

Fiscal Condition of the States

Presentation to the
Joint Commission on Governmental Operations
Nov. 18, 2009



NATIONAL CONFERENCE *of* STATE LEGISLATURES

The Forum for America's Ideas



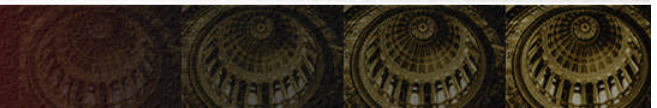
Corina Eckl
Fiscal Program Director
NCSL





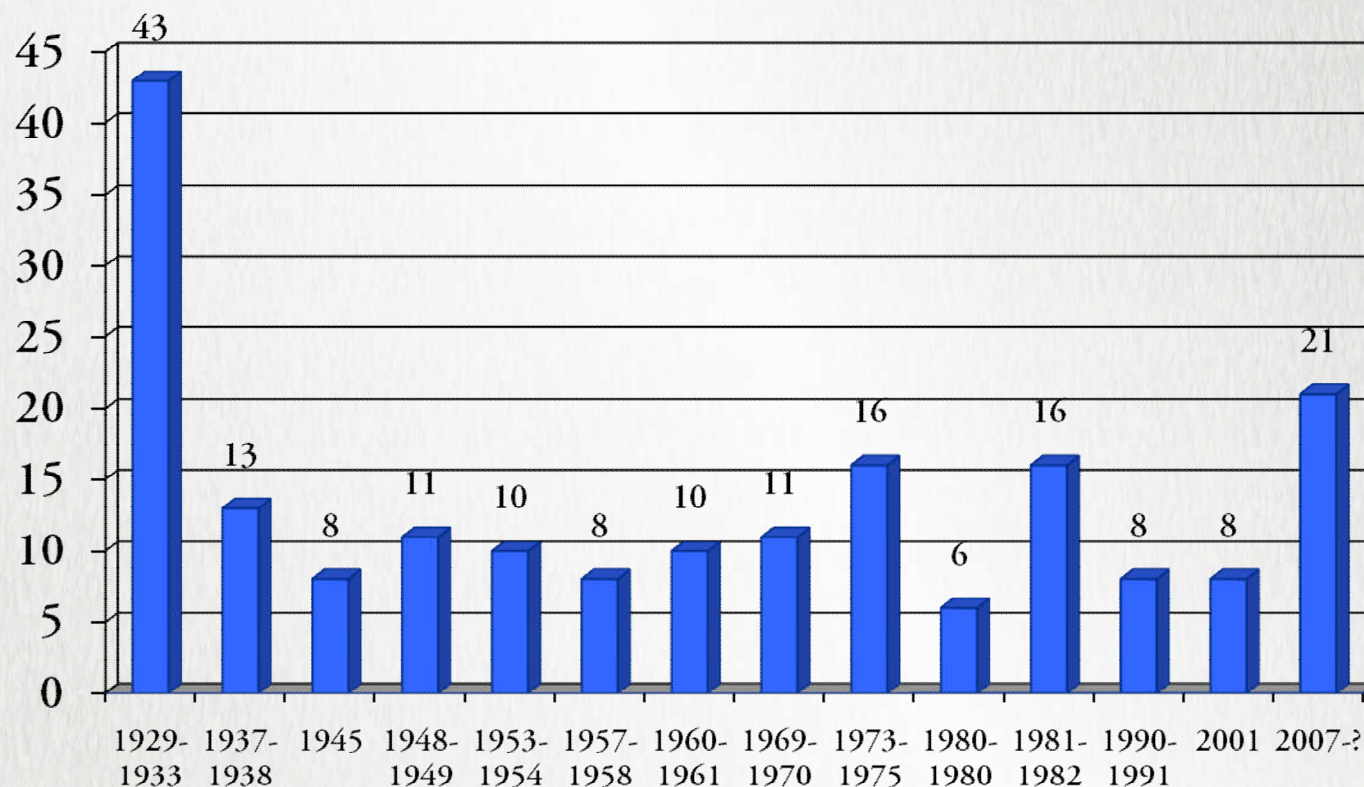
Overview

- The state fiscal situation is dire.
- The current revenue situation is nearly unprecedented, at least in recent decades.
- To date, states have reported a total estimated budget gap of \$386.8 billion (FY 2008 through FY 2012).





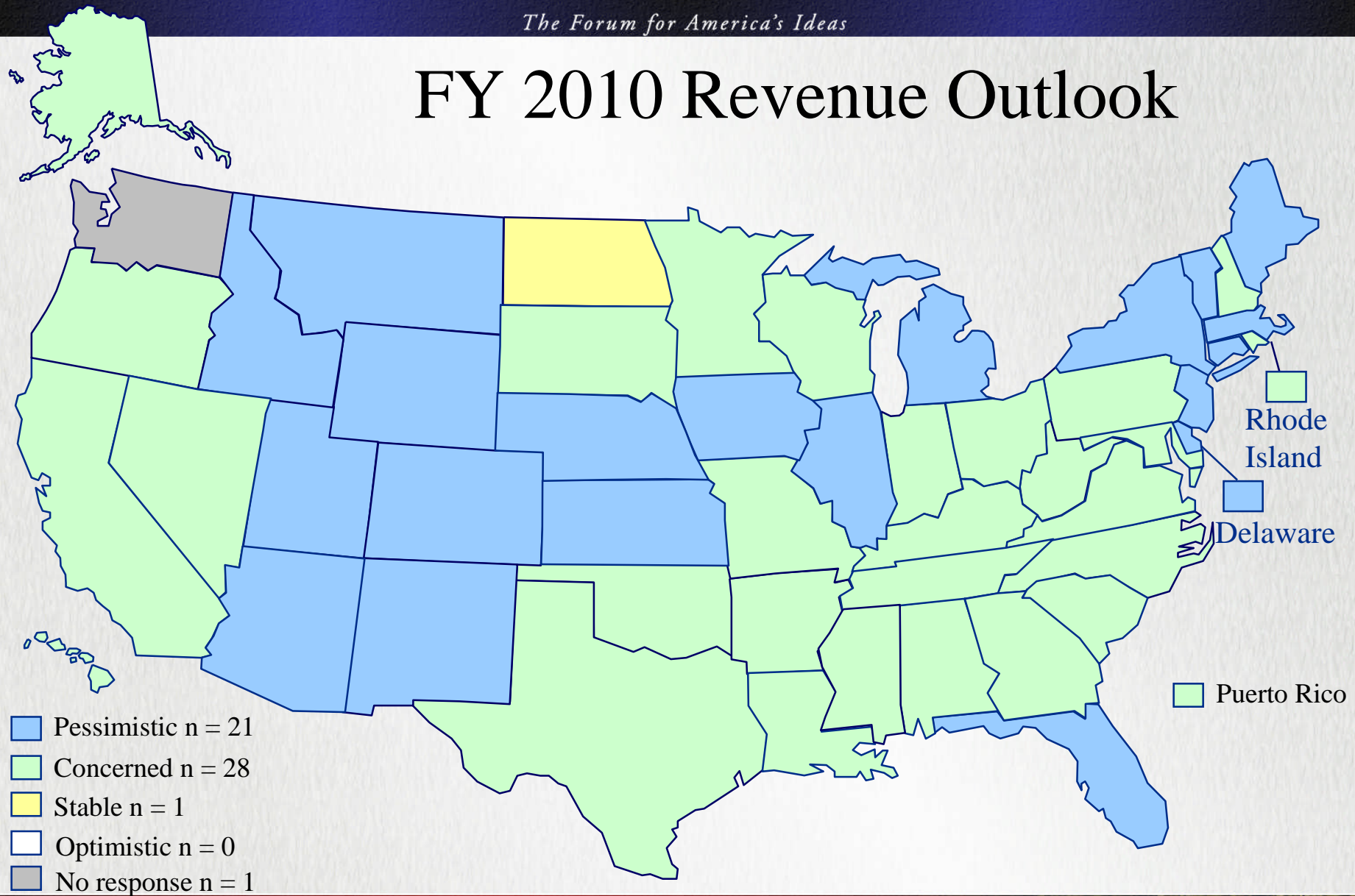
U.S. Business Cycle Downturns 1929-2009: Duration in Months



Source: National Bureau of Economic Research



FY 2010 Revenue Outlook

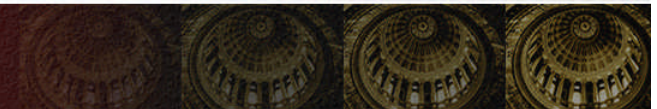


Source: NCSL survey of state legislative fiscal offices, April 2009.



