



# The State Fiscal/Policy Environment

## SAA Executive Directors' Retreat

June 10, 2008

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National Conference of State Legislatures

# Where States Are



- The state fiscal situation is uneven.
- State revenues are performing below expectations for most states.
- Current spending demands appear stable.
- The competition for limited state resources is fierce.
- Many states anticipate longer-term structural deficits.
- Many federal government actions adversely affect the states.

# State Year-end Balances

As a Percentage of General Fund Expenditures



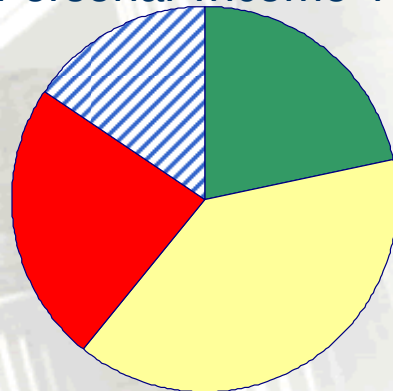
Source: NCSL surveys of state legislative fiscal offices, 1982-2007.

# FY 2008 Tax Collections

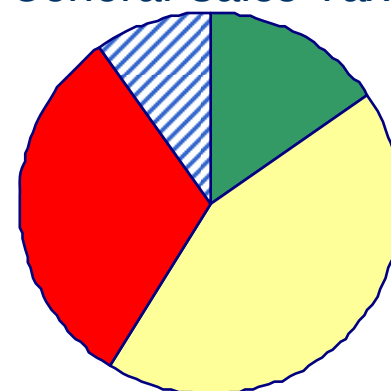
## (Compared with the Latest Estimate)



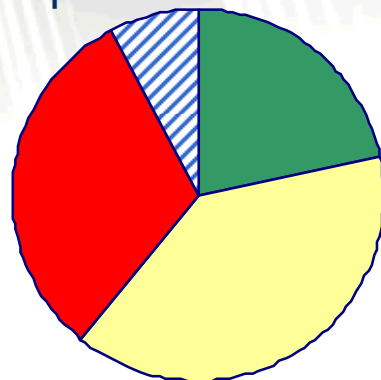
Personal Income Tax



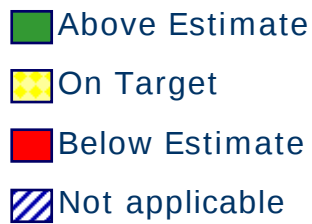
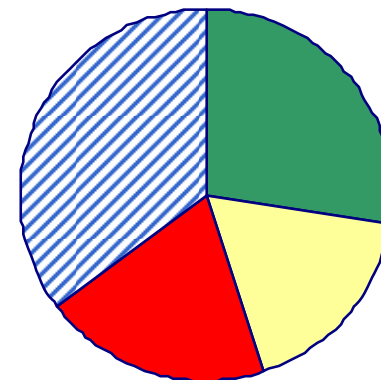
General Sales Tax



