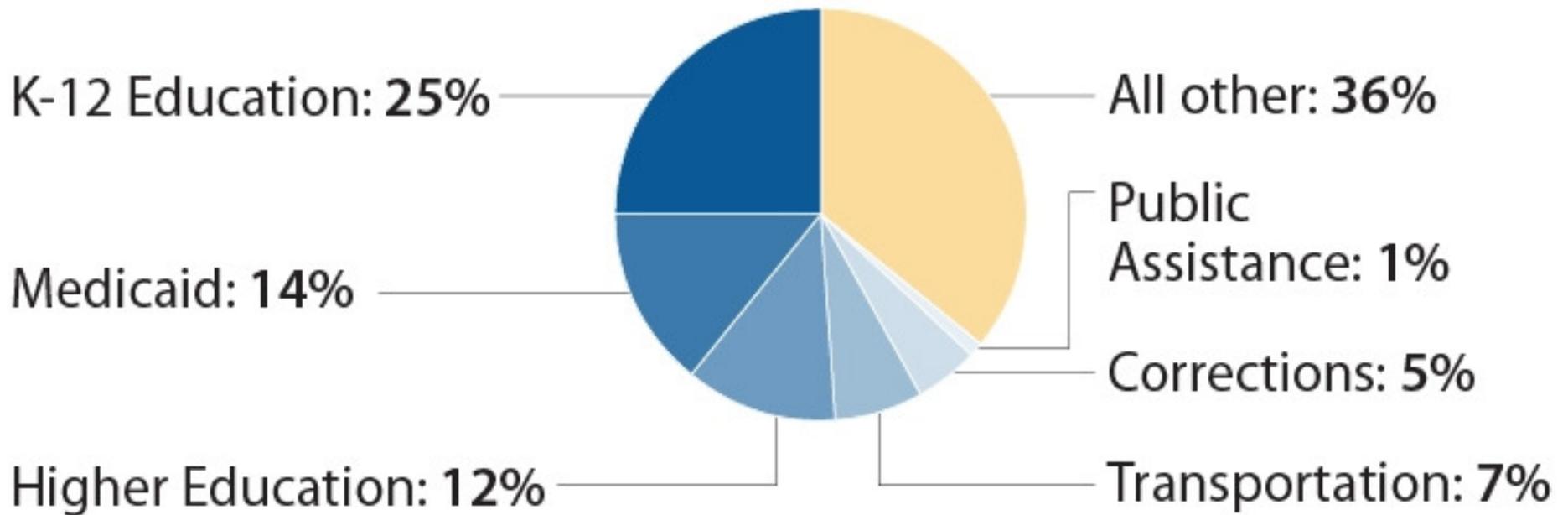


# The State Budget Outlook: From Economic to Political Crisis

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March 1, 2012

## Most State Dollars Go Toward Education and Health Care



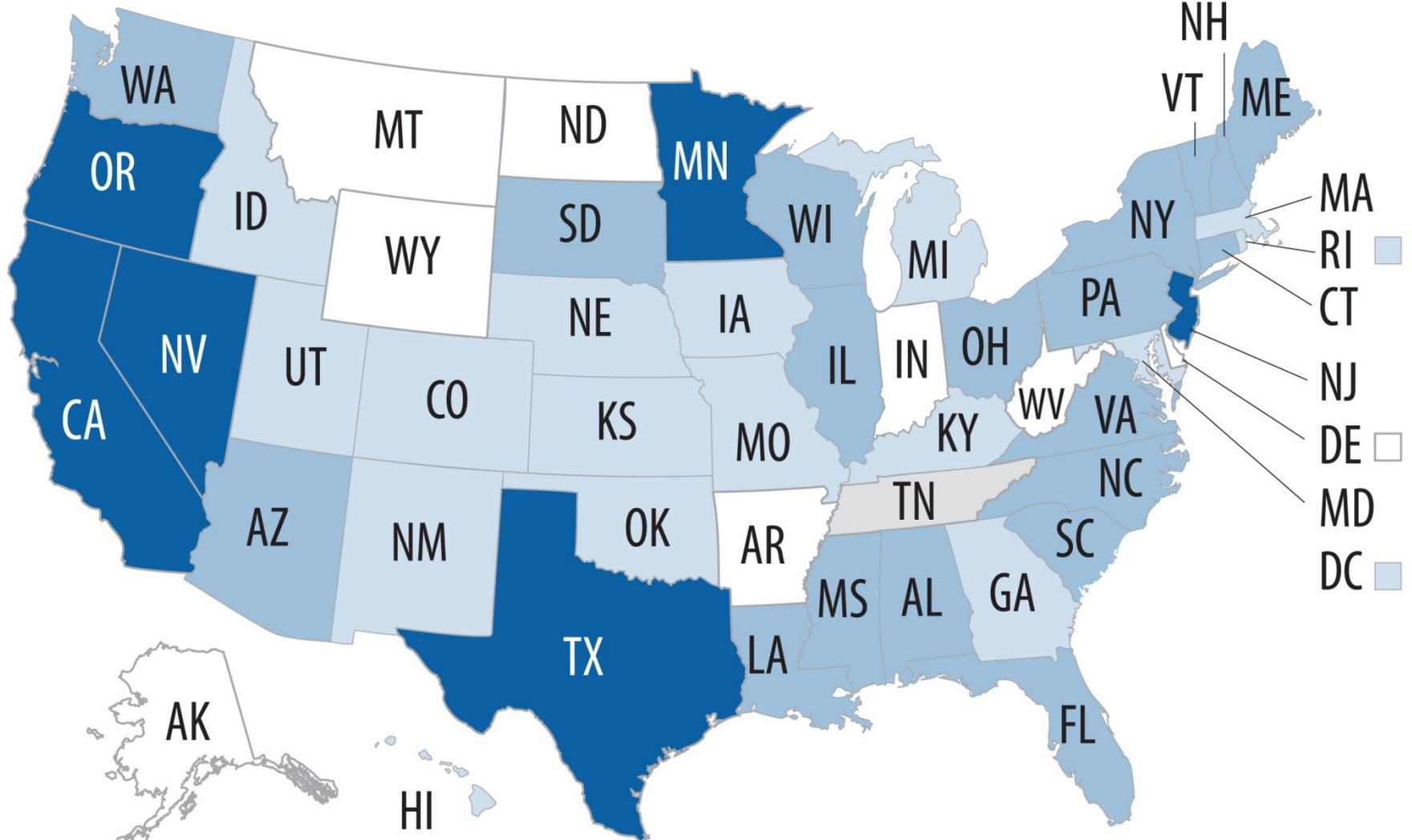
Note: "All Other" includes care for residents with disabilities, pensions, and health benefits for public employees, economic development, environmental projects, state police, parks and recreation, and general aid to local governments. Totals may not sum due to rounding.

