



# ***FTA***

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***National Association of State Budget Officers***



# ***Current Fiscal Situation***

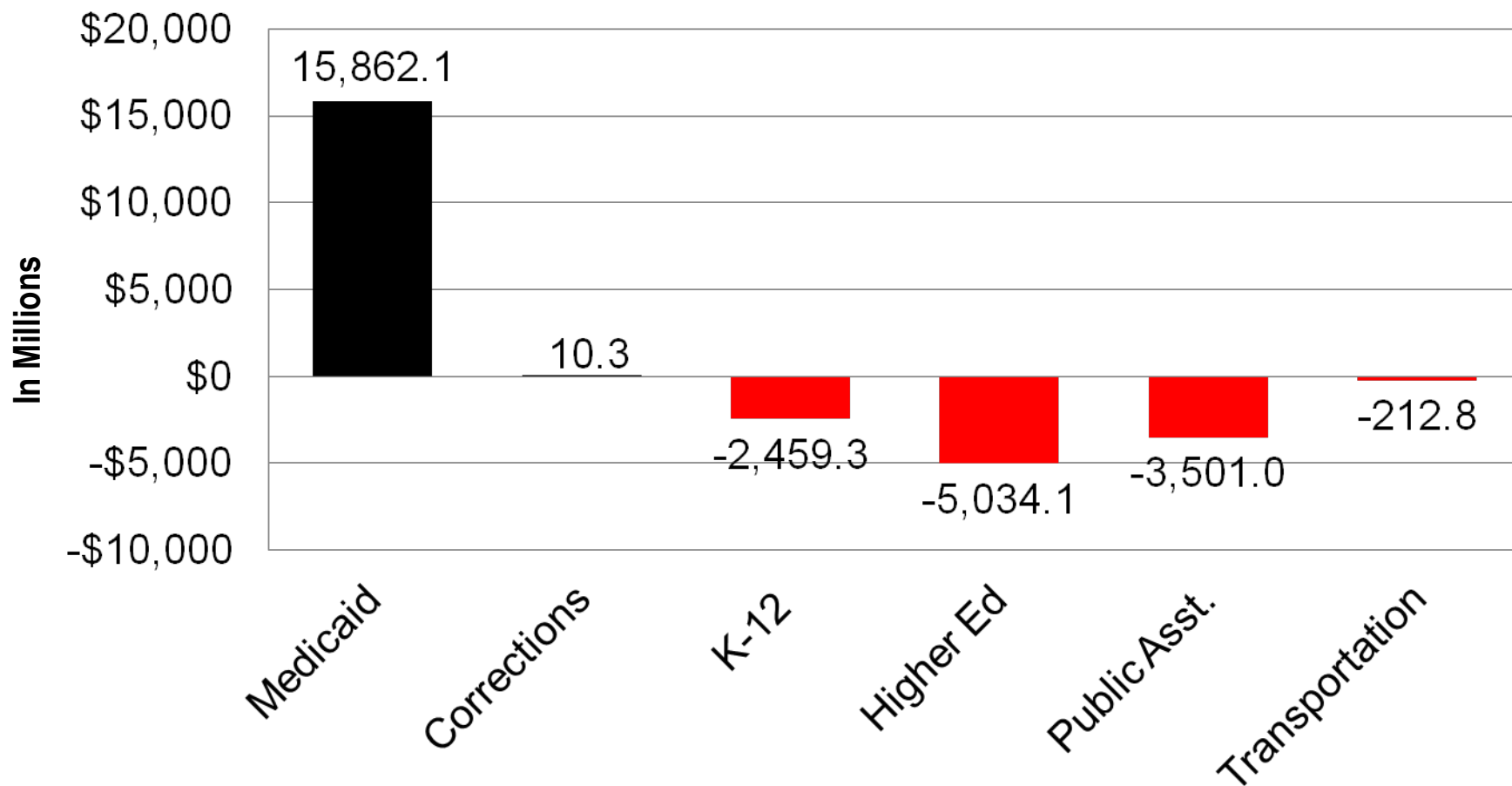


# State Fiscal Outlook

- **Revenue Improvement Spring**
- **Spending Pressure**
- **Health care reform**
- **Limited federal funds**
- **Significant restructuring**



# Medicaid



Fiscal 2011 data is based on enacted budgets and fiscal 2012 data is based on governors' proposed budgets  
Source: NASBO Spring 2011 Fiscal Survey of States