Corporate Income Tax

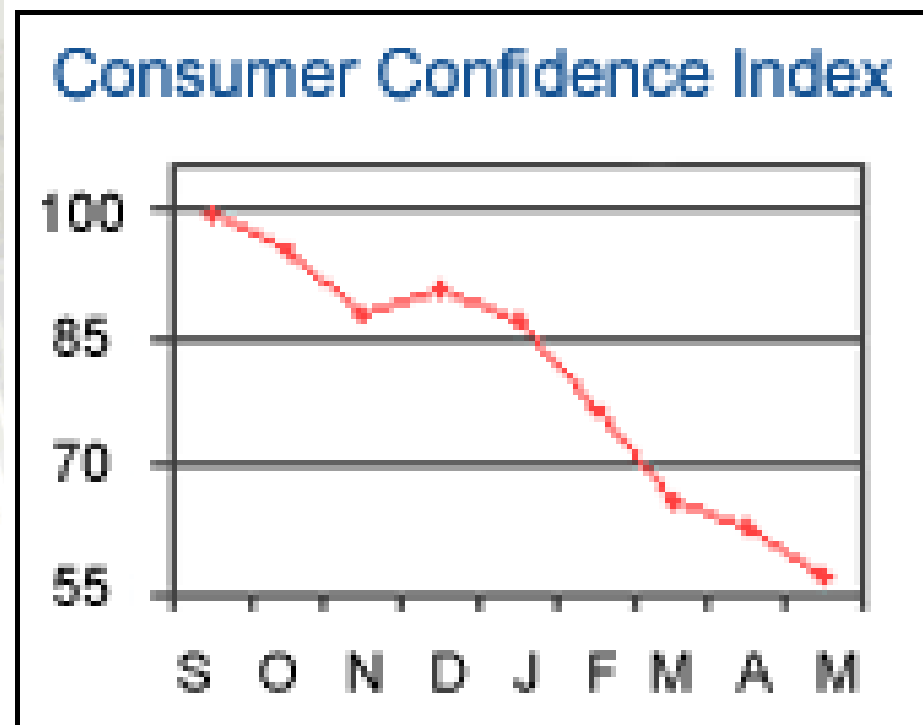


Other Taxes



**Source:** NCSL survey of state legislative fiscal offices, April 2008.

# Consumer Confidence Index



Source: The Conference Board, "The Conference Board Consumer Confidence Index Declines. May 27, 2008. <http://www.conference-board.org/economics/ConsumerConfidence.cfm>

# Consumer Confidence

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- The