Source: NASBO State Expenditure Report FY 2007, December 2008

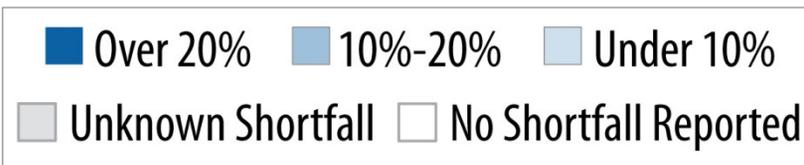
# The big question

If the recession caused a  
**loss** of funding for  
services,  
will recovery cause a  
**restoration**?

# 42 States Closed Budget Shortfalls in FY12



Shortfalls as share of FY11 General Fund expenditures.

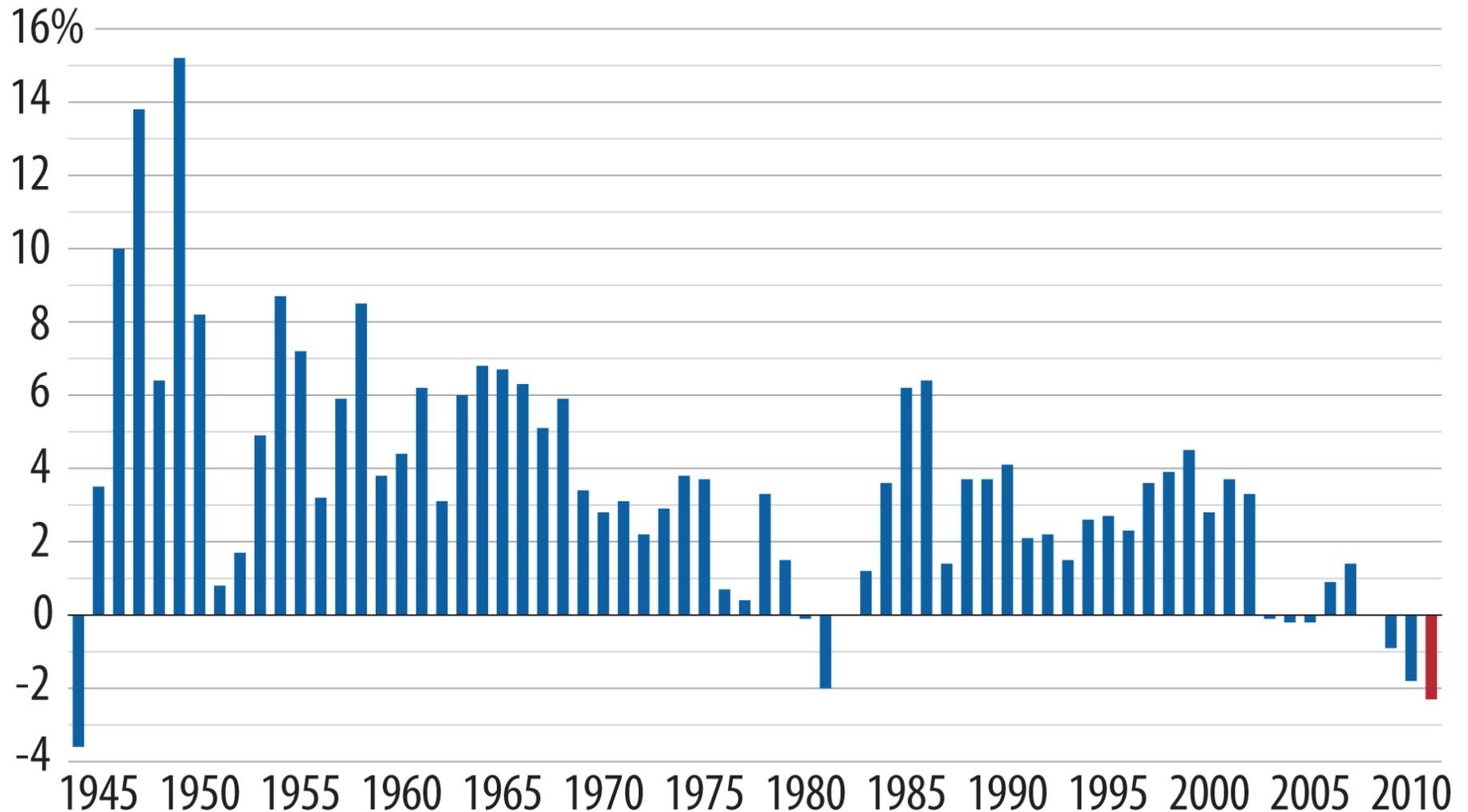


Source: CBPP survey.



