A State Budget Update and a Look at Long-Term Trends through Data Tools

March 13, 2015

The webinar has not yet begun.
Audio will be available through the call-in information contained in your registration confirmation e-mail.
A State Budget Update and a Look at Long-Term Trends through Data Tools

Audio Information:
- Audio is now available through your computer's speakers

Or, you may login via telephone using the call-in information contained in your registration confirmation e-mail.
Arturo Pérez is director of the Fiscal Affairs Program at the National Conference of State Legislatures (NCSL). He specializes in state tax and expenditure policy. In addition to his research responsibilities, Arturo is also the NCSL liaison to the Texas, Puerto Rico, and U.S. Virgin Islands legislatures.

An NCSL staff member since 1990, Arturo has bachelor's degrees in history and political science from Texas A&M University. He also received a master's degree from the LBJ School of Public Affairs at the University of Texas at Austin.
Barb Rosewicz is a research director in Pew’s state fiscal health project. She oversees “Fiscal 50: State Trends and Analysis,” an online resource that helps policymakers gain insights into key fiscal, economic, and demographic trends affecting their states.

Rosewicz supervises a research portfolio that enables comparisons, over time, of states’ tax revenue, spending, reserves, employment rates, and other issues important to long-term fiscal health. She leads a team of researchers and writers to produce Pew reports on a variety of topics critical to state and local fiscal health. These have included pension and retiree health care funding in cities, public attitudes toward state budget policy, and the early effects of the Great Recession on states.

She previously served as managing editor of Stateline, the daily news service of The Pew Charitable Trusts. Prior to joining Pew, Rosewicz was a reporter for The Wall Street Journal in Washington, D.C., and the Middle East and previously served as statehouse bureau chief in Topeka, KS, for United Press International.

She is a Phi Beta Kappa graduate of the University of Kansas with a bachelor of science in journalism.
David Rosen

David J. Rosen is the Legislative Budget and Finance Officer and directs the Revenue, Finance and Appropriations Section of the New Jersey Office of Legislative Services, the nonpartisan staff of the New Jersey Legislature.

In that capacity he oversees the analysis of the Governor’s proposed budget and the preparation of the annual appropriations act, the staffing of the budget and appropriations committees, the fiscal analysis of pending legislation, the drafting of tax legislation and the formulation of annual state revenue projections.

During his 31 years with the New Jersey Legislature, Mr. Rosen has served as the principal aide to the General Assembly Education Committee and Senate Budget and Appropriations Committee. Prior to joining the legislature, Mr. Rosen taught political science for nine years at Rutgers and Drew Universities.

He received his B.A. from Rutgers College in 1969 and Ph.D. in Political Science from Rutgers University in 1974.
State Budget Update

Denver, Colorado
March 13, 2015

Arturo Pérez
National Conference of State Legislatures
Overview

State budgets generally are stable.

Most states expect to meet their revenue estimates.

Spending is on target in most states, though there are exceptions.
FY 2015 Performance of Major Tax Categories

- Personal Income Tax: 12 Above Estimates, 16 On Target, 8 Below Estimate, 10 Not levied
- General Sales & Use Tax: 18 Above Estimates, 14 On Target, 9 Below Estimate, 5 Not levied
- Corporate Income Tax: 14 Above Estimates, 15 On Target, 6 Below Estimate, 10 Not levied

Not Available: Louisiana, Minnesota, Missouri, Nebraska and Wisconsin

Source: NCSL survey of state legislative fiscal offices, fall 2014.
Revenue Outlook for FY 2015

Not Available: Missouri, Minnesota, North Carolina and Wisconsin

Source: NCSL survey of state legislative fiscal offices, fall 2014.
Changes in General Fund Spending in FY 2014 and FY 2015

FY 2014 (estimated): 4.0%
FY 2015 (projected): 3.5%
Changes in General Fund Revenues in FY 2014 and FY 2015

Source: NCSL survey of state legislative fiscal offices, summer 2014.
FY 2015 General Fund Appropriations

- K-12: 32.2%
- Other: 33.6%
- Medicaid: 20.2%
- Corrections: 5.2%
- Higher Education: 8.8%

Source: NCSL survey of state legislative fiscal offices, summer 2014
Percent Change in General Fund Appropriations for Major Budget Categories in FY 2015 (projected)

Medicaid 6.4%

Higher Education 5.9%

K-12 Education 4.4%

Corrections 1.2%

Source: NCSL survey of state legislative fiscal offices, summer 2014
State Fiscal Situation

Near term: Relatively stable.