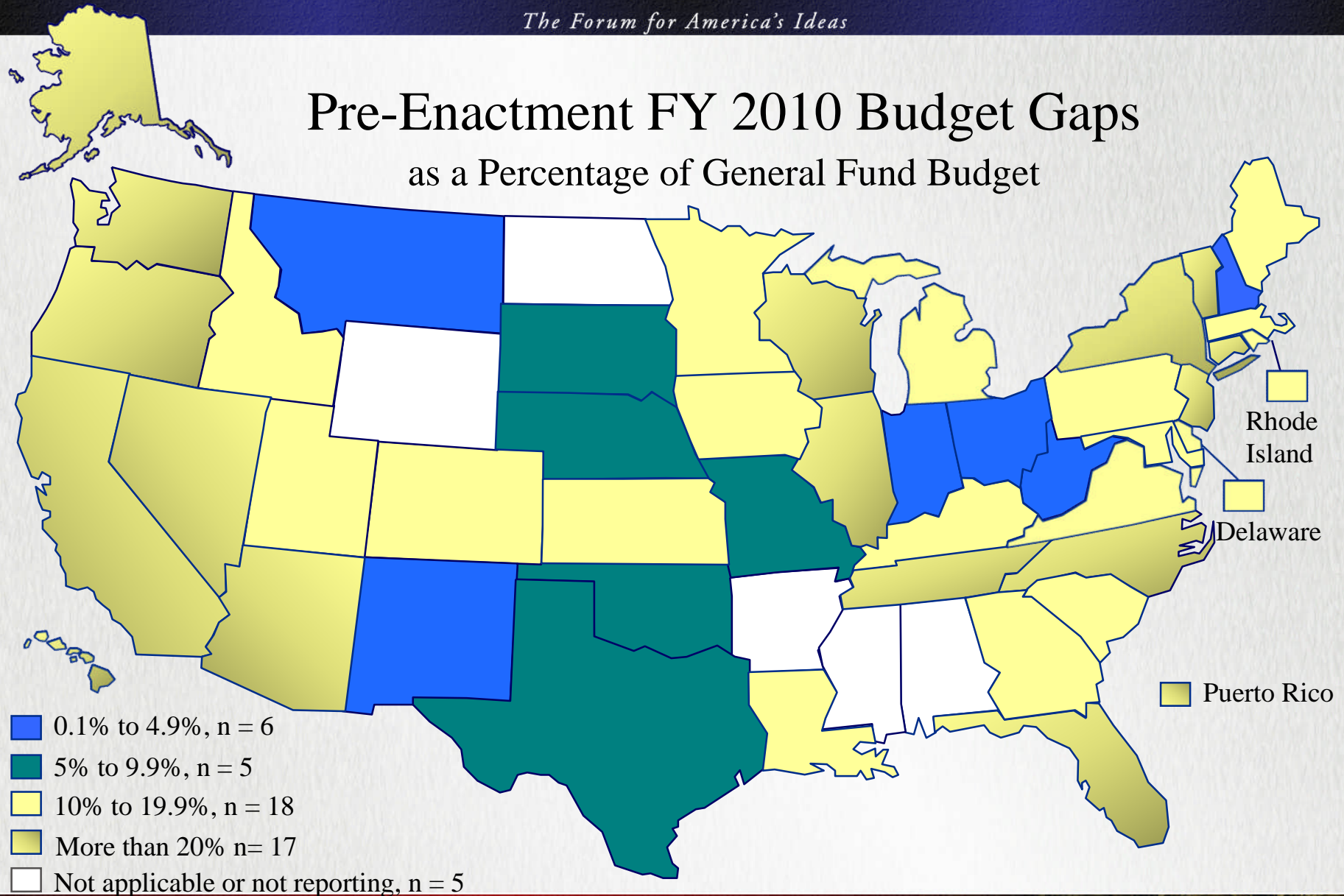
How Bad is the Revenue Situation?

- Florida reports that annual revenues today compare to FY 2001 levels and are not expected to return to peak levels (which occurred in FY 2006) until FY 2013.
- Colorado reports that annual revenues today are similar to amounts collected in FY 2005.
- In Kansas, general funds revenues are coming in at FY 2006 levels.





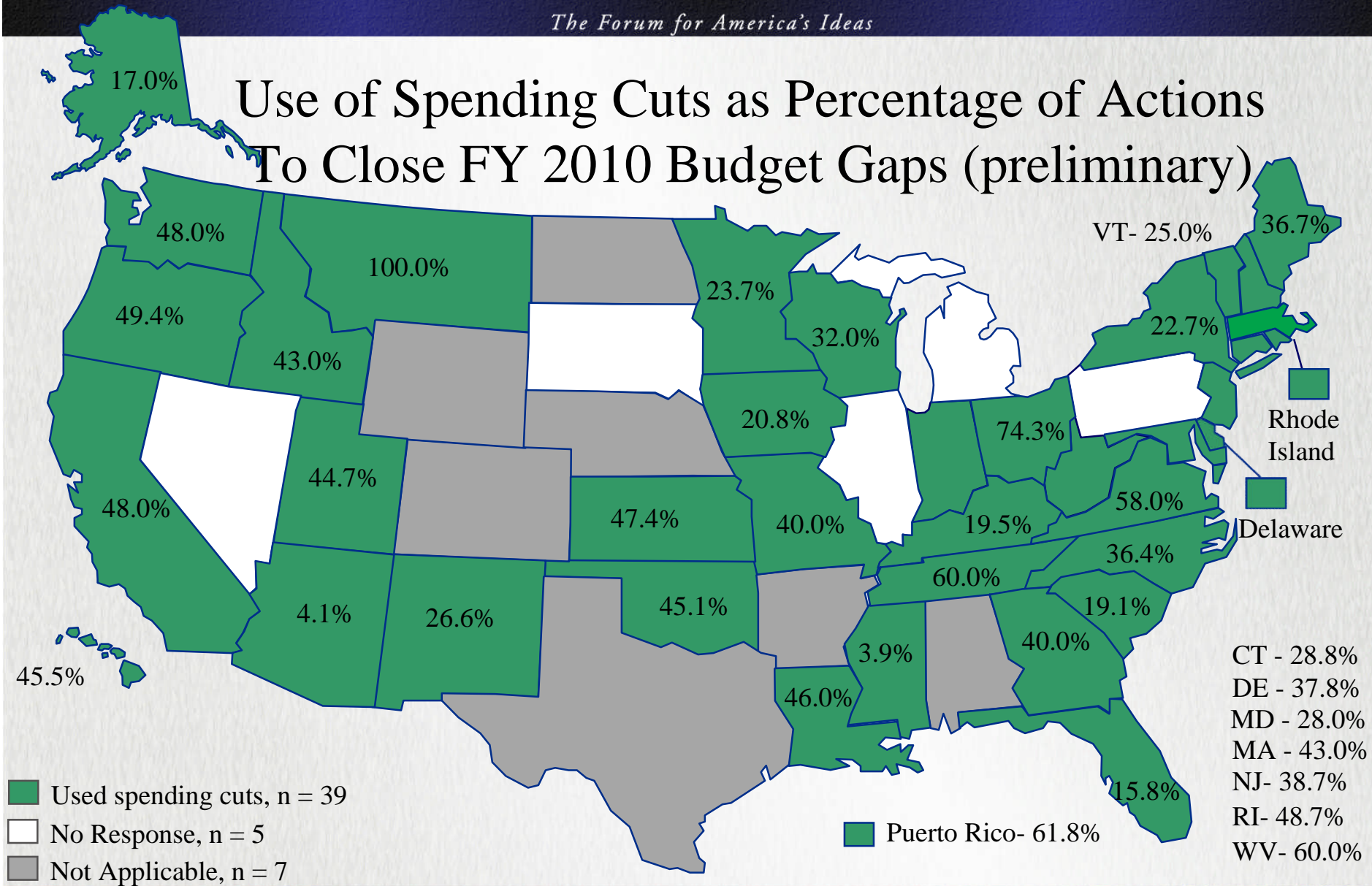
Pre-Enactment FY 2010 Budget Gaps as a Percentage of General Fund Budget