# Last Year's Decline in State and Local Spending Deepest Since 1944

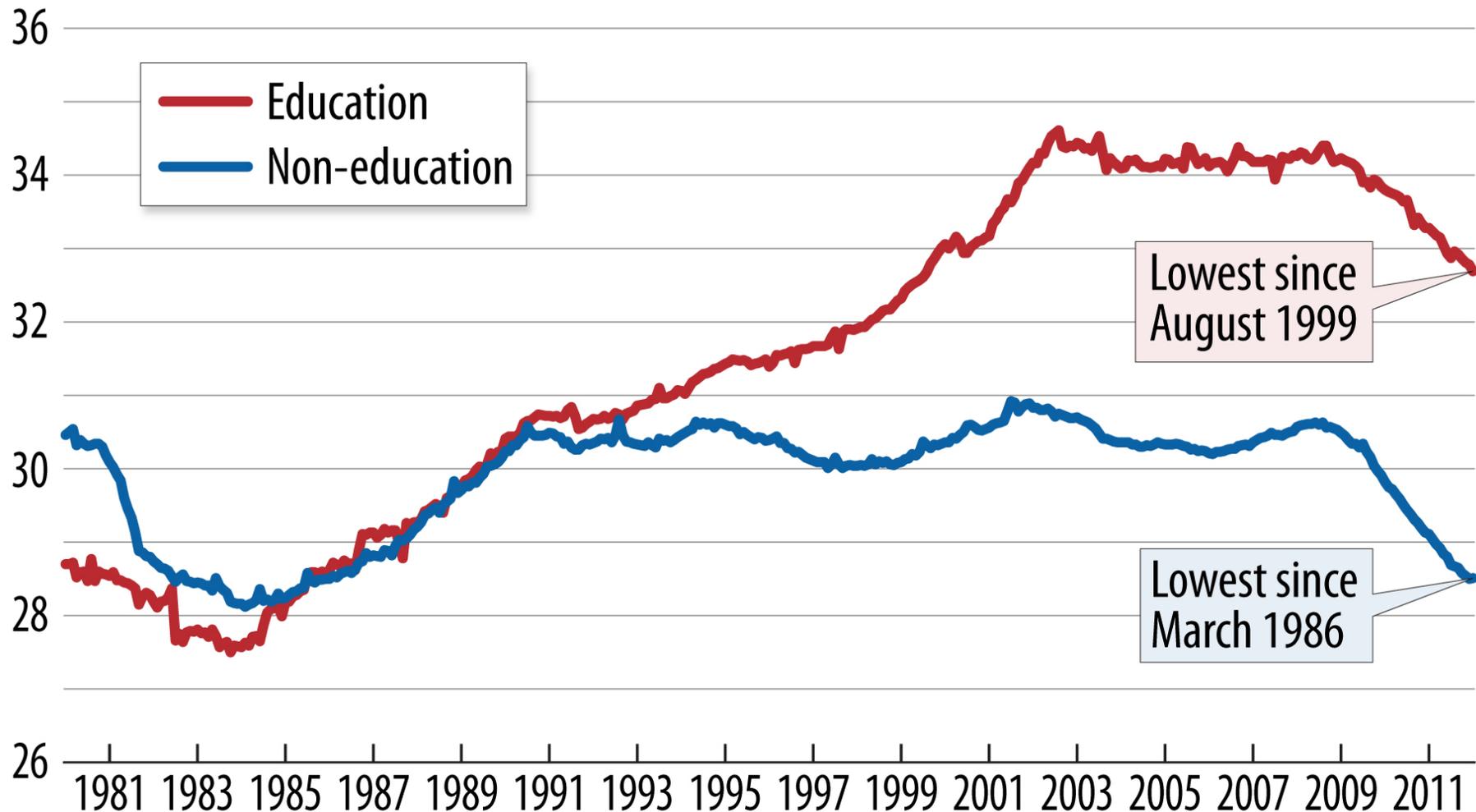
Percent change in spending on goods and services from previous year



Source: Bureau of Economic Analysis

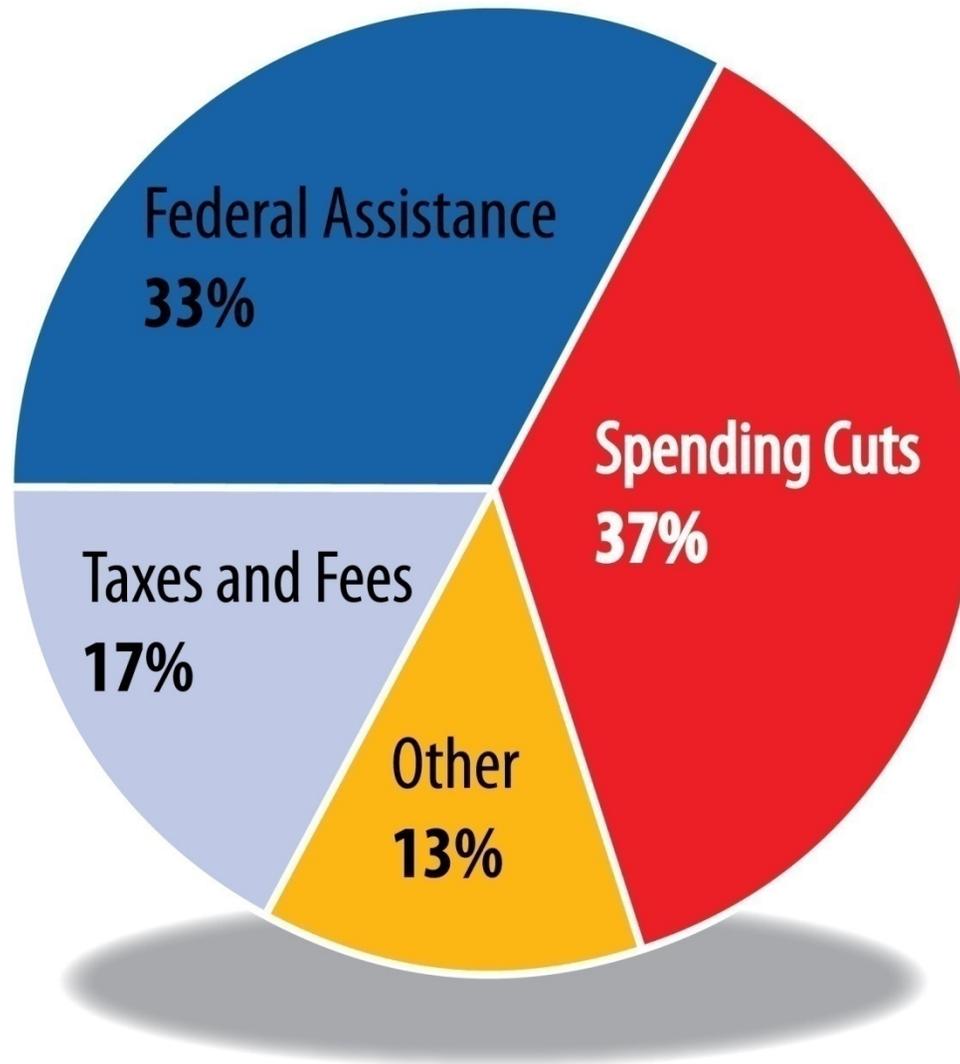
# Public Workforce Has Declined Sharply Since 2008

