



Commission on the 21st Century

**University of California, San Diego
Rady School of Management**

January 22, 2009

***Scott Pattison
Executive Director
National Association of State Budget Officers***





Context/ Background





Context: Recent State Fiscal Situation

Aggregate declining spending and revenue

Shortfalls in the billions (36 states)

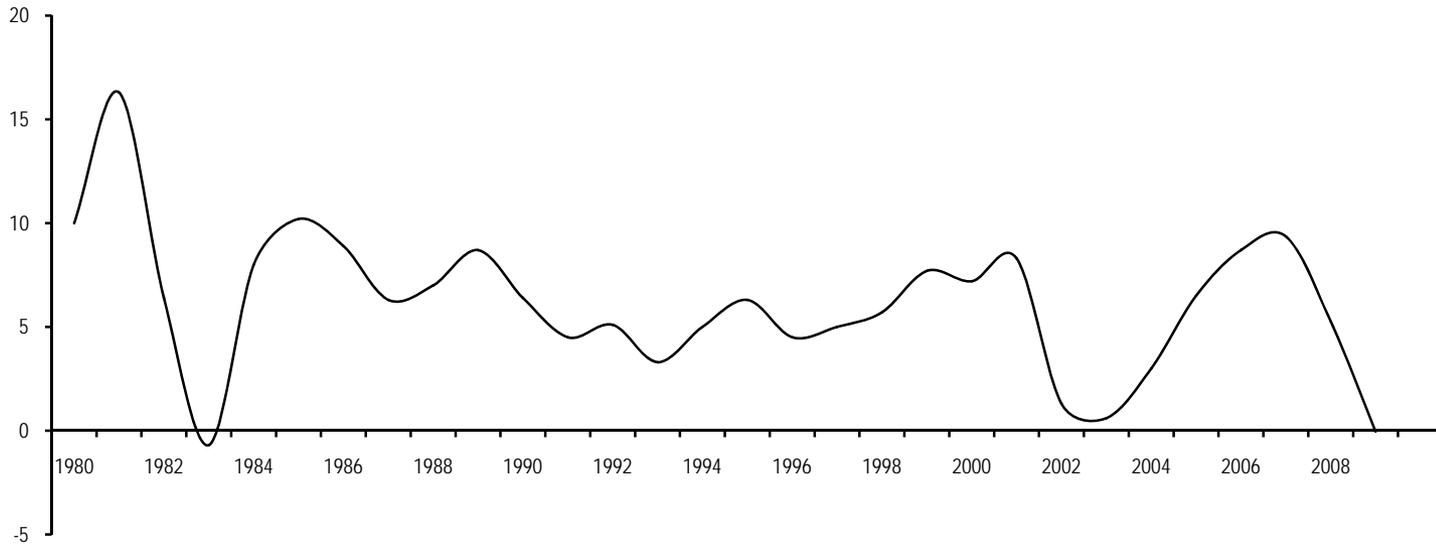
Across the board budget cuts, layoffs

Credit crisis impacting short- and long-term borrowing