Longer term: Less stability and predictability.
What’s on the Horizon?

• Revenue concerns
• Spending pressures
• The next economic downturn?
The Oil Price Fall

“Lower crude oil prices will be a net positive for the U.S. economy.”

Questions?

Contact
arturo.perez@ncsl.org
303-856-1493

Resources
Fiscal Affairs Homepage:
http://www.ncsl.org/fiscal
Key Indicators of Fiscal Health

**REVENUE**
- Tax Revenue
- Tax Revenue Volatility
- Federal Share of State Revenue

**SPENDING**
- Change in State Spending

**ECONOMY AND PEOPLE**
- Employment to Population Ratio

**LONG-TERM COSTS**
- Debt and Unfunded Retirement Costs

**FISCAL POLICY**
- Reserves and Balances
Fiscal 50: State Trends and Analysis

Key Indicators of Fiscal Health

**REVENUE**
- Tax Revenue
- Tax Revenue Volatility
- Federal Share of State Revenue

**SPENDING**
- Change in State Spending

**ECONOMY AND PEOPLE**
- Employment to Population Ratio

**LONG-TERM COSTS**
- Debt and Unfunded Retirement Costs

**FISCAL POLICY**
- Reserves and Balances
State Tax Revenue is Slow to Recover From Recession

Inflation-adjusted, 3Q 2014

Percent

2006 2007 2008 2009 2010 2011 2012 2013 2014

50 states
State Tax Revenue Recovers Slowly and Unevenly

Inflation-adjusted, 3Q 2014

- Below -15%
- -15% to 0%
- 0% to 15%
- Above 15%
Key Indicators of Fiscal Health

**REVENUE**
- Tax Revenue
- Tax Revenue Volatility
- Federal Share of State Revenue

**SPENDING**
- Change in State Spending

**ECONOMY AND PEOPLE**
- Employment to Population Ratio

**LONG-TERM COSTS**
- Debt and Unfunded Retirement Costs

**FISCAL POLICY**
- Reserves and Balances
Days that States Could Run on Reserve Funds

FY 2014 (Preliminary Actual)

Days

55

50

45

40

35

30

25

20

15

10

5

0

-5

-10

-15

-20

-25

FY 2001

FY 2003

FY 2005

FY 2007

FY 2009

FY 2011

FY 2013

50-state median
California
New Jersey

Reserves and Balances
States with Smallest Reserves

FY 2014 (Preliminary Actual)

<table>
<thead>
<tr>
<th>State</th>
<th>Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arkansas</td>
<td>0.0</td>
</tr>
<tr>
<td>Illinois</td>
<td>0.9</td>
</tr>
<tr>
<td>New Jersey</td>
<td>3.3</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>1.0</td>
</tr>
<tr>
<td>Kentucky</td>
<td>5.8</td>
</tr>
</tbody>
</table>

50-state median: 24.0 days
States with Biggest Reserves

FY 2014 (Preliminary Actual)

- **Alaska**: 663.9 days
- **Wyoming**: 189.1 days
- **North Dakota**: 188.4 days
- **Nebraska**: 134.1 days
- **West Virginia**: 118.7 days
- **50-state median**: 24.0 days
Key Indicators of Fiscal Health

**REVENUE**
- Tax Revenue
- Tax Revenue Volatility
- Federal Share of State Revenue

**SPENDING**
- Change in State Spending

**ECONOMY AND PEOPLE**
- Employment to Population Ratio

**LONG-TERM COSTS**
- Debt and Unfunded Retirement Costs

**FISCAL POLICY**
- Reserves and Balances
US: Before the recession, nearly 80 of every 100 prime-age adults were employed.
US: In 2014, only about 77 of every 100 prime-age adults were employed.
New Mexico: Before the recession, about 79 of every 100 prime-age adults were employed.
New Mexico: In 2014, only about 71 of every 100 prime-age adults were employed.
Change in Employment Rate of Prime-age Workers

