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# State Budget Update: November 2010

## Fiscal Leaders Seminar

Dec. 8, 2010



Corina Eckl  
Fiscal Program Director



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# Overview

- State revenue performance is improving.
- Higher revenues will be inadequate to cover the loss of one-time funds and rising costs.
- States have reported a total estimated budget gap of \$562.9 billion (FY 2008 through FY 2013 est).

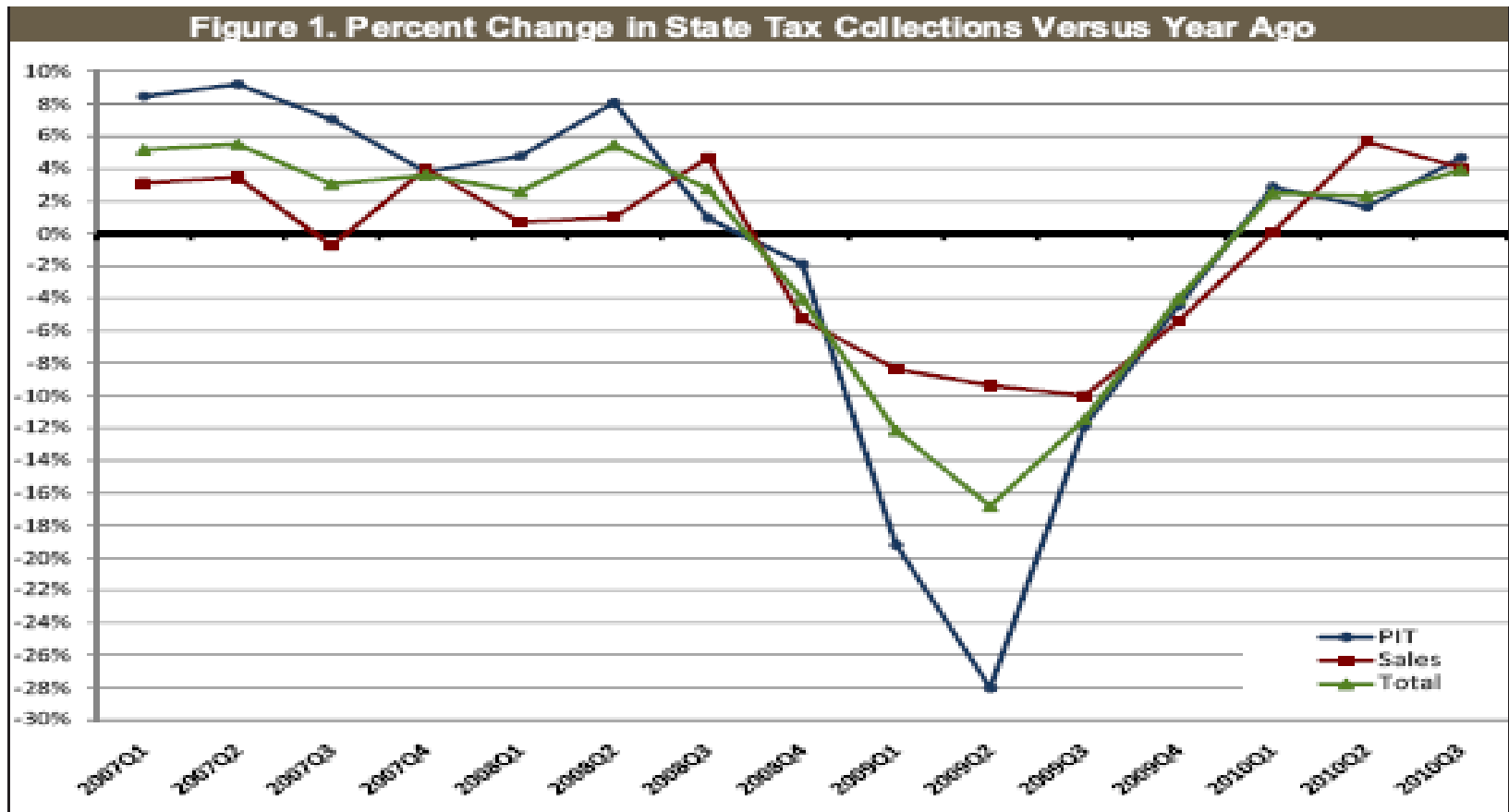


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## Year-Over-Year Percent Real Change in Major Taxes



Source: The Nelson A. Rockefeller Institute of Government. *State Revenue Report*, November 30, 2010.



