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# State Budget Update: Fall 2011



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## Overview

- State fiscal conditions continue to improve, but at a very slow pace.
  - Revenue performance is solid
  - Expenditures are stable
  - Budget gaps are few in FY 2012



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## Overview (continued)

- States face ongoing budget challenges.
  - State tax collections remain below pre-recession levels
  - Officials are concerned about the strength of economic growth
  - Questions remain about the impact of federal deficit reduction on state budgets
  - The total state budget gap: \$527.7 billion (FY 2008-FY 2013 est.)



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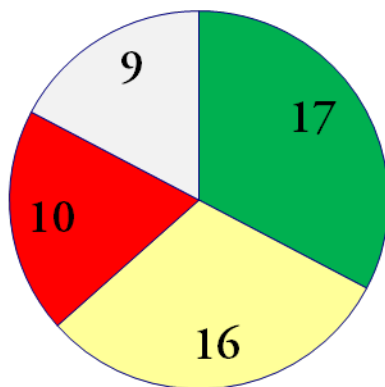
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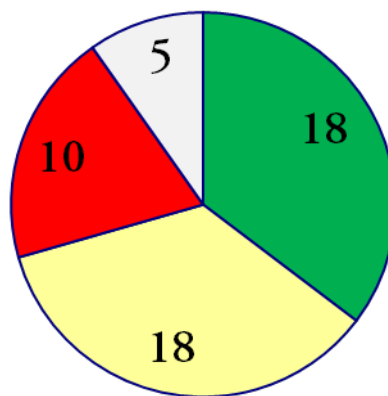
# FY 2012 Tax Collections

(Compared with the Latest Estimate)

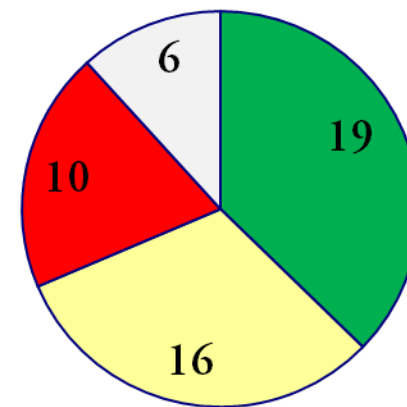
Personal Income Tax\*



General Sales Tax



Corporate Income Tax



- Above Estimate
- On Target
- Below Estimate
- Not applicable

\*New Hampshire and Tennessee do not levy a personal income tax, but tax interest income and dividends. Tennessee did provide information on the performance of the personal income tax.



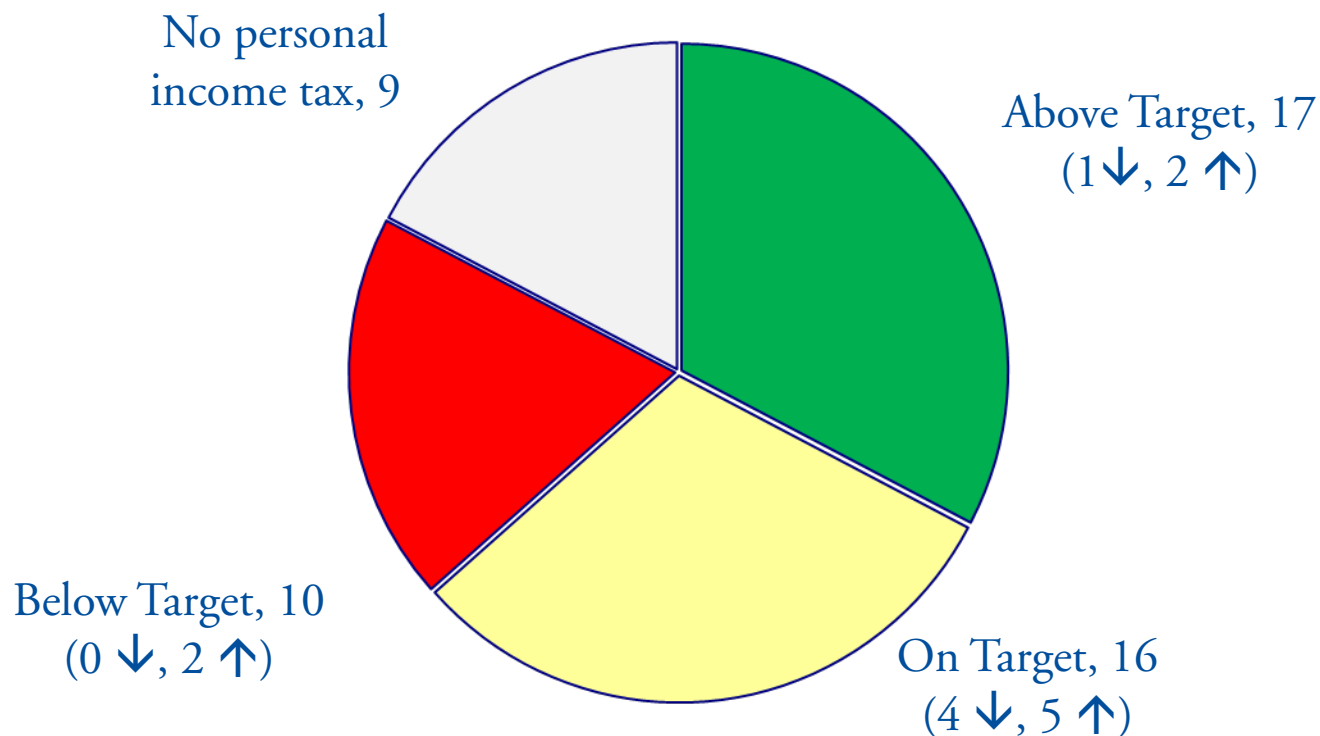
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# FY 2012 Personal Income Tax Collections

