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Business Cycle Management

Moving Beyond Revenue Volatility and Trend Analysis

Paradox

- Citizens expect markets will be volatile.
- Citizens expect governments will be stable.

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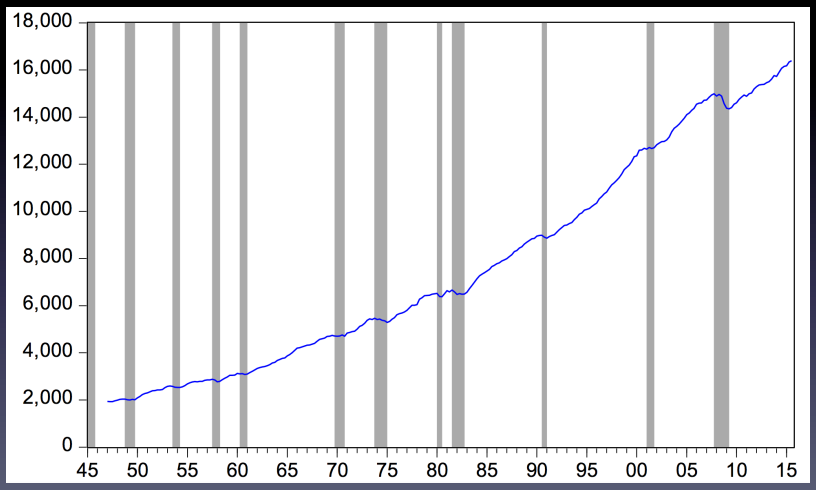
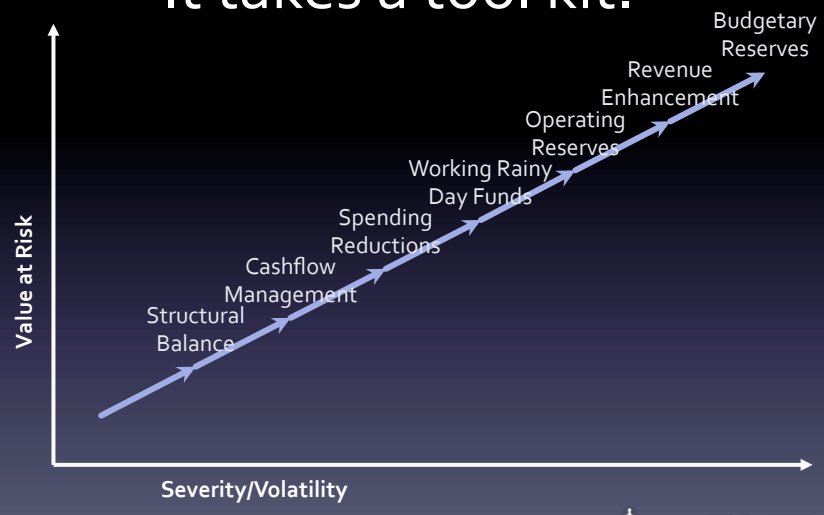
Business Cycle (US GDP, $B)



It takes a tool kit.



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Making Good Progress

- Raised limits on Rainy Day Funds
  - 9% GF/11% EF Approps
  - Deposited $59 million to Education Rainy Day Fund
- Funded 1.1% Capital Improvements Ongoing ($111 million)
  - Increase of $65 m ongoing
- Paid-off $331 m in GO Debt
- Increased Working Rainy Day Fund
  - $49 m more cash for buildings
  - $26 m more cash for roads
- Deposited $9 m to Medicaid Restricted Account

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Still Some Headwinds

- $470 million in new GO Bond Authorization
- Informal Reserves Declined
  - $15 m less in Nonlapsing Balances
  - $31 m less in GF Restricted Account Balances
- Several Reserves are Stagnant
  - General Rainy Day ($8 m since FY 12)
  - Disaster Recovery ($4 m since FY 12)
  - Medicaid Rainy Day (last year was first dep.)

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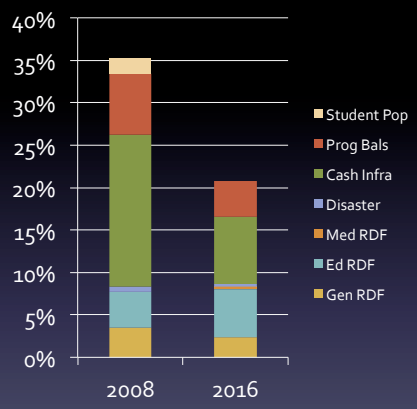
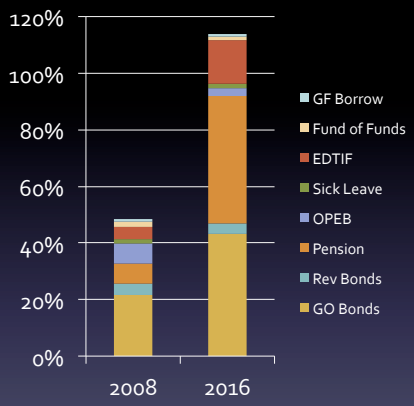
Now and Then – Reserves & Obligations



Reserves (% GF/EF)



Obligations (% GF/EF)

*2016 General Fund Restricted Balances = $187 million. A similar amount for FY 2008 is not available.

