State Fiscal Health: How Prepared Are the States for an Economic Downturn?

NCSL Western States Fiscal Leaders Meeting
San Francisco, California
Poll Question:
What is your fantasy career?
Poll Question:
What word would you use to describe the fiscal health of your state today?
Poll Question:
Is your state currently experiencing an economic downturn?
State Year-End Balances
FY 1981 to FY 2017 (projected)

Recession Length: 16 months | Recession Length: 8 months | Recession Length: 8 months | Recession Length: 18 months

Source: NCSL survey of state legislative fiscal offices, various years
State Tax Revenue Since the Start of the Recession
Four-Quarter Moving Average, Adjusted for Inflation

Cumulative % change since start of recession

Years since start of recession

Sources: Rockefeller Institute of Government
Notes: 4-quarter average of inflation-adjusted tax revenue. Data are shown only until the start of the next recession.
Poll Question:
Does your state have a structural deficit?
U.S. Recessions
Post World War II

- Post WW II: 11 recessions
- Average duration (peak to trough): 11.1 months
- The Great Recession: 18 months
- Recessions of 1973-75 and 1981-82: 16 months
- Shortest recession?
U.S. Recessions
Post World War II

The shortest recession:
January 1980 to July 1980: 6 months

Source: National Bureau of Economic Research
U.S. Recessions
Post World War II

- Average expansion (trough to peak): **58.4 months**
- Current economic expansion: **96 months**
- Longest expansion?
U.S. Recessions
Post World War II

• Average expansion (trough to peak): 58.4 months

• Current economic expansion: ?
Happy Birthday!
U.S. Recessions
Post World War II

The longest expansion:
March 1991 to March 2001: **120 months**

Source: National Bureau of Economic Research
Poll Question:
How prepared is your state for the next economic downturn?
It takes a tool kit.
S&P’s Top 10 Management Characteristics of Highly Rated Credits in U.S. Public Finance

- An established “rainy day” fund/reserve.
- Regular economic and revenue updates.
- Prioritized spending plans and contingency plans.
- A formalized capital improvement plan.
- Long-term planning for all liabilities of a government.
S&P’s Top 10 Management Characteristics (cont.)

• A formal debt management policy.
• A pay-as-you-go financing strategy.
• A multi-year financial plan that considers affordability of actions.
• Effective management and information systems.
• A well-defined economic development strategy.
Quote of Note

“We are at the point in the business cycle where we should be preparing for lean times again.”

Rep. Brad Wilson
Utah
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Rep. Brad Wilson, Utah
For more information

Resources

Fiscal Affairs Homepage:
http://www.ncsl.org/fiscal
Quote of Note

“Revenue peaks are usually caused by a bubble, so why would we want to return to a peak?”

Jonathan Ball
Legislative Fiscal Analyst
Utah