



December 15, 2014

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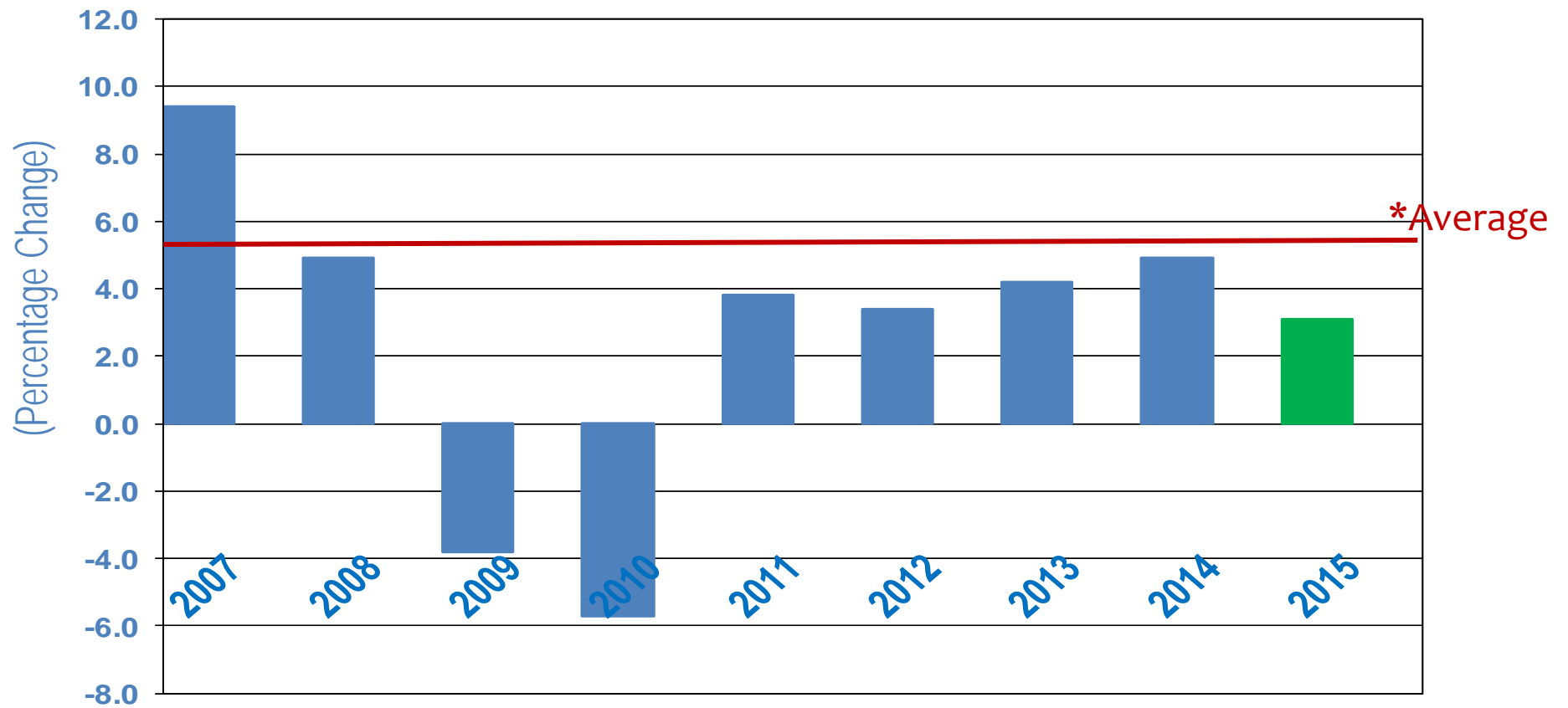


# State Fiscal Overview

- Budgets show continued slow improvement and stability
- Fiscal 2015 marks the fifth consecutive year of revenue and spending increases
- Positive signs: shrinking budget gaps, minimal mid-year budget cuts, net tax cuts and stable rainy day fund balances
- Concerns: below average budget growth, limited projected revenue gains, cost increases, unmet demand in areas such as infrastructure



