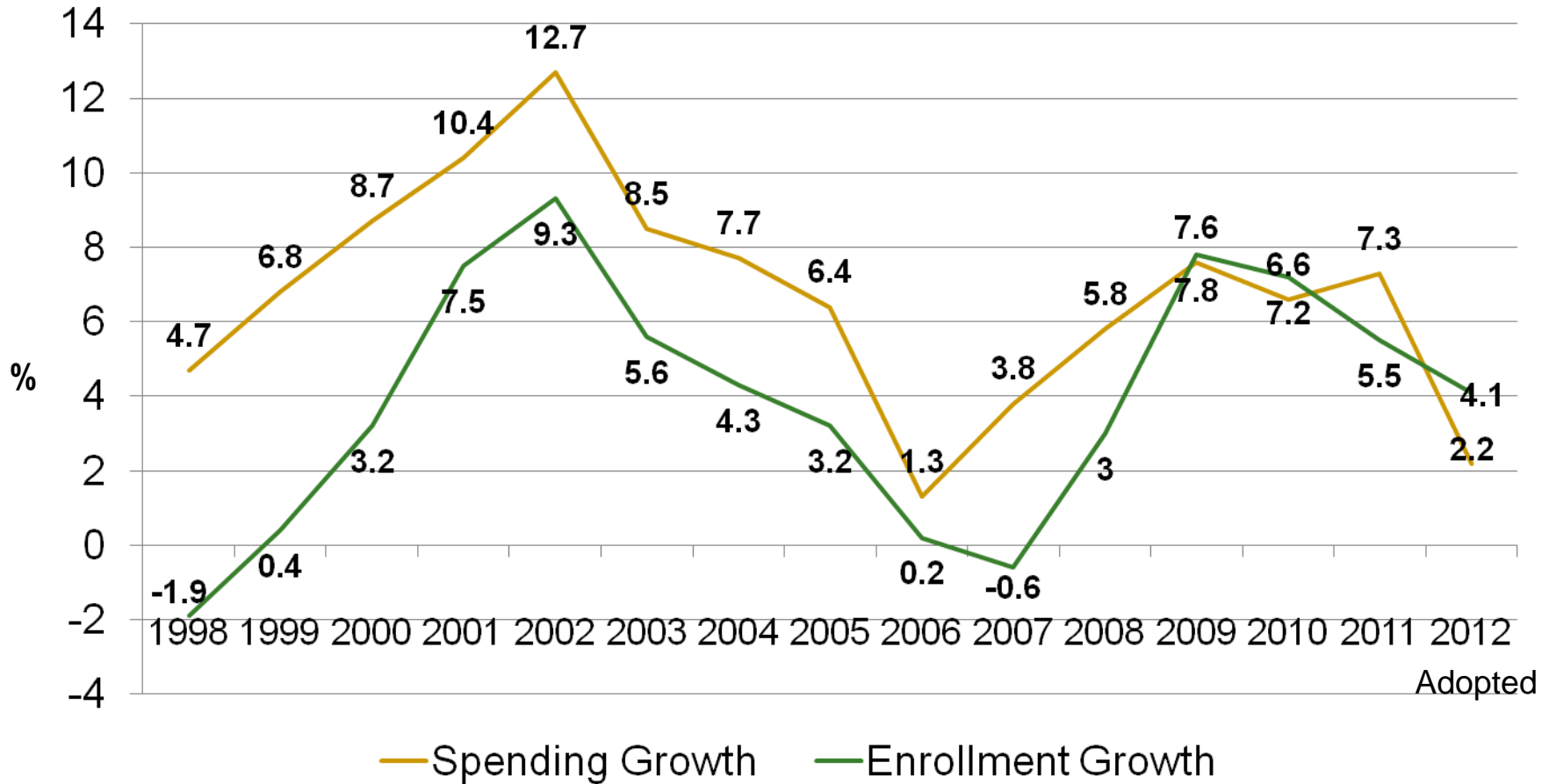
General Fund Percentage Growth in Spending Categories

Percentage Growth in Spending Categories
Between Fiscal 2001 and Fiscal 2011 (General Funds)



