

Fiscal Management: Preparing for the Next Budget Shortfall

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Possible criteria for assessing options to close budget shortfalls

- Magnitude of savings/increased revenue
- Speed of savings/increased revenue
- Certainty of savings/increased revenue
- Effects on structural balance or future fiscal flexibility
- Effects on the state's short-term economic condition
- Effects on the state's long-term economic potential
- Distributional impact
- Political viability

Discussion group scenario: *Your state is facing a large budget shortfall in the upcoming fiscal year/biennium and your reserves aren't sufficient to fully fill the gap. The chair of the budget committee has asked you to put together an analysis of several options on how to balance the budget.*

Questions to consider:

- Do you think you'd be able to offer an informed analysis of these options? If so, are there particular analytic techniques you would use? If not, what would the obstacles be?
- In thinking about specific options, how would you balance the criteria we discussed? Do some criteria seem more important than others? Are there other criteria we didn't include?
- Does your state have experience using these approaches or similar ones to close budget shortfalls? If so, how well did they work? What were the lessons learned? Do any of these approaches seem like really good or really bad ideas?