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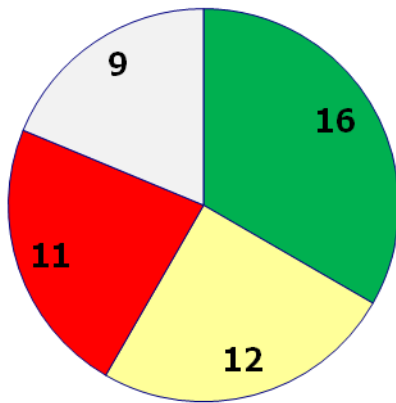
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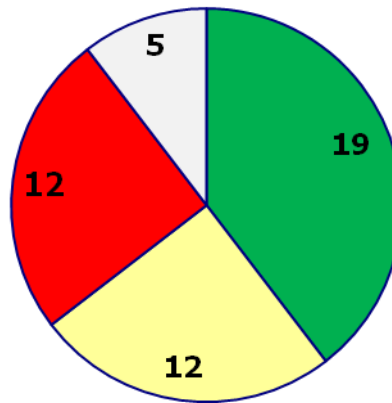
# FY 2011 Tax Collections

(Compared with the Latest Estimate)

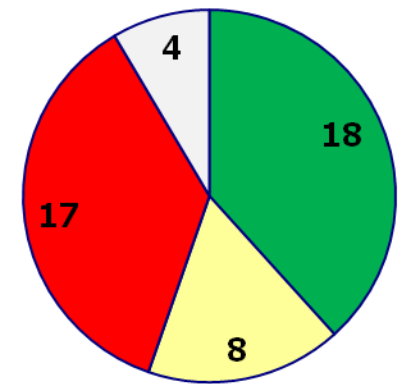
Personal Income Tax



General Sales Tax



Corporate Income Tax



- Above Estimate
- On Target
- Below Estimate