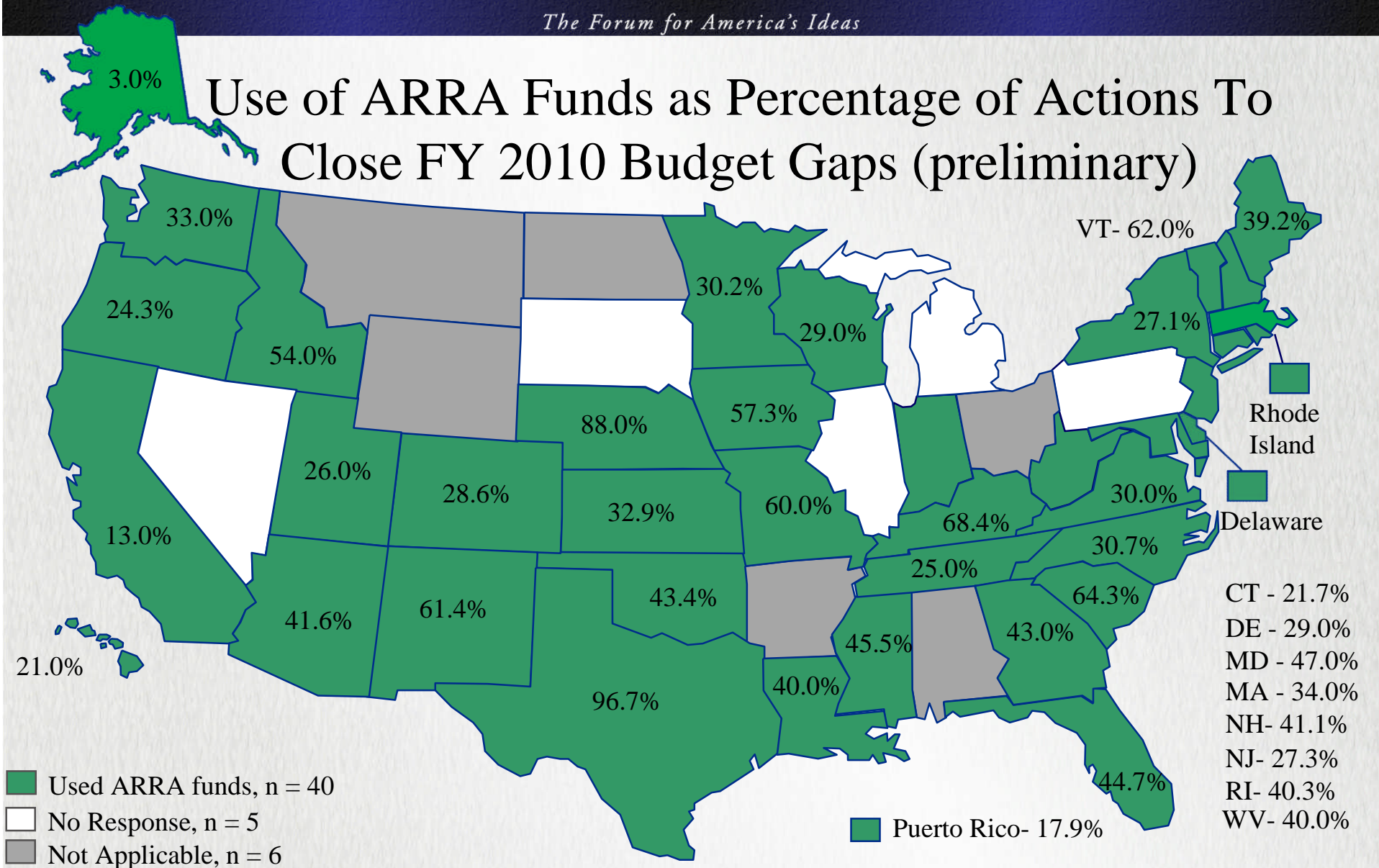
Source: NCSL survey of state legislative fiscal offices, 2009.



Use of Spending Cuts as Percentage of Actions To Close FY 2010 Budget Gaps (preliminary)



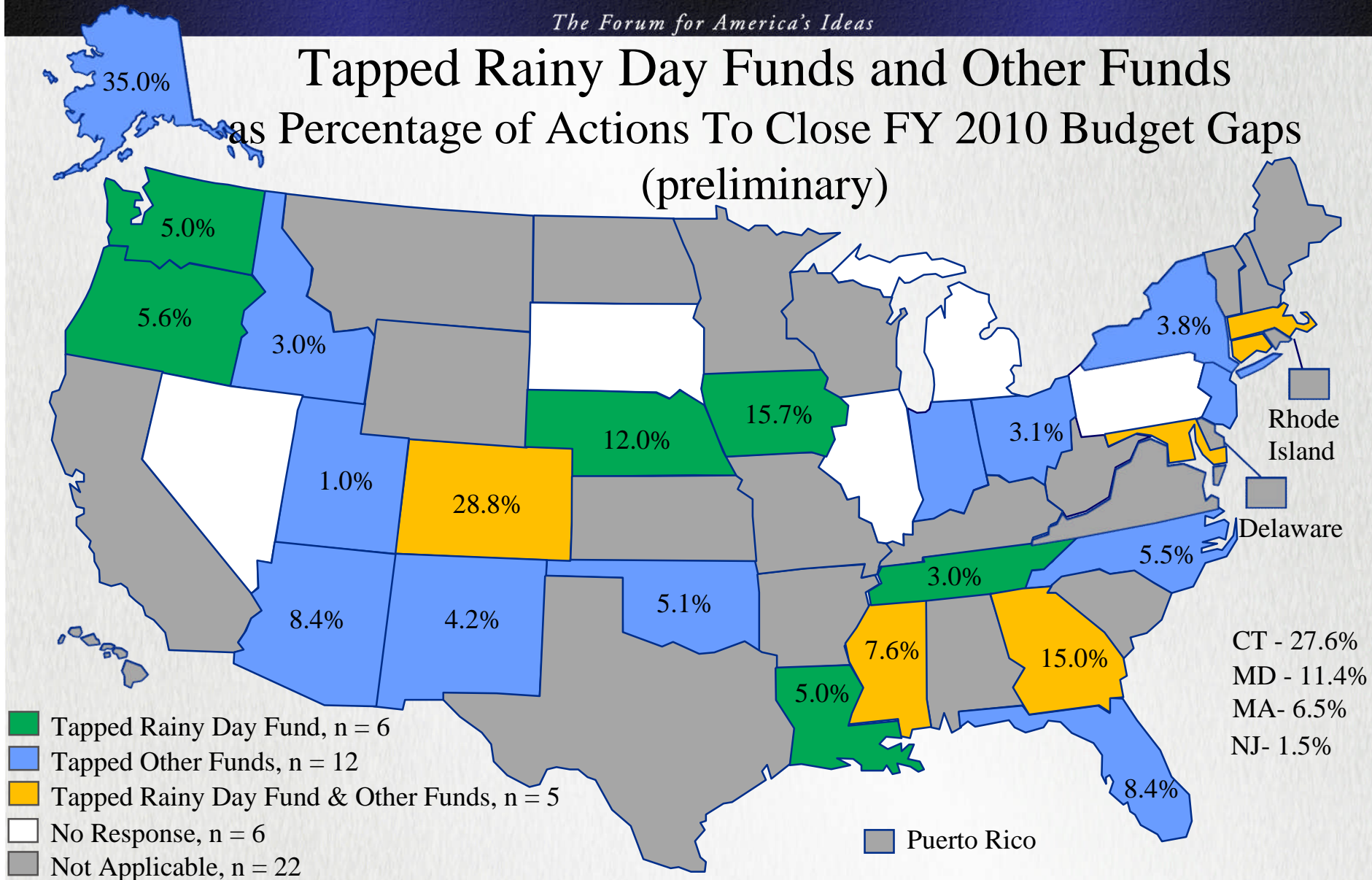
Source: NCSL survey of state legislative fiscal offices, 2009.