Most states in recession



State Budgets: Flat and Declining Expenditure Growth



**31-year historical average rate of growth is 6.3 percent*

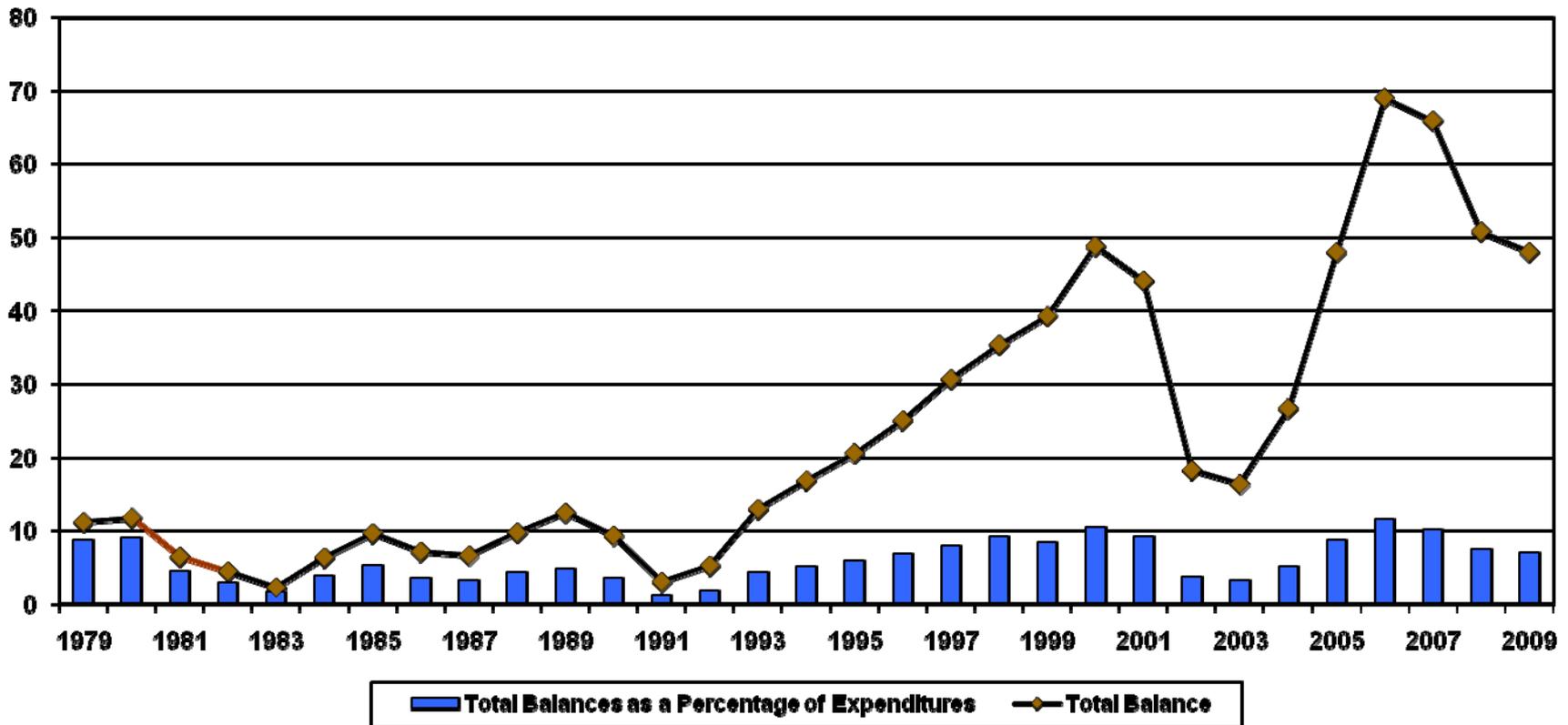
***Fiscal 08 numbers are preliminary actual*

****Fiscal 09 numbers are appropriated*

Source: NASBO December 2008 Fiscal Survey of States

State Balances Declining

**Total Year-End Balances and Total Year-End Balances as a Percentage of Expenditures,
Fiscal 1979-Fiscal 2009 (Appropriated)**