# State and Local Employment Continues to Decline

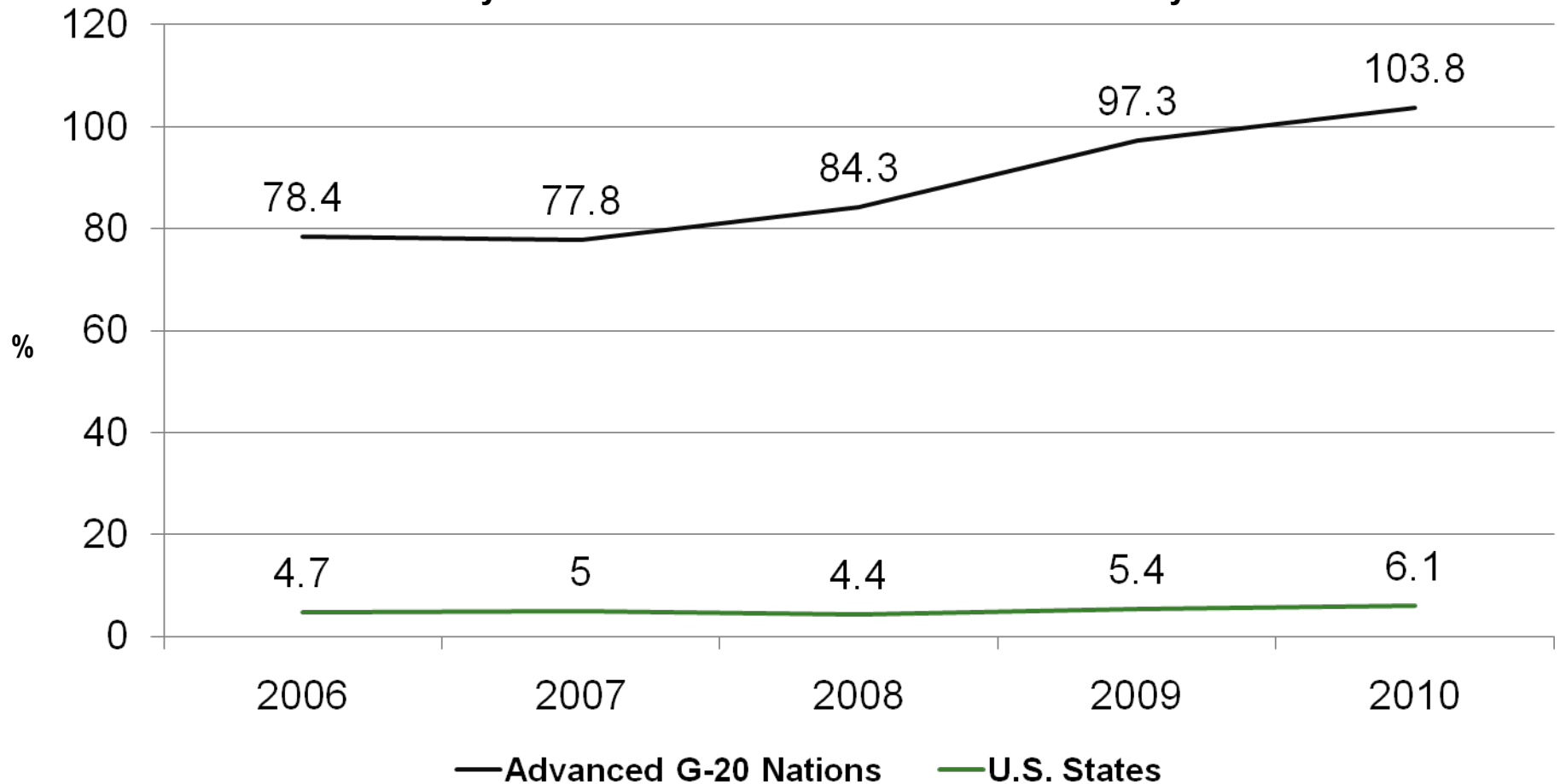
- **State and local employment has declined 620,000 from the start of the recession through July**
  - **State employment declined 145,000 from Aug. 2008-July 2011**
  - **Local employment declined 475,000 from Sept. 2008-July 2011**
  
- **States have also taken other personnel actions such as furloughs, early retirement, salary reduction, cuts to state employee benefits, etc.**

*Source: Bureau of Labor Statistics*



# State Debt Level Remains Comparatively Low

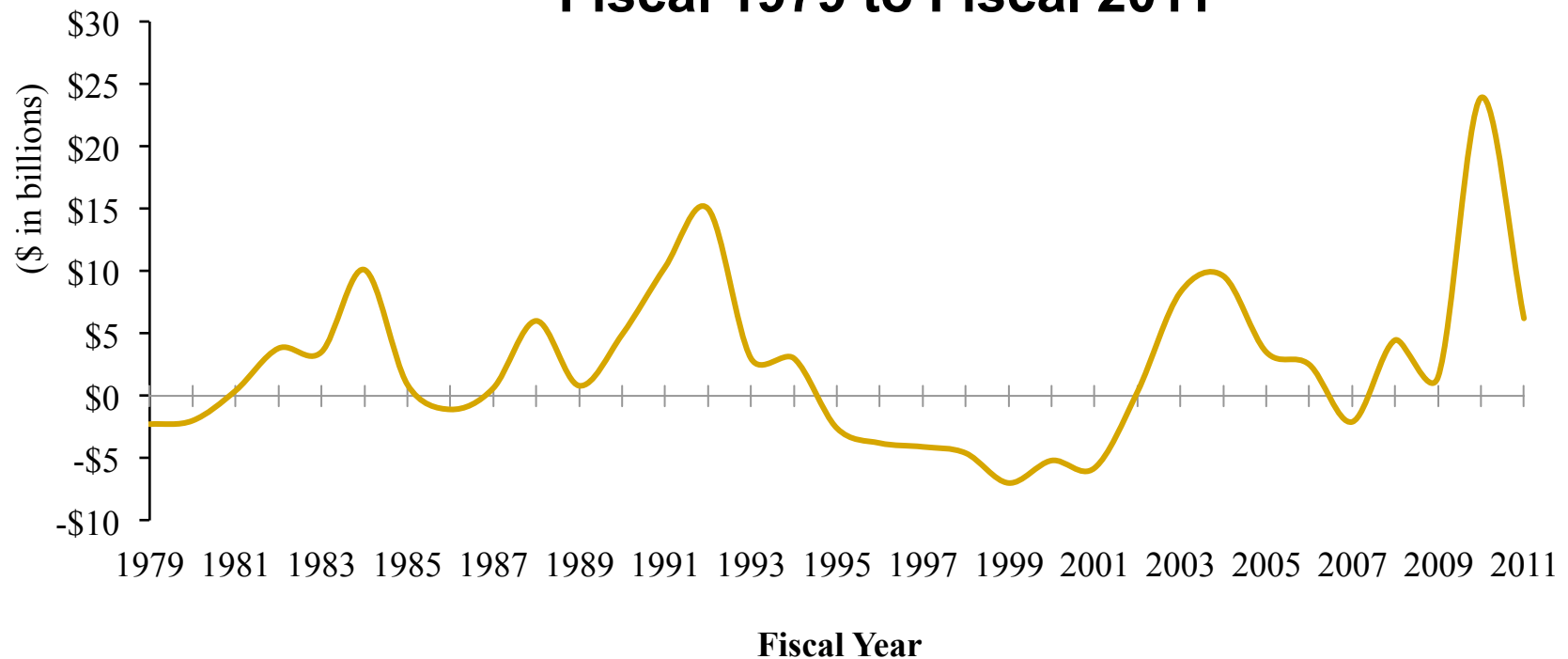
Debt-to-GDP: U.S. States Compared to Advanced G20 Nations –  
Moody's Investor Services & International Monetary Fund