State and local employees per 1,000 residents



Source: Bureau of Labor Statistics (seasonally adjusted data) and US Census Bureau.

# How States Closed Gaps (FY 2010)



Note: Preliminary Estimates.

Source: CBPP.

# State Budget Cuts

Health



30

Elderly &  
Disabled



25

K-12



30

Colleges &  
Universities



41

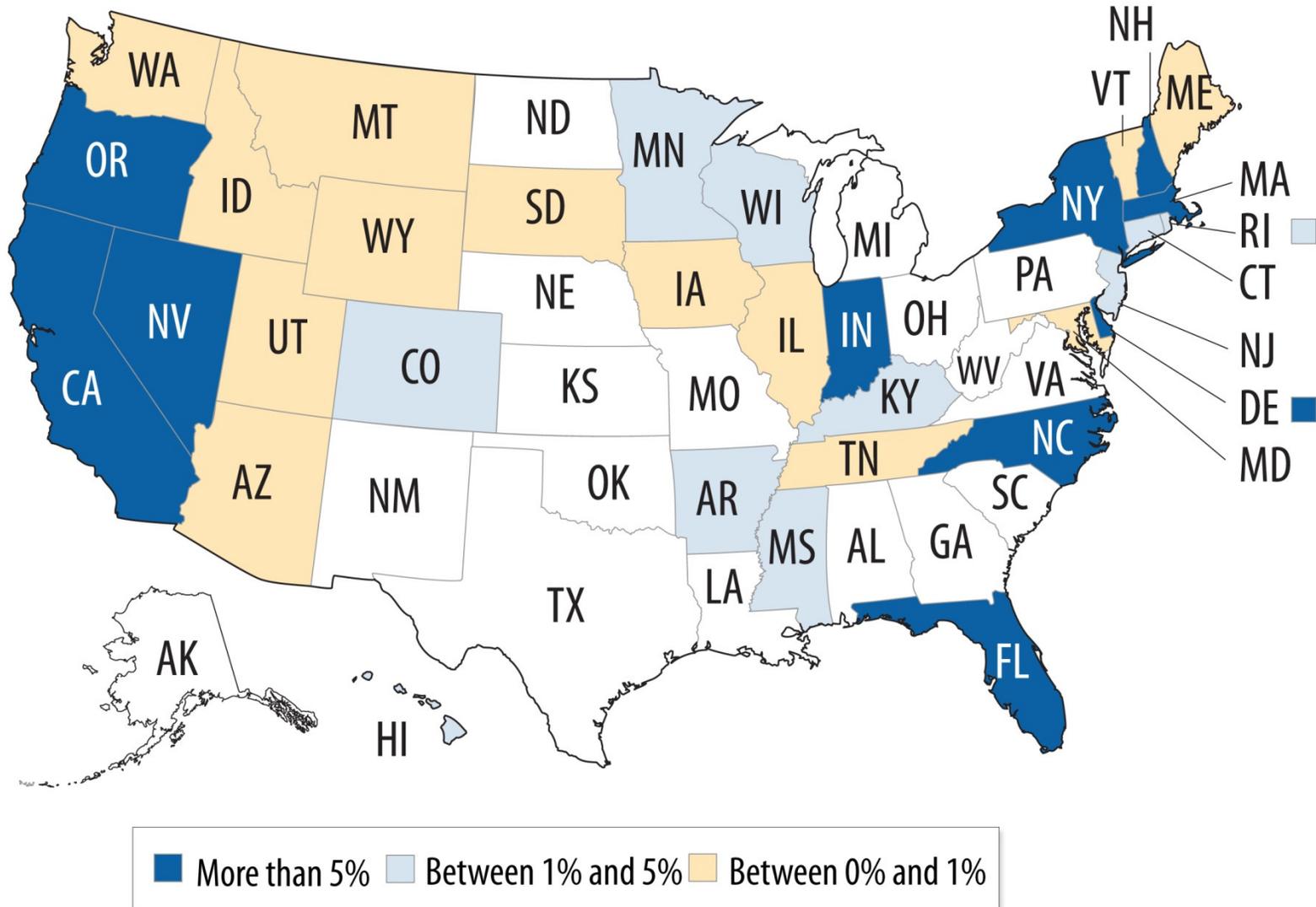
Employees



42

Budget cuts already enacted in this downturn.