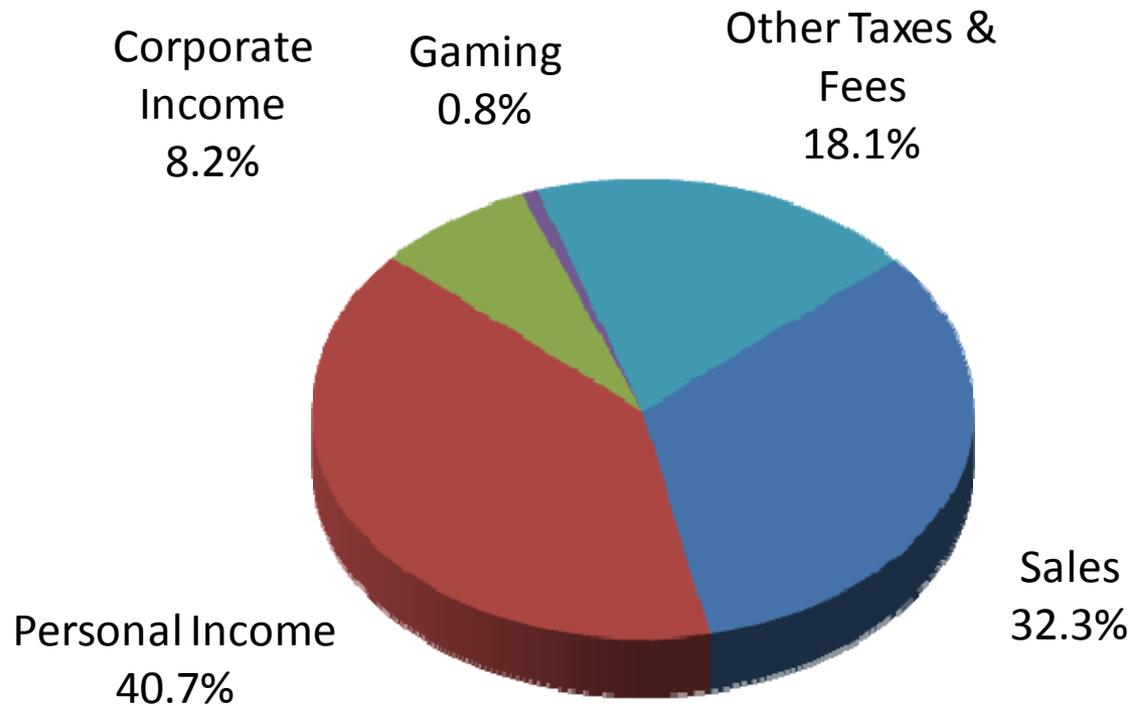
*31-year historical average is 5.7%

Source: NASBO December 2008 Fiscal Survey of States



Revenue and Volatility

All States: Revenue Sources in General Fund





Volatility

Most large states have volatile revenue

Dependent on wealthiest taxpayers

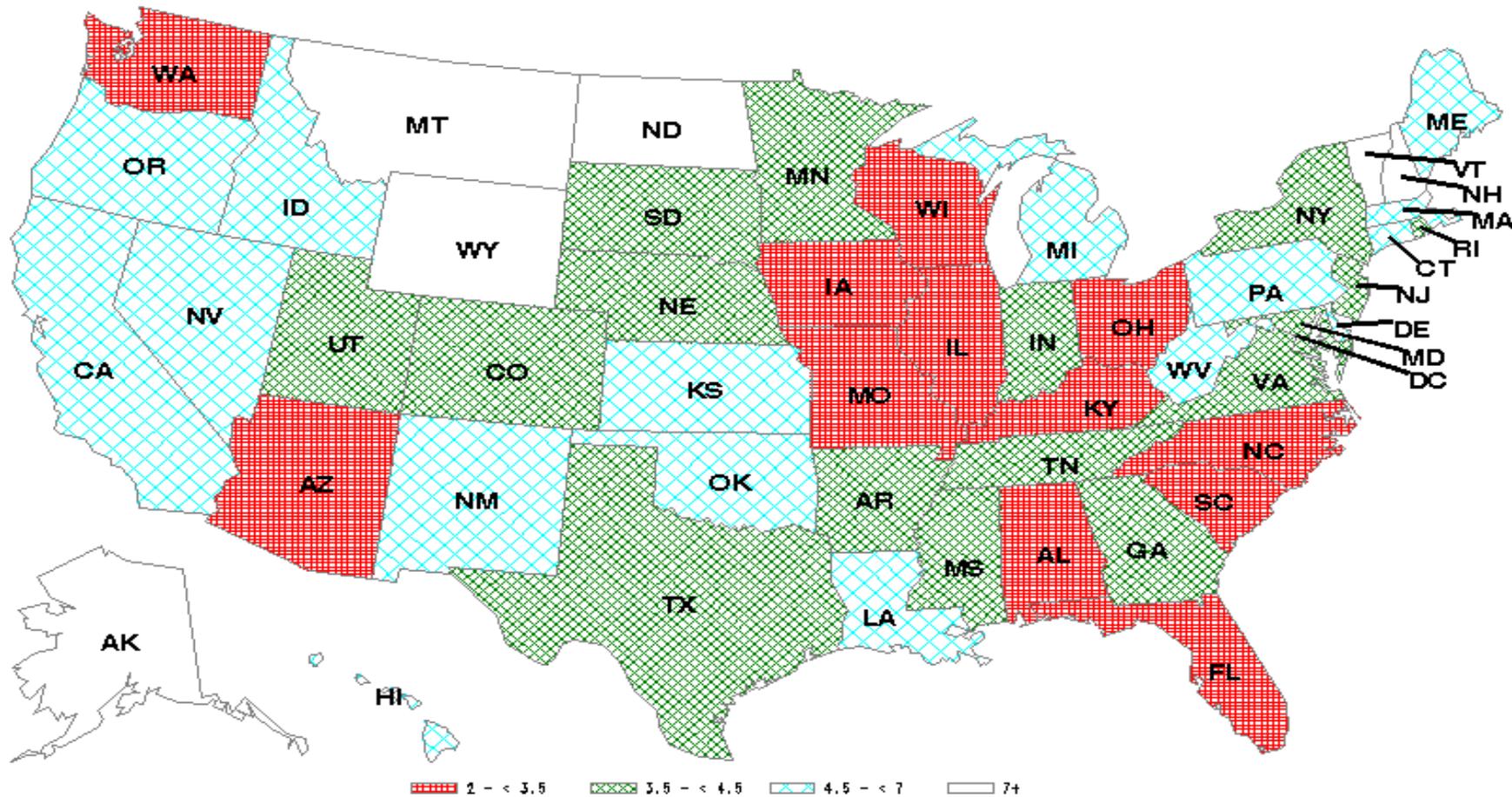
Lack of stability

Lack of predictability

Severe cuts and large swings in spending

Volatility Across the Nation

State government tax volatility 1986—2005
Based on year-to-year percentage change in real per-capita tax revenue