(Compared with the Latest Estimate)





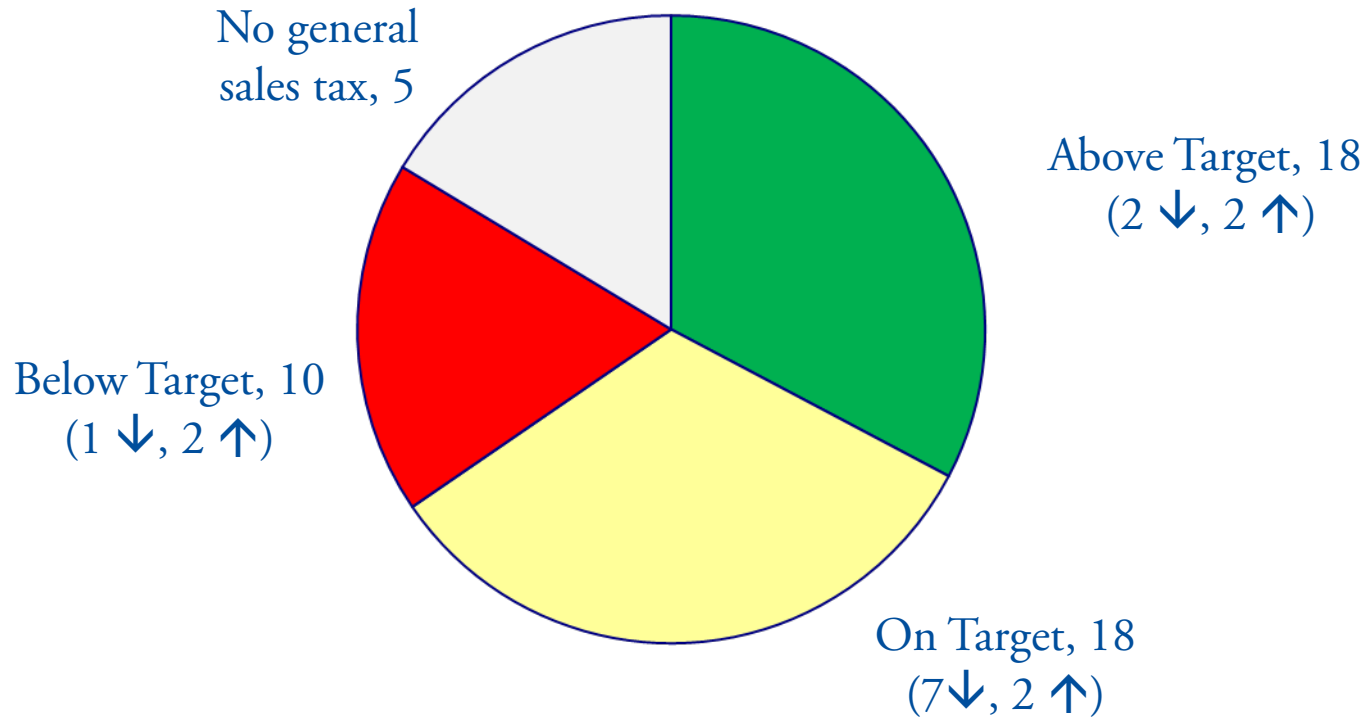
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# FY 2012 General Sales Tax Collections