## Annual Percentage Change in General Fund Expenditures

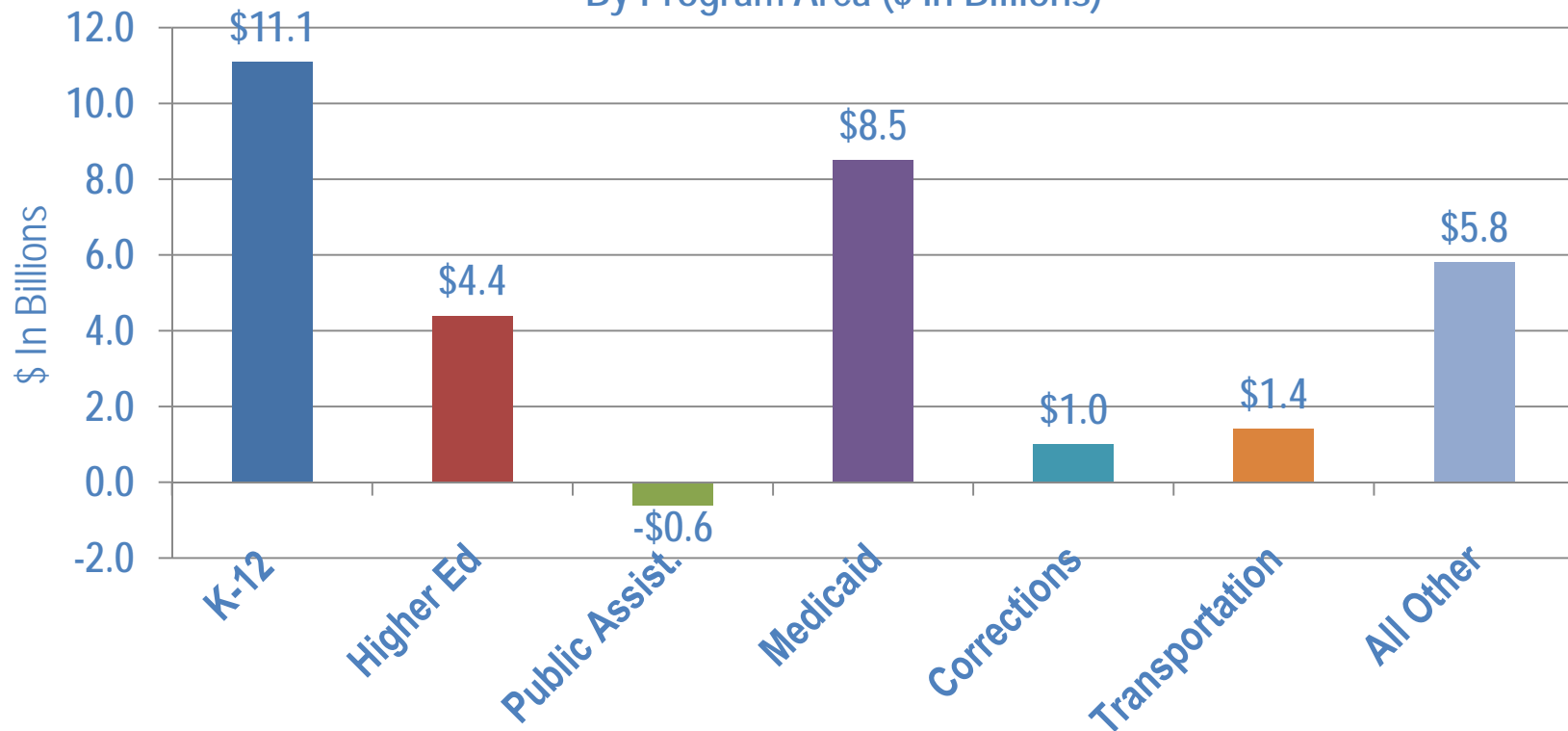


*37-year historical average annual rate of growth is 5.5 percent.*



## Additional budget dollars target K-12 Education and Medicaid

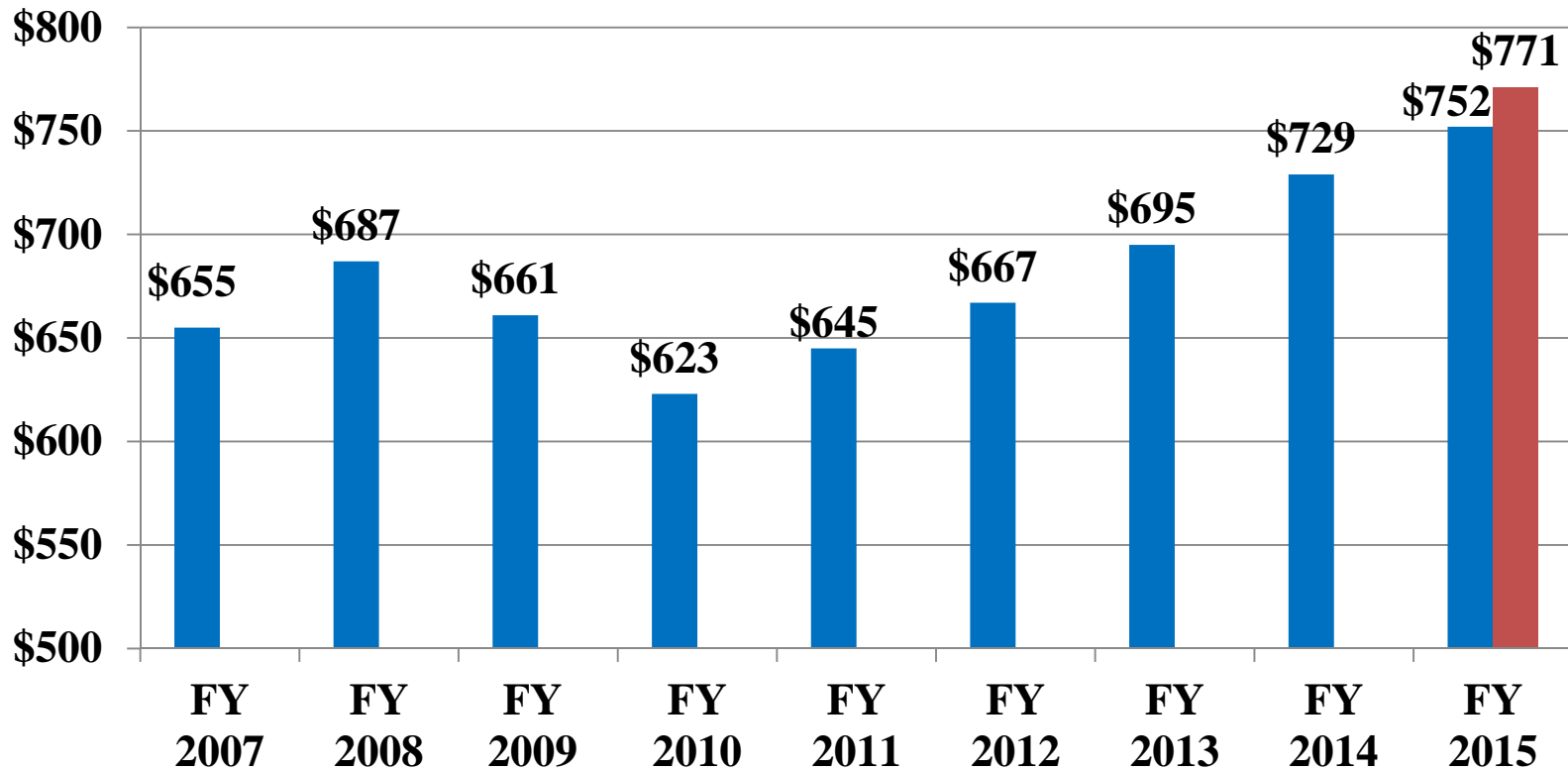
Fiscal 2015 Enacted General Fund Spending Changes  
By Program Area (\$ In Billions)