# 33 States Raised Taxes in 2008 or 2009

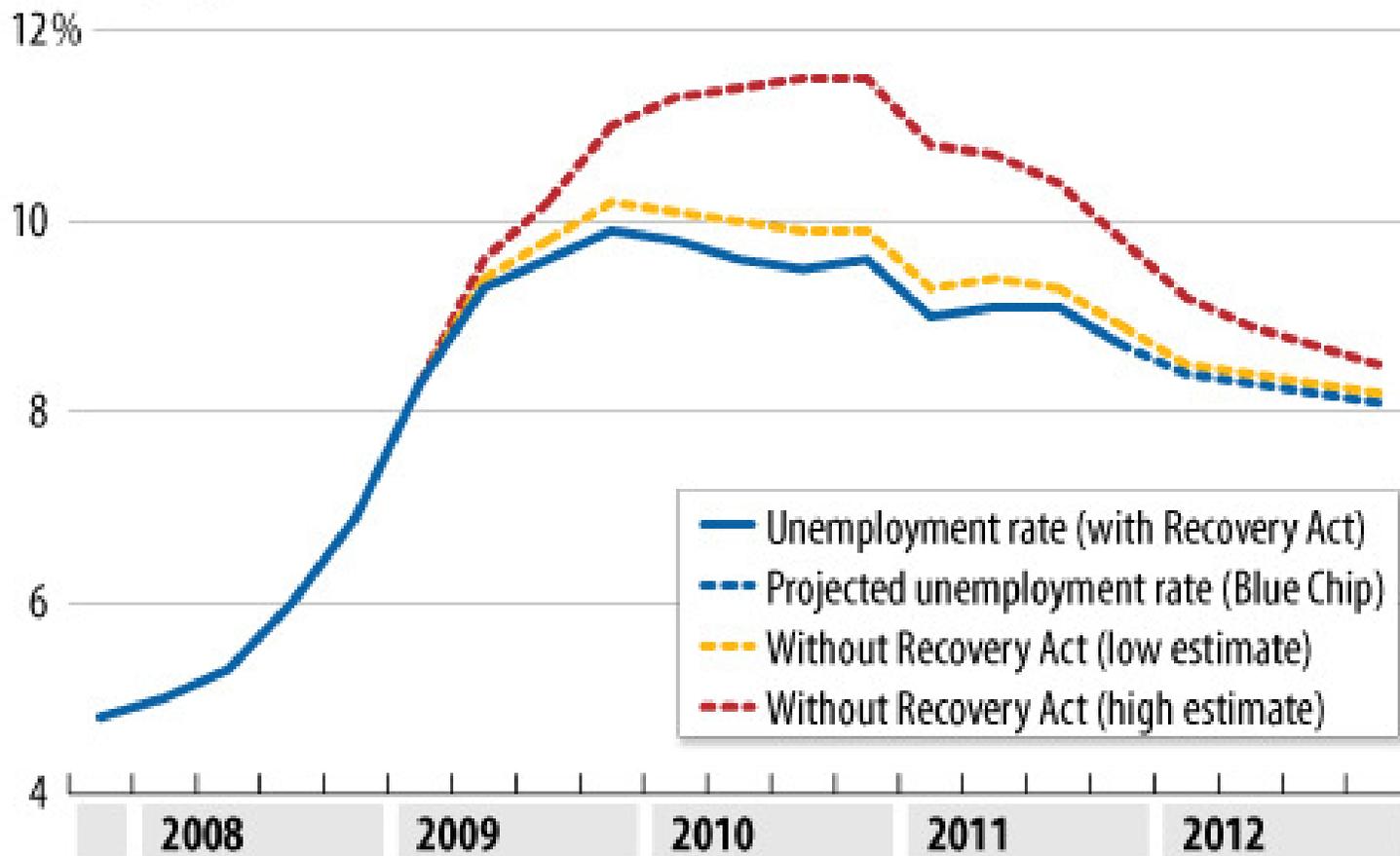


Note: Includes some tax-like fees. Data are for 2008 and 2009.

Source: CBPP calculations of data from Census Bureau, state fiscal offices, and National Conference of State Legislatures

