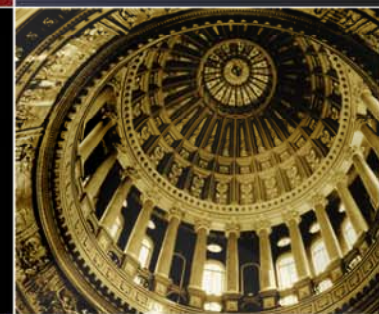


State Budget and Tax Update July 2009



NATIONAL CONFERENCE *of* STATE LEGISLATURES

The Forum for America's Ideas



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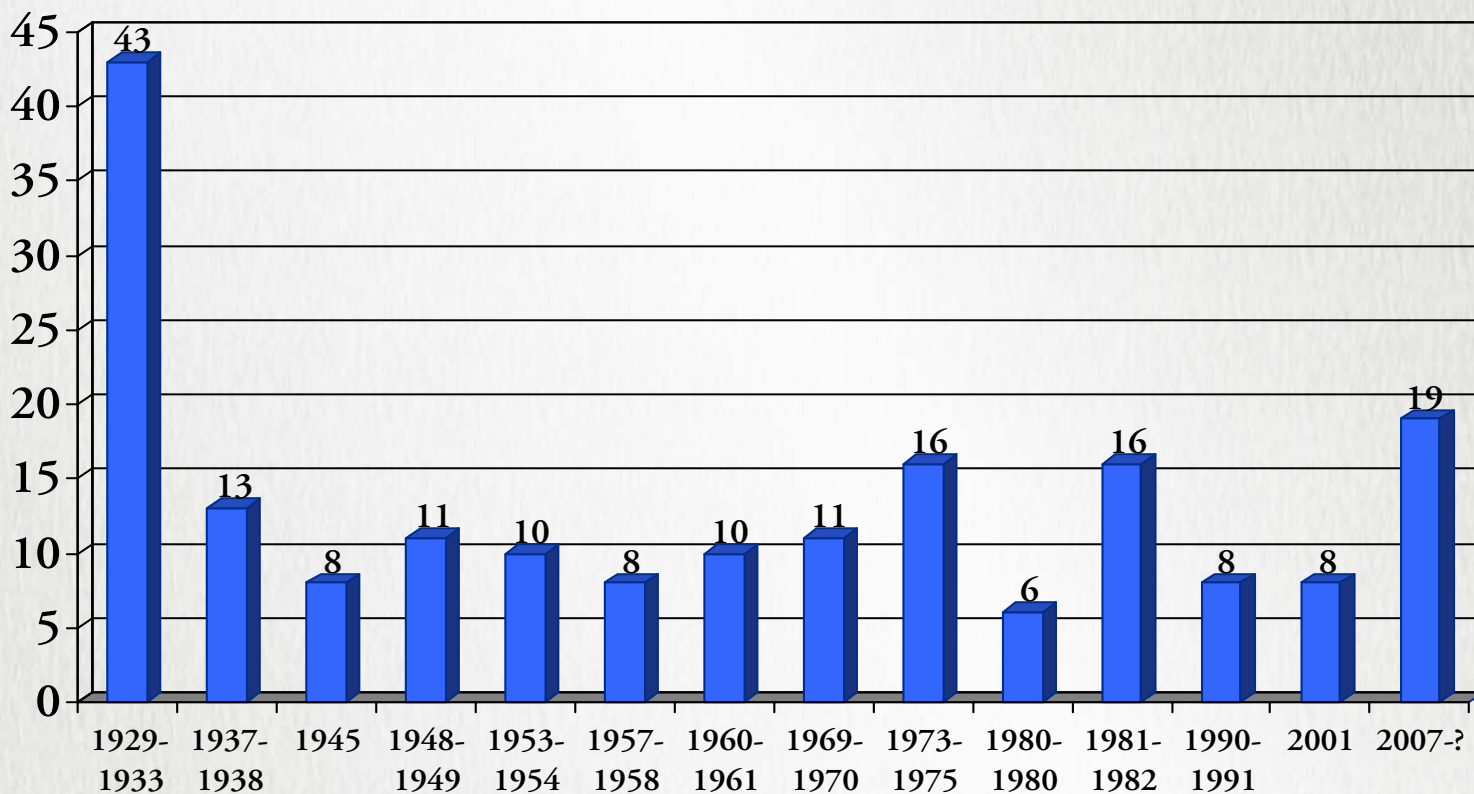


Overview

- The state fiscal situation is growing increasingly dire.
- The current revenue situation is nearly unprecedented, at least in recent decades.
- To date, states have reported a total estimated budget gap of \$348.3 billion (FY 2008 through FY 2012).
- States are bracing for prolonged fiscal problems.