# GF Spending Still Below Pre-Recession Peak Adjusted for Inflation

## General Fund Spending: FY 2007-FY 2015



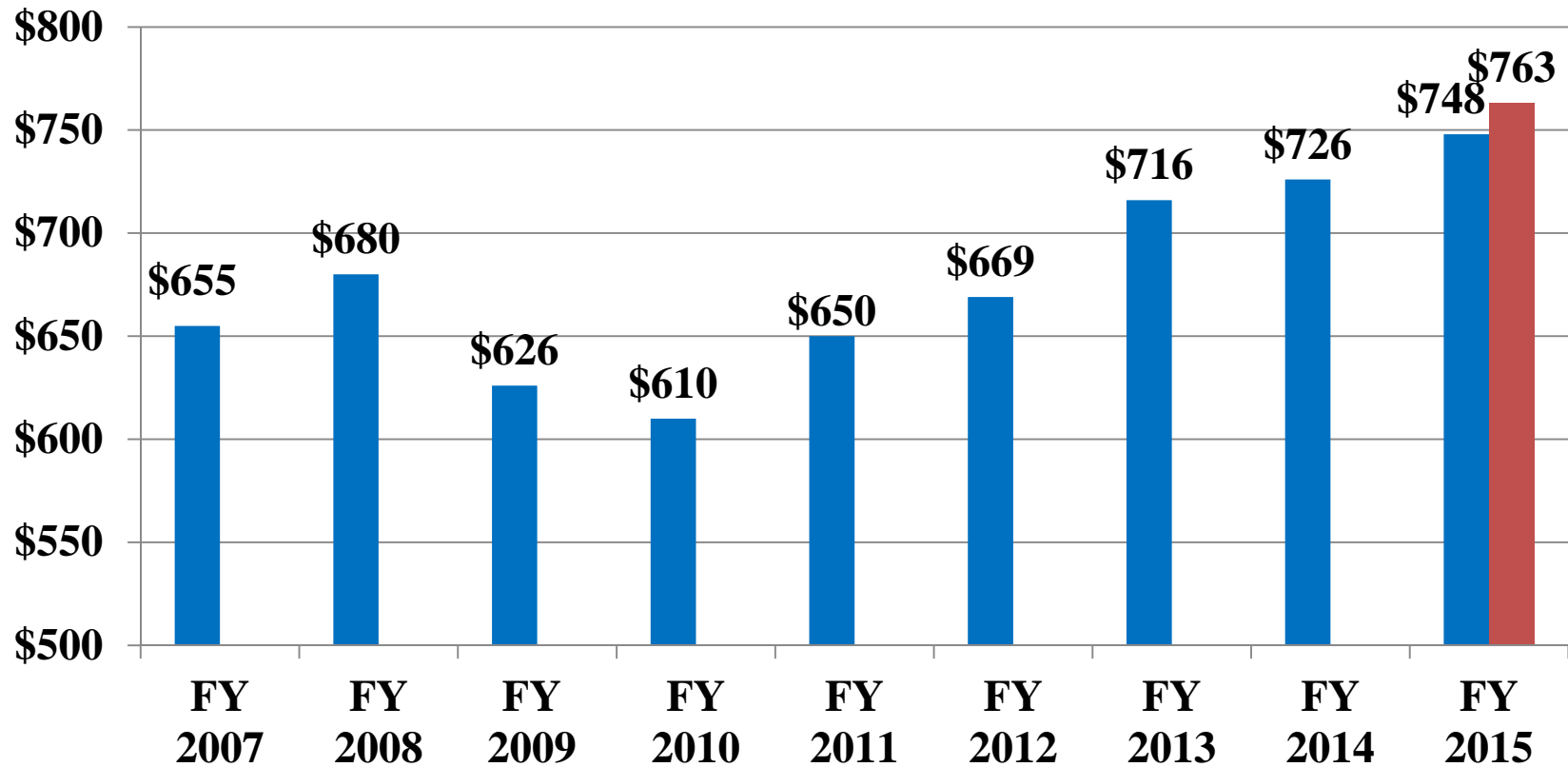
Source: NASBO Fall 2014 Fiscal Survey of States; Fiscal 2015 numbers are enacted

\*Aggregate spending levels would need to be at \$771 billion to remain equivalent with real 2008 spending levels.



