

# Fiscal Sustainability: The States

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## Summary

- March 2010 State Fiscal Update from the National Conference of State Legislatures (NCSL).
- Texas Budget Shortfall
- Texas Options to Address Shortfall

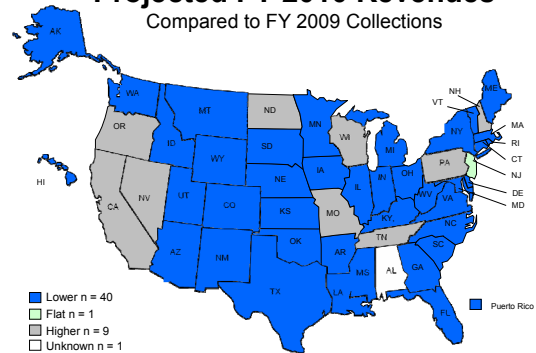
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## Overview of March 2010 NCSL Update

- The steep drop in state revenues appears to be subsiding.
- Despite revenue improvement, many states face sizeable budget gaps.
- To date, states have reported a total estimated budget gap of \$531.4 billion (FY 2008 through FY 2013).

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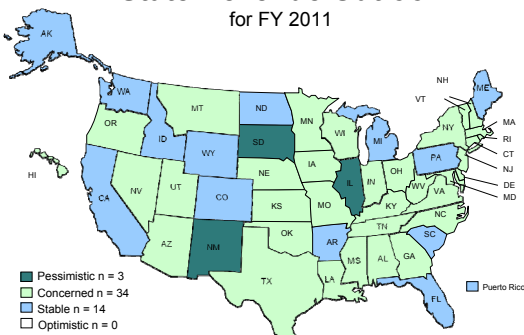
## Projected FY 2010 Revenues Compared to FY 2009 Collections



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

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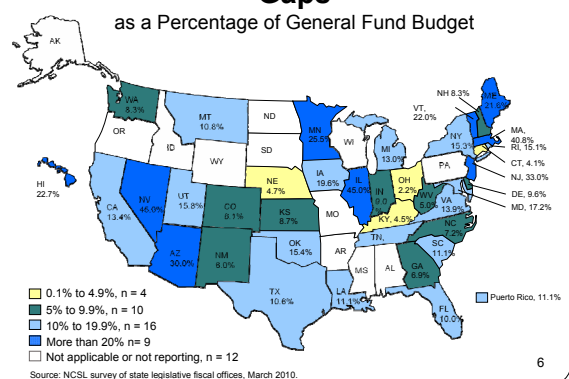
## State Revenue Outlook for FY 2011



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

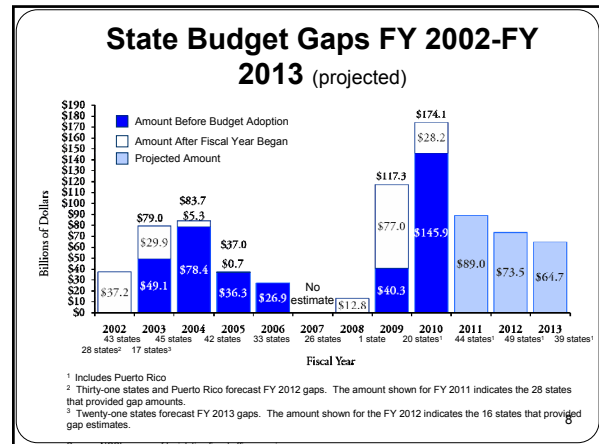
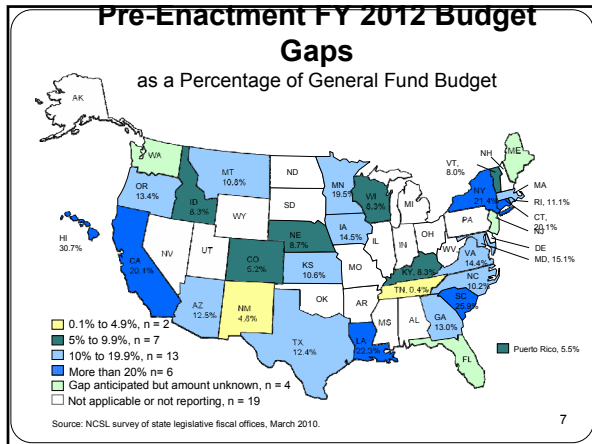
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## Pre-Enactment FY 2011 Budget Gaps as a Percentage of General Fund Budget



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

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### Budget Gap Numbers Past and Current Recession

Past Recession		Current Recession	
Fiscal Year	Amount (in Billions)	Fiscal Year	Amount (in Billions)
2002	\$37.2	2008	\$12.8
2003	\$79.0	2009	\$117.3
2004	\$83.7	2010	\$174.1*
2005	\$37.0	2011	\$89.0**
2006	\$26.9	2012	\$73.5**
		2013	\$64.7**
<b>Total</b>	<b>\$263.8</b>	<b>Total</b>	<b>\$531.4*</b>

Past Recession: March 2001 to November 2001 (8 months)  
 Current Recession: Began December 2007 to Q3 of 2009? (20-21 months)  
 Great Depression August 1929 to March 1933 (43 months)  
 Gray bar denotes end/projected end of recession  
 \* Preliminary figure  
 \*\* Projected figure

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

### NCSL Summary – Spending Issues

- 28 states face spending overruns in FY 2010 in areas such as Medicaid, other social services, prisons/public safety, and K-12 education.
- States have found relief in federal stimulus funding, but now must identify ways to deal with the Stimulus “cliff” in FY 2011 and beyond.

### Texas Budget Deficit for 2012-13 Biennium

- Conservative Estimate: \$11 billion (12.4%)
  - Over 6 billion in federal stimulus used to cover general revenue needs.
  - Over \$5 billion in 2009 surplus funds that will not be available in 2011.
- Spending demands in 2012 and 2013 will likely outpace revenue projections, causing the deficit to grow to \$15 billion or higher.

### Texas Options for Addressing Shortfall

- Budget Cuts
  - 5% reduction plans for 2010 and 2011.
  - One-time funding with federal stimulus dollars.
  - Scrutiny over discretionary programs.
- Revenue options – House Ways and Means Committee looking at long list of tax exemptions.
- Rainy Day Fund
  - Not used in 2009 legislative session.
  - Likely to grow to \$9 billion by 2013.

## **Questions?**

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