consumer confidence index fell to its lowest level in almost 16 years.
- The reading has dropped for five straight months.
- The index is now at its lowest point since October 1992.

# Revenue Outlook for FY 2009

Legend:

- Optimistic, n = 3
- Stable, n = 10
- Concerned, n = 34
- Pessimistic, n = 4
- Puerto Rico

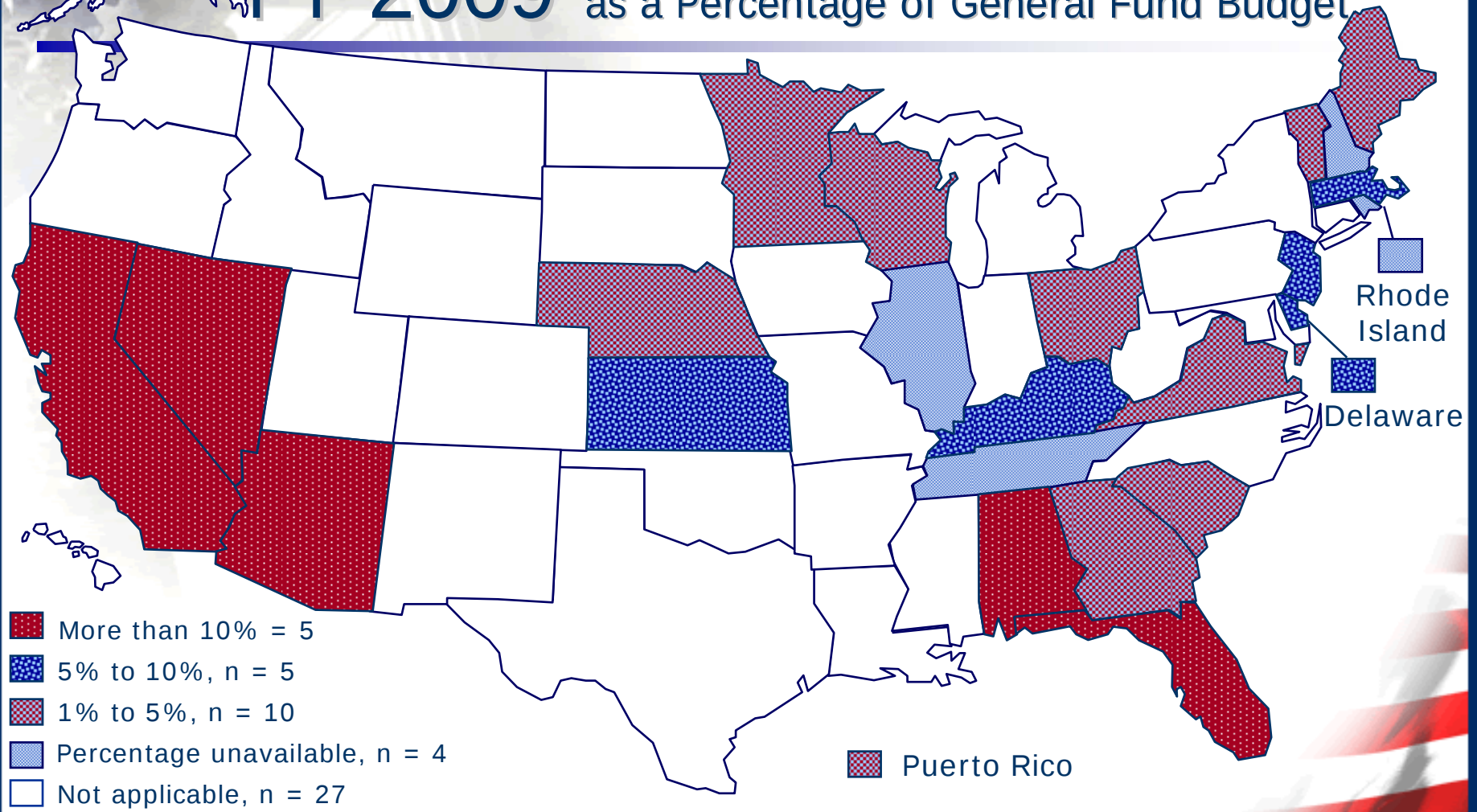
Source: NCSL survey of state legislative fiscal offices, April 2008.