# The Recovery Act Saved Over Two Million Jobs

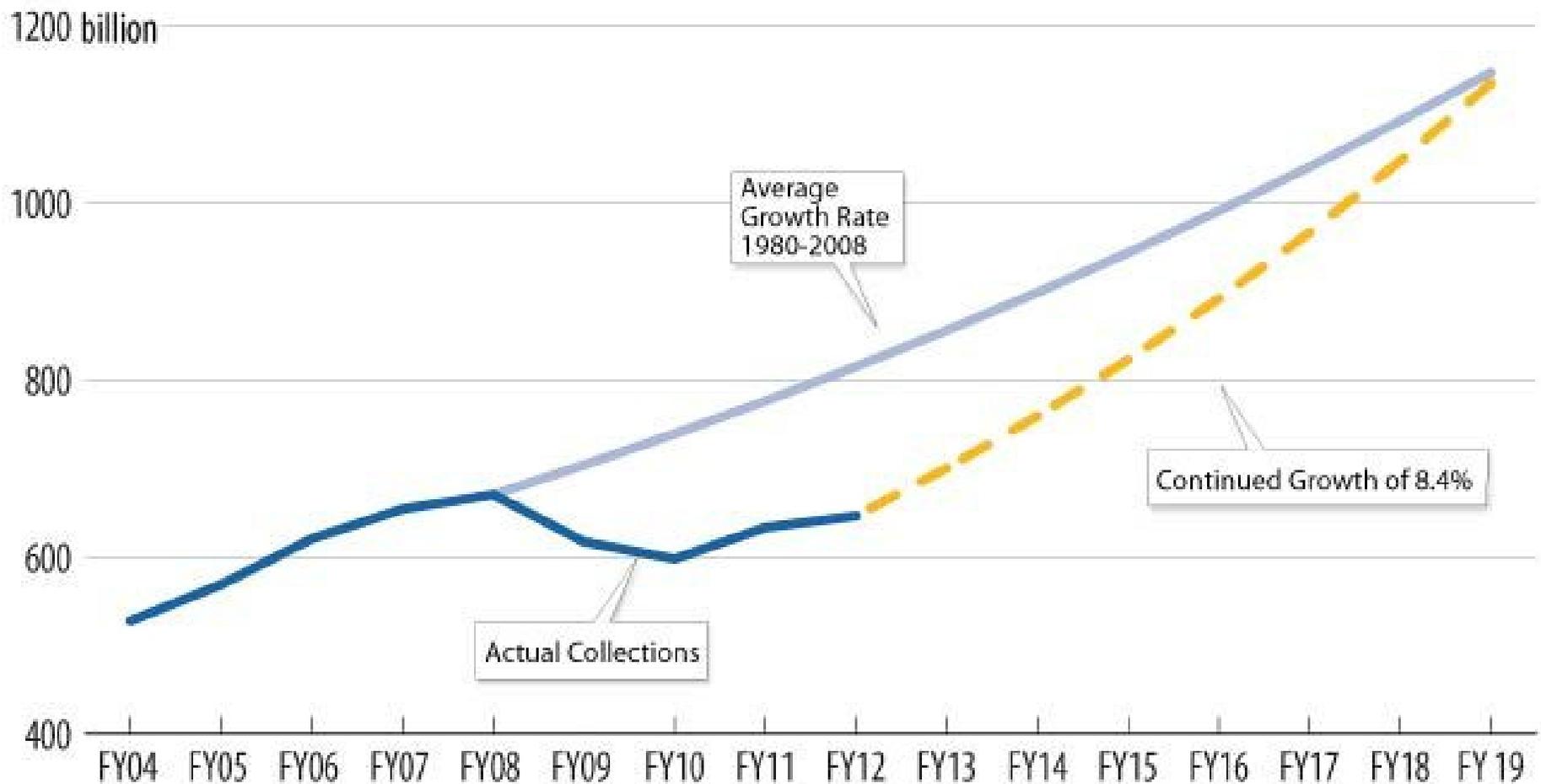
## Unemployment Rate



Sources: CBPP calculations from Bureau of Labor Statistics data, Blue Chip projections and Congressional Budget Office estimates.

**Looking Ahead**

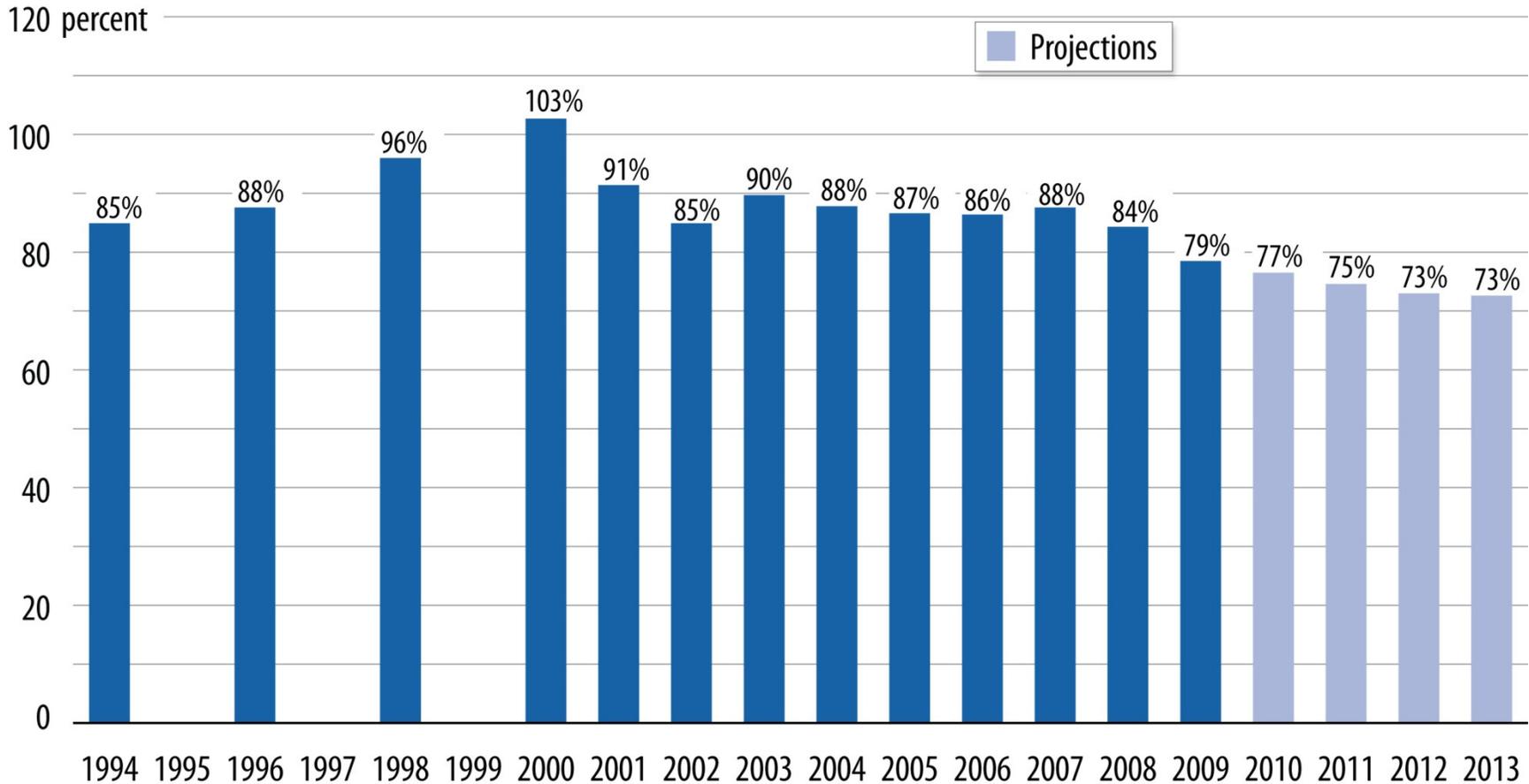
# Continued Growth of 8.4% per Year Would not Restore Losses from Recession Until Fiscal Year 2019



Source: CBPP calculations using NASBO revenue data

# Public Pensions Fully Funded in 2000 But Have Since Declined

Aggregate state and local pension funding level assets as a share of trust fund liabilities



Note that states generally use 5-yr average funding levels, so funding levels are expected to rise again in 2014 and beyond once the 2008 and 2009 losses are no longer in the calculation.

Source: Center for Retirement Research at Boston College (data not provided for 1995, 1997, and 1999).