# GF Revenue Also Below Pre-Recession Peak Adjusted for Inflation

## General Fund Revenue: FY 2007-FY 2015



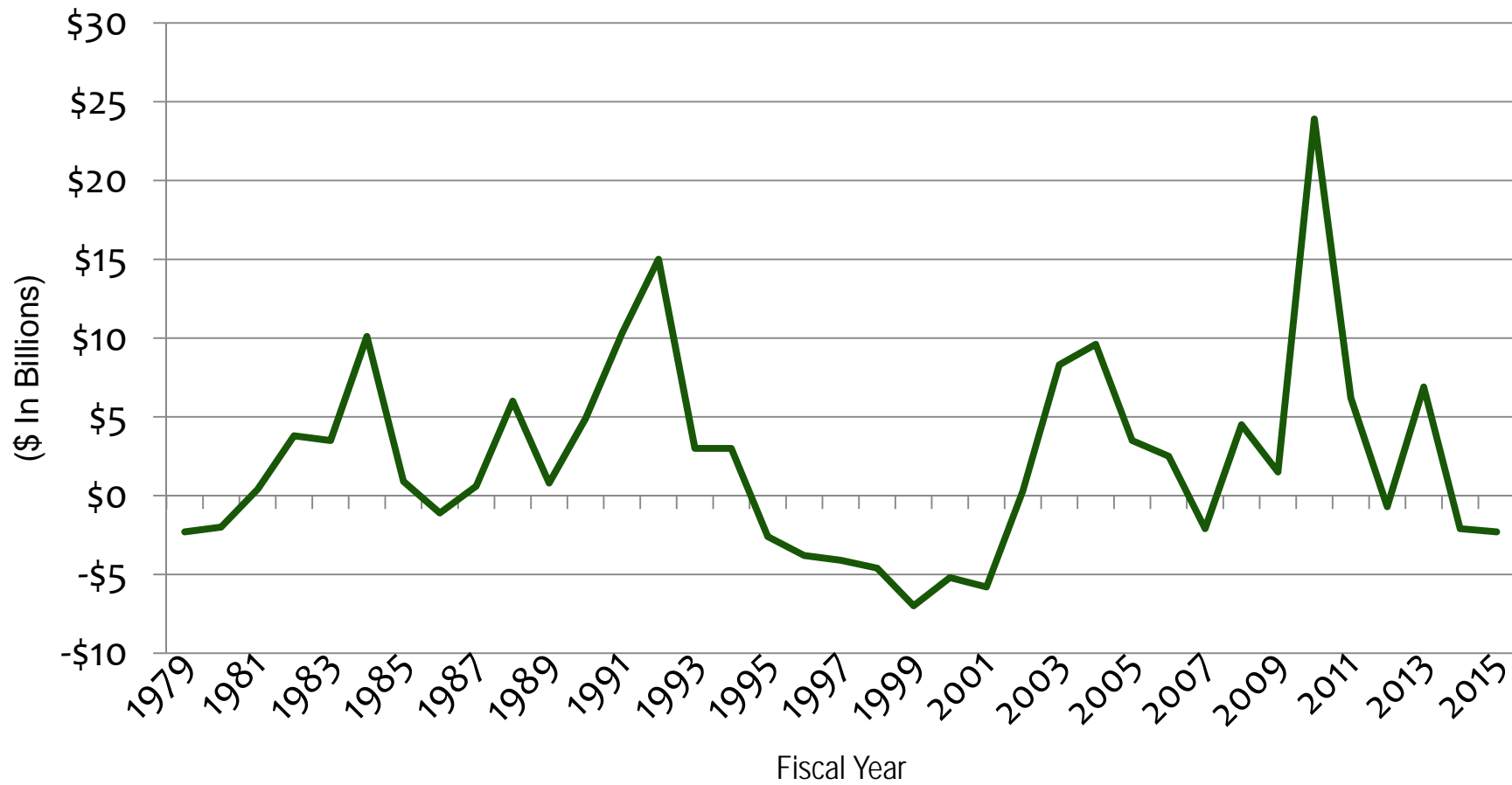
Source: NASBO Fall 2014 Fiscal Survey of States; Fiscal 2015 numbers are enacted

\*Aggregate revenue levels would need to be \$763 billion to remain equivalent with real 2008 revenue levels.



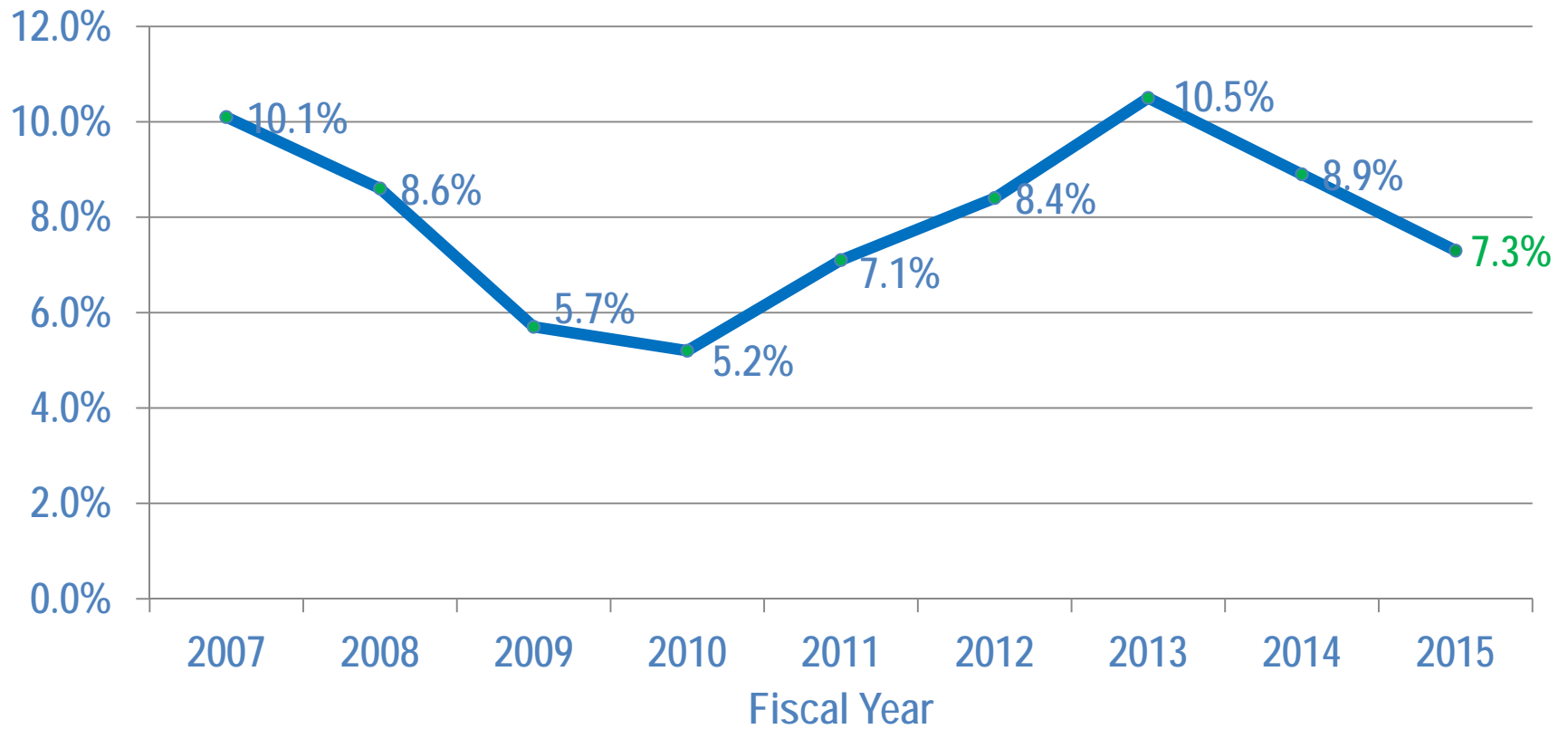
# States Enact \$2.3B in Net Tax and Fee Cuts for FY15