# Tax and Fee Increases

## Enacted State Revenue Changes, Fiscal 1979 to Fiscal 2011





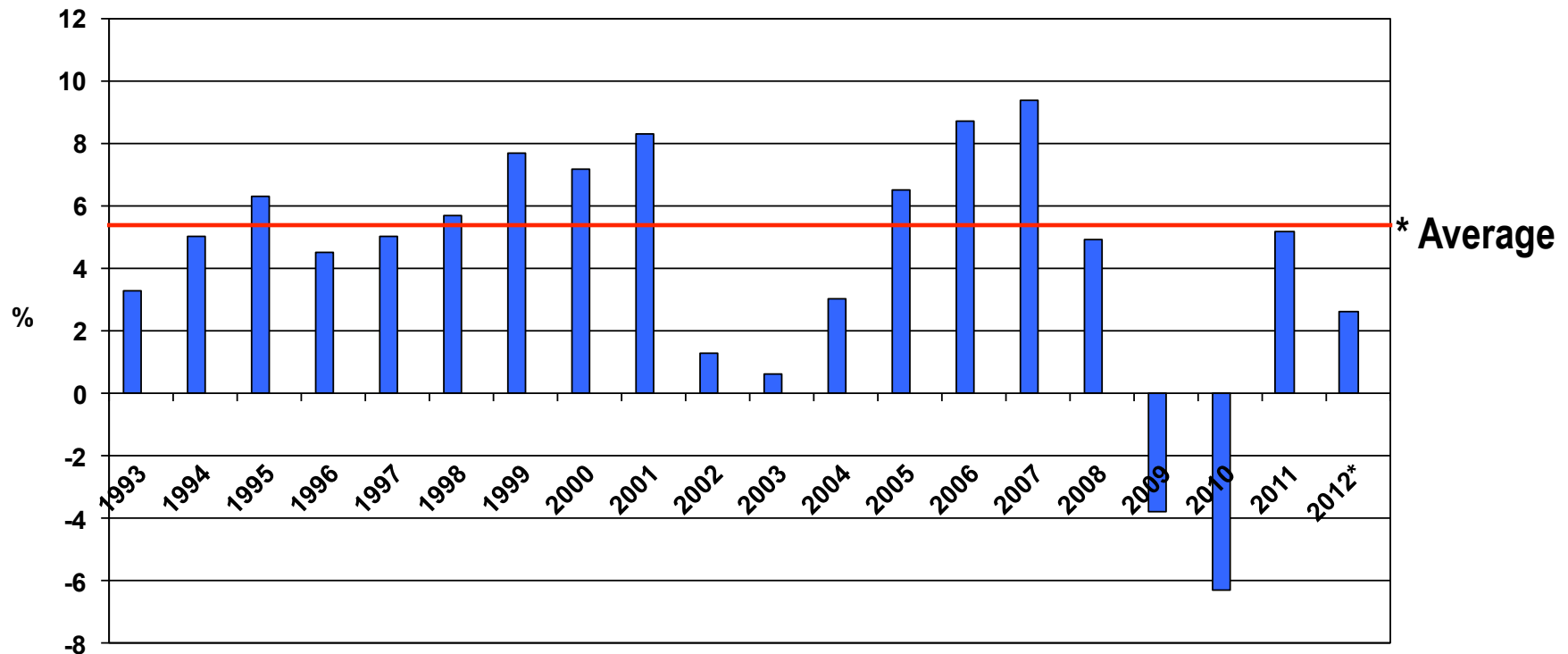
# ***Current Fiscal Situation: Indicators***





# Budget Improvement

General Fund Expenditure Growth (%)