# Restoration or Retrenchment?

# Rhetoric and Reality

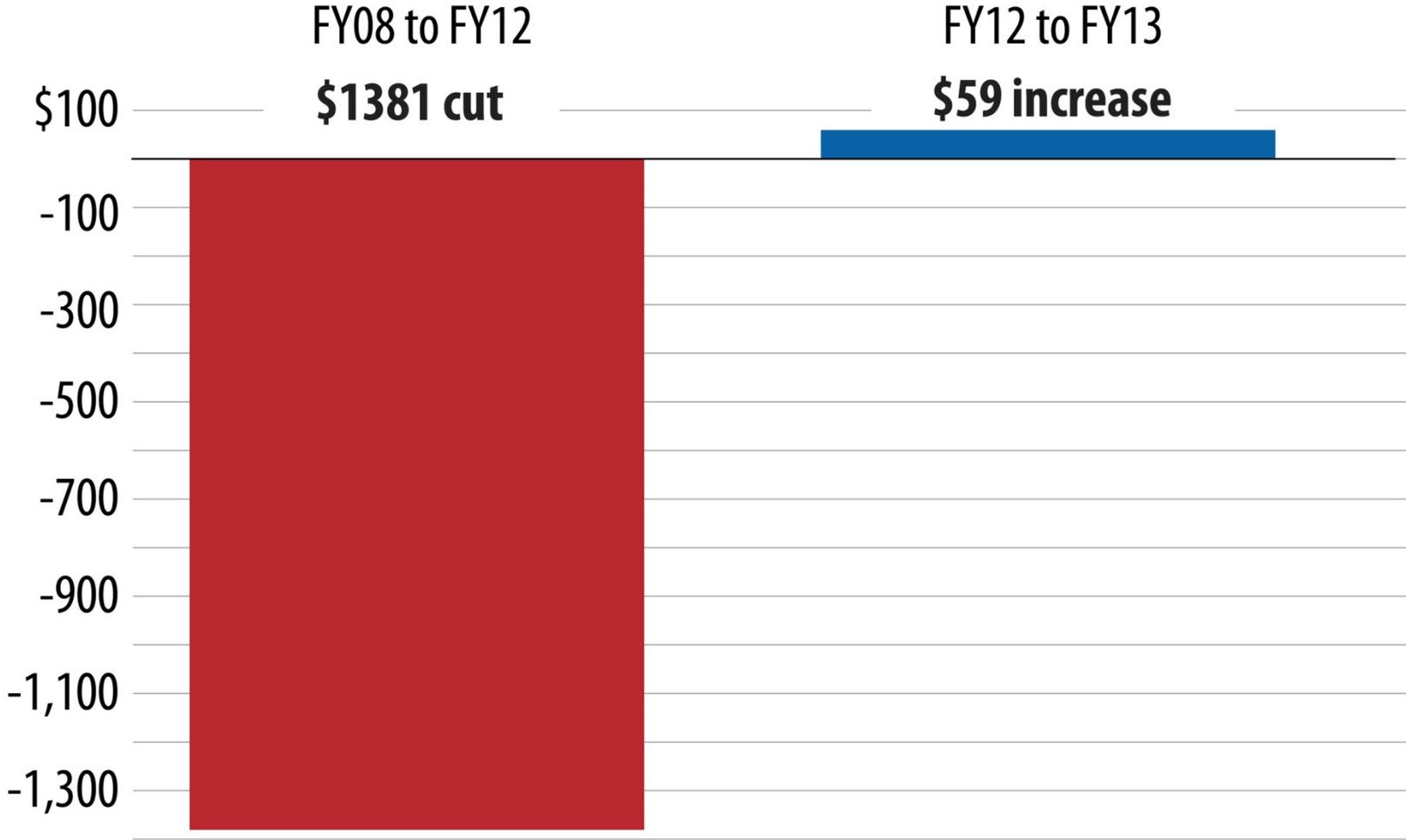
“Floridians truly believe that support for education is the most significant thing we can do to ensure both short-term job growth and long-term economic prosperity for our state.”

**Florida Governor Rick Scott  
2012 State of the State Address**



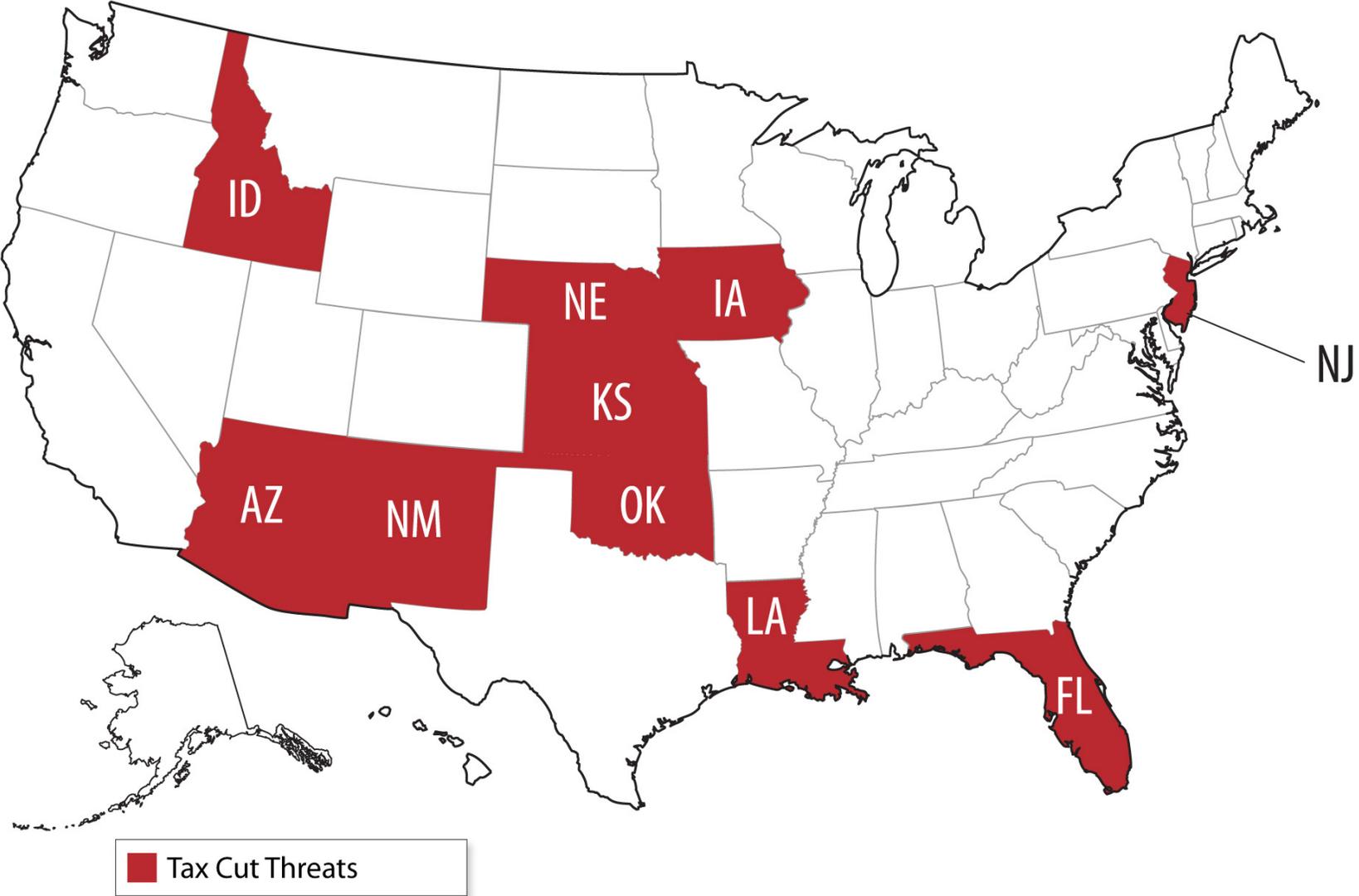
# Florida's Proposed Education Increase Would Leave Funding Well Below Pre-Recession Levels