 Pessimistic,  $n = 4$

 Puerto Rico

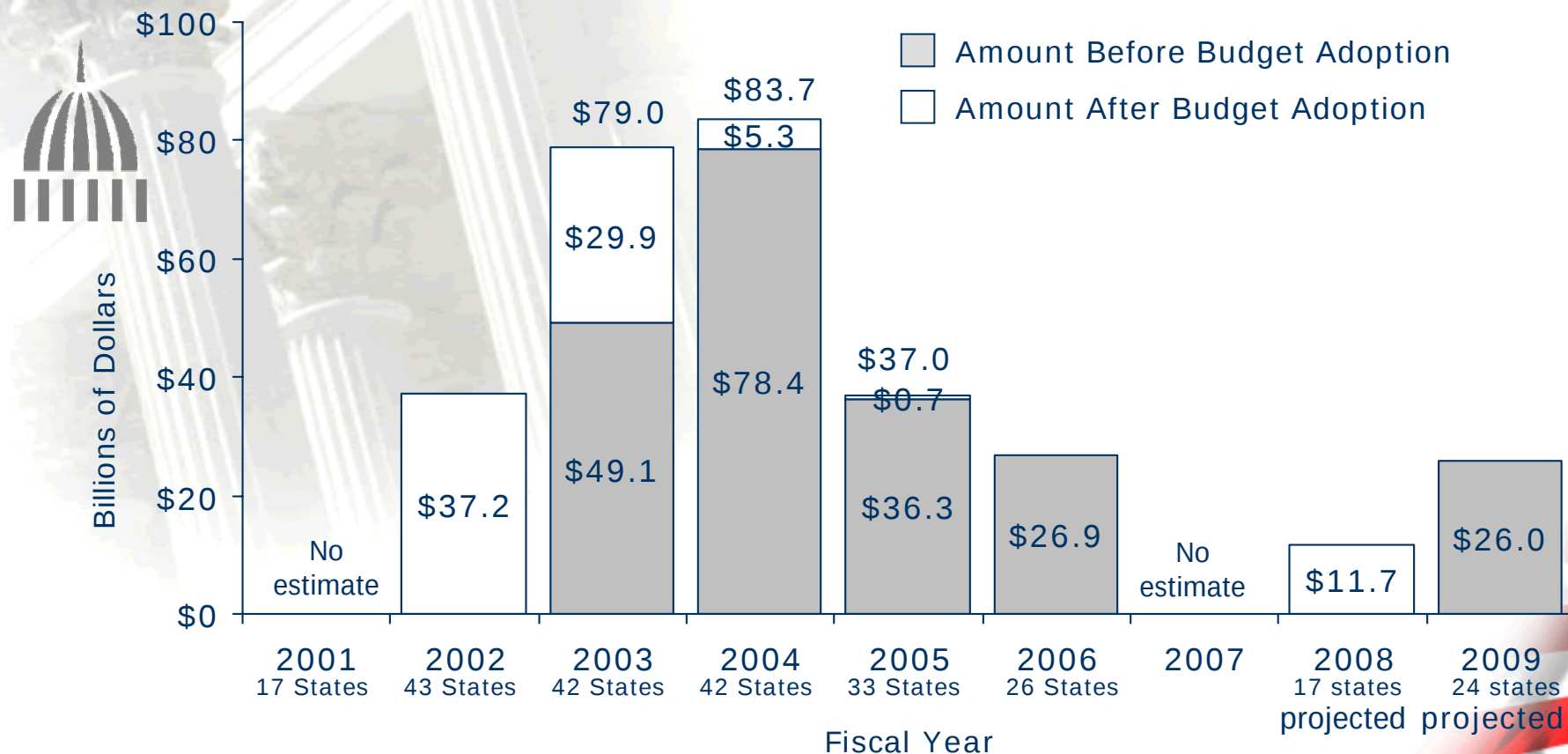
**Source:** NCSL survey of state legislative fiscal offices, April 2008.