## Enacted State Revenue Changes, Fiscal 1979 to Fiscal 2015





## Total Balances as a Percent of Expenditures

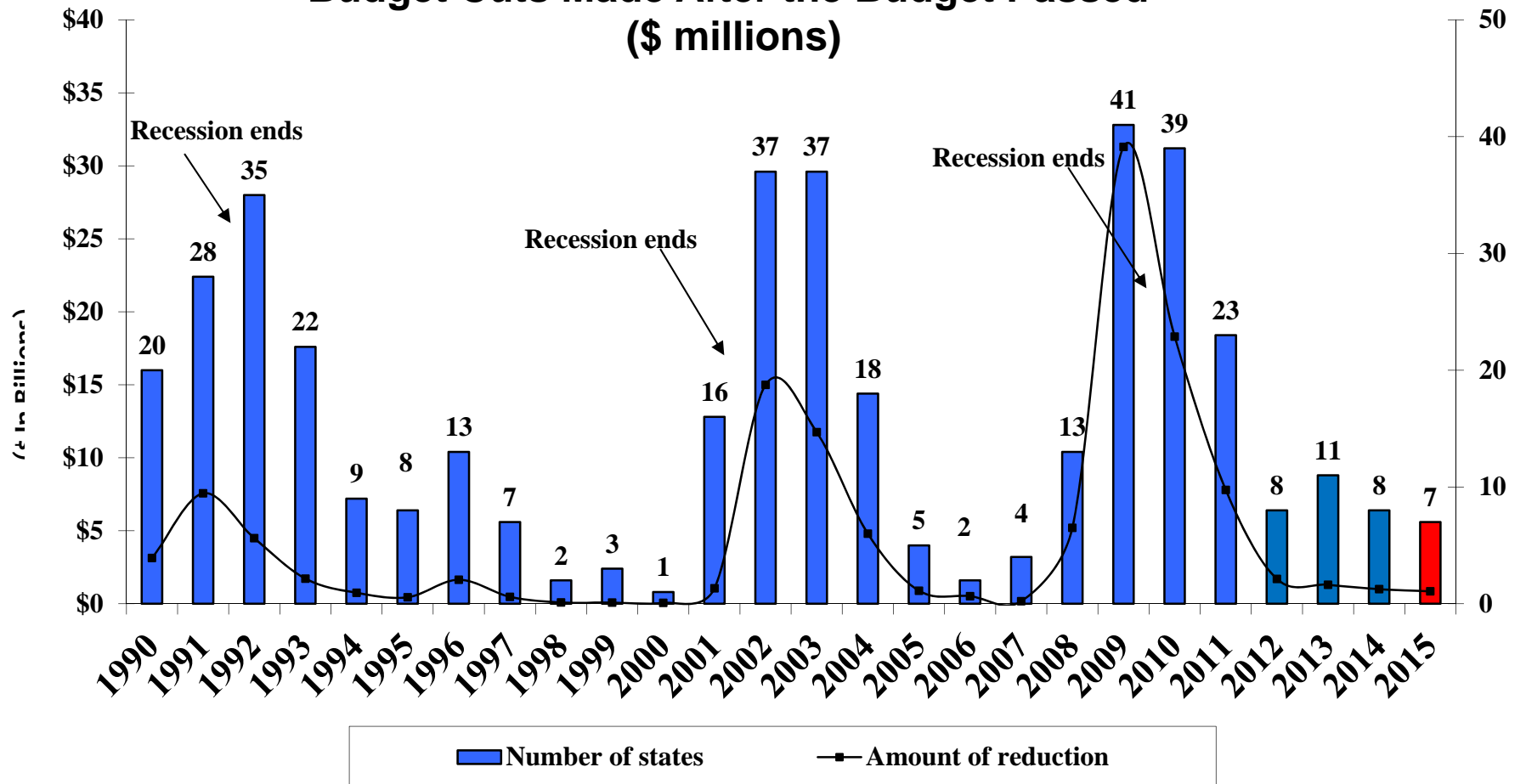






# Minimal Midyear Budget Cuts So Far in Fiscal 2015

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



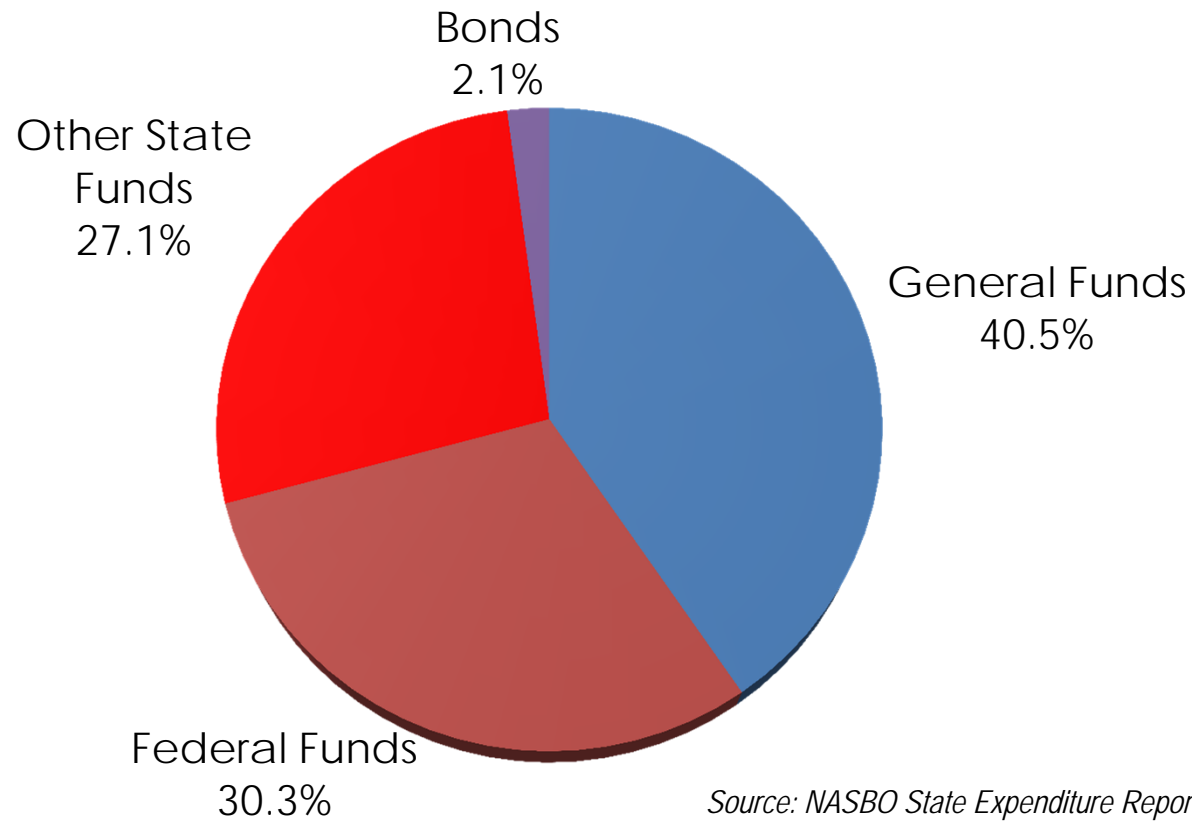