- Not applicable

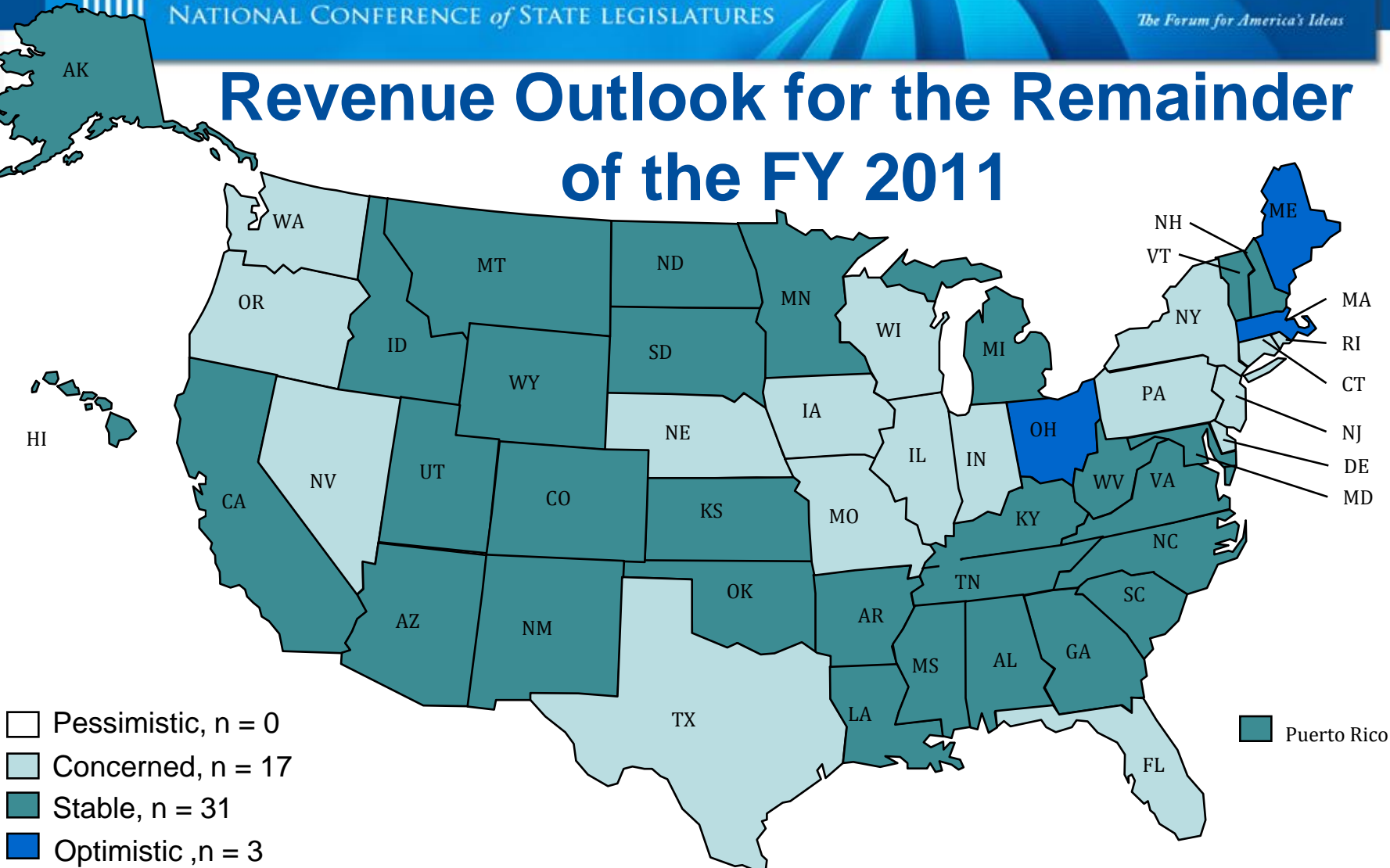


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# Revenue Outlook for the Remainder of the FY 2011



Source: NCSL survey of state legislative fiscal offices, November 2010





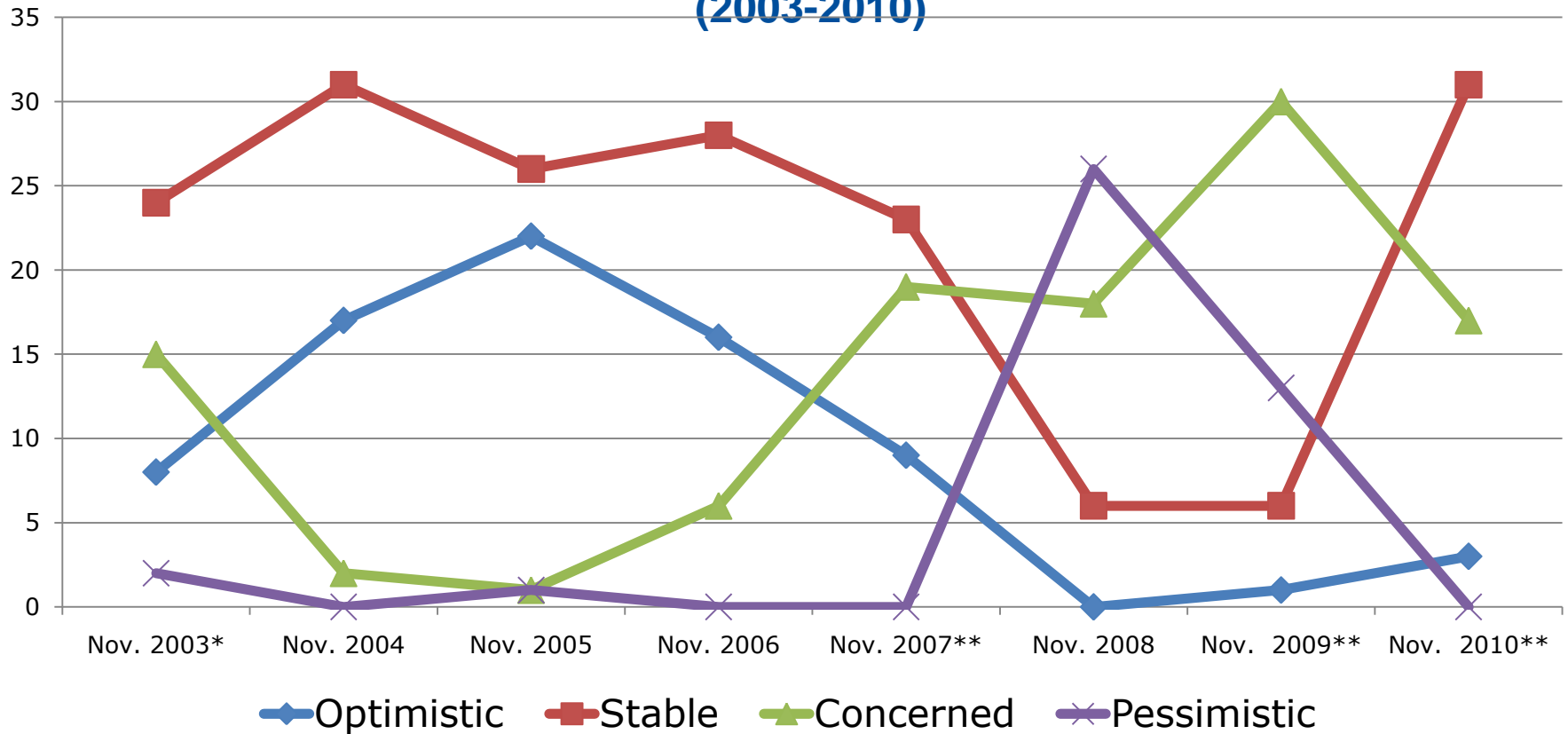
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# Revenue Outlook for the Remainder of the Fiscal Year