(Compared with the Latest Estimate)



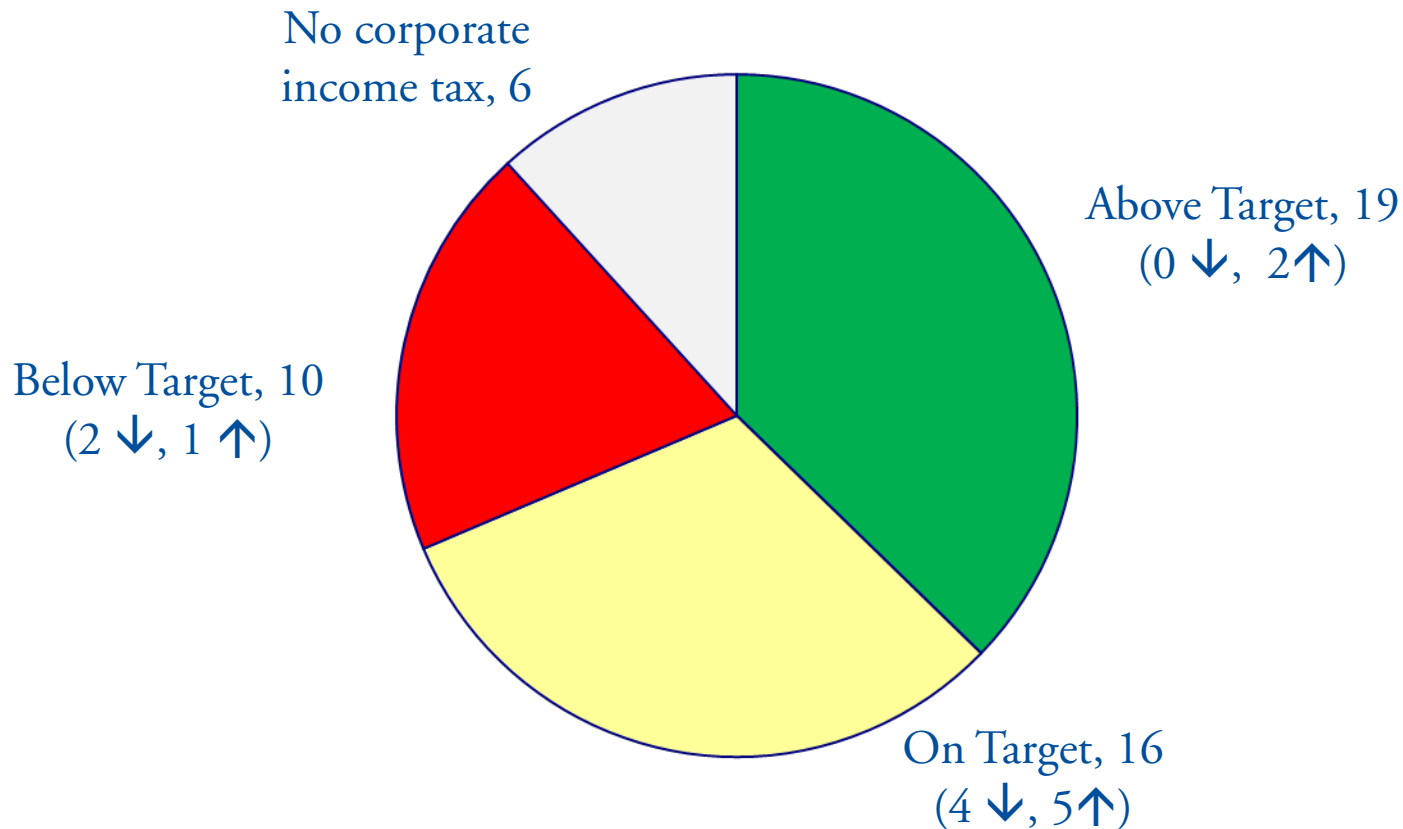


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# FY 2012 Corporate Income Tax Collections (Compared with the Latest Estimate)





# Other Taxes

- Severance Taxes
  - Above estimate in 10 states
  - On target in 5 states
  - Below estimate in 3 states (MI, OK and SD)
- Real Estate Transfer
  - 17 states reported real estate transfer taxes coming in on target or above expectations. 4 states—Hawaii, Michigan, New Jersey and Pennsylvania—reported transfer taxes below the current forecast.
- Miscellaneous
  - 5 states and Puerto Rico saw other miscellaneous taxes performing above estimate.