Change in state and local education funding per pupil, inflation-adjusted

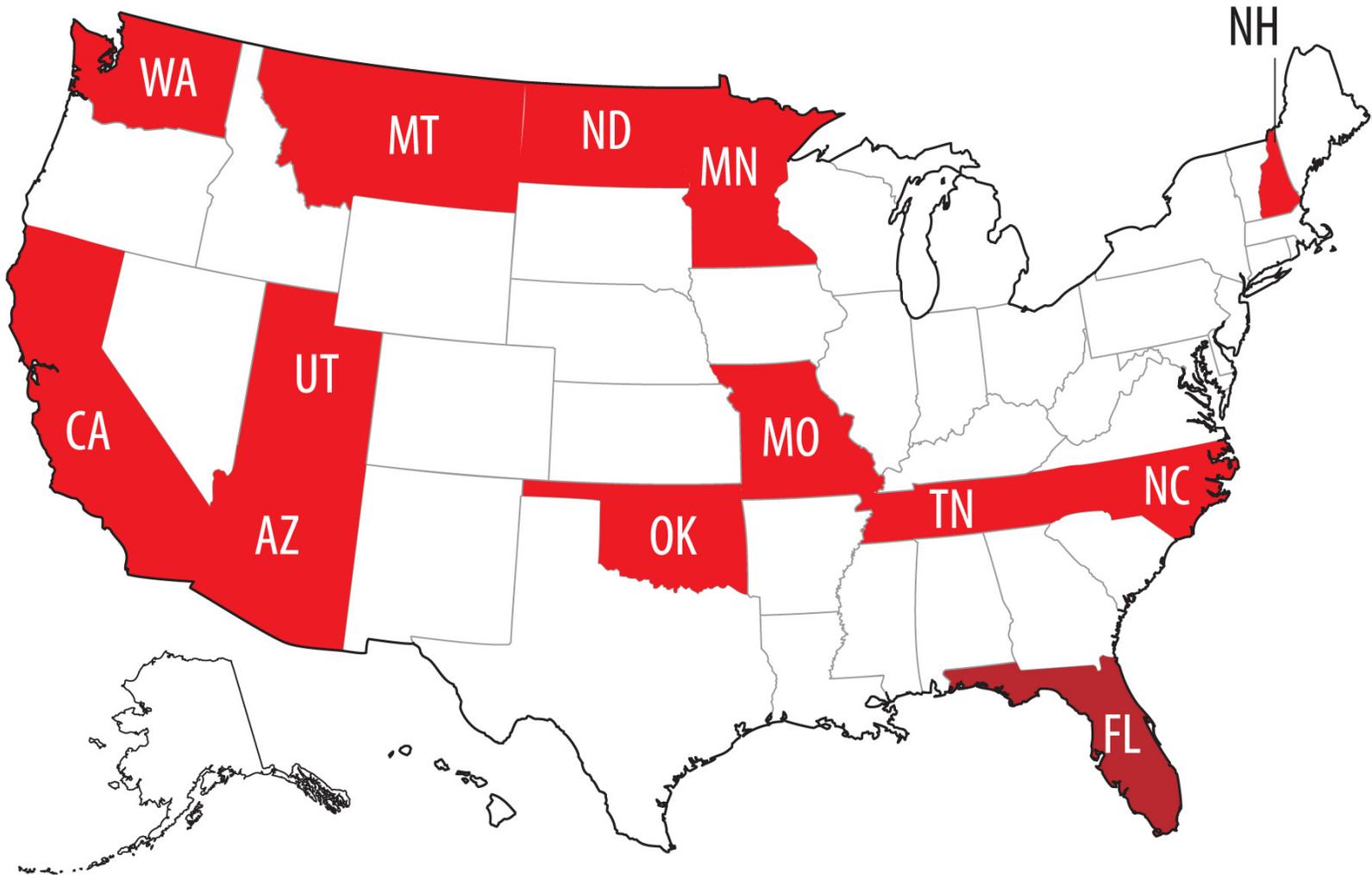


Source: Governor's Policy and Budget Recommendations, Bureau of Labor Statistics, and Congressional Budget Office

# Major Tax Cuts Threatened



# TABOR or Other Fiscal Ballot Measures



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