Source: U.S. Bureau of the Census



Volatility: State Ratings

California ranked as 9th most volatile state between 1986-2005

Only AK, NH, VT, MT, WY, ND, OR, CT more volatile

Alaska rated as most volatile (dependent on oil prices)

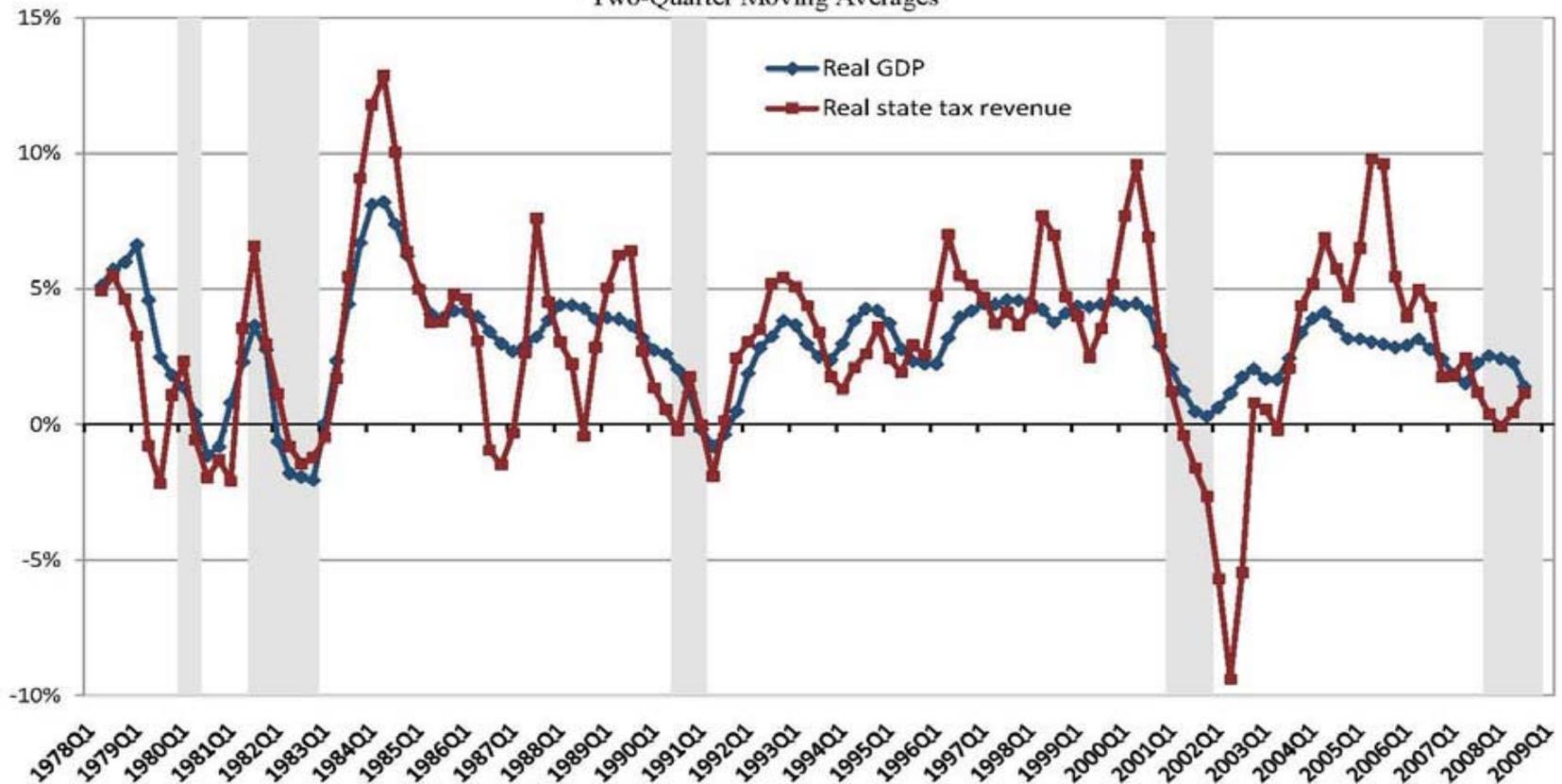
Most of least volatile in Midwest and South

Source: Rockefeller Institute, SUNY-Albany



Revenue/Financial Management

Figure 4
State Tax Revenue Is Heavily Influenced By Economic Changes
Percent Change in Real State Government Taxes and Real GDP vs. Year Ago
Two-Quarter Moving Averages



Sources: U. S. Census Bureau (Quarterly tax collections); Bureau of Economic Analysis (real GDP).