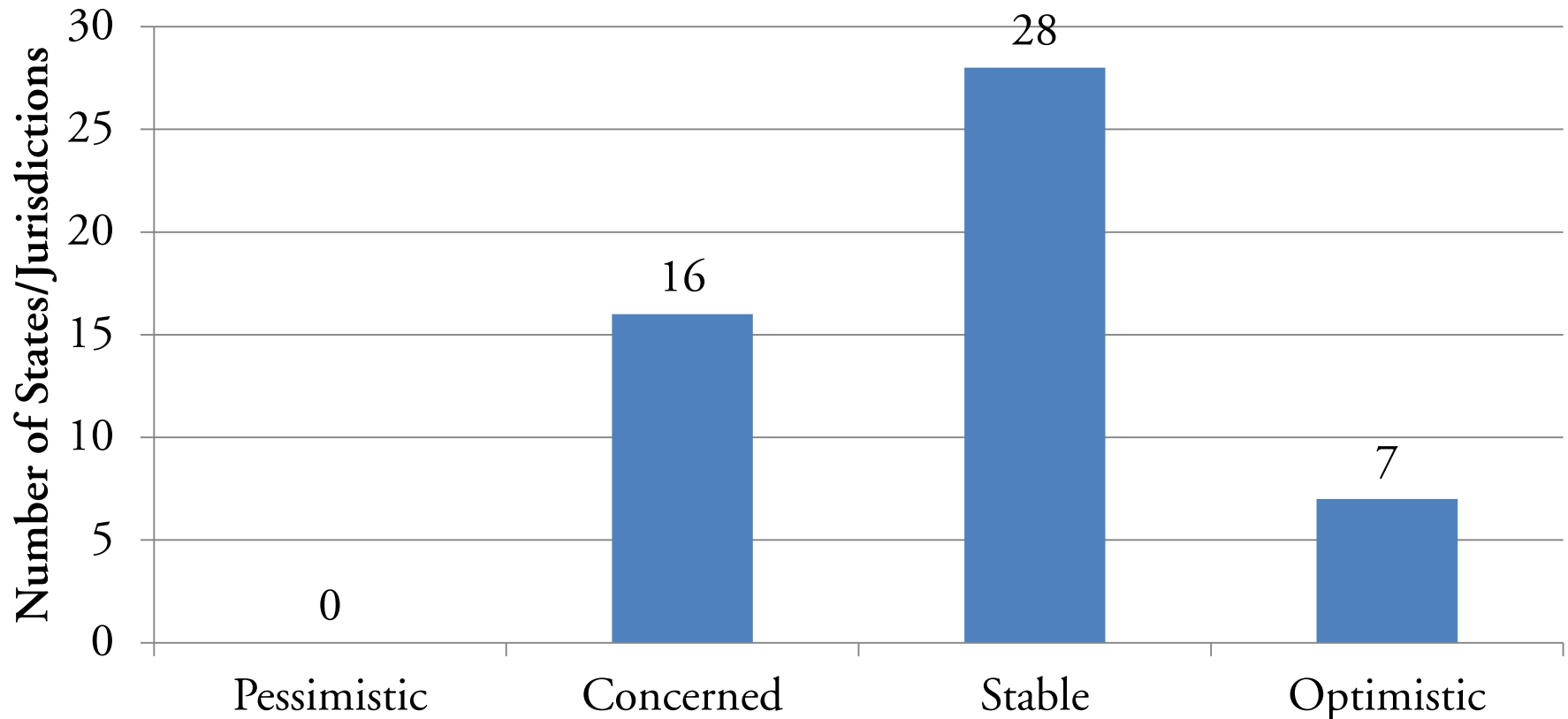


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# Revenue Outlook for the Remainder of FY 2012