# Projected Budget Gaps for FY 2009 as a Percentage of General Fund Budget



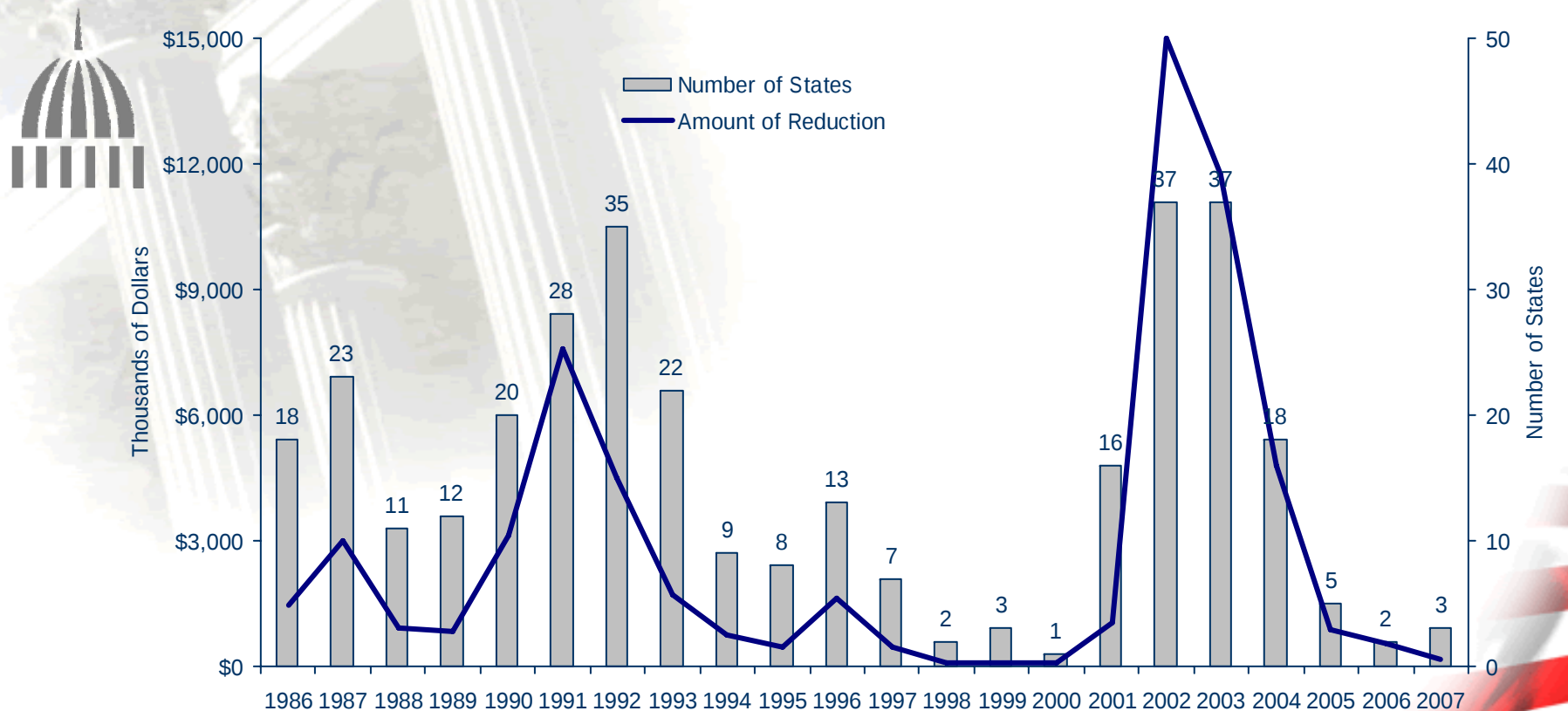
**Source:** NCSL survey of state legislative fiscal offices, April 2008.