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1st Question:

Can We Sustain Current Budget?

One Answer:

Stress Testing

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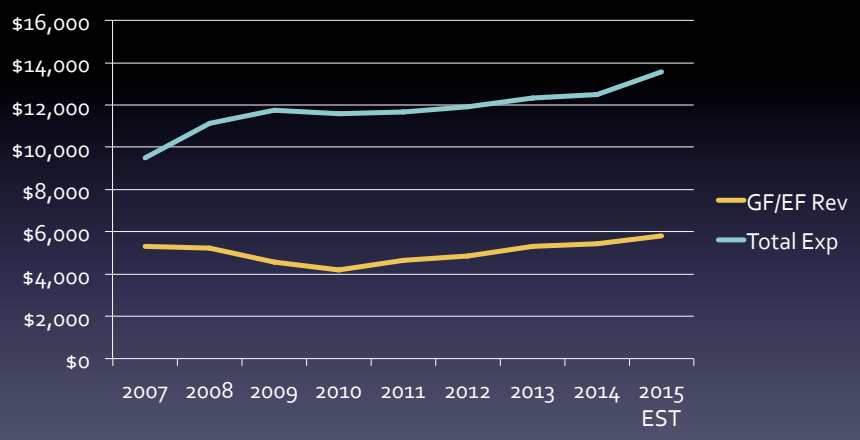
Stress Testing ($ in M)



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Stress Testing

- Add Spending Side to Revenue Volatility
  - Medicaid
  - Higher Education, etc.
- Apply Federal Reserve Economic Scenarios
- Measure Exposure
- Compare to Coverage

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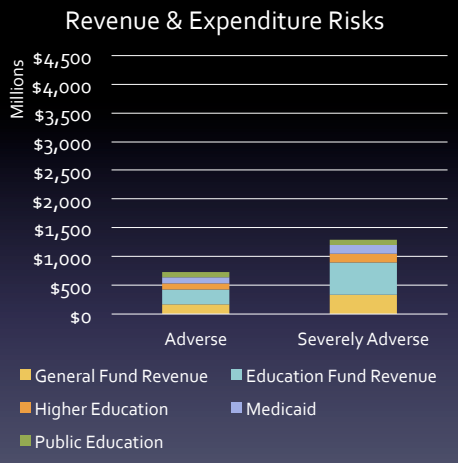
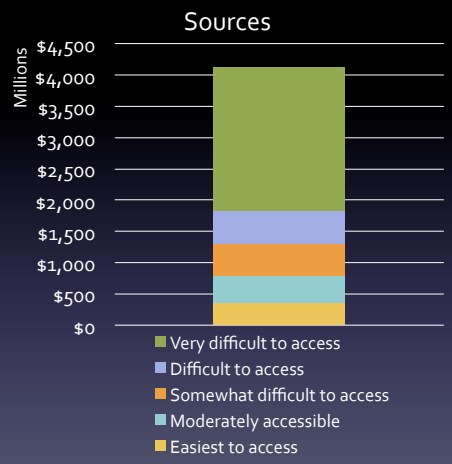
How Much New Can We Afford?





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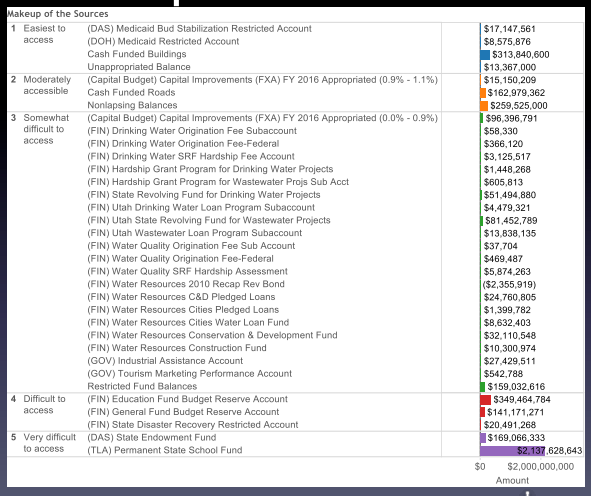
Makeup of the Sources



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2nd Question:

How Much of A New Ongoing Commitment Can We Sustain?

One Answer:

Trend Analysis

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