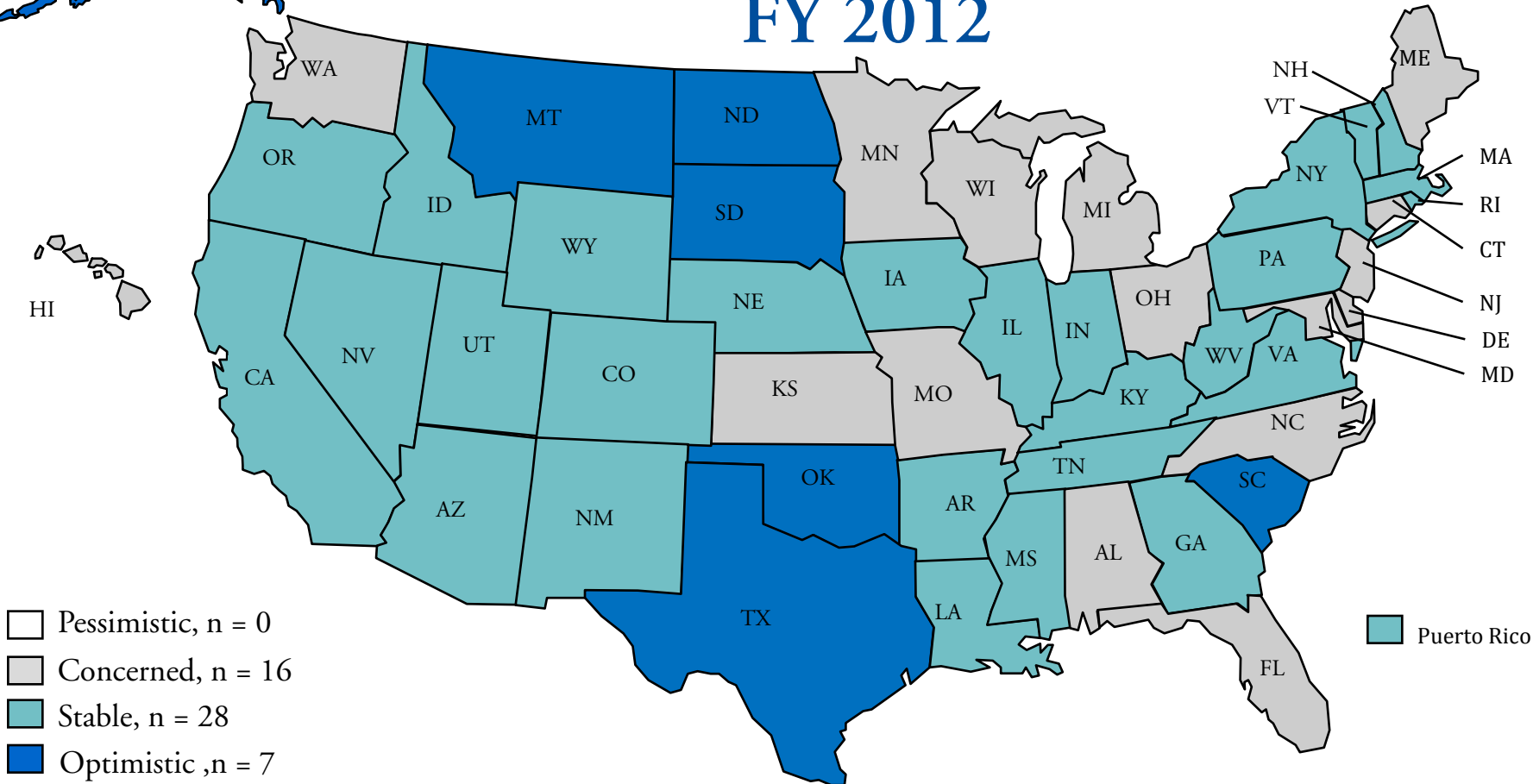


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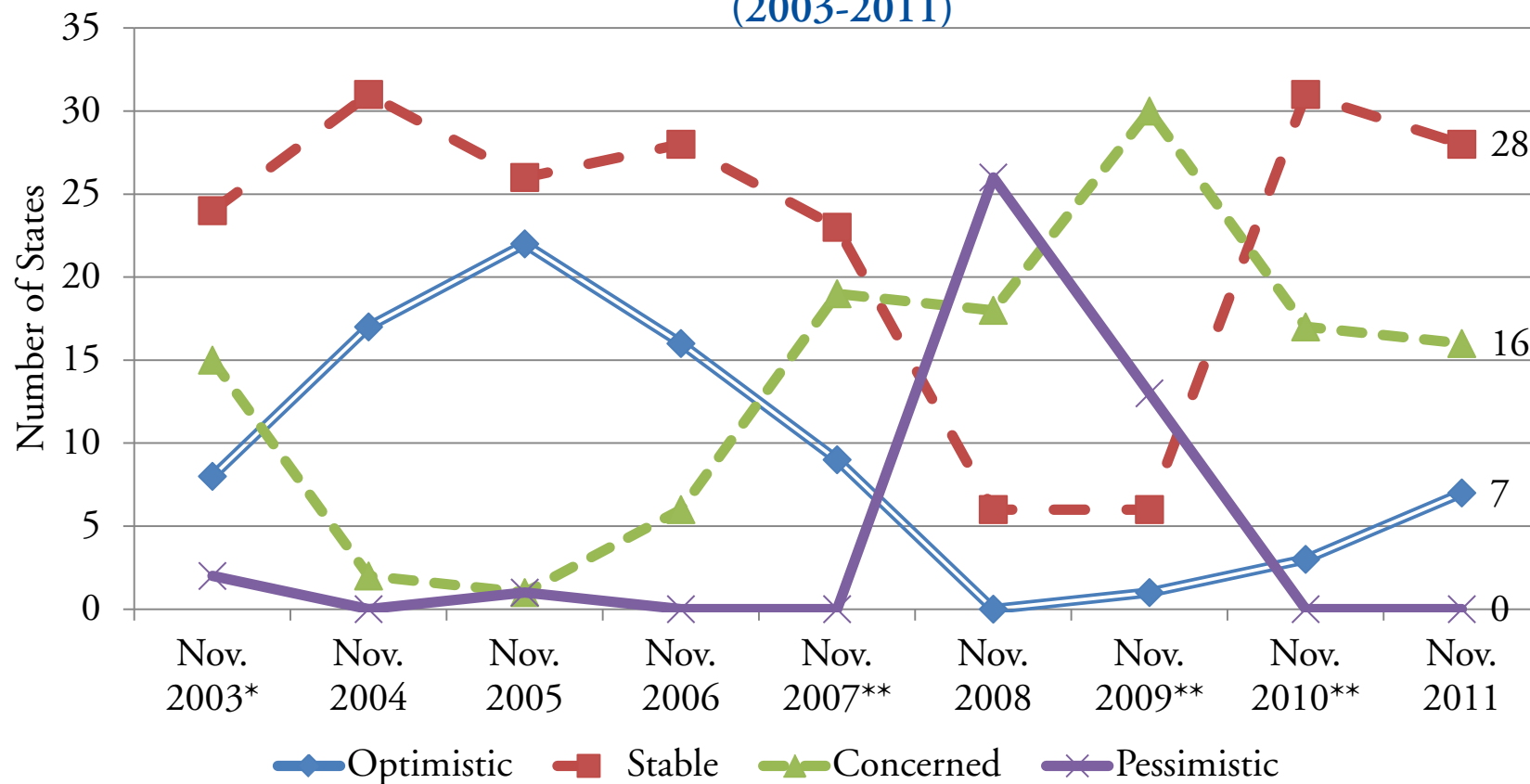
# Revenue Outlook for the Remainder of FY 2012





## Revenue Outlook for the Remainder of the Fiscal Year

(2003-2011)



\* 49 states reporting

\*\* Includes Puerto Rico



# Spending Overruns in FY 2012

- Medicaid or other health care programs
  - 6 states compared with 18 at this time last year
- Corrections or public safety programs (3 states)
- Social service programs (4 states)
  - Kansas (TANF)
  - Massachusetts (emergency homeless shelters)