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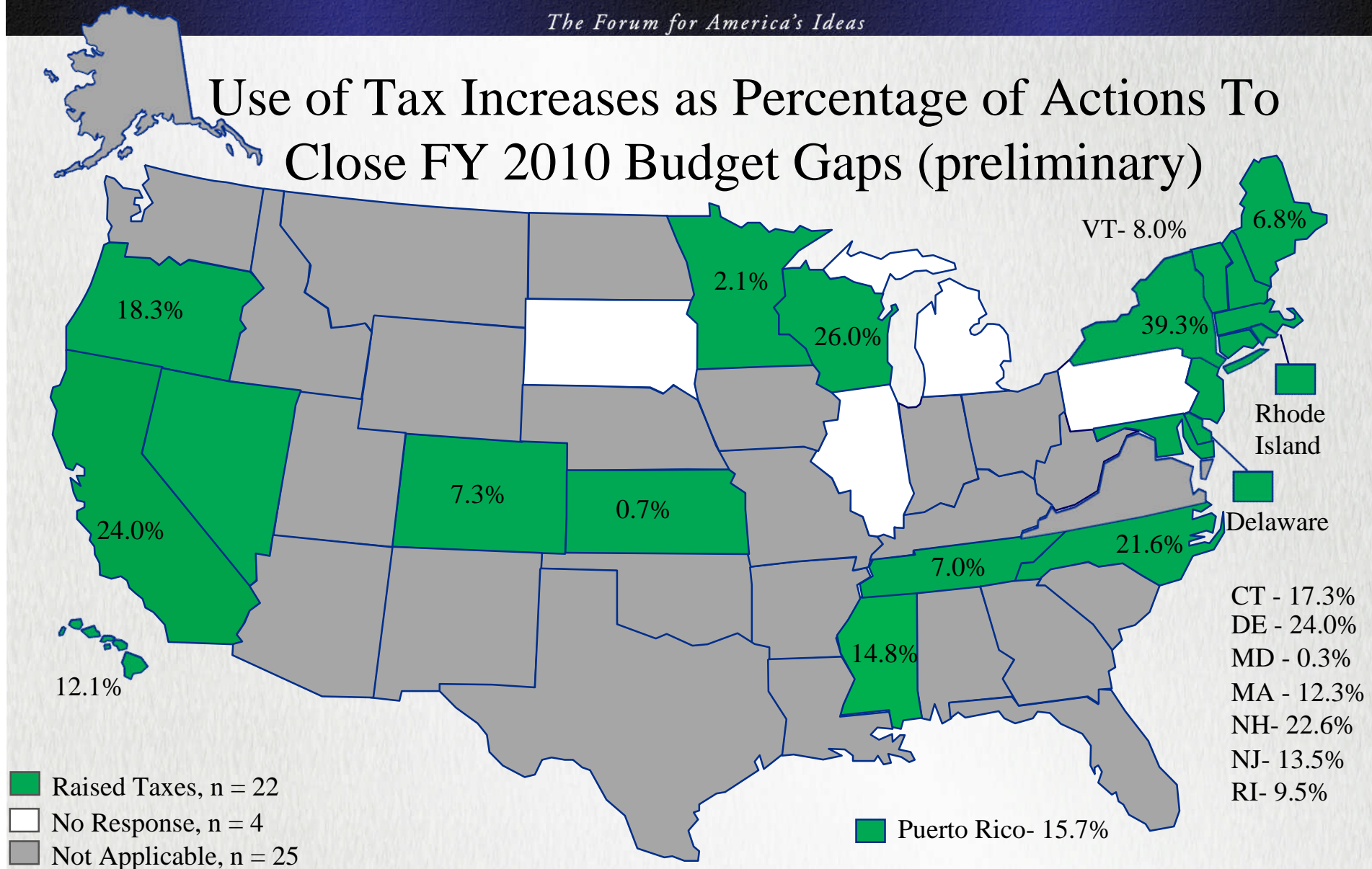


Tapped Rainy Day Funds and Other Funds as Percentage of Actions To Close FY 2010 Budget Gaps (preliminary)





Use of Tax Increases as Percentage of Actions To Close FY 2010 Budget Gaps (preliminary)



Source: NCSL survey of state legislative fiscal offices, 2009.