Sources: NASBO 2002 and 2010 State Expenditure Reports

Increases in Medicaid Spending and Enrollment



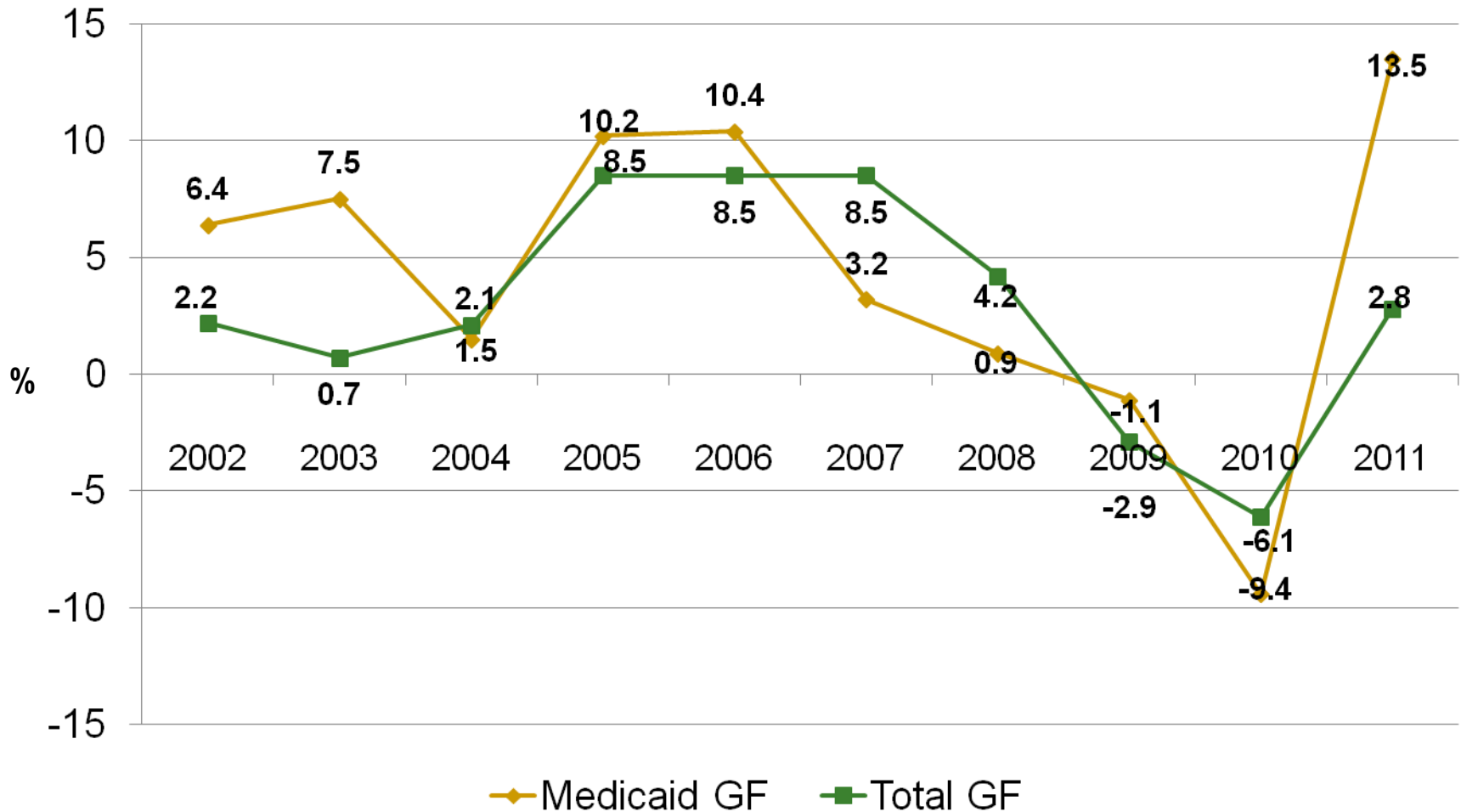
Adopted

Source: Kaiser Commission on Medicaid and the Uninsured



Medicaid General Fund Growth vs. Total General Fund

If Revenue and Medicaid Grow at Same Rate Next 10 Years as Last, Revenue will Increase 30% while Medicaid will increase 46%



Source: NASBO State Expenditure Report



Lessons From Other States: Financial Management Practices

- Contingencies
- Prudent use of debt
- Rainy day funds
- One time only
- Use of performance information
- Avoiding bad practices in good times



Lessons From Other States: Financial Management Actions

- Closing prisons, facilities
- Consolidation, ending duplication
- Fees, tolls
- Core mission
- Improved revenue collections



States...

- Assume declines in federal monies to education no matter what
- If they have to do more with less, want increased flexibility
- Cost shifting to states and localities will result in further reductions
- States do not have enough funds to make up every cut



www.nasbo.org

Scott Pattison

(202) 624-8804

spattison@nasbo.org

