Overview

State fiscal conditions continue to improve

- Revenue performance is positive
- Year-end balances are stable & rising
- Rainy day funds are growing
- Budget gaps are increasingly rare
Overview

State budgets remain vulnerable

- Possibility of economic shocks
- Potential impact of federal deficit reduction on state budgets
- Trends in Medicaid costs
State Year-End Balances as a Percentage of General Fund Spending

<table>
<thead>
<tr>
<th>Number of States/Jurisdictions</th>
<th>FY 2012 (Estimated)</th>
<th>FY 2013 (Projected)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 percent or more</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>5% to 9.9%</td>
<td>19</td>
<td>15</td>
</tr>
<tr>
<td>0.1% to 4.9%</td>
<td>17</td>
<td>23</td>
</tr>
<tr>
<td>Zero balance</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Negative balance</td>
<td>2</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: NCSL survey of state legislative fiscal offices, summer 2012
State Year-End Balances
FY 2007 to FY 2013 (projected)

Source: NCSL survey of state legislative fiscal offices, various years.
State Year-End Balances
FY 1981 to FY 2013 (projected)

Source: NCSL survey of state legislative fiscal offices, various years.
Budget Stabilization Funds

Source: NCSL survey of state legislative fiscal offices, various years
The Billionaires Club

Source: NCSL survey of state legislative fiscal offices, summer 2012
## Changes in General Fund Revenues and Spending

<table>
<thead>
<tr>
<th></th>
<th>FY 2012 (estimated)</th>
<th>FY 2013 (projected)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>2.9%</td>
<td>3.7%</td>
</tr>
<tr>
<td><strong>Expenditures/ Appropriations</strong></td>
<td>3.1%</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

Source: NCSL survey of state legislative fiscal offices, summer 2012
Change in General Fund Revenues & Expenditures
(FY 2011 to FY 2012)

- FY 2012 Revenues
  - 44 states
  - 6 states & D.C.

- FY 2012 Expenditures
  - 44 states
  - 6 states & D.C.

Source: NCSL survey of state legislative fiscal offices, summer 2012
Change in General Fund Revenues & Appropriations
(FY 2012 to FY 2013)

- FY 2013 Revenues
  - 44 states & D.C.
  - 5 states
  - TN

- FY 2013 Appropriations
  - 43 states & D.C.
  - 6 states
  - MS

Source: NCSL survey of state legislative fiscal offices, summer 2012
2012 State Tax Changes

- Increase of 1% or more, n = 2
- Decrease of 1% or more, n = 3

Net State Tax Changes by Year of Enactment, 1991-2012

* 2012 figures are preliminary

Source: National Conference of State Legislatures’ survey of legislative fiscal offices, various years.
State Economic Outlook for FY 2013

Source: NCSL survey of state legislative fiscal offices, summer 2012
State Economic Outlook for FY 2013

- Pessimistic, n = 0
- Concerned, n = 11
- Stable, n = 33
- Optimistic, n = 6

Source: NCSL, State Fiscal Health Survey, 2012
Top Challenges Affecting the FY 2013 Budget Outlook

Revenue-Performance
Medicaid

Federal-Deficit-Reduction

Source: NCSL survey of state legislative fiscal offices, summer 2012
Conclusion

State budgets are better positioned than in previous years

- State revenues continue to grow
- Lawmakers have improved flexibility to handle budget pressures
- Year-end balances are steady and rising
- The economic outlook reflects stability
- Budget gaps are few
Conclusion

State budgets still face considerable challenges:

✓ Lackluster revenue recovery
✓ Unemployment remains high.
✓ The impact of federal actions on state budgets
✓ Funding growth for Medicaid
✓ Pensions
Questions?
NCSL Resources

State Budget Update: Summer 2012

✓ TBD

NCSL Budget & Tax Homepage

Thank You