

## Fiscal Highlights

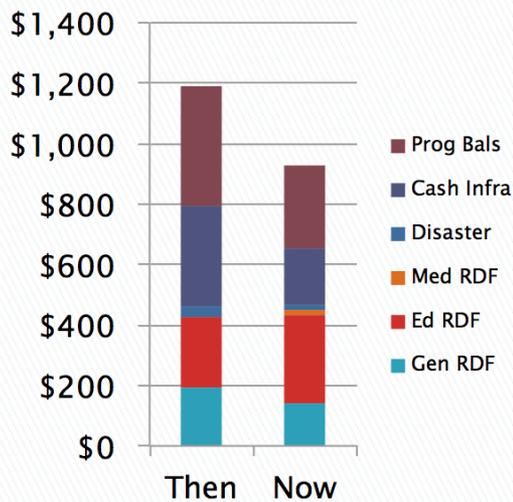
### State Budget Lessons Learned at the 2015 NCSL Annual Summit - Andrea Wilko

State budgets have grown for the past five years at historically slow rates. In spite of this, financial conditions in most states appear to be improving. Nationwide state budgets are expected to grow at approximately 3.1 percent in FY 2016. However, states continue to face a number of challenges including the following:

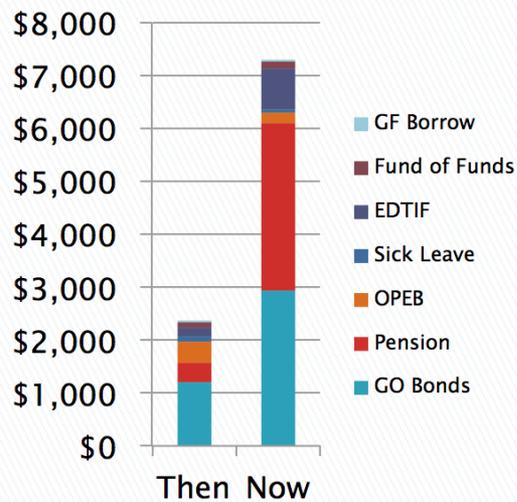
1. Increased revenue volatility
2. Decreased federal funding
3. Decreased labor force participation

Revenue growth remains slow due to employment and wage constraints. Reserve funds remain lower than pre-recession levels and unfunded liabilities are at historical highs for many states. Using Utah as an example, pre-recession obligations were just over \$2 billion compared to obligations over \$7 billion today. The increase is largely attributed to increased pension obligations and bonding, a common factor for most states.

## 2008 vs. 2014



Reserves (millions)



Obligations (millions)

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Total state spending nationwide has experienced funding and programmatic shifts since 2009. Over the past four fiscal years, spending from states' own revenue sources has moderately grown each year, while total state expenditure levels (including all state and federal funds) have been more volatile due to the impact of federal funding changes. Federal funds to states have fluctuated as a result of both the Affordable Care Act and the Recovery Act. States remain concerned about long-term spending pressures including increasing costs in healthcare, education, infrastructure, and pensions.

State budgets are projected to grow again in FY 2016 for a sixth consecutive year, extending the period of fiscal prosperity for states. Most states continue on a path of stable, moderate spending and revenue growth, though some states face budget challenges that will need to be addressed going forward. Long-term spending pressures on K-12 education, health care, pensions and other critical areas continue to grow, often faster than state revenue growth. Overall, state finances continue to improve, but growth remains slow.