U.S. Business Cycle Downturns 1929-2009: Duration in Months





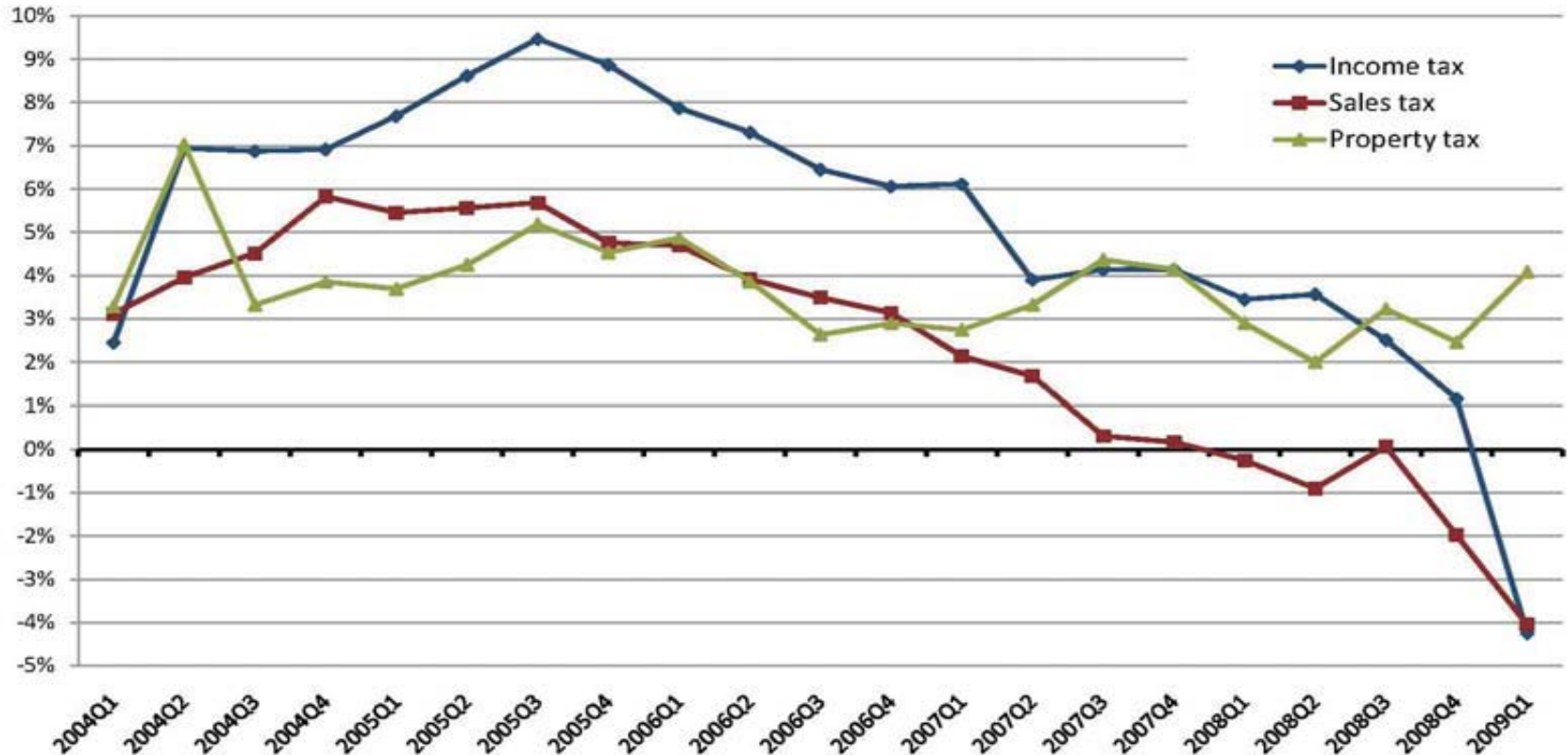
How Bad is the Revenue Situation?

- Florida reports that annual revenues today compare to FY 2001 levels and are not expected to return to peak levels (which occurred in FY 2006) until FY 2013.
- Colorado reports that annual revenues today are similar to amounts collected in FY 2005.
- In Kansas, general funds revenues are coming in at FY 2006 levels.