Source: NASBO Fall 2014 Fiscal Survey

\*Fiscal 2015 midyear cuts are ongoing



# Spending by Funding Source (Percentage)

## Total State Expenditures by Funding Source, Estimated Fiscal 2014

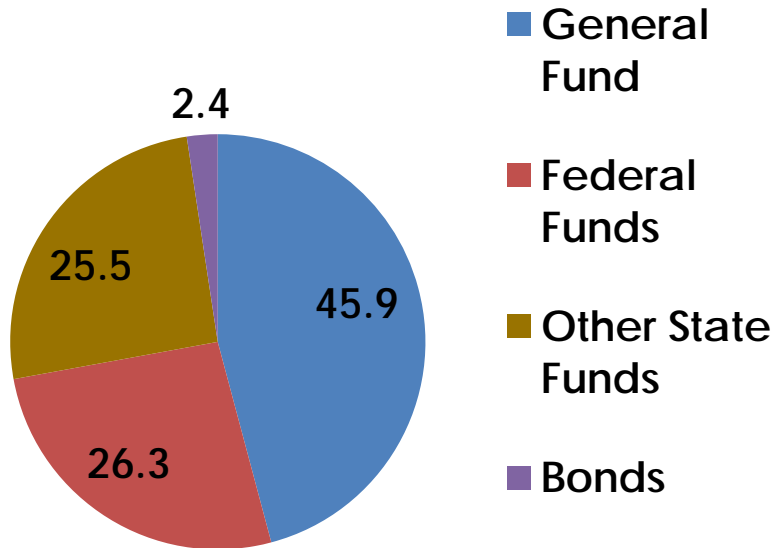


Source: NASBO State Expenditure Report

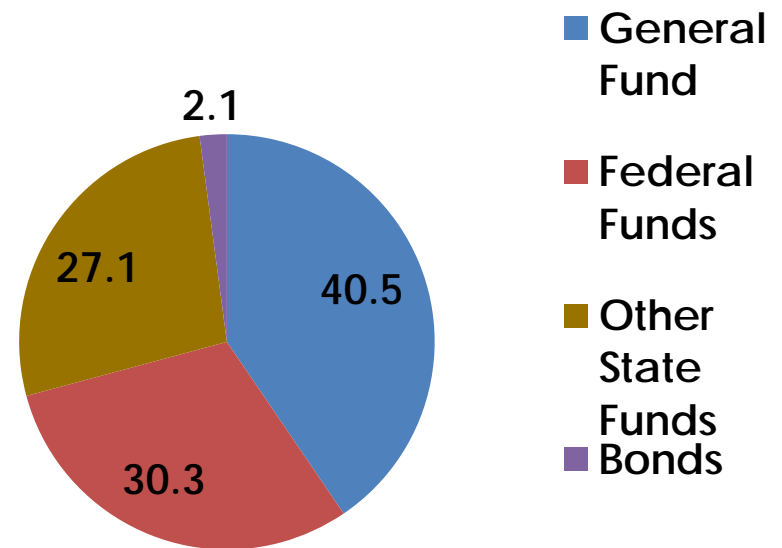