(2003-2010)



\* 49 states reporting

\*\* Includes Puerto Rico

Source: NCSL survey of state legislative fiscal offices, November, various years.

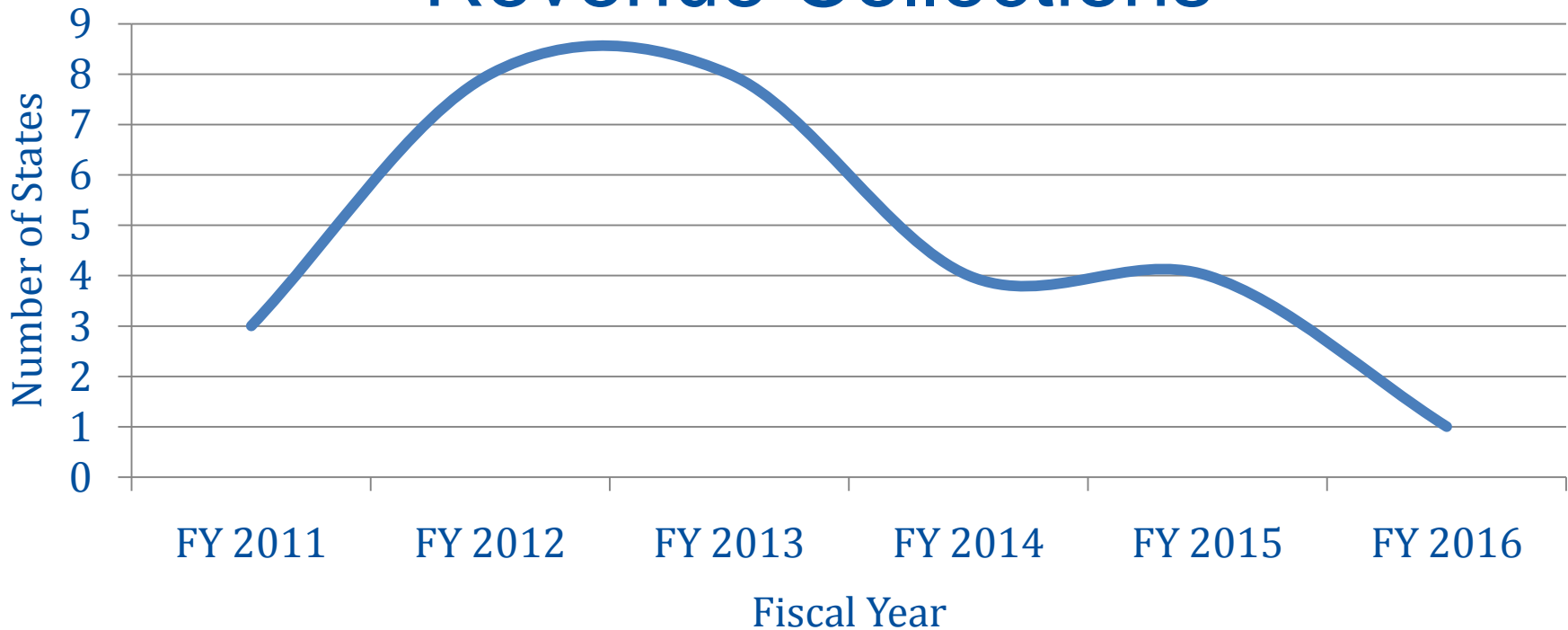


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# Projected Return to Peak Revenue Collections