Year-Over-Year Percent Real Change in Major Taxes

Four-Quarter Average of Percent Change

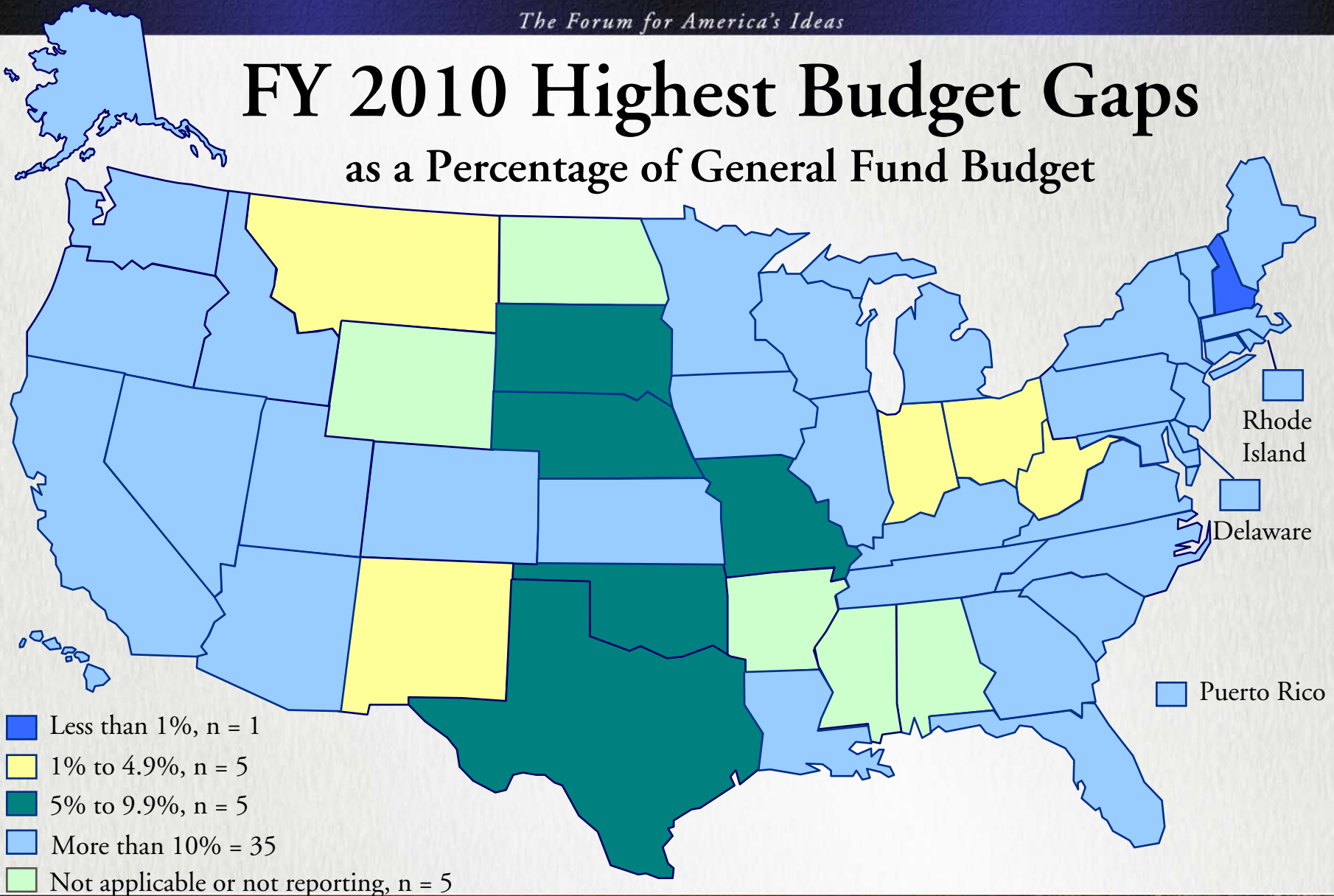


Sources: U.S. Census Bureau (tax revenue) and Bureau of Economic Analysis (GDP price index).
Notes: (1) 4-quarter average of percent change in real tax revenue; (2) No adjustments for legislative changes.





FY 2010 Highest Budget Gaps as a Percentage of General Fund Budget





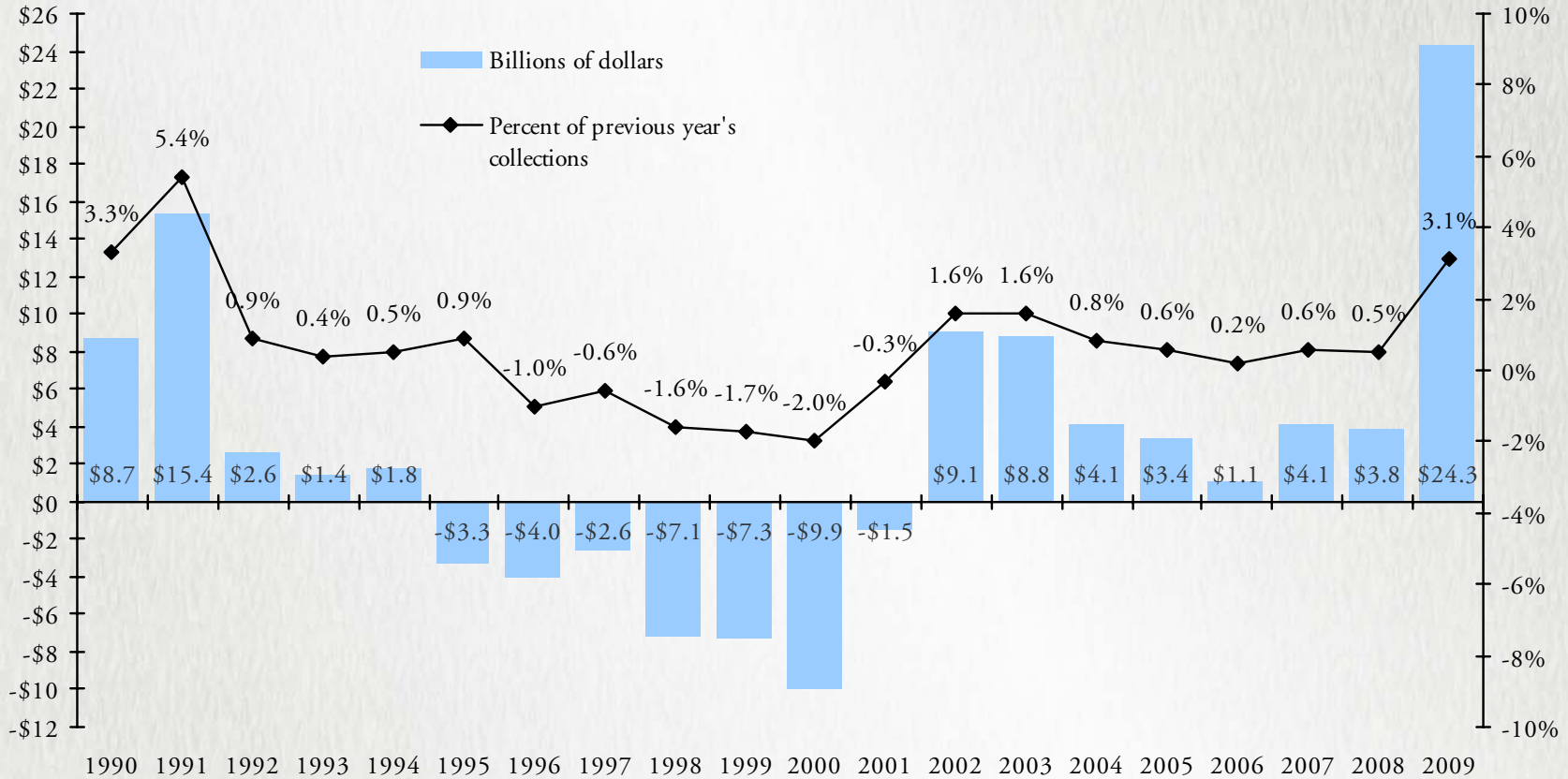
FY 2009 Net State Tax Changes by Type of Tax