# Shifting of Funding Sources

## Total State Expenditures by Funding Source (2008)



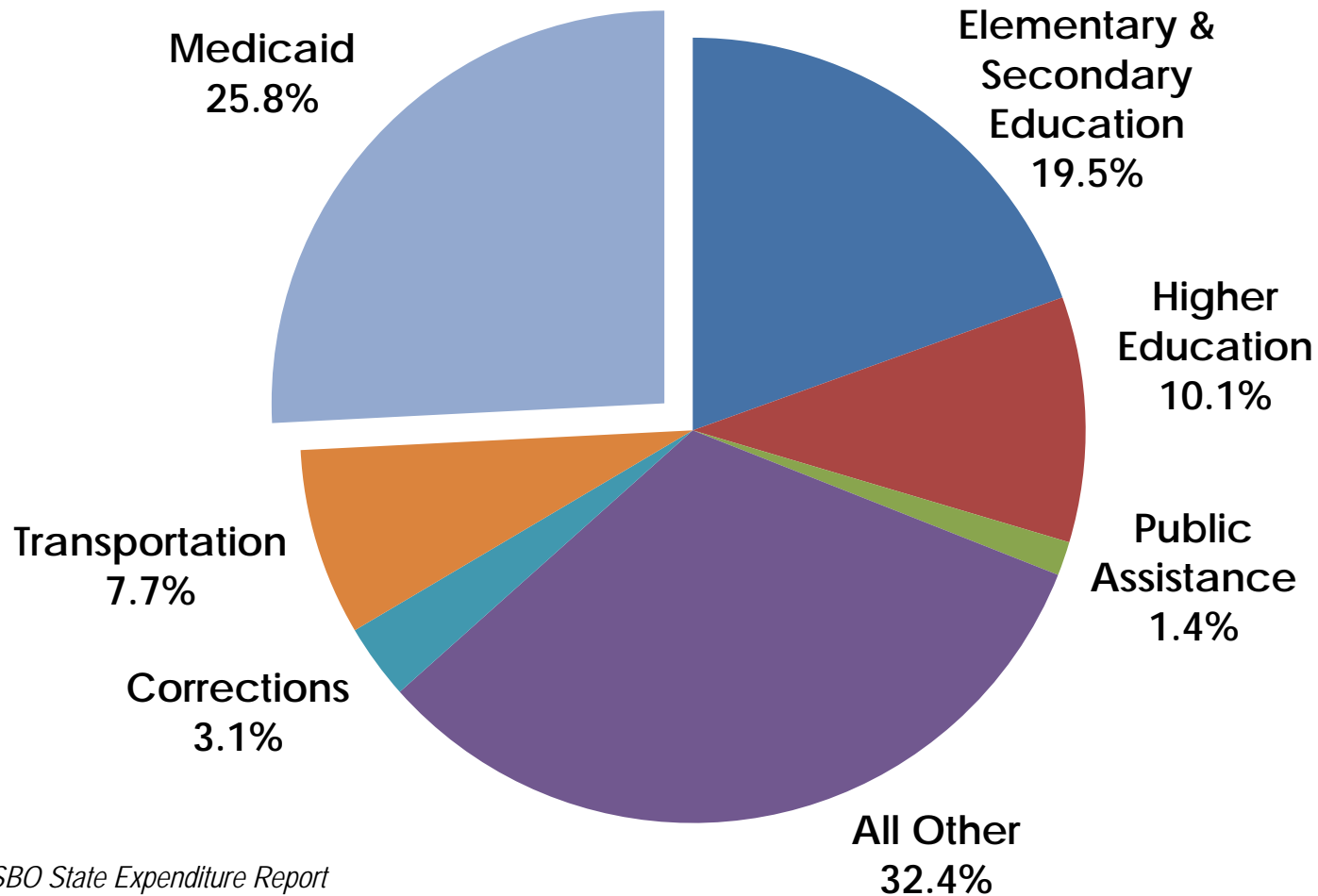
## Total State Expenditures by Funding Source (2014)



Source: NASBO State Expenditure Report



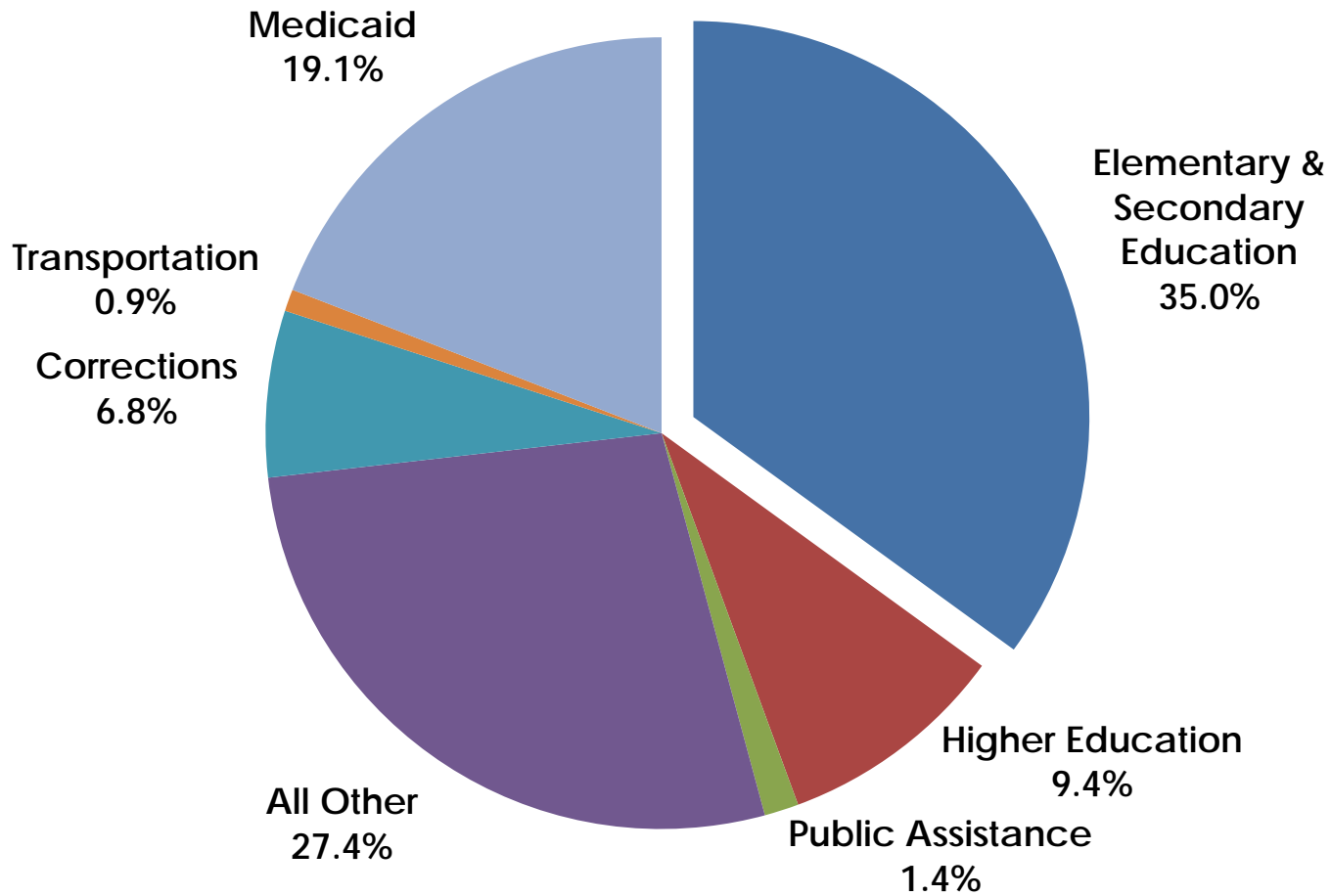
# Total State Expenditures by Function, Estimated Fiscal 2014



