



State Budgets

Webcast

December 16, 2008

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National Association of State Budget Officers***





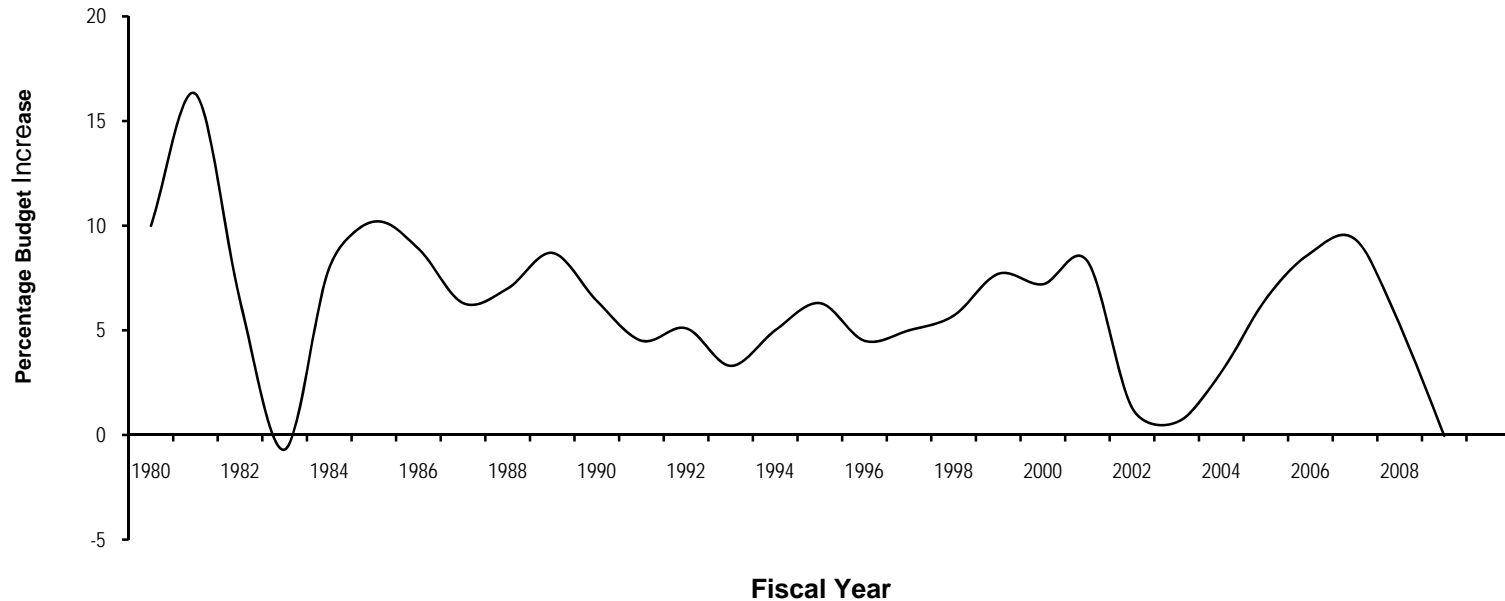
Recent State Fiscal Situation

- **Flat spending/declining revenue**
- **Shortfalls in the billions**
- **Across the board budget cuts, layoffs**
- **Credit crisis impacting short- and long-term borrowing**
- **Most states in recession**
- **Most states at some risk**