Type of Tax	Dollars (in millions)	Percent of Total
Personal Income	\$10,601.4	43.5%
Corporate Income	\$1,387.4	5.7%
Sales and Use	\$6,163.0	25.3%
Health Care	\$1,544.0	6.4%
Tobacco	\$1,589.3	6.5%
Motor	\$1,807.6	7.4%
Alcoholic Beverage	\$179.7	0.7%
Miscellaneous	\$1,066.3	4.4%
Net Change	\$24,348.7	100%



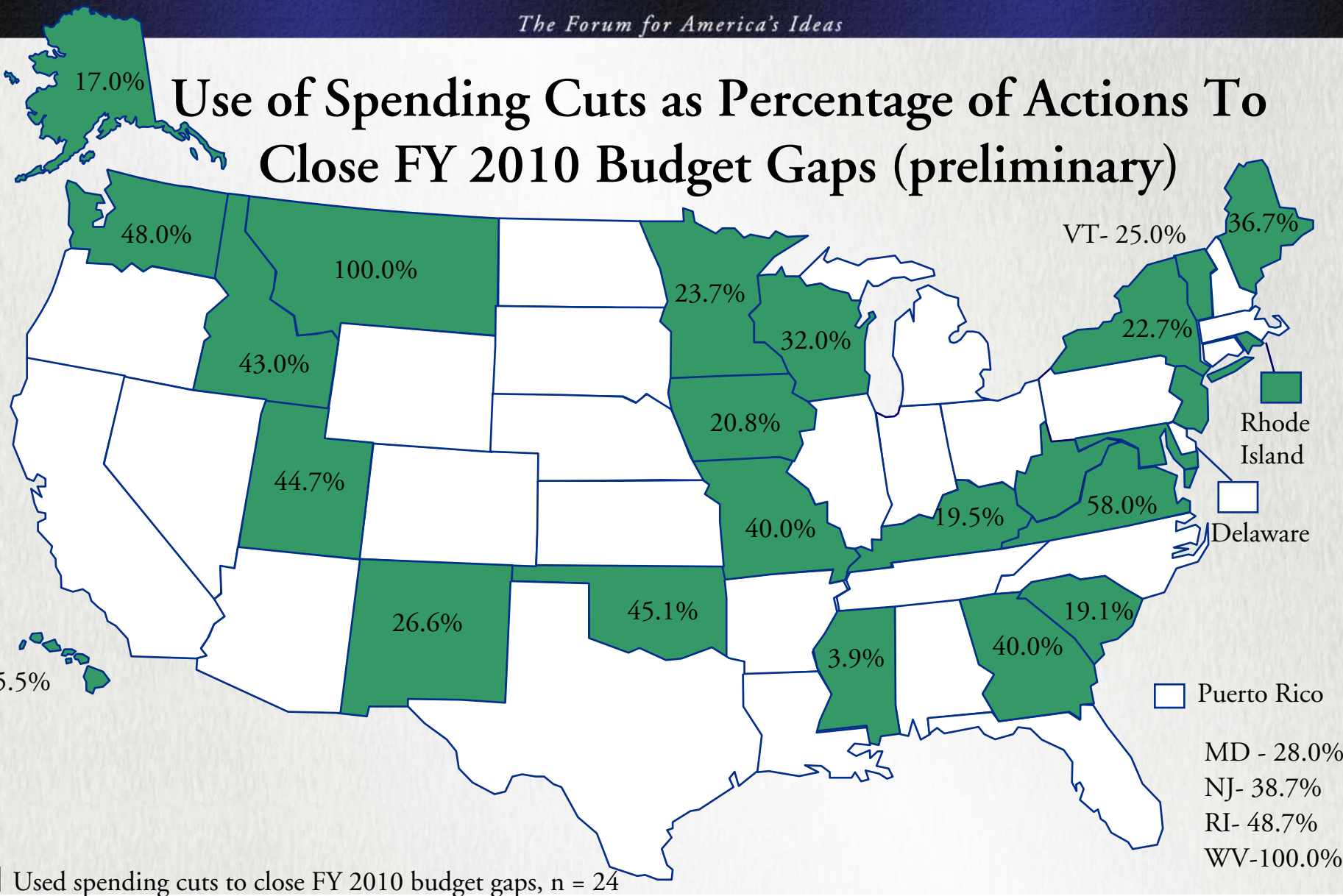


Net State Tax Changes by Year of Enactment





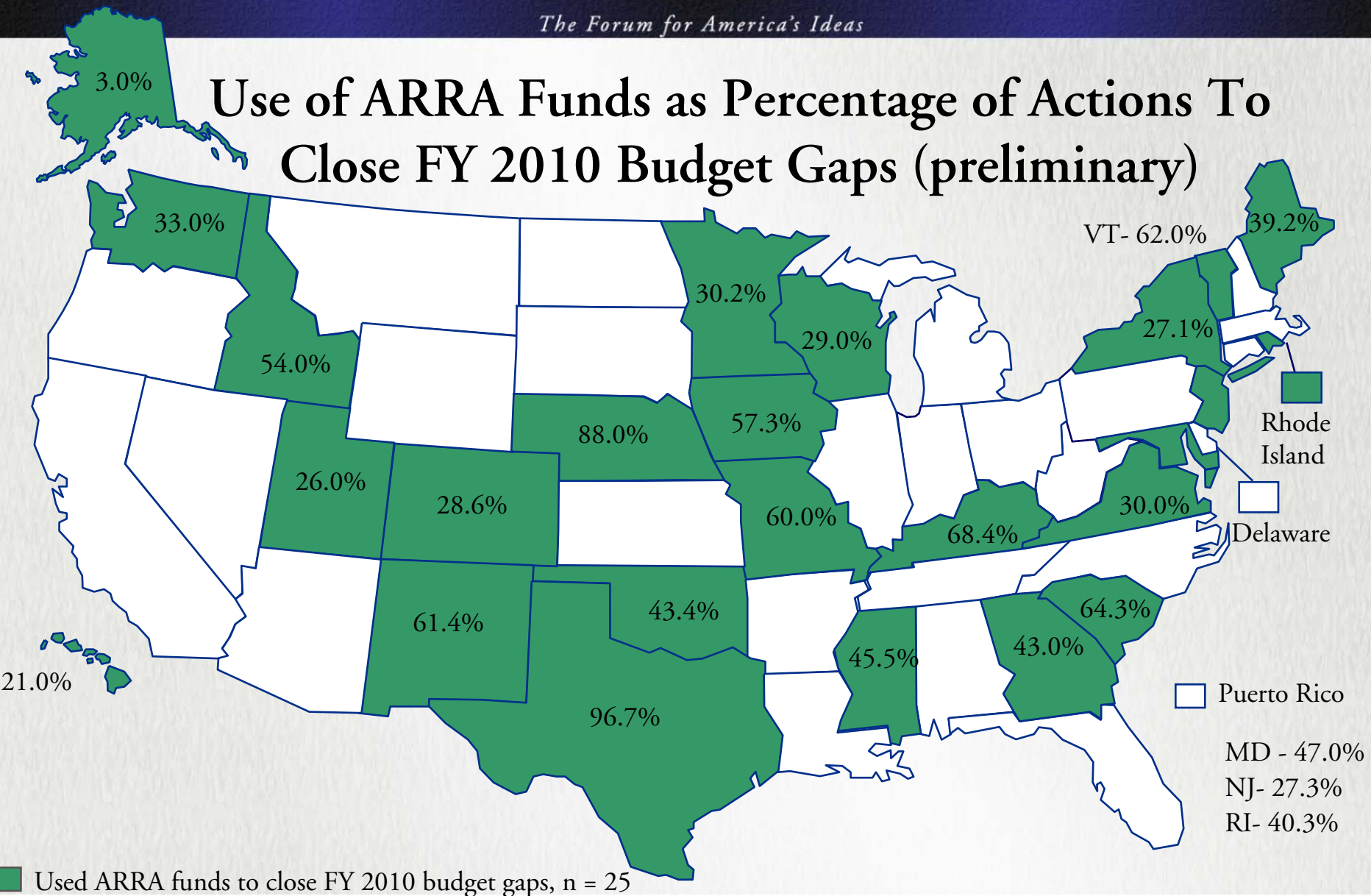
Use of Spending Cuts as Percentage of Actions To Close FY 2010 Budget Gaps (preliminary)



Source: NCSL survey of state legislative fiscal offices, July 2009.