Notes: (1) Percentage changes averaged over 2 quarters; (2) No legislative adjustments; (3) Recession periods are shaded.



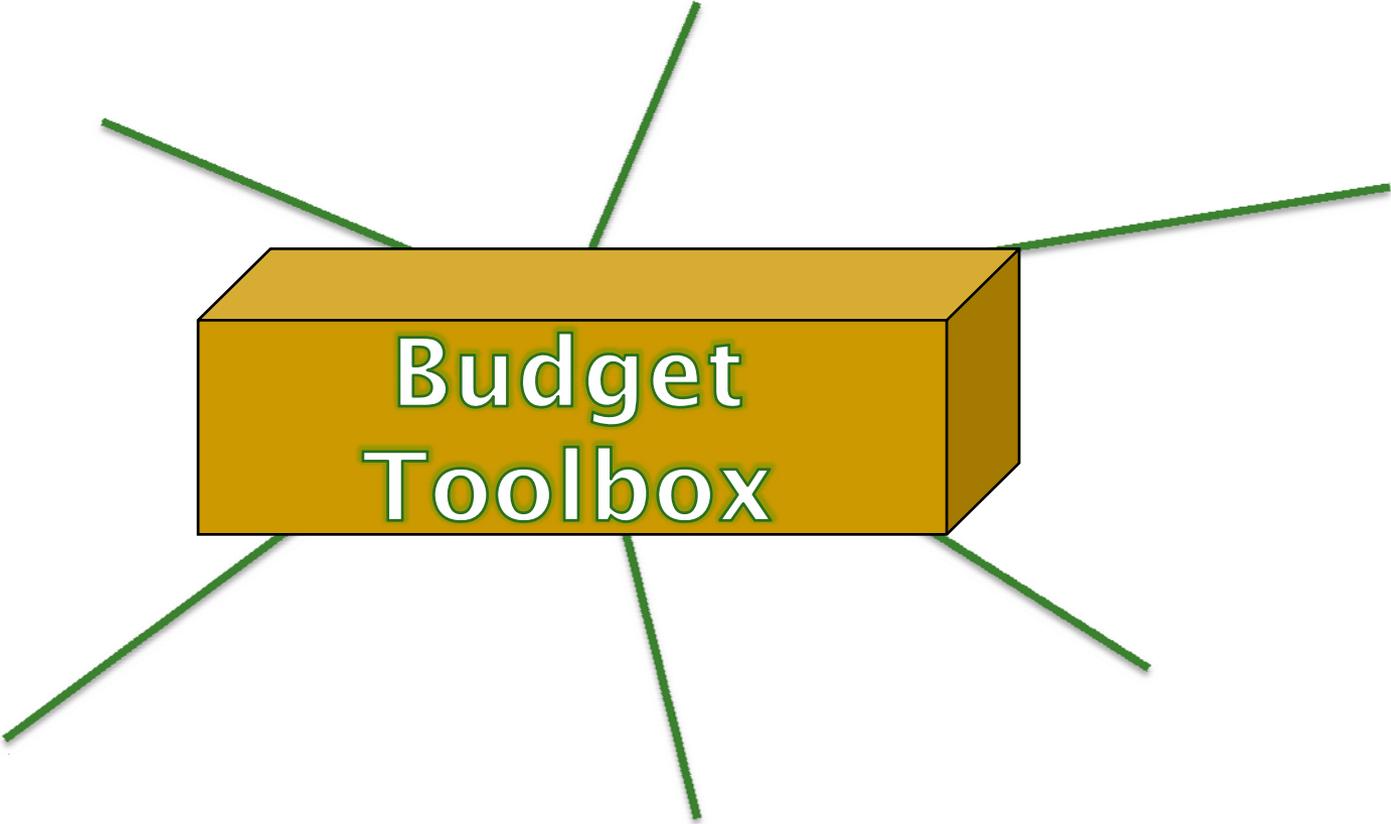
Volatile Financial Management

Spending fluctuations

Higher education cycle

Budget cuts

Debt adds up – in a balanced budget environment, less money for substantive things over time



Budget
Toolbox

A central 3D orange box with the text "Budget Toolbox" is surrounded by six green lines radiating outwards, suggesting various components or tools within the toolbox.



www.nasbo.org