Flat and Declining Expenditure Growth

Annual Percentage Budget Increases, Fiscal 1980 to Fiscal 2009



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

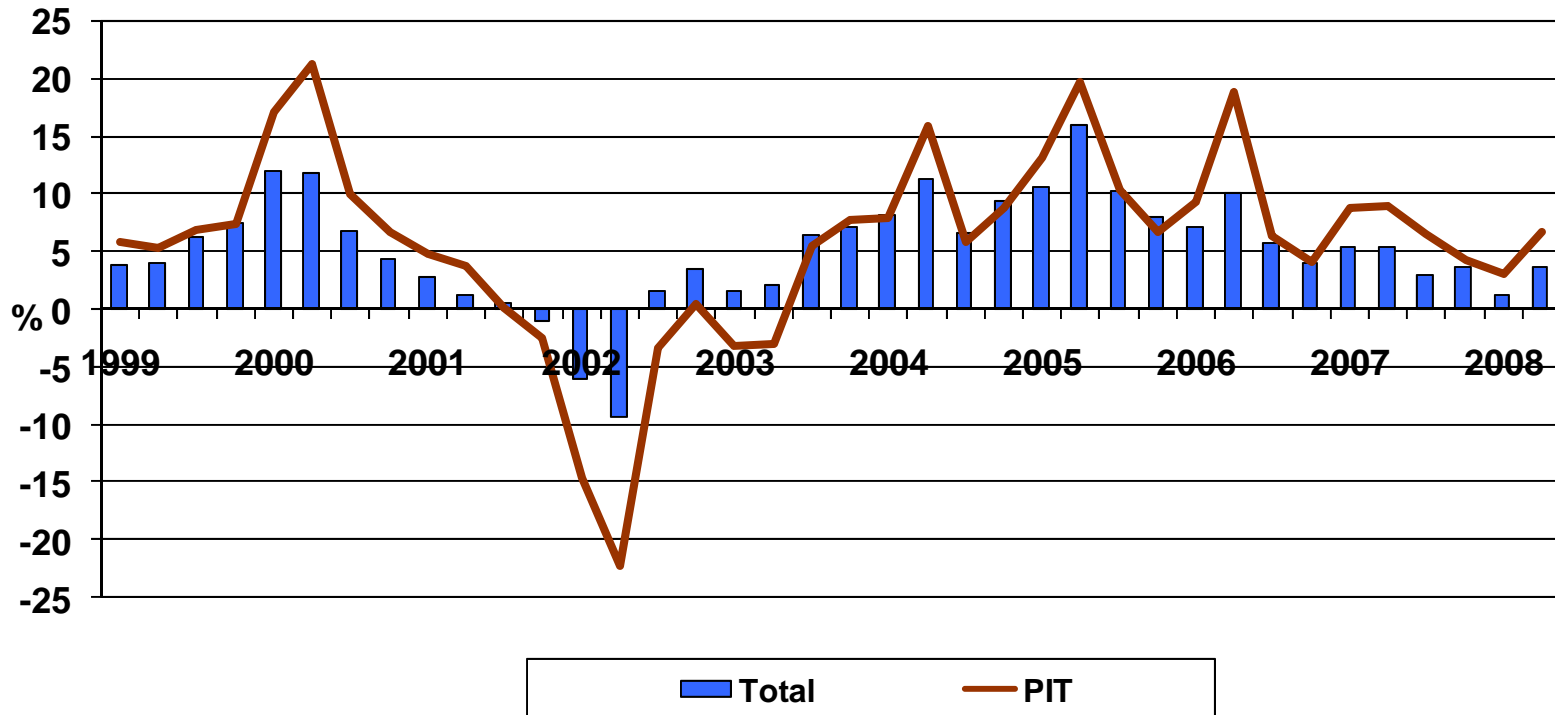
***Fiscal 08 numbers are preliminary actual*

****Fiscal 09 numbers are appropriated*

Source: Preliminary NASBO December 2008 Fiscal Survey of States

Before September, Revenue Relatively Strong

Year-Over-Year Real Change in Quarterly State Tax Revenue



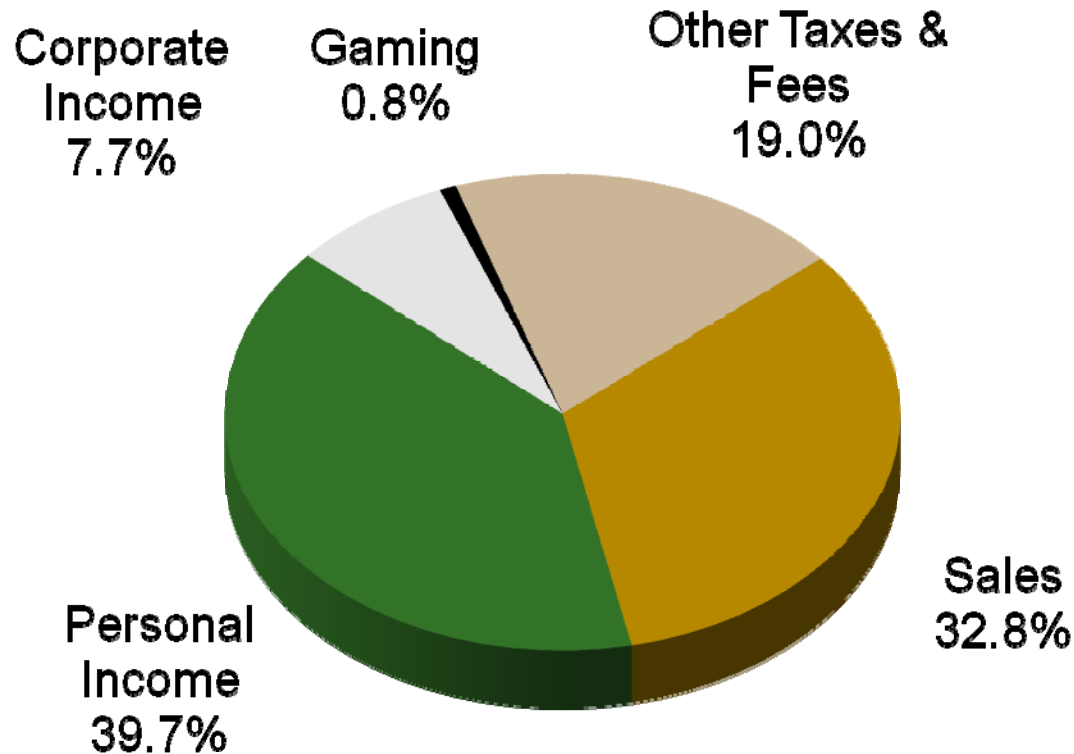
Source: Rockefeller Institute of Government; U.S. Census Bureau