\*34-year historical average rate of growth is 5.7percent recommended

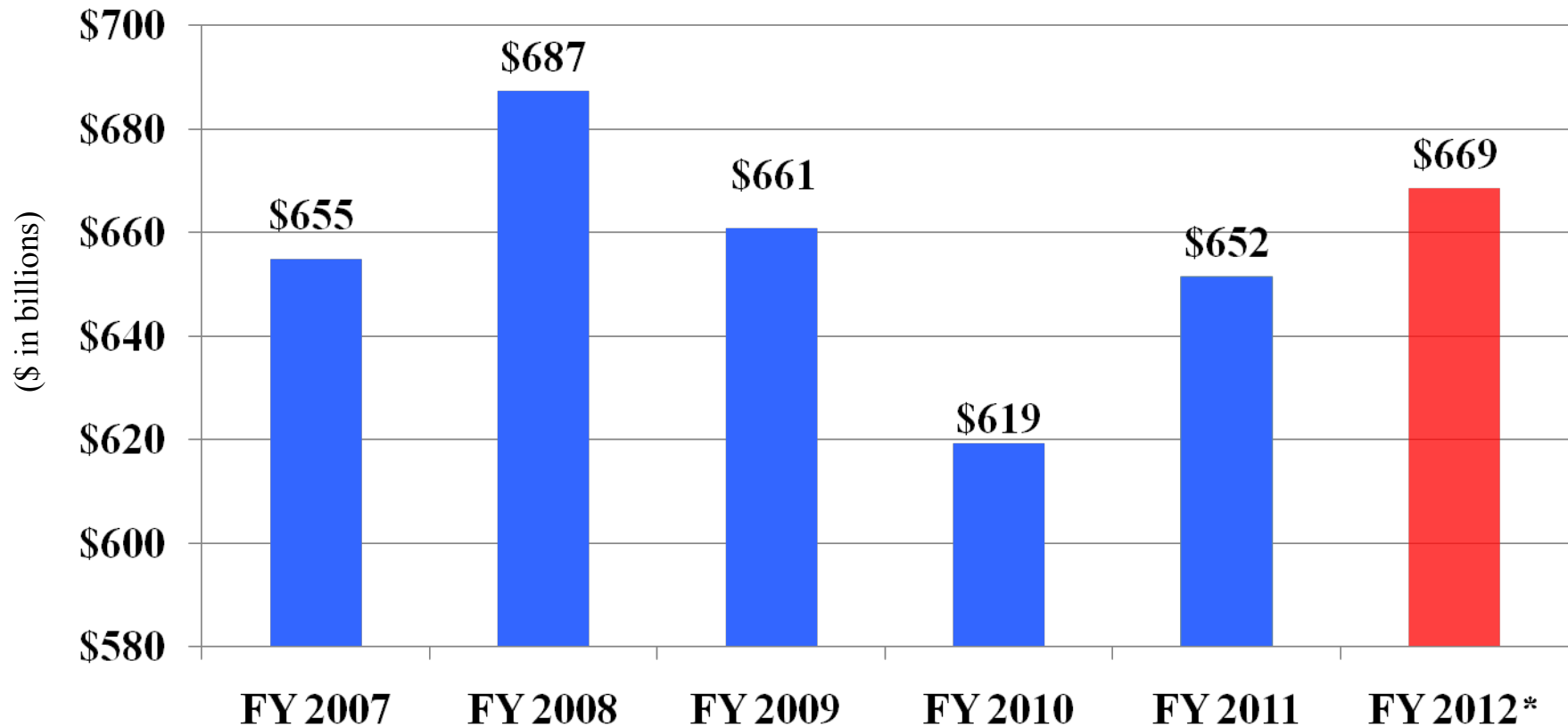
Source: NASBO Spring 2011 Fiscal Survey of States

\*Fiscal '12 numbers are



# FY 2012 Proposed Spending Still Less than FY 2008

General Fund Spending: FY 2007-FY 2012 (in billions)

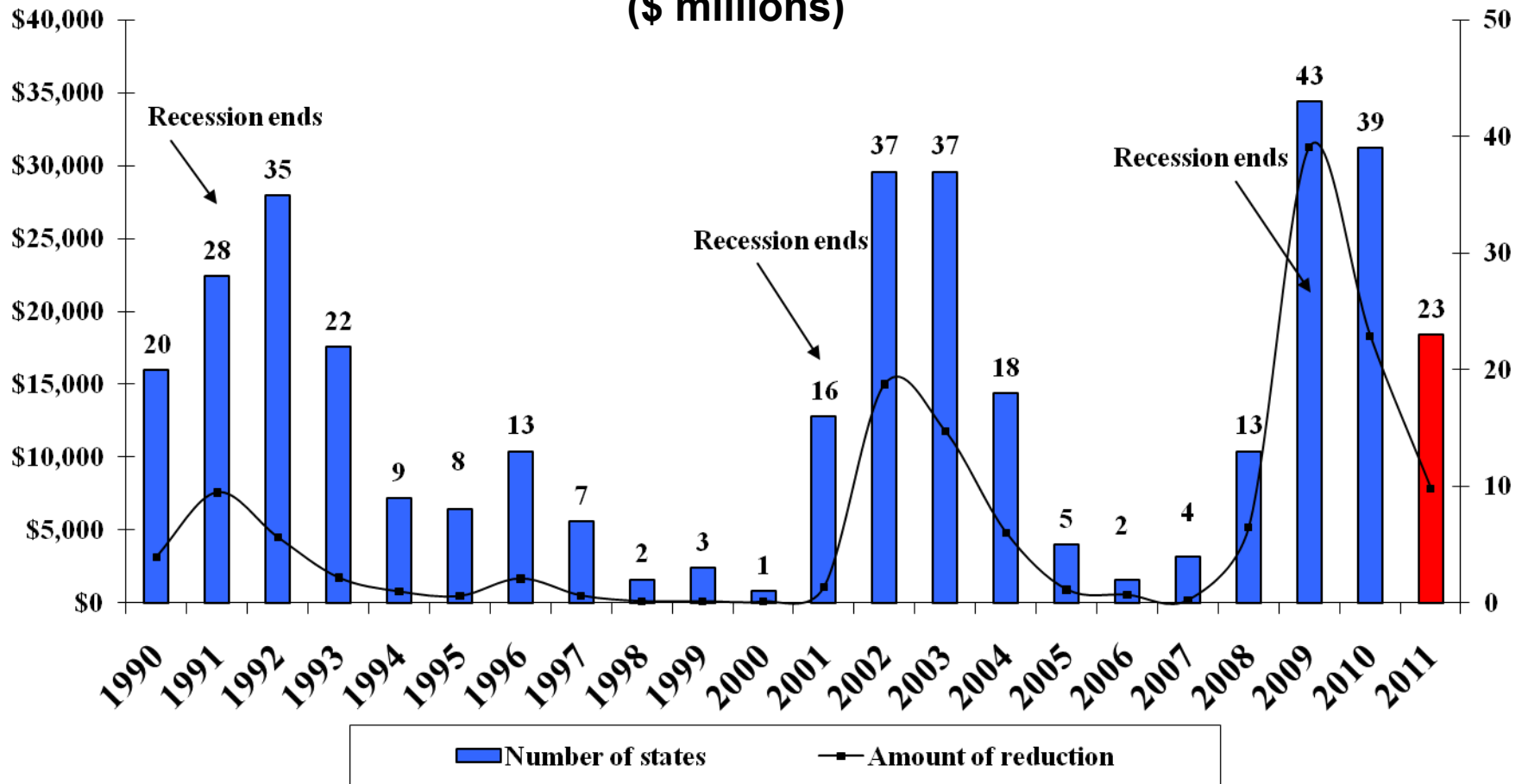


\* FY 2007, 2008, 2009 and 2010 are actual. FY 2011 is estimated and FY 2012 is proposed..