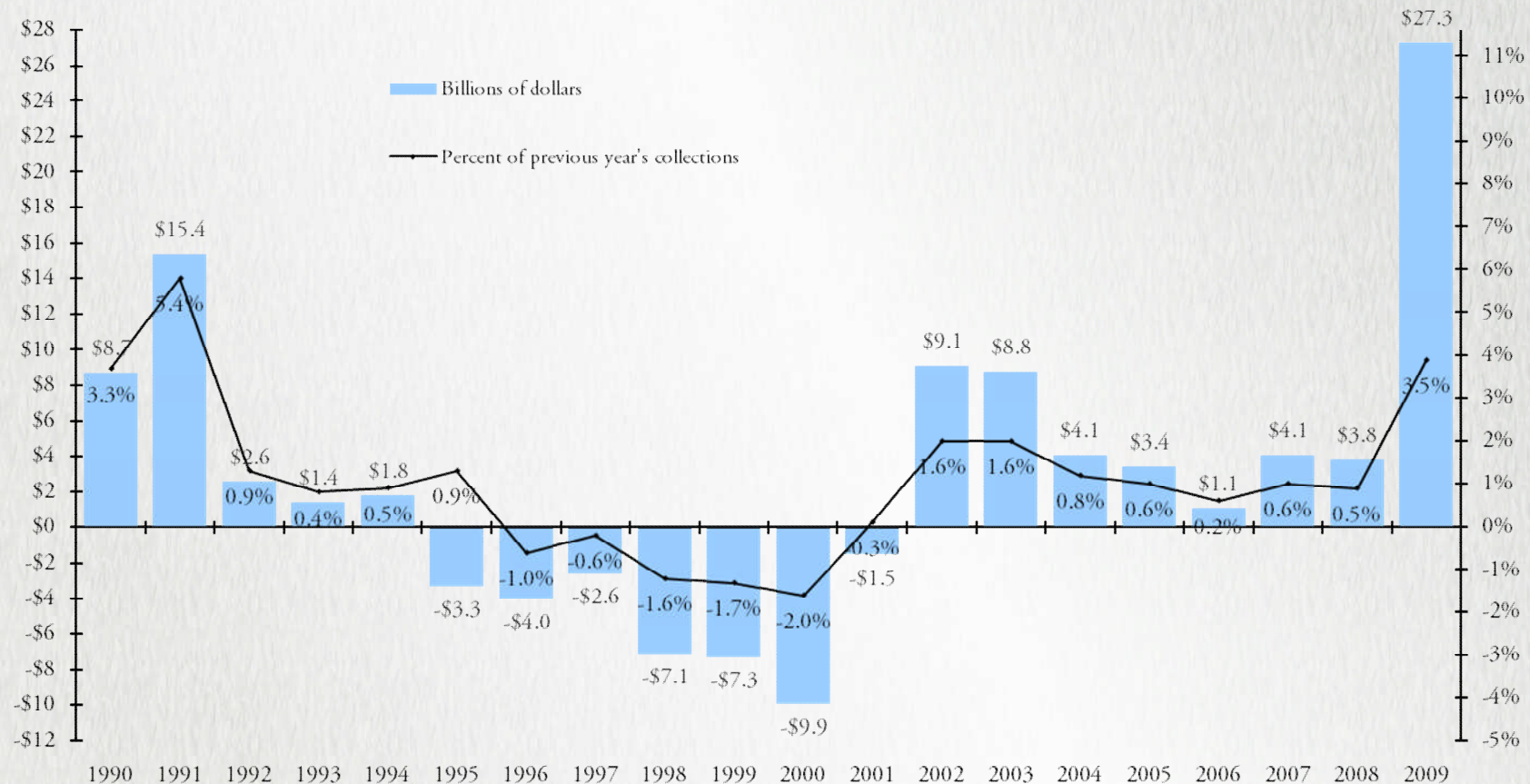
2009 Net State Tax Changes by Type of Tax

Type of Tax	Dollars (in millions)	Percent of Total
Personal Income	\$11,340.7	41.6%
Corporate Income	\$1,696.8	6.2%
Sales & Use	\$7,003.2	25.7%
Health Care Providers	\$1,995.5	7.3%
Cigarette & Tobacco	\$1,750.5	6.4%
Motor Fuel	\$1,866.8	6.8%
Alcoholic Beverage	\$215.3	0.8%
Miscellaneous	\$1,409.0	5.2%
Net Change	\$27,277.8	100%

Source: National Conference of State Legislatures, 2009. Figures represent 47 reporting states. States not included are: MI, PA, and RI.



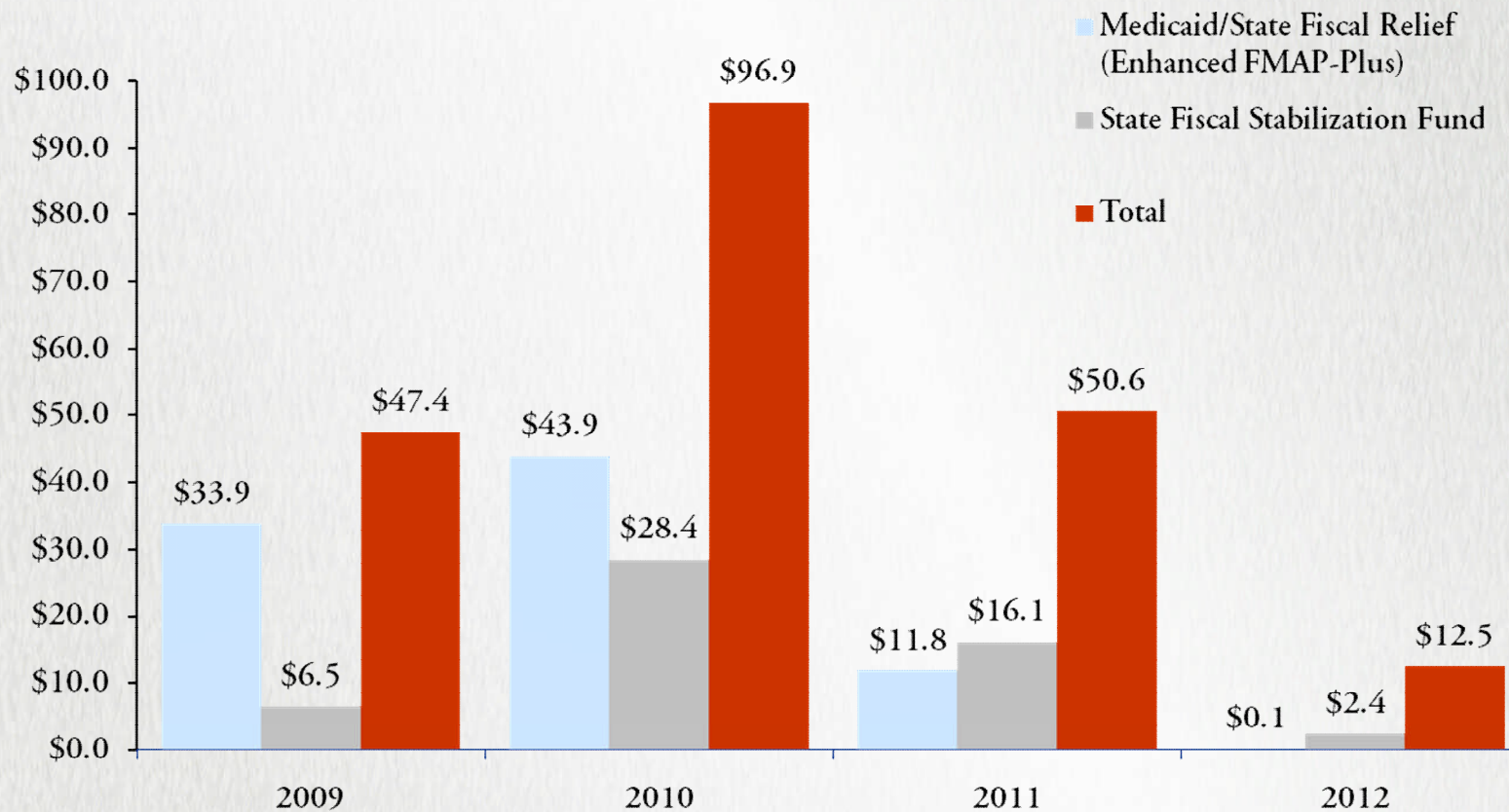
Net State Tax Changes by Year of Enactment



Source: NCSL survey of legislative fiscal offices, various years. 2009 figures represent 47 reporting states. States not included are: MI, PA, and RI.