N/A: North Dakota

Not in the current forecast horizon: 19 states

No Response: 2 states

Source: NCSL survey of state legislative fiscal offices, Summer 2010



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# Revenue Concerns

- Sluggish recovery of state collections
- Use of one-time funds in FY 2009 and FY 2010
  - ARRA cliff
  - Rainy day funds, tax amnesty programs, fund transfers, etc.
- Expiration of temporary taxes or repeal by voters
- Feasibility of increasing taxes or other revenues





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# Spending Concerns

- Implications of past budget cuts
- Potential for further budget cuts
- Rising costs
  - Medicaid/health care
  - Education
  - Corrections
  - Other
- Unfunded liabilities



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# Spending Overruns in FY 2011

- Medicaid or other health care programs (18 states)
  - Connecticut (\$185 million)
  - Maryland (\$239 million)
- Corrections or public safety programs (5 states)
- Social service programs (4 states)
  - Kansas (increased social service caseloads)
  - Massachusetts (emergency housing assistance)
- Education (3 states)
  - Texas (K-12 funding formula is \$400 million (2.1 percent) over budget)

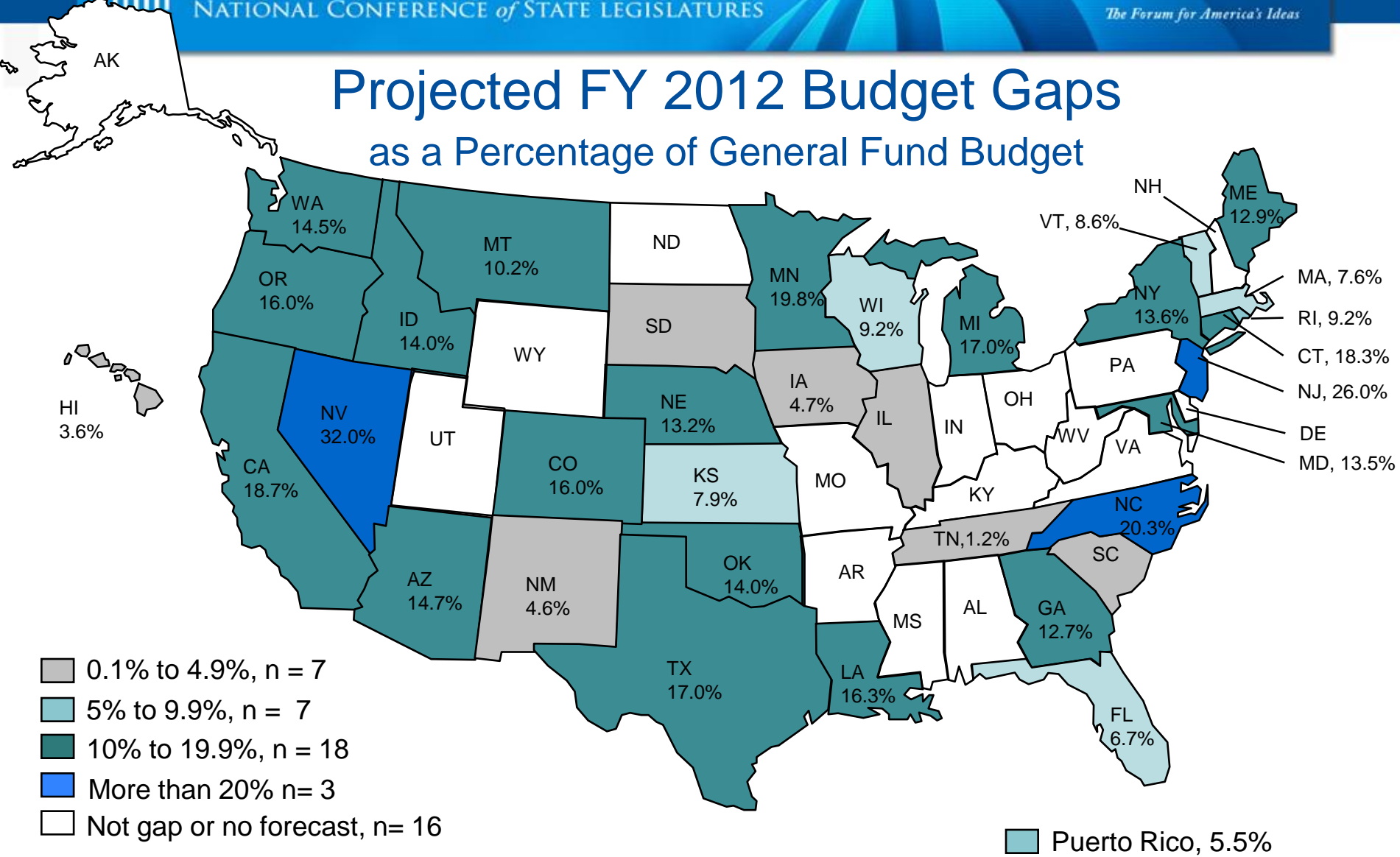


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## Projected FY 2012 Budget Gaps as a Percentage of General Fund Budget



Source: NCSL survey of state legislative fiscal offices, November 2010.