# Mid-Year Budget Cuts Decline

**Budget Cuts Made After the Budget Passed  
(\$ millions)**



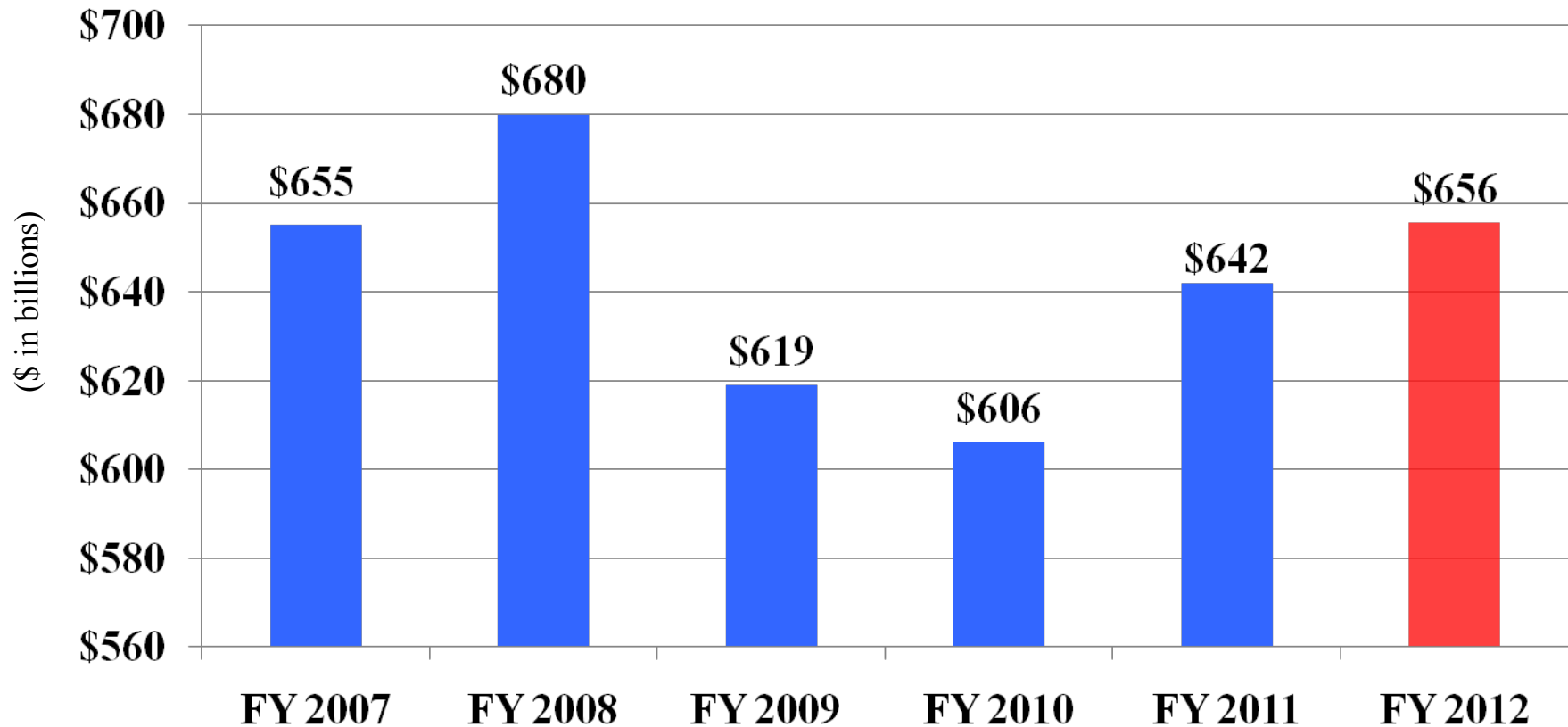
\*FY 2011 mid-year budget cuts are ongoing

Source: NASBO Spring 2011 Fiscal Survey



# Revenue Remains Below Pre-Recession Levels

General Fund Revenue: FY 2007-FY 2012 (in billions)