Use of ARRA Funds as Percentage of Actions To Close FY 2010 Budget Gaps (preliminary)





Percentage Change in Total FY 2009 Operating Funds *With and Without ARRA Funds*

State	Percent Change <i>Without ARRA</i>	Percent Change <i>With ARRA</i>	State	Percent Change <i>Without ARRA</i>	Percent Change <i>With ARRA</i>
Alabama	-4.8%	8.0%	Mississippi	-5.6%	-0.3%
Alaska	4.0%	9.0%	Nebraska	3.1%	5.2%
Colorado	-10.7%	-7.7%	North Dakota	1.6%	4.1%
Georgia	-3.4%	-0.2%	South Dakota	1.9%	4.2%
Iowa	1.0%	3.8%	Vermont	0.2%	3.8%
Kentucky	-5.1%	1.9%	Virginia	-4.1%	-1.8%
Maine	2.8%	6.1%	Washington	-1.6%	3.7%
Minnesota	-6.9%	-3.9%	Wisconsin	-4.9%	1.8%

Source: National Conference of State Legislatures, 2009.



Percentage Change in Total FY 2010 Operating Funds *With and Without ARRA Funds*

State	Percent Change <i>Without ARRA</i>	Percent Change <i>With ARRA</i>	State	Percent Change <i>Without ARRA</i>	Percent Change <i>With ARRA</i>
Alabama	-15.1%	7.6%	Nebraska	0.9%	2.7%
Georgia	-8.1%	-0.3%	New York	0.8%	7.3%
Hawaii	4.3%	11.3%	North Dakota	23.0%	38.5%
Idaho	-11.4%	-3.5%	Oklahoma	-6.4%	2.1%
Indiana	1.2%	7.0%	South Carolina	-3.2%	10.6%
Iowa	-3.2%	3.1%	South Dakota	0.0%	7.6%
Minnesota	-4.6%	2.7%	Vermont	-7.1%	-2.3%
Missouri	-9.7%	-0.6%	West Virginia	1.0%	8.0%

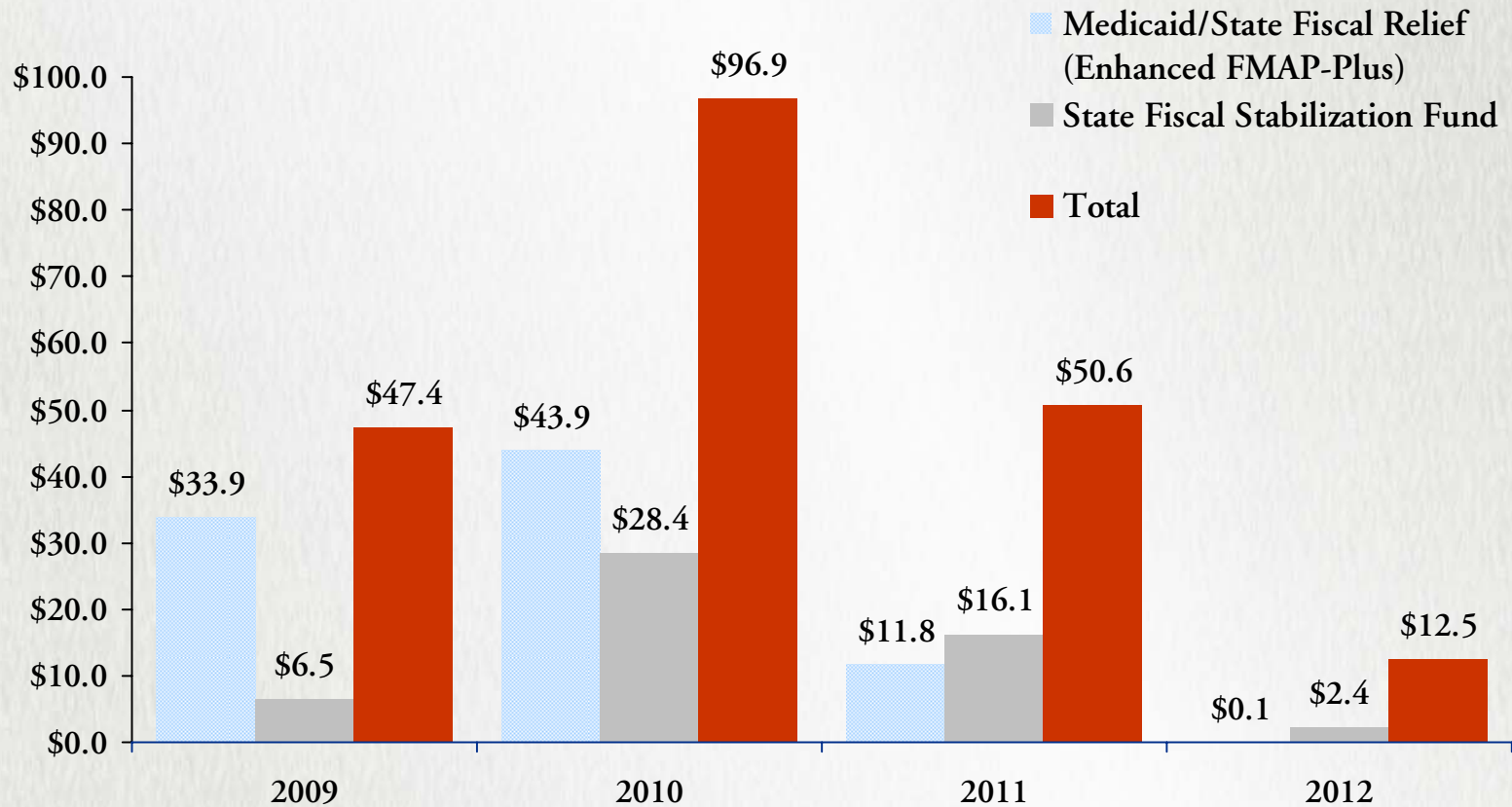
Source: National Conference of State Legislatures, 2009.