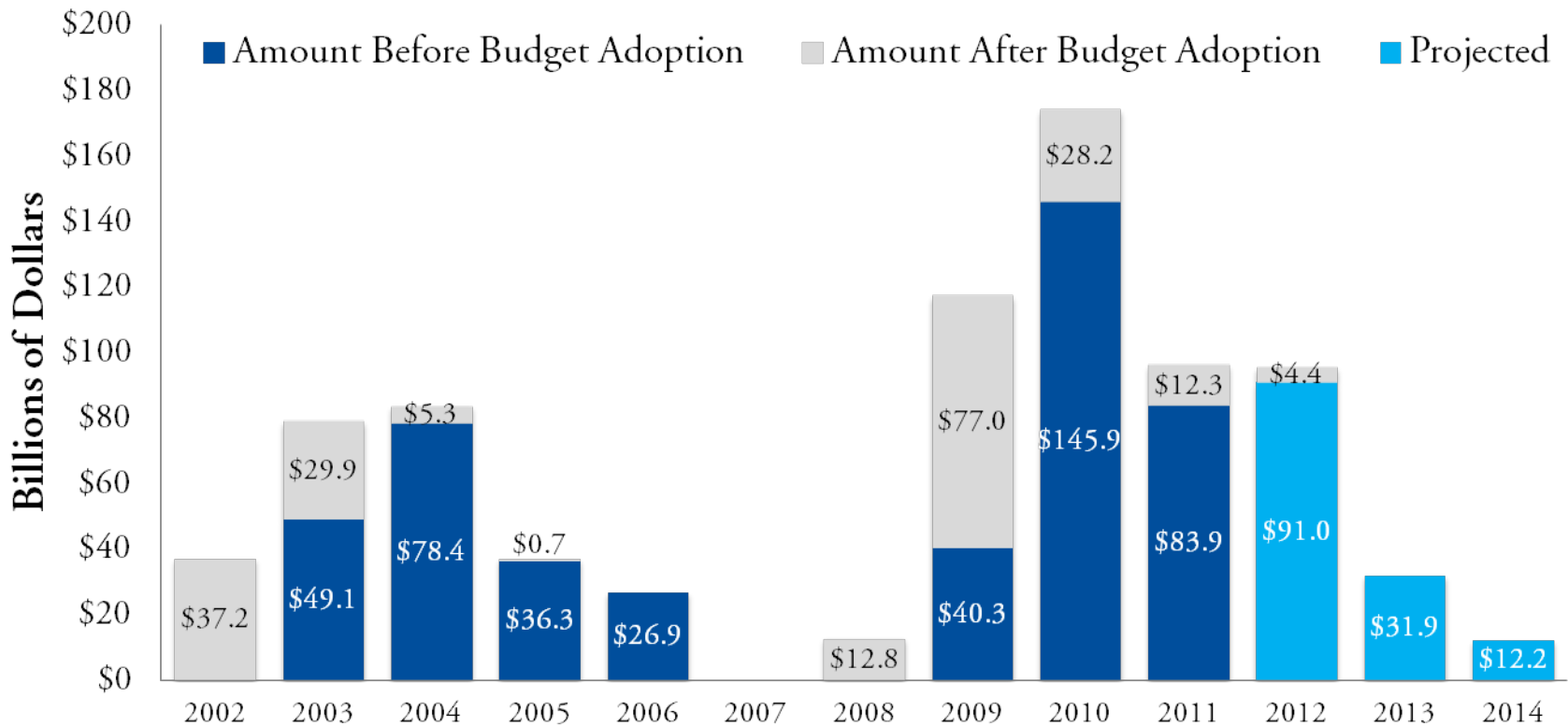


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## Cumulative State Budget Gaps: FY 2002- FY 2014





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# FY 2012 State Budget Outlook: *Strengths*

- State revenue performance (35 states and PR)
- Budget reserves (AK, ME, NE)
- Employment growth (MI, OK and VA)
- Agricultural economy (IA, SD)





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# FY 2012 State Budget Outlook: *Challenges*





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# FY 2012 State Budget Outlook: *Challenges*

- Medicaid/Other Health Care (13 states & PR)
- Uncertainties about the economy (9 states)
- Revenue performance (8 states)
- Impact of natural disasters (5 states)
- Strength of economic recovery (5 states)







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# FY 2012 State Budget Outlook: *Challenges (Cont.)*

- Retirement system (3 states)
- Court challenges (2 states)
- Federal budget (4 states)
- Job growth (3 states)





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# Fastest Growing Areas of FY 2012 Budgets



- Medicaid (34 states)
- K-12 Education (13 states)
- State employee retirement and benefits costs (10 states)
- Various health and human services programs (7 states)
- Debt service (4 states)