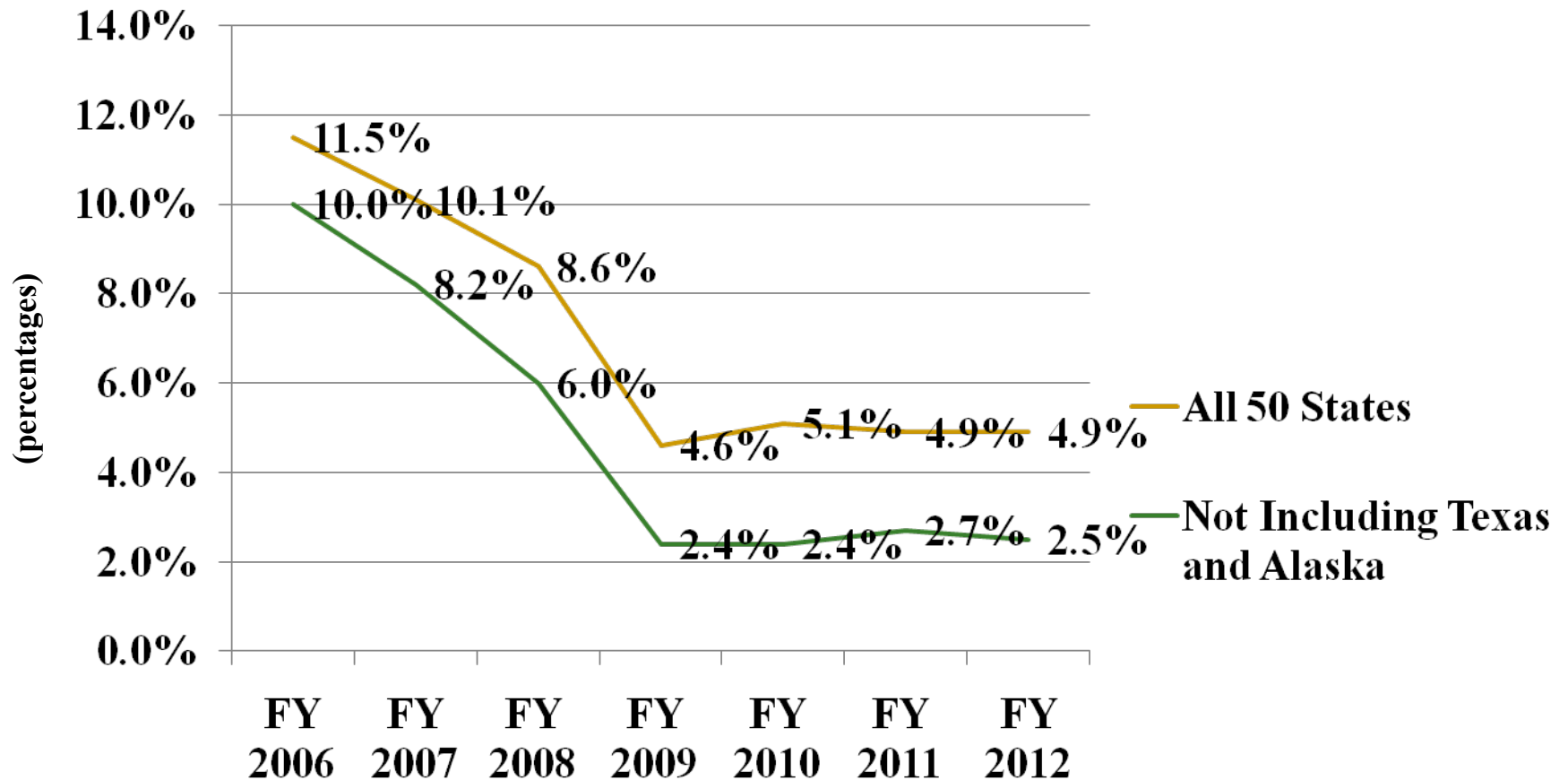


\* FY 2007, 2008, 2009 and 2010 are actual. FY 2011 is estimated and FY 2012 is proposed.



# Balance Levels are Below Historical Average for Most States

Balances as a Percentage of Expenditures



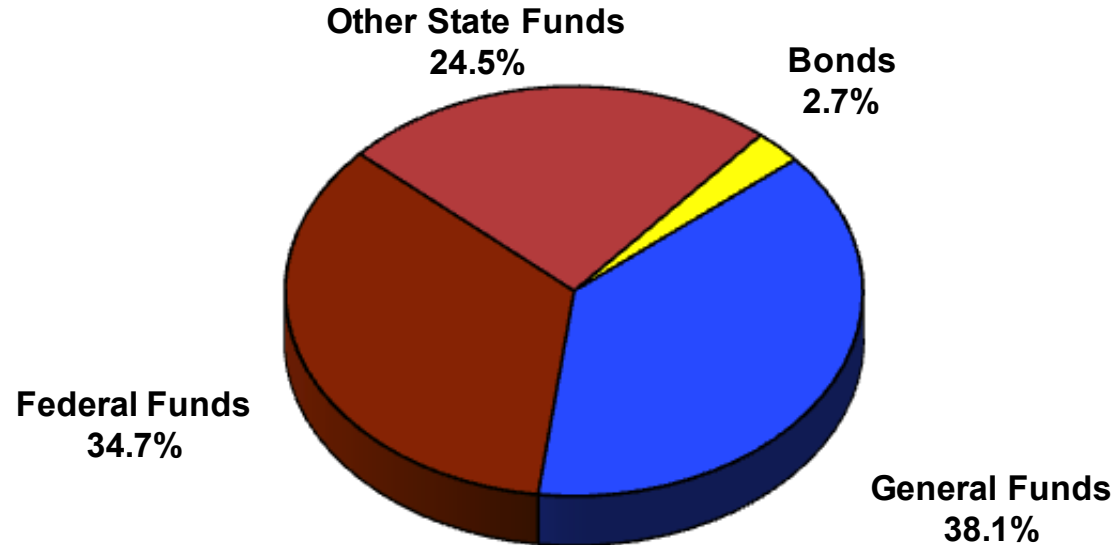
\* FY 2006, 2007, 2008, 2009, 2010 are actual, FY 2011 is estimated and FY 2012 is proposed.