# State Budget Gaps FY 2001-FY 2009 (projected)



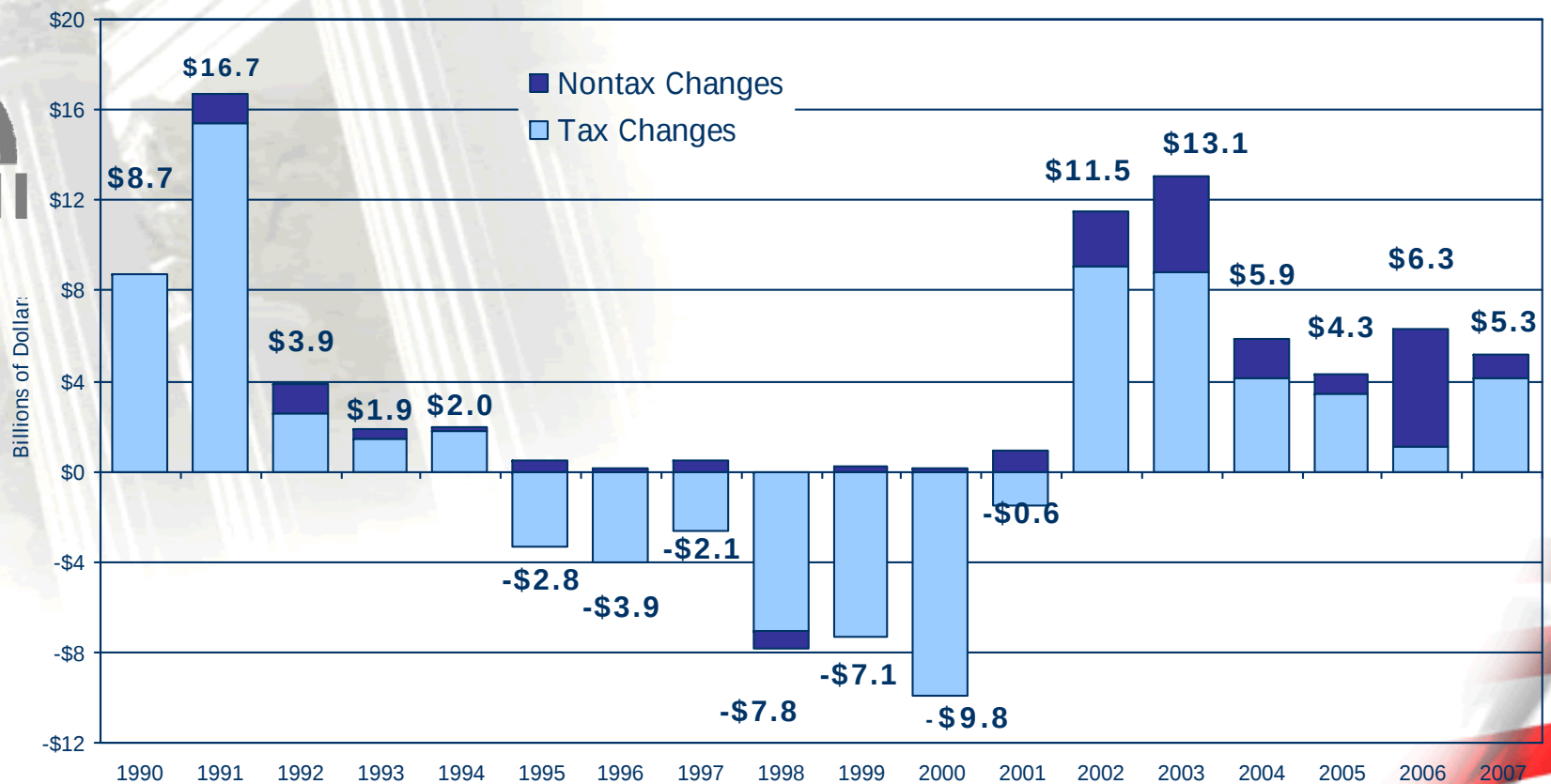
**Source:** NCSL survey of legislative fiscal offices, various years.