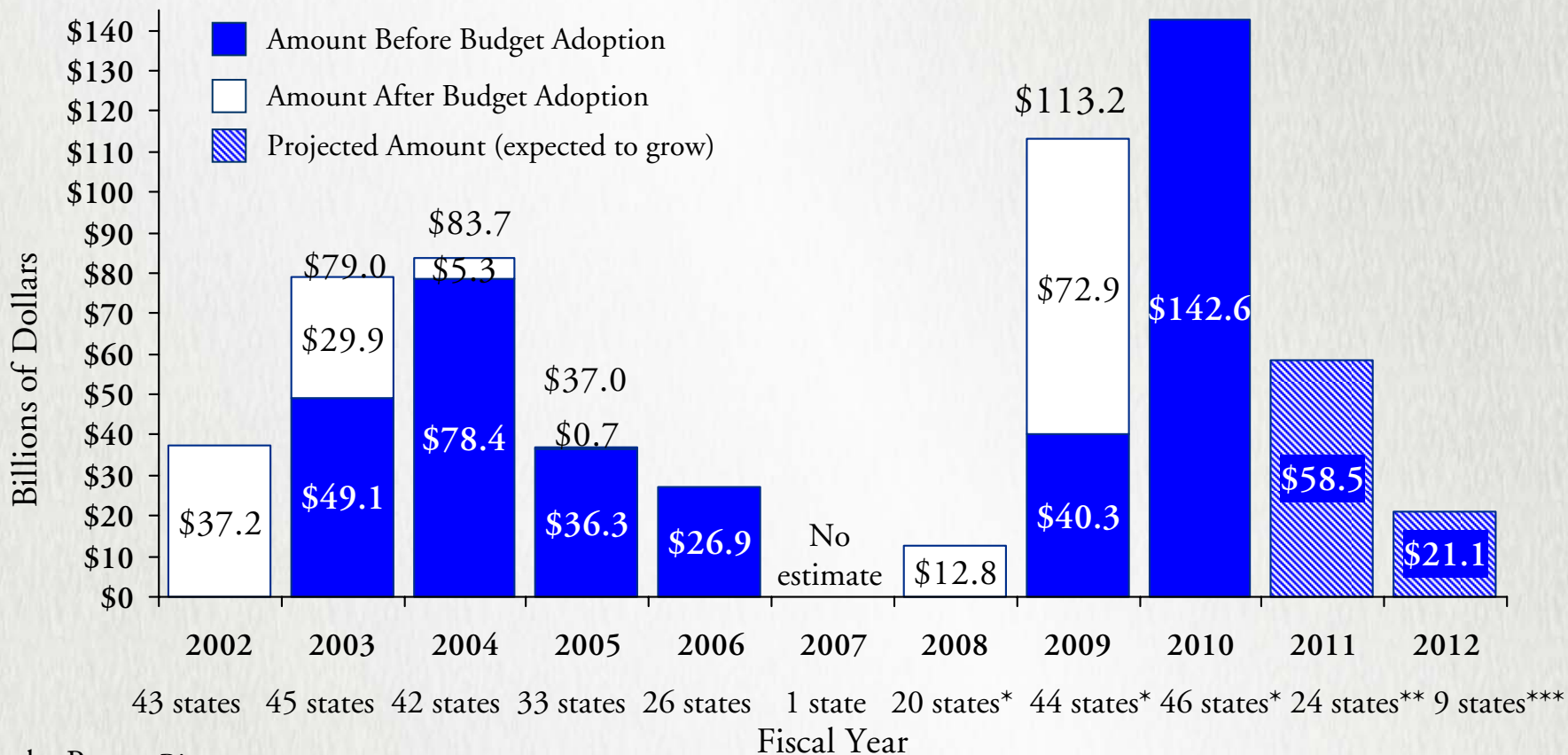
Federal Outlays for Major Provisions of ARRA Affecting State and Local Governments

(\$ in billions)





State Budget Gaps FY 2002-FY 2012 (projected)



* Includes Puerto Rico

** 31 states and Puerto Rico forecast FY 2011 gaps. The amount shown for FY 2011 indicates the 24 states that provided gap estimates.