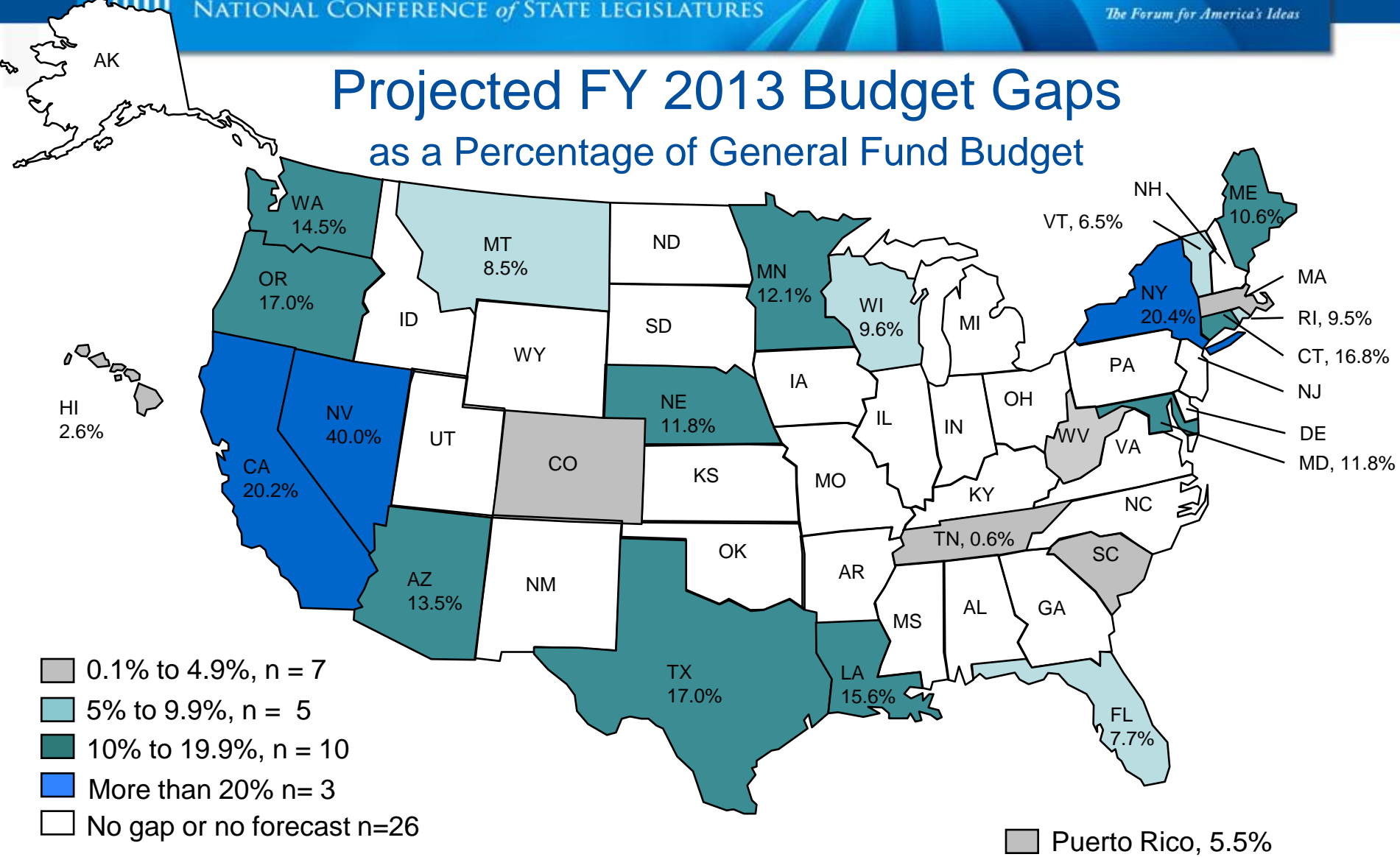


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# Projected FY 2013 Budget Gaps as a Percentage of General Fund Budget



Source: NCSL survey of state legislative fiscal offices, November 2010.