2007 to 2014

Not statistically significant

*Data shown in percentage points
Key Indicators of Fiscal Health

**REVENUE**
- Tax Revenue
- Tax Revenue Volatility
- Federal Share of State Revenue

**SPENDING**
- Change in State Spending

**ECONOMY AND PEOPLE**
- Employment to Population Ratio

**LONG-TERM COSTS**
- Debt and Unfunded Retirement Costs

**FISCAL POLICY**
- Reserves and Balances
**Greatest and Smallest Shares of State Revenue from Federal Funds**

**FY 2000 to FY 2013**

- **MS** (Mississippi) 42.9%
- **US** (United States) 30.0%
- **ND** (North Dakota) 19.0%

The chart shows the federal share of state revenue from fiscal years 2000 to 2013, with specific emphasis on the greatest and smallest shares of state revenue from federal funds for Mississippi, United States, and North Dakota.
Federal Funds as a Share of State Revenue

FY 2013

Map showing the federal share of state revenue for FY 2013, with different shades indicating different percentage ranges:
- Light blue for 19.0% to 29.9%
- Medium blue for 30.0% to 39.9%
- Dark blue for 40.0% to 49.9%

Legend:
- Light blue: 19.0% to 29.9%
- Medium blue: 30.0% to 39.9%
- Dark blue: 40.0% to 49.9%
Key Indicators of Fiscal Health

**REVENUE**
- Tax Revenue
- Tax Revenue Volatility
- Federal Share of State Revenue

**SPENDING**
- Change in State Spending

**ECONOMY AND PEOPLE**
- Employment to Population Ratio

**LONG-TERM COSTS**
- Debt and Unfunded Retirement Costs

**FISCAL POLICY**
- Reserves and Balances
Long-term Obligations by Type

FY 2012

50-state total

- Debt
- Pensions
- Retiree Health Care

Billions

$0
$100
$200
$300
$400
$500
$600
$700
$800
$900
$1,000
Long-term Obligations by Type

FY 2012

Pensions
Retiree Health Care
Debt

Debt and Unfunded Retirement Costs
Key Indicators of Fiscal Health

**REVENUE**
- Tax Revenue
- Tax Revenue Volatility
- Federal Share of State Revenue

**SPENDING**
- Change in State Spending

**ECONOMY AND PEOPLE**
- Employment to Population Ratio

**LONG-TERM COSTS**
- Debt and Unfunded Retirement Costs

**FISCAL POLICY**
- Reserves and Balances
States with Most Volatile Revenue Fluctuations
Fiscal years 1995 to 2013

- Alaska: 34.4 volatility score
- Wyoming: 12.1 volatility score
- North Dakota: 11.6 volatility score
- Vermont: 11.6 volatility score
- 50 states: 5.0 volatility score
States with Least Volatile Revenue Fluctuations
Fiscal years 1995 to 2013

- South Dakota: 2.6 volatility score
- Kentucky: 2.9 volatility score
- Maryland: 3.5 volatility score
- West Virginia: 3.7 volatility score
- 50 states: 5.0 volatility score
Severance tax most volatile in 6 out of 9 states where it is a major source
Severance tax volatility
Montana: Year-over-Year Percent Change of Major Tax Sources

- Personal income
- Property
- Motor fuels
- Severance

Fiscal 50
Corporate income tax most volatile in 24 out of 29 states where it is a major source
Corporate income tax volatility
New York: Year-over-Year Percent Change of Major Tax Sources

Corporate income volatility

New York:

Year-over-Year Percent Change of Major Tax Sources

RECESSION  RECESSION

FISCAL 50
The Pew Charitable Trusts' analysis of U.S. Census Bureau's Quarterly Tax data.
Questions?

- To ask a question, type your question into the box on the right-hand side of your screen.
  - You will not be identified, and only the presenters will see your question.
Questions after the Webinar

- If you have any questions regarding this webinar, please contact:
  Anna Petrini anna.petrini@ncsl.org

- This webinar will be archived and will be available at the following link:
  www.ncsl.org/default.aspx?TabId=29076
Resources


Thank you for participating!

For more information on this webinar or future webinars, email events@ncsl.org.