3rd Quarter Revenue Trends

- **The revenue data lags**
- **Overall revenue growth of 0.1%**
 - **-2.6% growth when adjusted for inflation**
- **Sales tax collections declined 0.7%, corporate income declined 15.3%, and personal income grew at a weak 1.5%**

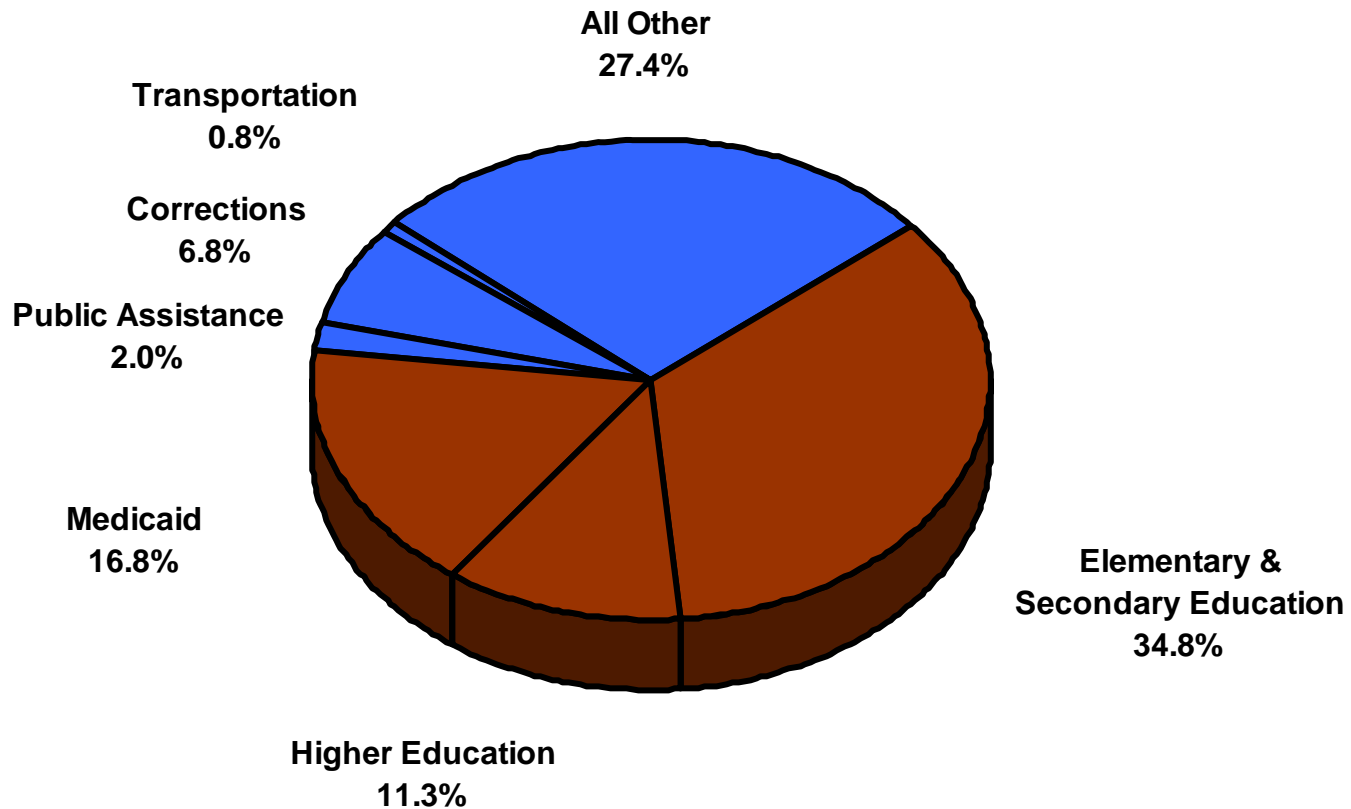
Revenue Sources in General Fund



Source: NASBO 2006 State Expenditure Report

General Fund Expenditures: Corrections Nearly 7%

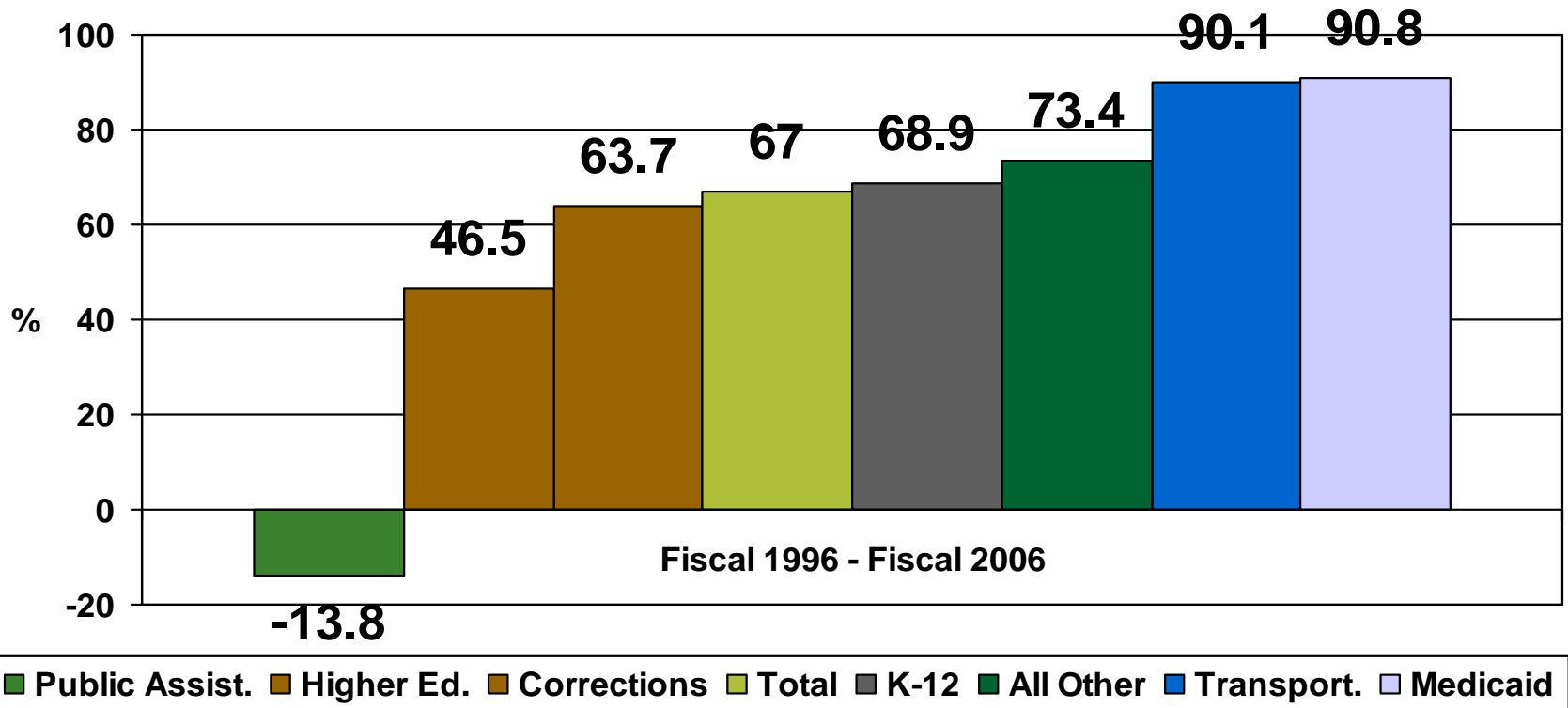
General Fund Expenditures by Function, Fiscal 2006