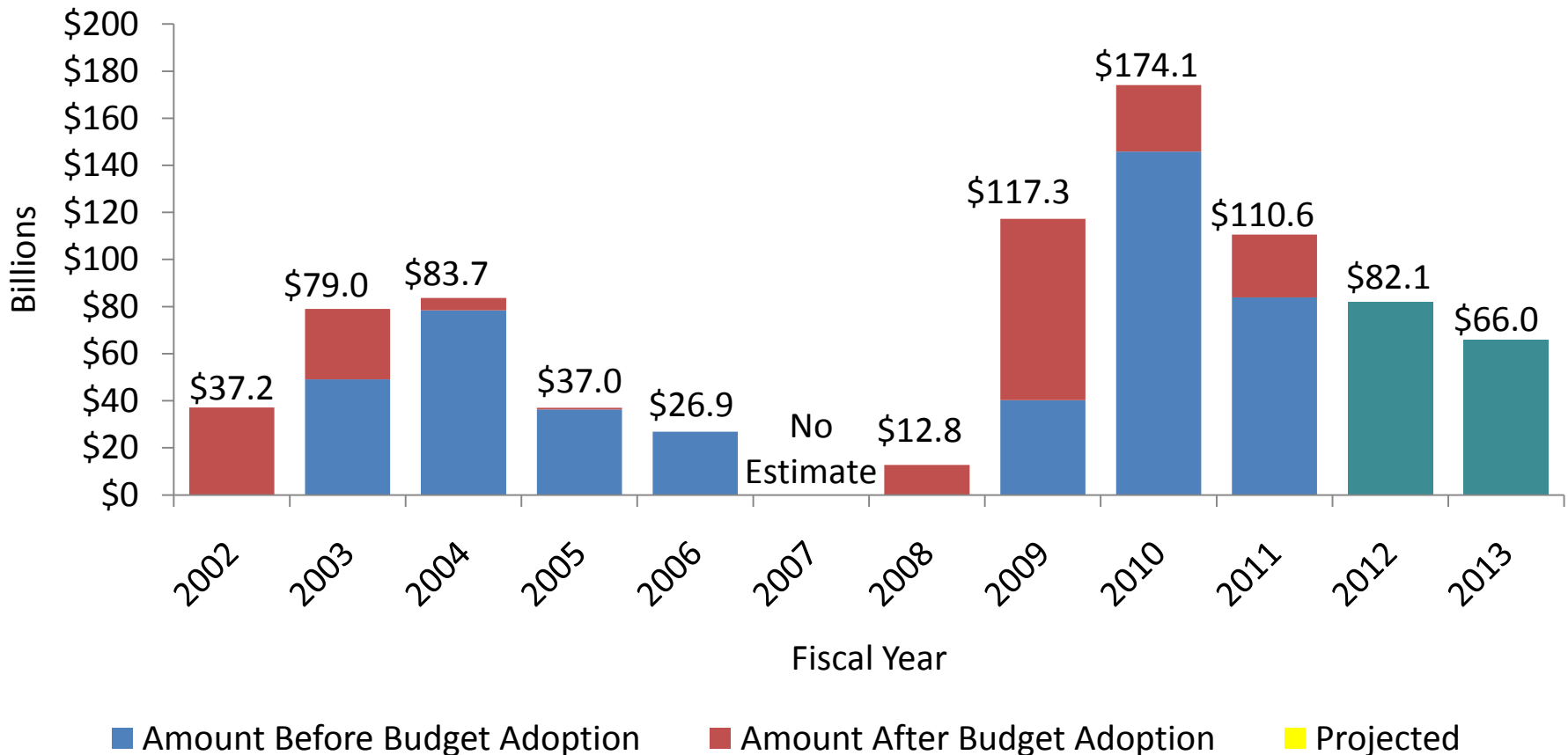
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# State Budget Gaps FY 2002-FY 2013

(projected)



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



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# State Actions to Close Budget Gaps

- Budget cuts: All programs & services subject to cuts
- Tax increases
- Other revenue increases
- Federal stimulus funds
- Wide array of other actions, many one-time in nature
- Renewed focus on streamlining and efficiency





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# Key Concerns Looking Ahead

- Mounting spending pressures
  - Feasibility of further budget cuts
  - Unfunded pension and other liabilities
- Revenue performance/new revenues
- Replacing federal stimulus funds
- Federal actions affecting states
- Structural budget gaps





