



Issue Brief: State Budgets and Credit Ratings

CAPITAL FACILITIES AND GOVERNMENT OPERATIONS

BB: DEBT SERVICE

SUMMARY

States across the nation have seen a drastic reduction of revenues flowing into state coffers. As of December 2008 forty-two of the fifty states are facing budget deficits.

DISCUSSION AND ANALYSIS

The following table, compiled by Standard and Poor’s rating agency, details the budget deficit positions of the 50 states.

<u>State</u>	<u>General Fund FY2009 Deficit</u>	<u>% of General Fund Budget</u>	<u>Available Reserves</u>
Alabama	\$ 128,000,000	6.2%	\$ 200,000,000
Alaska	\$ -	0.0%	\$ 10,350,000,000
Arizona	\$ 1,200,000,000	12.0%	\$ -
Arkansas	\$ -	0.0%	\$ 310,000,000
California	\$ 14,800,000,000	14.6%	\$ -
Colorado	\$ -	0.0%	\$ 302,000,000
Connecticut	\$ 285,000,000	1.7%	\$ 1,382,000,000
Delaware	\$ 180,000,000	6.5%	\$ 186,000,000
Florida	\$ 2,142,000,000	8.3%	\$ 1,672,000,000
Georgia	\$ 1,400,000,000	8.0%	\$ 1,010,000,000
Hawaii	\$ 295,000,000	5.7%	\$ 102,000,000
Idaho	\$ 174,000,000	5.9%	\$ 325,000,000
Illinois	\$ 2,011,000,000	6.4%	\$ 100,000,000
Indiana	\$ 763,000,000	5.7%	\$ 1,400,000,000
Iowa	\$ 137,000,000	2.2%	\$ 620,000,000
Kansas	\$ 211,000,000	3.7%	\$ 110,000,000
Kentucky	\$ 456,000,000	5.1%	\$ 226,000,000
Louisiana	\$ -	0.0%	\$ 775,000,000
Maine	\$ 140,000,000	0.5%	\$ 170,000,000
Maryland	\$ 432,000,000	3.0%	\$ 976,000,000
Massachussets	\$ 1,400,000,000	5.0%	\$ 1,700,000,000
Michigan	\$ 540,000,000	2.3%	\$ 2,000,000
Minnesota	\$ 426,000,000	1.2%	\$ 505,000,000
Mississippi	\$ 1,700,000,000	1.0%	\$ 213,000,000
Missouri	\$ 342,000,000	4.0%	\$ 335,000,000
Montana	\$ 65,000,000	3.5%	\$ 368,000,000
Nebraska	\$ 56,000,000	1.5%	\$ 574,000,000
Nevada	\$ 751,000,000	20.0%	\$ 456,000,000
New Hampshire	\$ 100,000,000	4.2%	\$ 89,000,000
New Jersey	\$ 1,200,000,000	3.6%	\$ 600,000,000
New Mexico	\$ 384,000,000	6.4%	\$ 218,000,000
New York	\$ 1,700,000,000	3.1%	\$ 1,200,000,000
North Carolina	\$ 1,200,000,000	5.6%	\$ 800,000,000
North Dakota	\$ -	0.0%	\$ 1,150,000,000
Ohio	\$ 1,180,000,000	6.1%	\$ 1,082,000,000
Oklahoma	\$ -	0.0%	\$ 572,000,000
Oregon	\$ 166,000,000	2.3%	\$ 734,000,000
Pennsylvania	\$ 658,000,000	2.3%	\$ 756,000,000
Rhode Island	\$ 358,000,000	11.5%	\$ 70,000,000
South Carolina	\$ 103,000,000	10.0%	\$ 108,000,000
South Dakota	\$ 15,000,000	1.0%	\$ 107,000,000
Tennessee	\$ 884,000,000	7.0%	\$ 1,600,000,000
Texas	\$ -	0.0%	\$ 11,700,000,000
Utah	\$ 350,000,000	6.9%	\$ 395,000,000
Vermont	\$ 66,000,000	5.8%	\$ 112,000,000
Virginia	\$ 1,138,000,000	6.9%	\$ 1,014,000,000
Washington	\$ 413,000,000	2.7%	\$ 23,000,000
West Virginia	\$ -	0.0%	\$ 581,000,000

Source: Standard and Poor’s RatingsDirect
December 19, 2008 *U.S. State Brace for
Difficult Budget Environment In 2009*

General Fund deficits in the forty-two states range from less than 1% (Mississippi) to 20% (Nevada). Utah falls in the middle of that range with a General Fund deficit of approximately 7% in FY 2009 (not including the September Special Session). California has the largest deficit at \$14.8 billion, which is almost 15% of their state's total General Fund budget.

Of the forty-two states with General Fund budget deficits, all but two have reserve funds like Utah's Rainy Day Fund to use to offset some of the deficits. These reserves may be helpful to states to offset some budget deficits; however, rating agencies will be closely monitoring how states use these funds. Standard and Poor's stresses the importance of fiscal prudence and structural balance including adjustments to expenditures. States that rely solely on budget reserves to weather the current economic storm could see potential rating impacts to their state bond ratings if the economy continues to decline and/or remain stagnant. Currently the state has \$186 million in the General Fund Budget Reserve Account, \$227 million in the Education Budget Reserve Account, and \$19 million in the Disaster Recovery Restricted Account.

CONCLUSION

Utah is not alone in facing revenue shortfalls in the current fiscal year. All but eight other states, mainly energy producing states, are in a similar situation. The three credit rating agencies will be watching Utah and the other states to see how we adapt to the changing economic situation. The State currently maintains an AAA bond rating. Fiscal prudence and a balanced budget have contributed to that achievement.