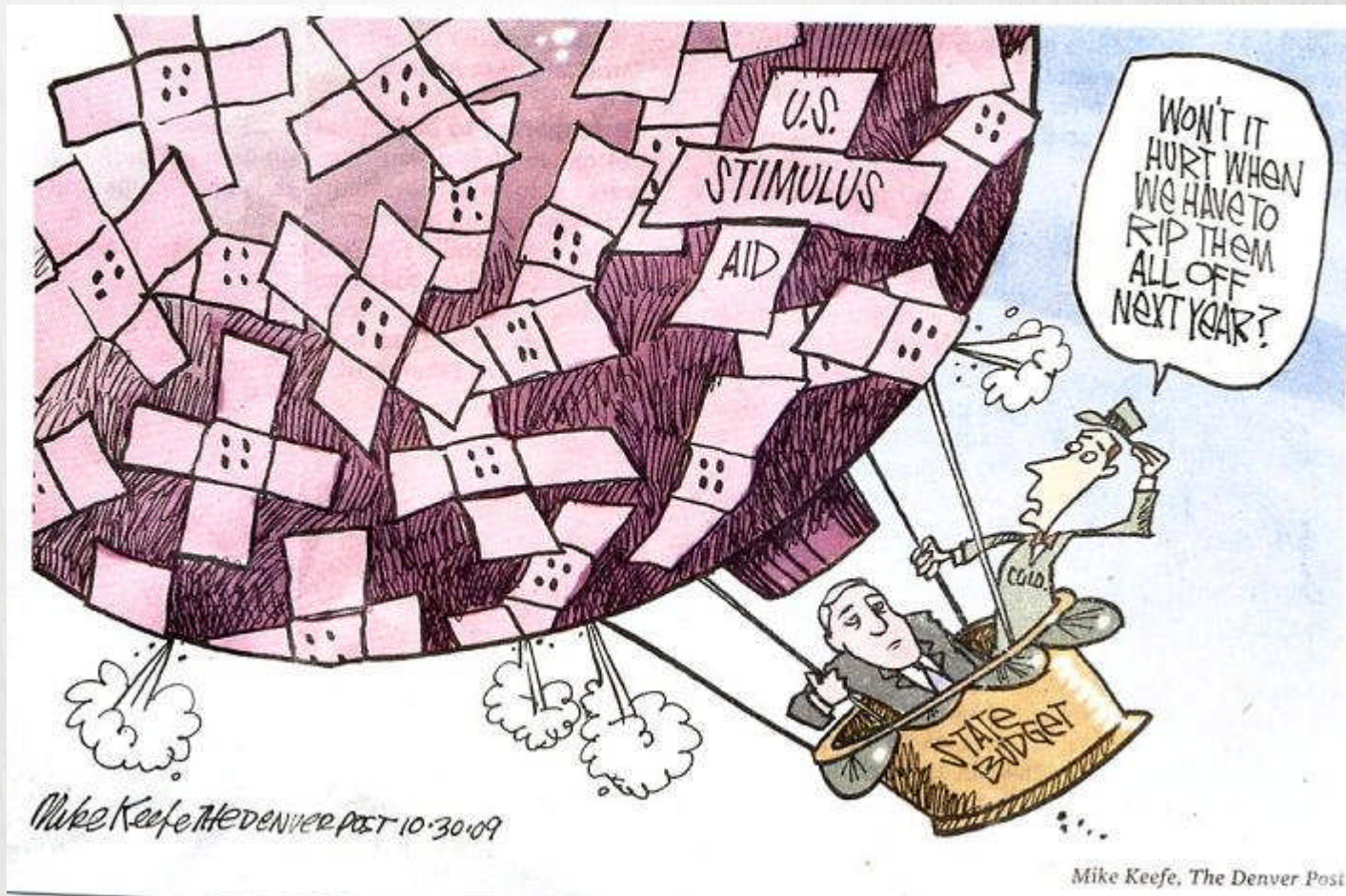
Federal Outlays for Major Provisions of ARRA Affecting State and Local Governments (\$ in billions)





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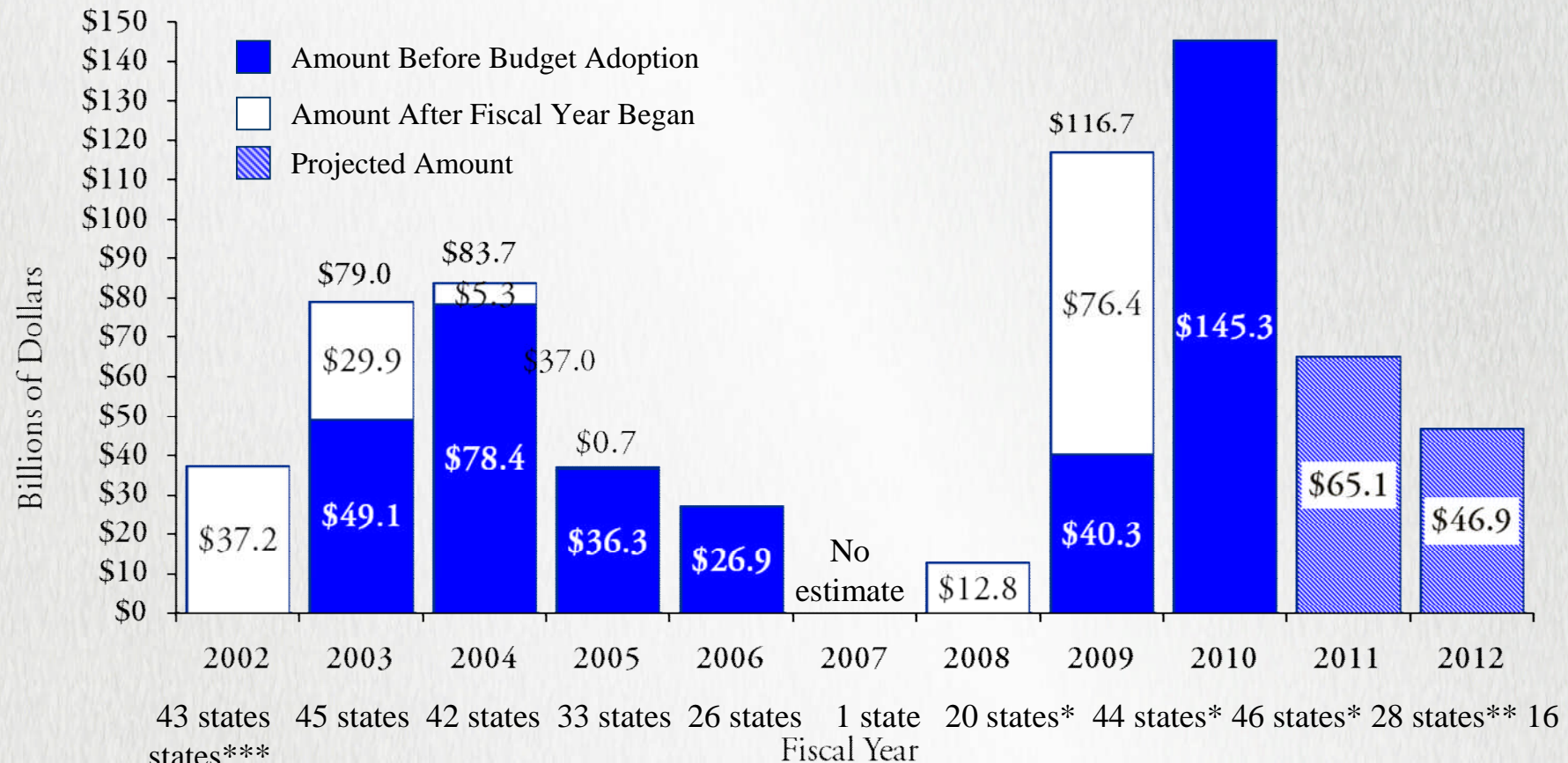
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Michael Keefe, October 29, 2009



State Budget Gaps FY 2002-FY 2012 (projected)



* Includes Puerto Rico

** 33 states and Puerto Rico forecast FY 2011 gaps. The amount shown for FY 2011 indicates the 28 states that provided gap estimates.

*** 24 states forecast FY 2012 gaps. The amount shown for the FY 2012 indicates the 16 states that provided gap estimates.