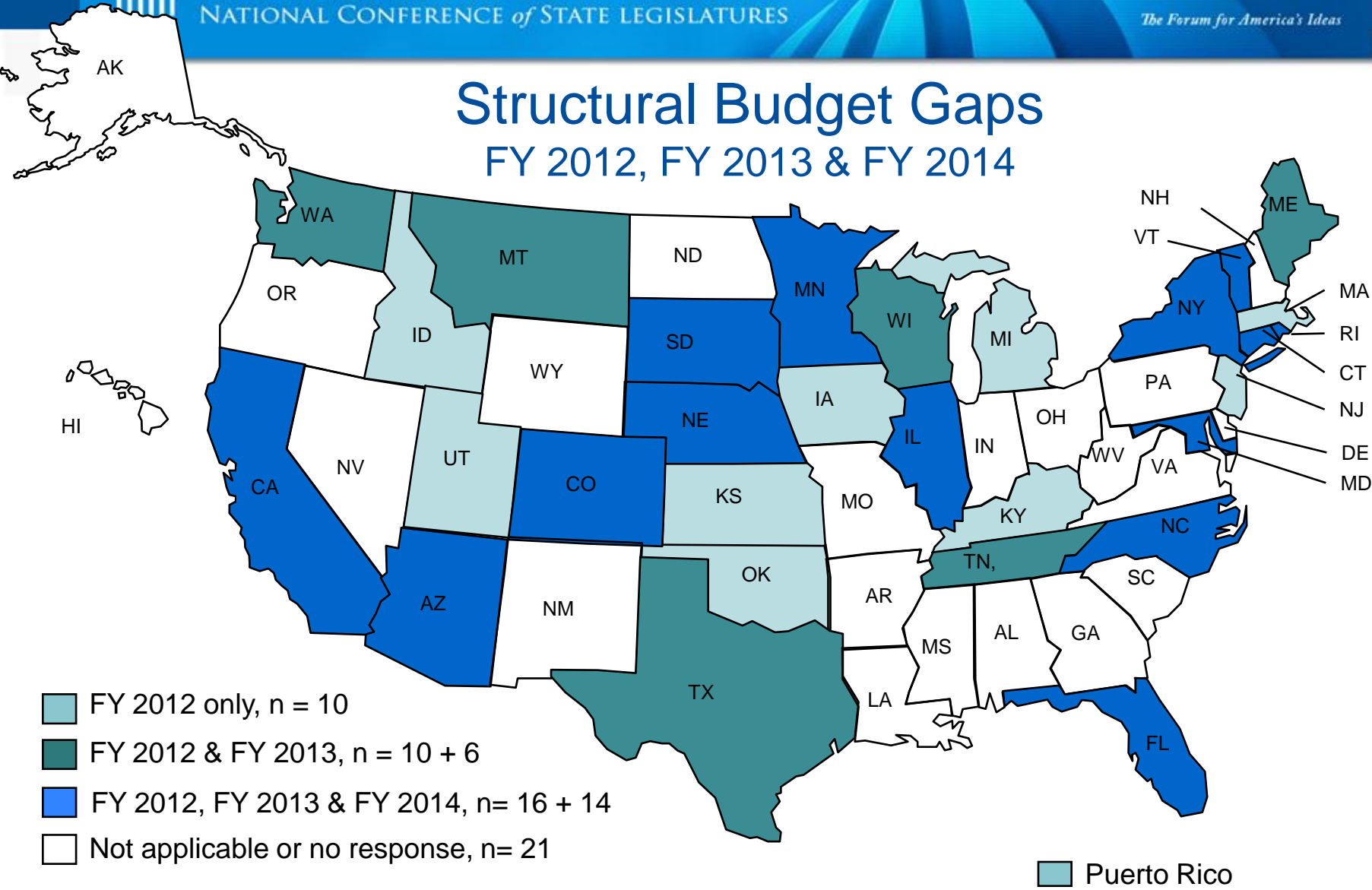
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## Structural Budget Gaps

### FY 2012, FY 2013 & FY 2014





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## Quote of Note

"The hole is so deep and the options so few, that even if tax collections tick up a bit, it's probably like drowning in 5,000 feet of water instead of 5,050 feet -- you don't really feel much difference."

Jack Hailey

Senate Committee on Human Services

California



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# Conclusion

- State revenues performance is improving.
- The loss of one-time funds will be challenging.
- More budget gaps loom.
- The new political landscape will shape state actions to deal with budget problems.



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