*** 15 states forecast FY 2012 gaps. The amount shown for the FY 2012 indicates the nine states that provided gap estimates.

Source: NCSL survey of legislative fiscal offices, various years



Current and Past Recession Budget Gap Numbers

Past Recession		Current Recession	
Year	Amount (in Billions)	Year	Amount (in Billions)
2002	\$37.2	2008	\$12.8
2003	\$79.0	2009	\$113.2
2004	\$83.7	2010	\$142.6*
2005	\$37.0	2011	\$58.5**
2006	\$26.9	2012	\$21.1**
Total	\$263.8	Total	\$348.2*

Past Recession: March 2001 to November 2001 (8 months).

Current Recession: Began December 2007 to present (19 months and counting)

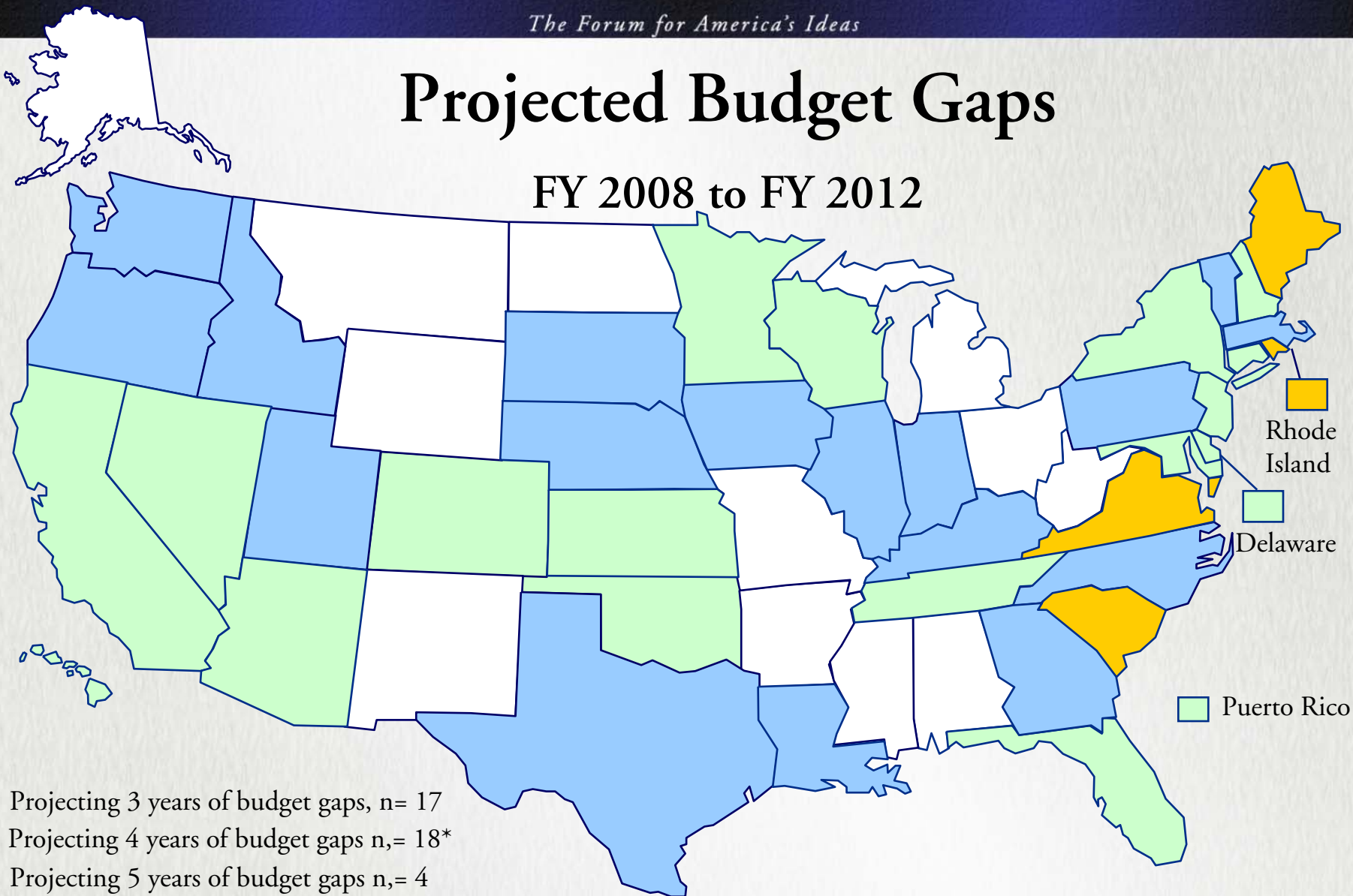
*Preliminary figure (expected to increase)

** Projected figure (expected to increase)



Projected Budget Gaps

FY 2008 to FY 2012





Conclusion

- The states are facing a "cliff" once ARRA funding ends.
- State governments will face severe budgetary problems at least 12-24 months after the US recession ends.
- Lawmakers' endurance to resolve massive budget gaps will be tested in the coming years.

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For more information