Source: NASBO 2006 State Expenditure Report

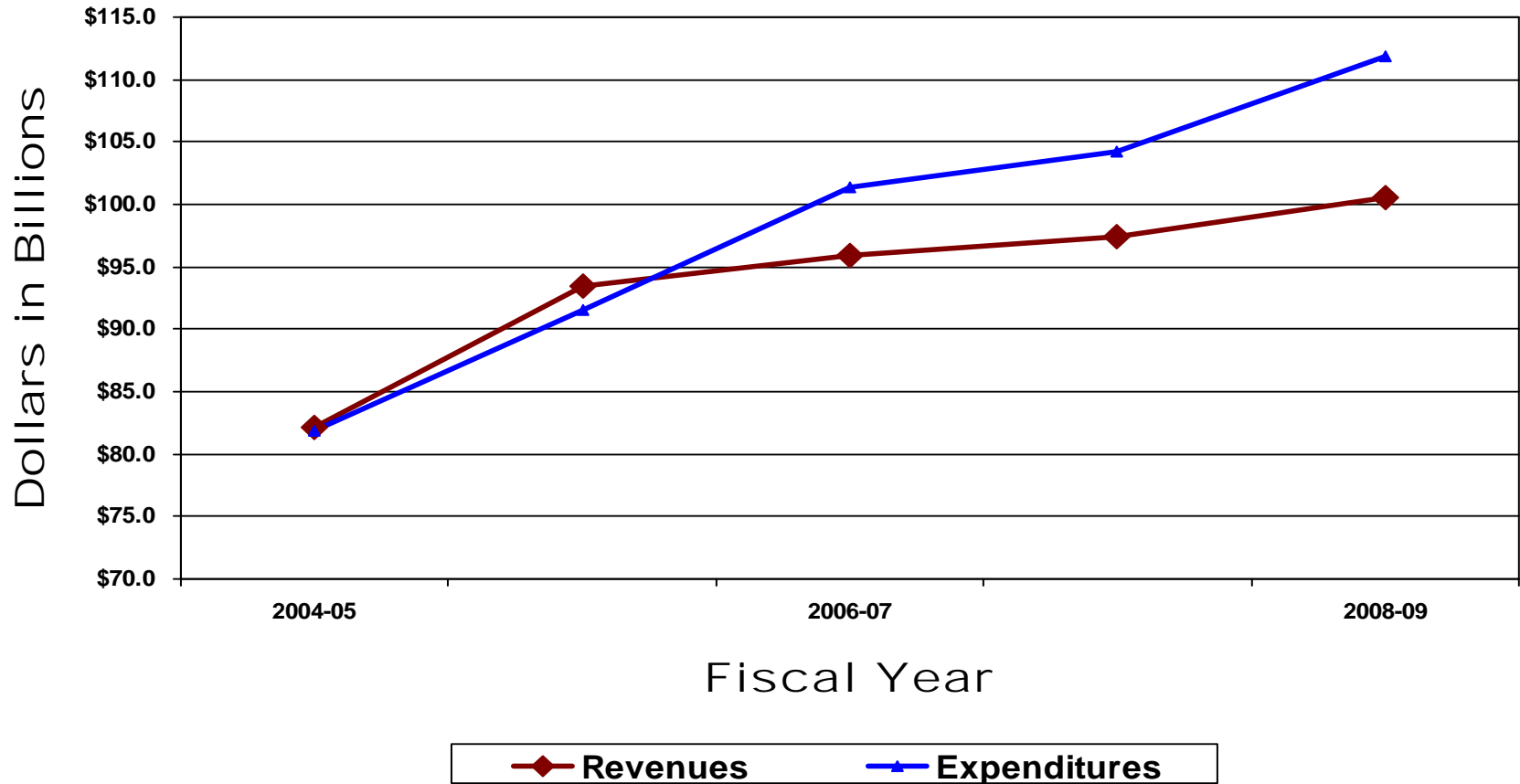
Corrections: Growth in Spending, but Outpaced by Other Areas

**Percentage Growth in Spending Categories
Between Fiscal 1996 and Fiscal 2006 (General Fund)**



Sources: NASBO 1997 and 2006 State Expenditure Reports

Structural Imbalance: The Example of California



*2008-09 is projected workload budget

Source: California Governor's Budget 2008-09



Silver Lining?

- **Efficiencies**
- **Priorities**
- **Public-private partnerships**
- **Outsourcing**
- **Necessary reforms in Sentencing**



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