# ***Background on State Finance Trends***

# Spending by Funding Source (Percentage)

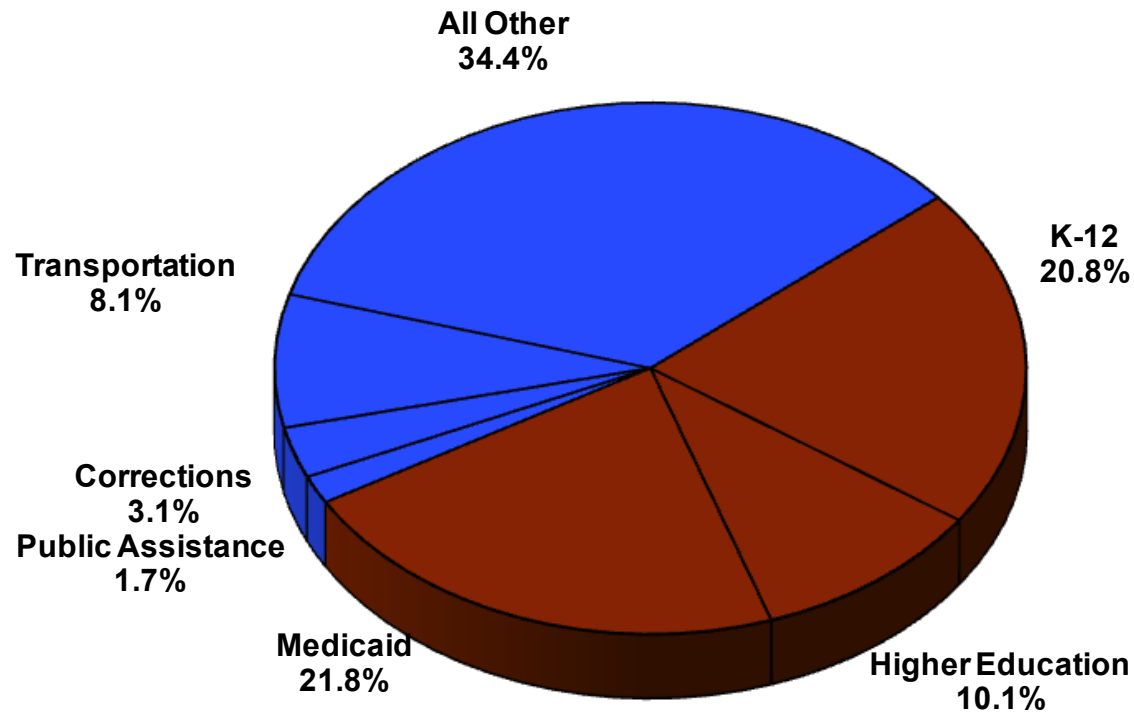
Total State Expenditures By Funding Source, Estimated Fiscal 2010



Source: NASBO 2009 State Expenditure Report

# Total State Expenditures

Total Expenditures by Function, Estimated Fiscal 2010



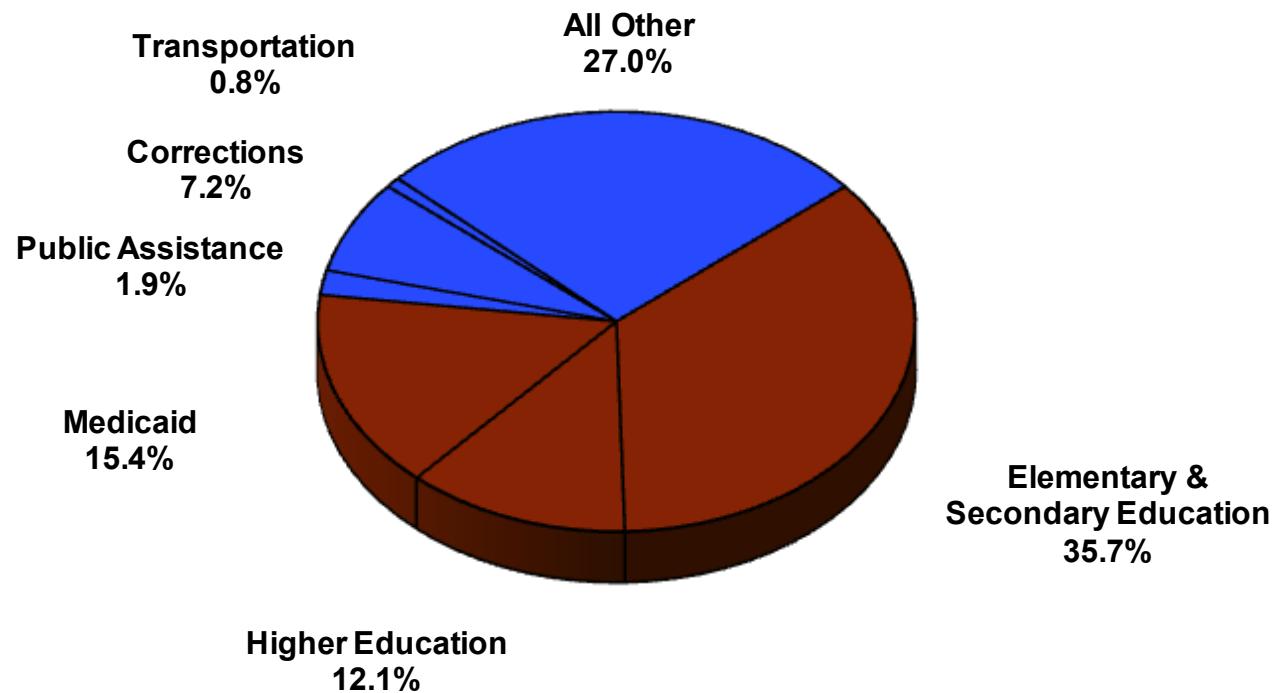
Source: NASBO 2009 State Expenditure Report