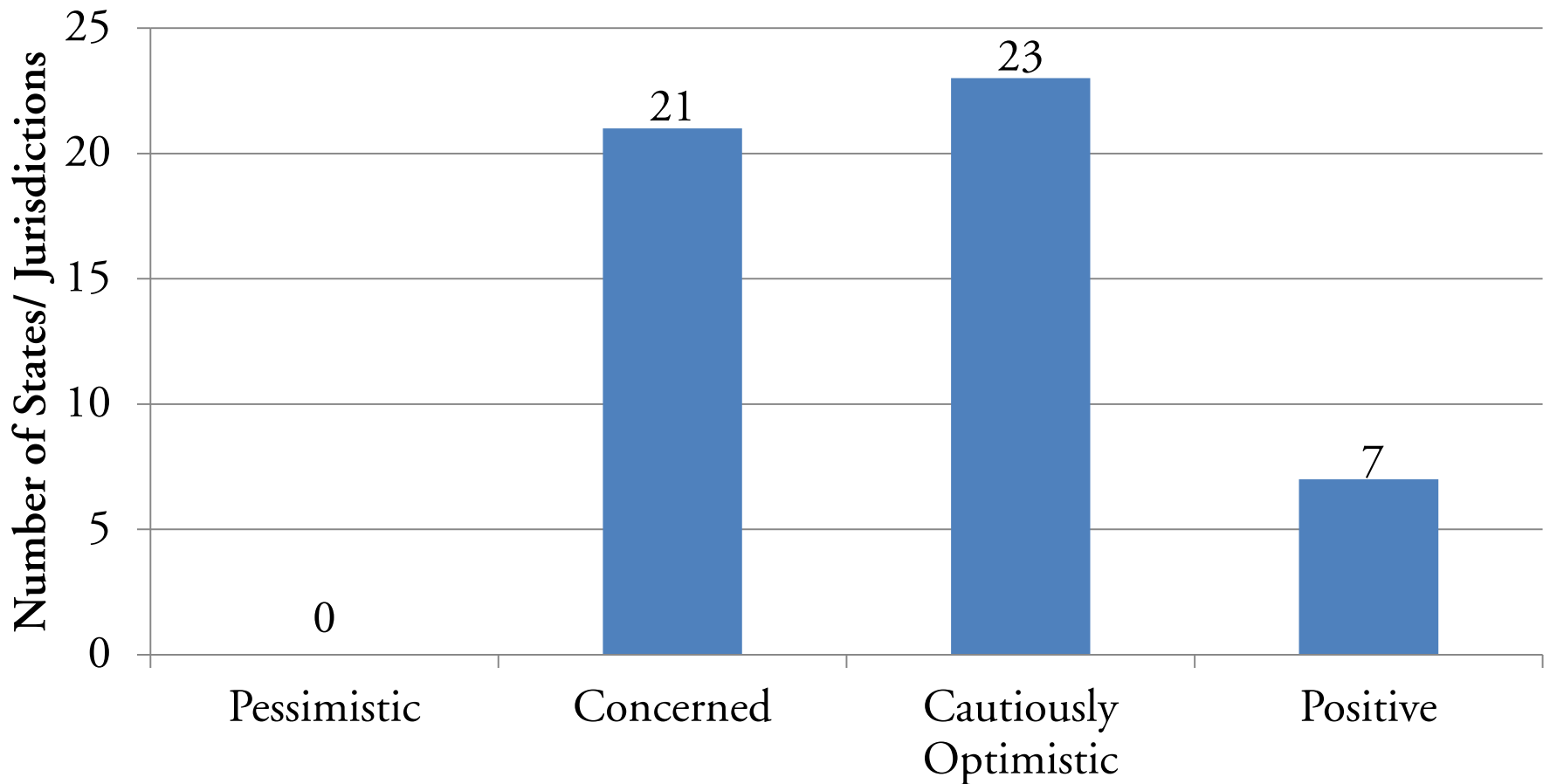


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## Overall Fiscal Outlook for the Remainder of FY 2012





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# Conclusion

- The worst *may* be behind most states:
  - State revenues are growing
  - State year-end balances are stabilizing
  - The overall fiscal outlook is improving
  
- A number of significant uncertainties loom:
  - Demands on state budgets
  - The strength and sustainability of economic recovery
  - The impact of federal actions on state budgets



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