Source: NASBO State Expenditure Report



# General Fund Expenditures by Function, Estimated Fiscal 2014

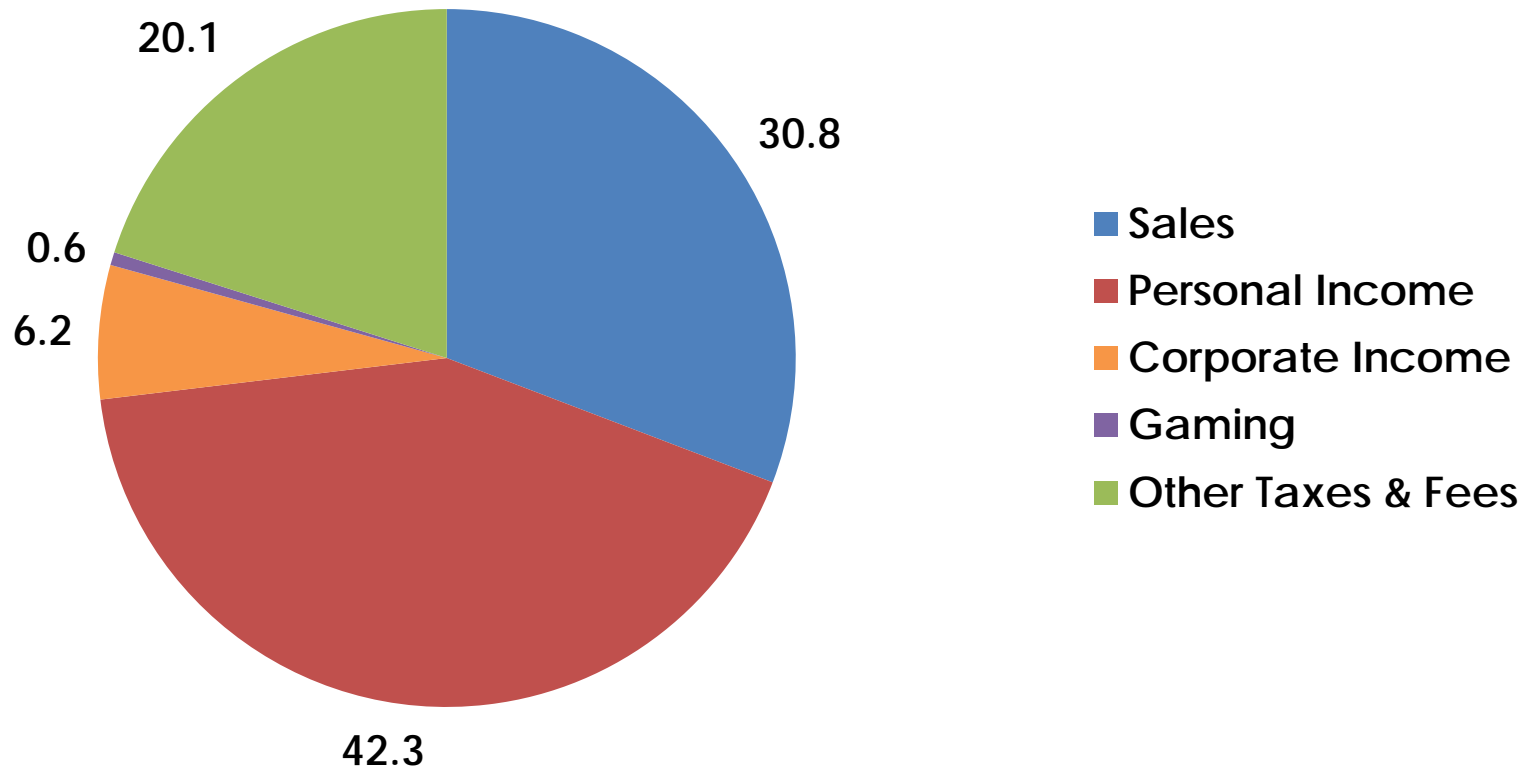


Source: NASBO State Expenditure Report



# Revenue Sources in the General Fund (Percentage)

Estimated Fiscal 2014



Source: NASBO State Expenditure Report



# State Fiscal Outlook

- Trends are positive with 43 states increasing general fund spending in fiscal 2015
- Revenue collections are projected to grow at a faster rate compared to fiscal 2014.
- However, additional revenue is limited and spending demands continue to rise, particularly in critical areas of the budget like health care and higher education
- Fiscal stability likely to continue, but unmet spending needs may persist along with slow budget growth



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*Thank You*

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