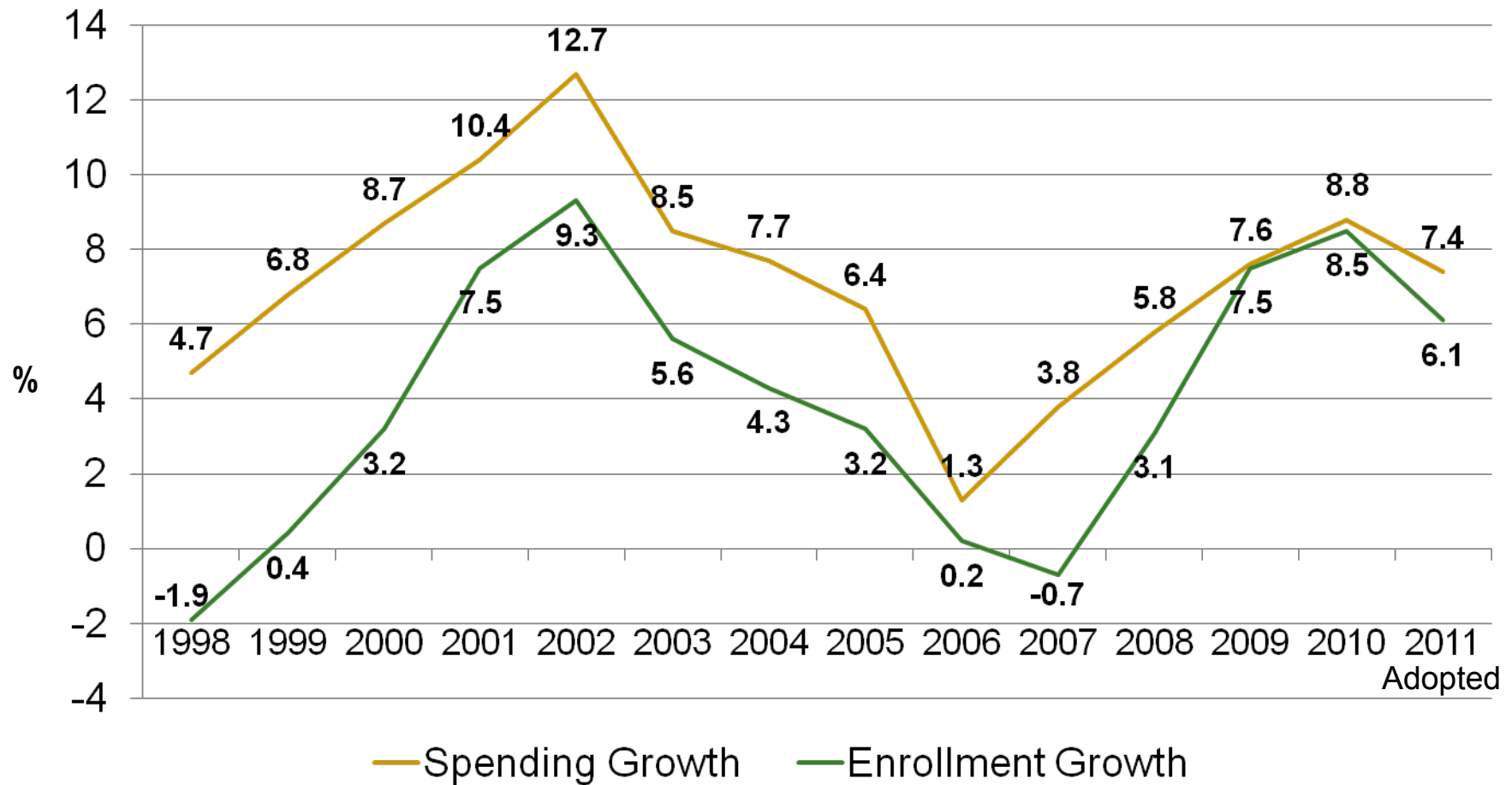
# General Fund: Medicaid & Education Over 63%

General Fund Expenditures by Function, Estimated Fiscal 2010



Source: NASBO 2009 State Expenditure Report

# Percentage Change in Medicaid Spending and Enrollment



Source: Kaiser Commission on Medicaid and the Uninsured



# *Outlook*



# Major Challenges to State Budgets

- **Spending Demands and Some Revenue Growth**
  - *Dependent on Economic Growth*
- **Health Care Cost Pressures**
- **Wind Down of Recovery Funds (Planned For)**
- **Dealing with Long Term Liabilities**
- **Court Cases/Federal Government Mandates**



# Tough Decisions to Make...

## CONGRESSIONAL MEMO

### Yes, We Want To Cut the Budget. Just Not That Part.

By CARL HULSE

WASHINGTON — As hard as it may be for lawmakers and the White House to reach an agreement to raise the federal debt ceiling in the coming weeks, striking a budget bargain is just the beginning of the real work.

When and if bipartisan talks being overseen by Vice President Joseph R. Biden Jr. produce some combination of spending cuts, major program changes and revenue increases, the House and Senate must then assemble those various agreements into legislative form and approve them.

While many members of Congress might like the overall framework of any budget deal, some are sure to balk at the legislative detail required to wring money out of popular programs like farm subsidies, Medicaid and Medicare or to force federal retirees to kick in more of their own money for their pensions.

It is one thing to back a general agreement to cut the budget; it can be another thing entirely to support the specific legislation to do so.

Committee and one of two Senate Democrats taking part in the Biden talks.

The situation is quite different from the showdown earlier this year over the 2011 spending bills. Despite the difficult negotiations, that legislative process was simple by comparison.

Once Speaker John A. Boehner and President Obama agreed on an overall spending level and the general aspects of how the money would be parceled out, staff members for the Appropriations Committee worked overtime to turn out one final piece of legislation that incorporated the entire agreement. It was approved a few days later.

The emerging budget deal, which could reach into scores of complex federal programs that will have to be restructured to produce the savings, creates a whole different set of problems.

“That was about numbers,” Senator Kent Conrad, a North Dakota Democrat who is the chairman of the Budget Committee, said of the earlier agreement that averted a government shut-

Source: New York Times, 6/12/11



# [www.nasbo.org](http://www.nasbo.org)

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