# Budget Cuts Are Probable

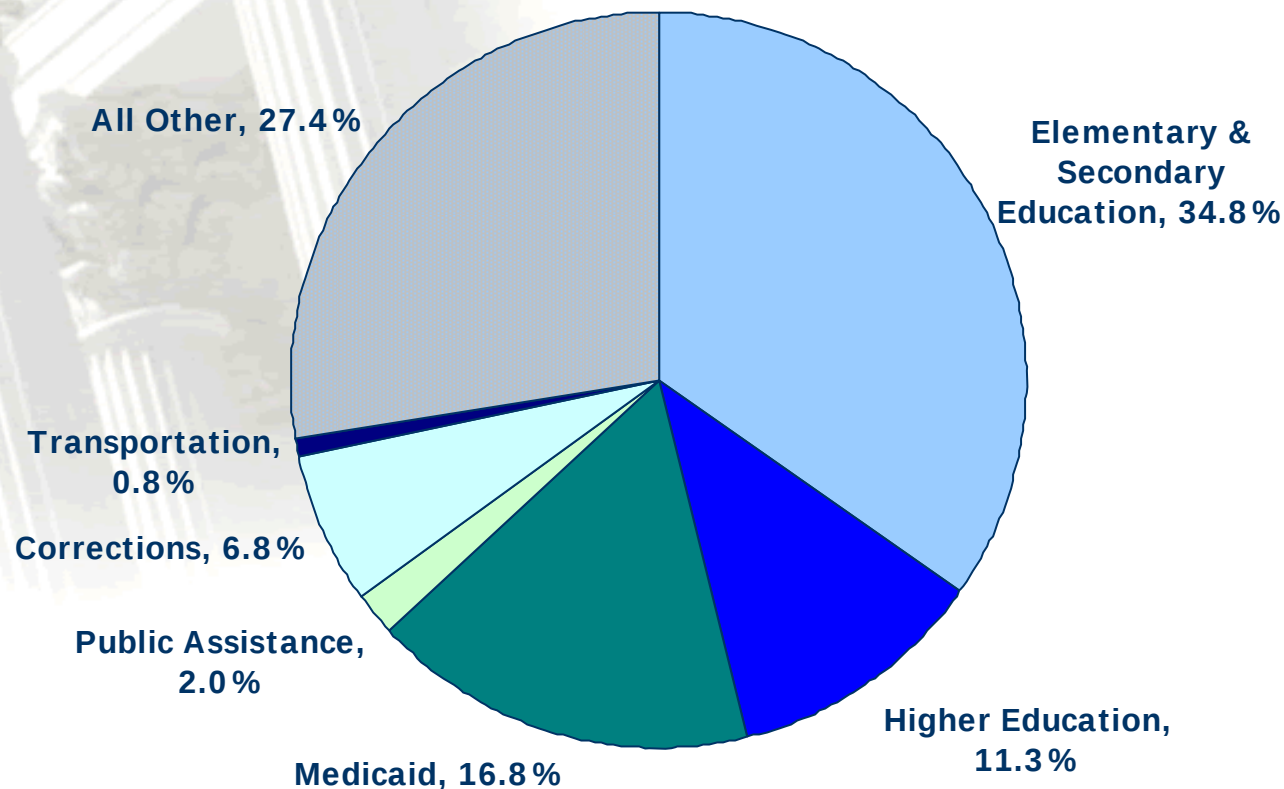


Source: Fiscal Conditions of the States: Expenditure Focus," National Association of State Budget Officers, January 30, 2008

# State Tax and Revenue Changes



# State General Fund Spending



Source: NASBO 2006 State Expenditure Report



# Top Fiscal Issues in 2008

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- Health Care/ Medicaid (19 states)
    - Alabama, Arkansas, California, Colorado, Florida, Georgia, Illinois, Iowa, Kansas, Maryland, New Mexico, North Carolina, Oregon, Pennsylvania, Texas, Vermont, Virginia, West Virginia and Wisconsin.
  - Transportation/ Other Capital (17 states)
    - Colorado, Delaware, Idaho, Illinois, Kentucky, Louisiana, Maine, Minnesota (two issues), Nebraska, New Hampshire, New Mexico, North Carolina (two issues), Oregon, South Dakota (two issues), Utah, Vermont and Virginia.
  - Education (16 states)
    - Alabama, Alaska, Arkansas, California, Florida, Hawaii (two issues), Iowa, Kansas, Minnesota, New Hampshire, New Jersey, New Mexico, Oklahoma, South Dakota, Tennessee and Utah.
  - Budget (13 states and Puerto Rico)
    - California, Connecticut, Delaware, Kentucky, Maine (two issues), Maryland (two issues), Michigan, Nebraska (two issues), New Jersey, Puerto Rico (two issues), South Carolina, Vermont, Wisconsin (two issues) and Wyoming.
  - Taxes (11 states)
    - Colorado, Connecticut, Indiana, Michigan, Mississippi (two issues), New York, Oklahoma, Pennsylvania, Utah, Washington and West Virginia.

# Top Fiscal Issues in 2008

## (cont.)



- Pensions/Retirement (7 states)
  - Alaska, Georgia, Illinois, Kentucky, New Hampshire, South Carolina and West Virginia
- Corrections/Criminal Justice (6 states)
  - Connecticut, Florida, Idaho, Iowa, Michigan and Oklahoma
- Local Aid (3 states)
  - Alaska, Indiana and North Carolina
- Water (2 states)
  - Georgia and Idaho
- Economic Development (1 state and Puerto Rico)
  - Arkansas and Puerto Rico
- Other
  - Alabama (pre-passed pay raise for general fund employees)
  - Hawaii (affordable housing)
  - Indiana (property assessment)
  - Kansas (disaster relief)
  - Louisiana (ethics reform)
  - New Jersey (asset monetization)
  - Oregon (land use and property rights)
  - Pennsylvania (energy) and
  - Virginia (early childhood and pre-K initiatives)