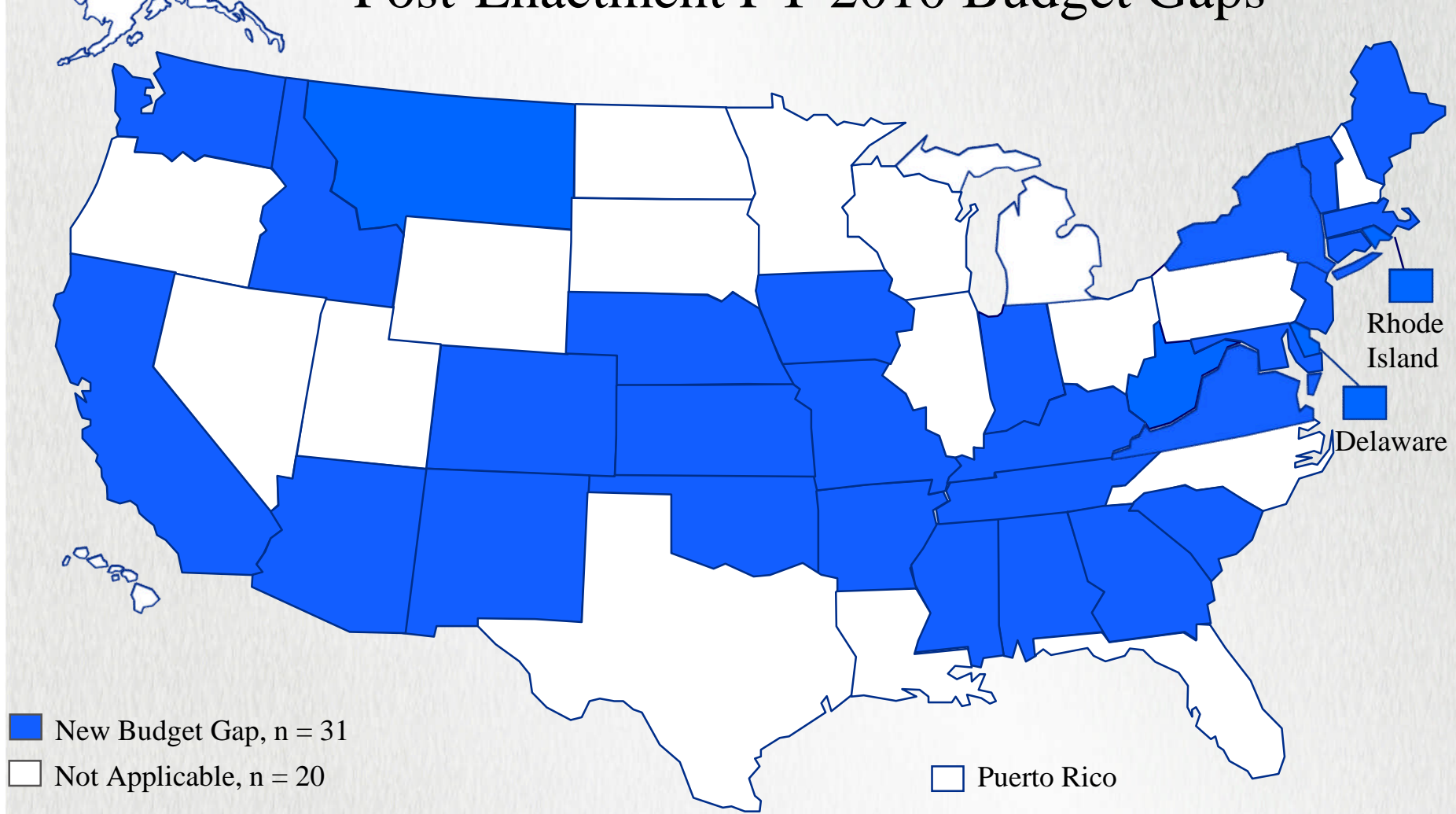
Source: NCSL survey of legislative fiscal offices, various years



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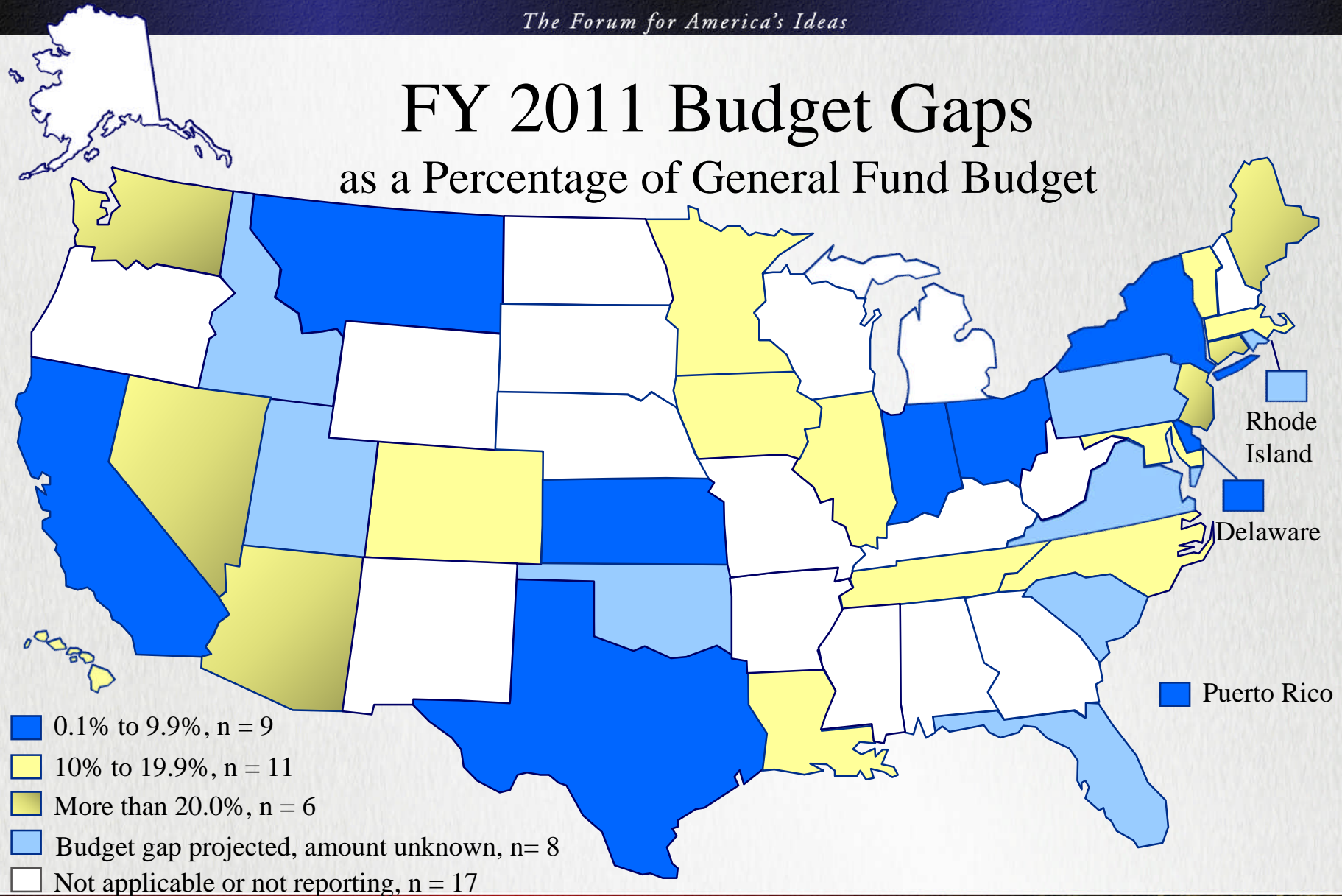
Post-Enactment FY 2010 Budget Gaps



Source: Various media and government outlets, July through November 2009.



