State Budget Update

Leading Education Reform in an Era of Limited Resources: A Seminar for Education Committee Chairs
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National Conference of State Legislatures
Overview

• State Fiscal Conditions are Stable
  • Revenues are meeting expectations
  • Spending is in line with budgeted estimates

• Uncertainty Remains
  • Forecasts are cautious
  • Impact of sequestration raises concerns
FY 2013 Tax Collections
(Compared with the Latest Estimate)

Source: NCSL survey of state legislative fiscal offices, spring 2013
Revenue Outlook for the Remainder of the Fiscal Year

- **Expected to Meet Forecast**: 38 jurisdictions
- **Likely to Exceed Forecast**: 8 jurisdictions
- **Unlikely to Meet Forecast**: 6 jurisdictions

Source: NCSL survey of state legislative fiscal offices, spring 2013
Revenue Outlook for the Remainder of the Fiscal Year

- Expected to Meet Forecast: 38
- Likely to Exceed Forecast: 8
- Unlikely to Meet Forecast: 6
- Not Applicable (NY): 1

Source: NCSL survey of state legislative fiscal offices, spring 2013
Quote of Note

“California is likely to exceed the forecast due in large part to accelerations of capital gains and other income realization from 2013 to 2012 (to avoid higher federal taxes in 2013).”

Source: NCSL survey of state legislative fiscal offices, spring 2013
State Tax Collections 2002-2012

Source: U.S. Census Bureau
## Selected Tax Collections by Type of Tax
( amounts in billions )

<table>
<thead>
<tr>
<th>Type of Tax</th>
<th>2008</th>
<th>2012</th>
<th>% Change (2008 to 2012)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selective sales</td>
<td>$118.7</td>
<td>$132.1</td>
<td>11.3%</td>
</tr>
<tr>
<td>Licenses</td>
<td>$49.1</td>
<td>$54.0</td>
<td>10.1%</td>
</tr>
<tr>
<td>Sales &amp; use</td>
<td>$240.2</td>
<td>$242.7</td>
<td>1.1%</td>
</tr>
<tr>
<td>Individual income</td>
<td>$278.0</td>
<td>$280.4</td>
<td>0.9%</td>
</tr>
<tr>
<td>Corporation net income</td>
<td>$49.9</td>
<td>$41.7</td>
<td>-16.3%</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau
Total State Tax Collections: 2008 Compared to 2012

- 2012 collections > 2008 collections: 29 states
- 2012 collections < 2008 collections: 21 states
- Not Available: 3 states

Source: U.S. Census Bureau
“States are on a revenue roller coaster, and there is a bumpy ride ahead. It will be hard for states to interpret revenue data in coming months, and hard to rule out the possibility that any short-run revenue surge is simply borrowed from the future.”

~State Revenue Report, Rockefeller Institute of Government, April 2013
Significant Tax Reform Measures in 2013 Legislative Sessions

- Personal Income Taxes (17 states)
- Sales & Use (8 states)
- Transportation Related Taxes (8 states)
- Corporate Income (8 states)

Source: NCSL survey of state legislative fiscal offices, spring 2013
Spending Overruns in FY 2013

Medicaid:
- CA
- CT
- IA
- ME
- MS
- NV
- NC
- PA
- TX
- WA

Corrections:
- CT
- ID
- KY
- MD
- MA
- MS
- MT
- NE
- TN

K-12 Education:
- DC
- MD
- MT
- NH
- PR

Social Services:
- CA
- CT
- MD
- PR

Other:
- AK
- DC
- MD
- MA
- MT
- NE
- WA

Source: NCSL survey of state legislative fiscal offices, spring 2013
### 2013 Actions to Offset the Impacts of Sequestration

<table>
<thead>
<tr>
<th>State</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>District of Columbia</td>
<td>• Assumed a total budgetary impact of $80 million in FY 2013.</td>
</tr>
<tr>
<td>Hawaii</td>
<td>• Potential general fund support to offset sequestration related cuts</td>
</tr>
<tr>
<td>Maryland</td>
<td>• Adjusted revenues downward by $194.5 million (FY 2013 &amp; FY 2014 combined).</td>
</tr>
<tr>
<td></td>
<td>• Recommended maintaining at least 5 percent of revenues in the reserve fund.</td>
</tr>
<tr>
<td>Utah</td>
<td>• Requires revenue estimates to include changes in federal aid, federal reductions to be included in calculations for rainy day fund deposits, and asks the governor to include the impacts of federal actions in the budget.</td>
</tr>
<tr>
<td>Vermont</td>
<td>• Federal fund appropriation of $4 million in able to meet unanticipated federal fund reductions.</td>
</tr>
<tr>
<td>Virginia</td>
<td>• Endorsed the actions of the Virginia Economic Development Partnership to assist private firms find alternative markets, both in Virginia and overseas.</td>
</tr>
</tbody>
</table>

Source: NCSL survey of state legislative fiscal offices, spring 2013
Procedures to Address Further Federal Funding Changes
(post-enactment of the budget)

Most States
- **Standard Budget Management Procedures**

NC, TN & UT
- **Require Agencies to Develop Contingency Plans**

MD, VT & VA
- **Set Aside Funds**

Source: NCSL survey of state legislative fiscal offices, spring 2013
Impacts of Defense Related Spending Reductions

- **Furloughs & Layoffs** (19 States)
- **Procurement** (10 states)
- **Ability to Mobilize** (MS & PA)
- **Use of State Funds** (ID & MT)

Source: NCSL survey of state legislative fiscal offices, spring 2013
Summary of State Fiscal Situations

Stable

Source: NCSL survey of state legislative fiscal offices, spring 2013
“The key word is watchful...the continued uncertainty of federal fiscal policy and the indeterminate impacts on the economy have weighed down economic growth.” ~Colorado

Source: NCSL survey of state legislative fiscal offices, spring 2013
“The state's fiscal situation is very positive with revenues continuing to grow, but at a somewhat slower pace than during the last two years.” ~North Dakota
Summary

- Improving revenues
- Spending is stable
- Increased flexibility
- Performance is uneven
- Impacts of federal actions
- No signs of a robust recovery
Questions?

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Resources

Fiscal Affairs Homepage:
http://www.ncsl.org/fiscal