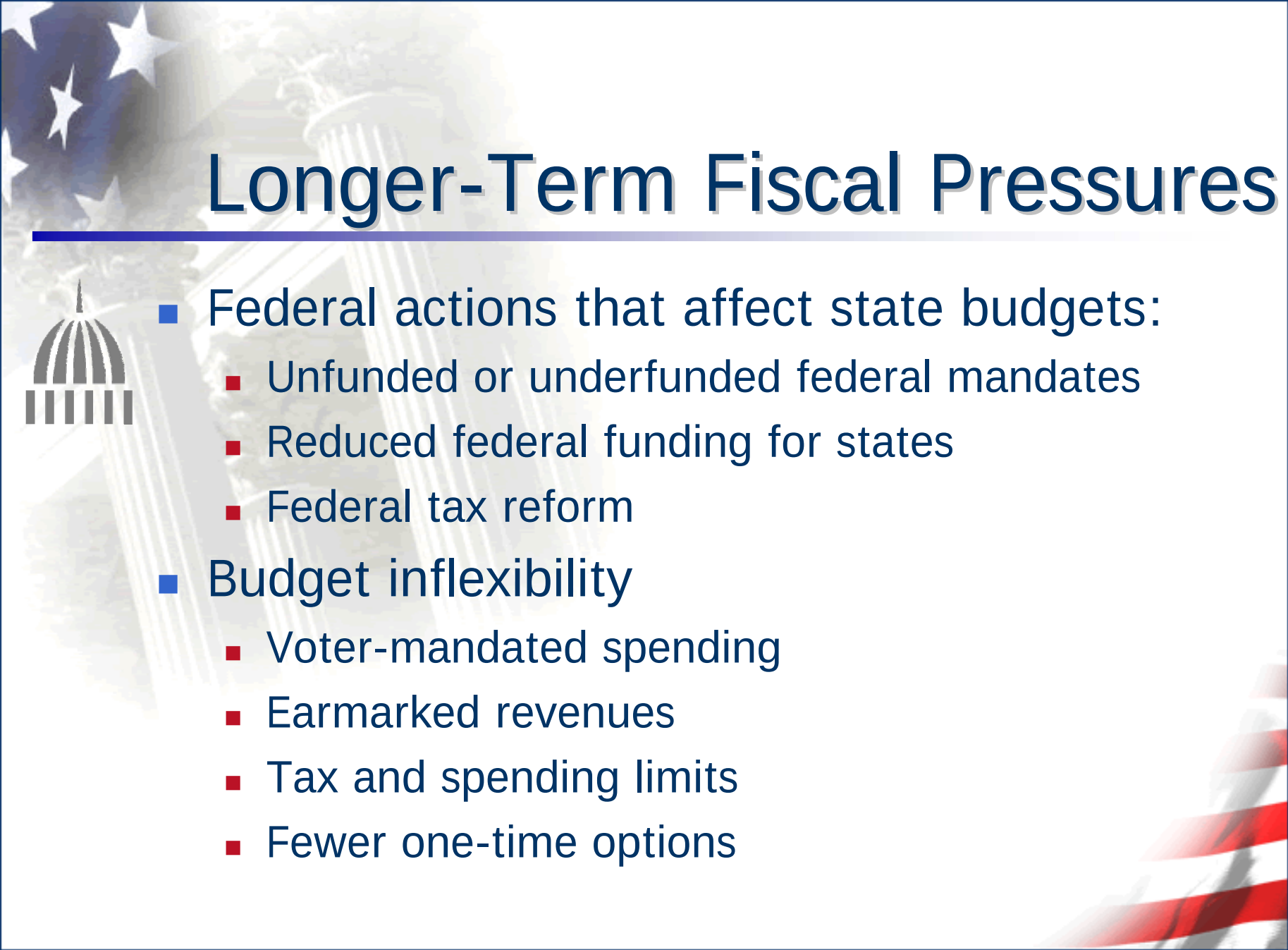


# Top Ten Policy Issues

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1. State budgets
2. Immigration
3. REAL ID
4. Financing roads and infrastructure
5. Health care and insurance
6. Education finance and reform
7. Helping families
8. Environmental concerns
9. Protecting consumers
10. Pension plans & retiree benefits



# Longer-Term Fiscal Pressures

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- Federal actions that affect state budgets:
    - Unfunded or underfunded federal mandates
    - Reduced federal funding for states
    - Federal tax reform
  - Budget inflexibility
    - Voter-mandated spending
    - Earmarked revenues
    - Tax and spending limits
    - Fewer one-time options

# Longer-Term Fiscal Pressures



- State spending pressures
  - K-12 education
  - Medicaid & health care
  - Public safety
  - Many others
- Concern about future state revenue growth (stability and performance)
- Revenue growth that lags state expenditure needs (structural deficits)

# where policy clicks

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