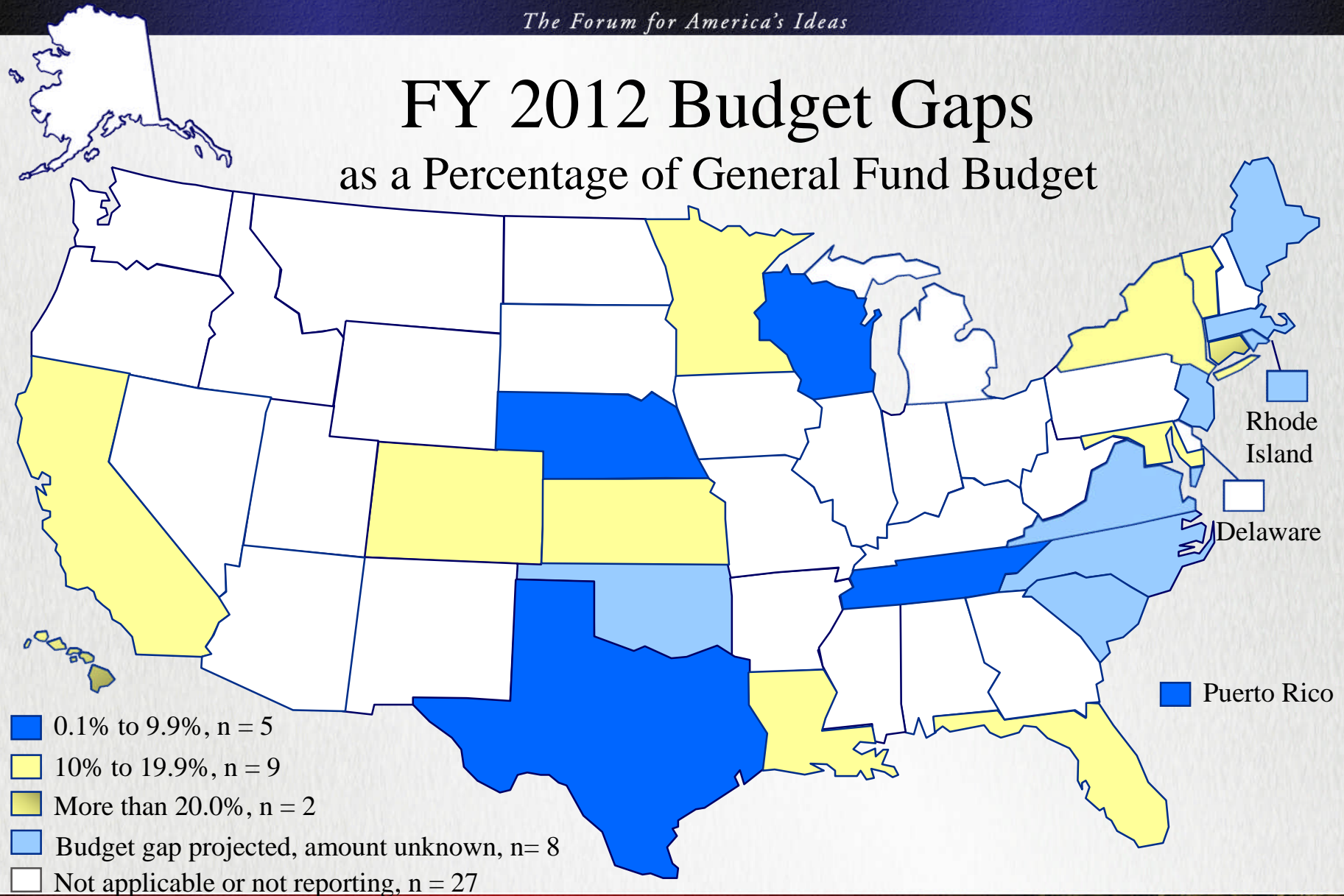
FY 2011 Budget Gaps as a Percentage of General Fund Budget



Source: NCSL survey of state legislative fiscal offices, various years.



FY 2012 Budget Gaps as a Percentage of General Fund Budget



Source: NCSL survey of state legislative fiscal offices, various years.



Budget Gap Numbers

Past and Current Recession

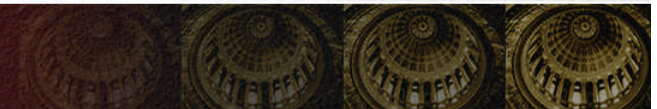
Past Recession		Current Recession	
Fiscal Year	Amount (in Billions)	Fiscal Year	Amount (in Billions)
2002	\$37.2	2008	\$12.8
2003	\$79.0	2009	\$116.7
2004	\$83.7	2010	\$145.3*
2005	\$37.0	2011	\$65.1**
2006	\$26.9	2012	\$46.9**
Total	\$263.8	Total	\$386.8*
<p>Past Recession: March 2001 to November 2001 (8 months) Current Recession: Began December 2007 to present (21 months) *Preliminary figure ** Projected figure</p>			

Source: NCSL survey of state legislative fiscal offices, various years.



Conclusion

- The states are facing a "cliff" once ARRA funding ends.
- State governments will face budgetary problems at least 12 months after the US recession ends.
- States are bracing for prolonged fiscal problems.

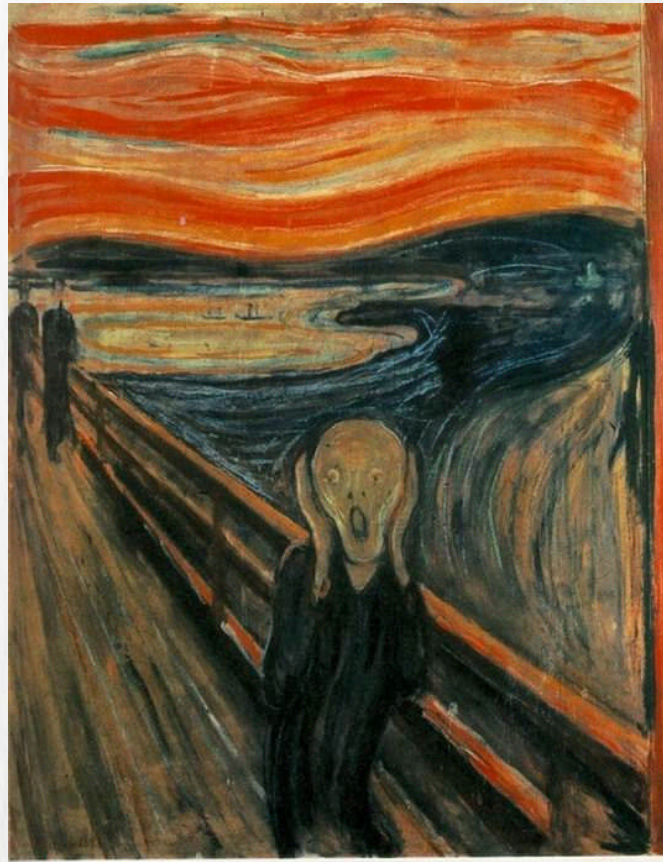




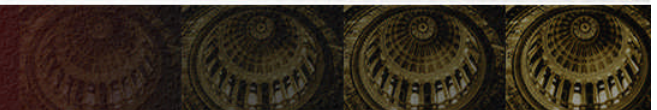
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State Budget Summary in a Nutshell



Edvard Munch: *Skrik*, 1893 (National Gallery of Norway)



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For more information

