State Fiscal and Economic Outlook
Presentation to The Council of State Governments’ Executive Committee
2009 Spring Conference
Coeur d’Alene, Idaho
May 18, 2009

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Southern Legislative Conference (SLC)
State Outlook

Length of Contraction Period (in months)

August 1933 - March 1939: 43 months
May 1937 - June 1938: 13 months
February 1945 - October 1945: 8 months
November 1948 - October 1949: 11 months
July 1953 - May 1954: 10 months
August 1957 - April 1958: 8 months
April 1960 - February 1961: 10 months
December 1969 - November 1970: 11 months
January 1973 - March 1975: 16 months
July 1980 - July 1982: 6 months
March 1991 - November 2001: 8 months
December 2007 - ?: 18 months
State Outlook

Comparison of Jobs Lost and Trajectory of National Unemployment Rate
December 2007 - April 2009


Note: Numbers for March & April 2009 are preliminary as of 5/8/2009
State Outlook

Total state budget shortfall in each fiscal year, in billions

<table>
<thead>
<tr>
<th>Year</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Last recession</td>
<td>-$40</td>
<td>-$75</td>
<td>-$80</td>
<td>-$45</td>
<td>-$101</td>
<td>-$105</td>
<td>-$145</td>
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<tr>
<td>Estimate</td>
<td></td>
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<td>-$145</td>
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<tr>
<td>Estimate</td>
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<tr>
<td>-$180</td>
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</tr>
</tbody>
</table>

Source:
Center on Budget and Policy Priorities
# State Outlook

## States with Projected FY 2010 Budget Shortfalls

<table>
<thead>
<tr>
<th>State</th>
<th>Shortfall as a Percent of FY 2009 General Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>29.8%</td>
</tr>
<tr>
<td>California</td>
<td>25.6%</td>
</tr>
<tr>
<td>Connecticut</td>
<td>23.1%</td>
</tr>
<tr>
<td>Delaware</td>
<td>15.3%</td>
</tr>
<tr>
<td>Florida</td>
<td>22.6%</td>
</tr>
<tr>
<td>Hawaii</td>
<td>11.9%</td>
</tr>
<tr>
<td>Idaho</td>
<td>13.9%</td>
</tr>
<tr>
<td>Iowa</td>
<td>12.2%</td>
</tr>
<tr>
<td>Kansas</td>
<td>16.7%</td>
</tr>
<tr>
<td>Louisiana</td>
<td>21.7%</td>
</tr>
<tr>
<td>Georgia</td>
<td>14.5%</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>11.0%</td>
</tr>
<tr>
<td>Minnesota</td>
<td>14.7%</td>
</tr>
<tr>
<td>Nevada</td>
<td>30.0%</td>
</tr>
<tr>
<td>New Jersey</td>
<td>12.3%</td>
</tr>
<tr>
<td>New York</td>
<td>24.3%</td>
</tr>
<tr>
<td>North Carolina</td>
<td>15.3%</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>13.7%</td>
</tr>
<tr>
<td>Utah</td>
<td>12.1%</td>
</tr>
<tr>
<td>Vermont</td>
<td>20.8%</td>
</tr>
<tr>
<td>Virginia</td>
<td>10.4%</td>
</tr>
<tr>
<td>Washington</td>
<td>18.2%</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>20.3%</td>
</tr>
<tr>
<td>U.S. Average</td>
<td>15.9%</td>
</tr>
</tbody>
</table>
State Outlook

Consumer Confidence Index
January 2008 through February 2009 (1985 = 100)
State Outlook

Trajectory of the S&P 500 Stock Index
October 7, 2007 - February 5, 2009

Source:
http://moneycentral.msn.com
State Outlook

Credit Freezes

- Revenue Shortfalls
- Confidence Drops
- Output Declines
- Housing/Mortgage Meltdown
State Outlook

State Strategies to Deal with Looming Shortfalls:

1. Slashing Spending
2. Tapping ‘Rainy Day’ Funds
3. Expanding Gaming
4. Raising Taxes and Fees
States still have to contend with surging expenditures in a number of major categories:

- Healthcare
- Education
- Public Pensions
- Emergency Management
- Unemployment Insurance
- Transportation
- Infrastructure
State Outlook: “Green Shoots of Growth”
State Outlook: “Green Shoots of Growth”

✓ Federal Reserve Bank statement on April 30, 2009 that “the pace of economic contraction was somewhat slower.”

✓ Positive nuggets from the housing sector indicating that the rate of decline may be slowing.
State Outlook

Housing Starts: Monthly Data, June 2008 - March 2009 (Thousands of Units)

Source:
U.S. Census Bureau
State Outlook: “Green Shoots of Growth”

Municipals Volume
January 1 - March 31, 2009

Proceeds (US$m)
0 20,000 40,000 60,000 80,000 100,000 120,000
2000 2001 2002 2003 2004 2005 2006 2007 2008 2009

Par Amount

# of issues
0 500 1000 1500 2000 2500 3000 3500

Number of Issues
Even though the national unemployment rate spiked to 8.9 percent in April 2009 and the American job market remains dreadful, it is worsening at a slower pace.

Rise in consumer spending in first quarter of 2009, after two consecutive quarters of declines.
State Outlook: “Green Shoots of Growth”

✓ U.S. manufacturing activity ticked up in April for the third straight month, although industry still remains in contraction.

✓ Consumer confidence index rose in April 2009 to highest level in 2009.

✓ April 2009 was Wall Street’s best month in 9 years. U.S. stocks gained nearly $1 trillion in value, on paper, at least.
State Outlook: “Green Shoots of Growth”

- $1.3 billion international terminal set to employ 1,800 during construction phase – Atlanta, GA;
- 200 six-figure jobs in the nuclear-power unit of electronics giant, Toshiba – Charlotte, NC;
- Tennessee, Nissan and the TVA working proactively on an all-electric vehicle;
- Battery manufacturing research and development center to build more efficient lithium-ion battery cells for automobiles – Kentucky;
$500 million investment by SolarWorld to make solar cells – Hillsboro, OR;

Renewed interest in harvesting wind energy off the coasts of GA and NC along with wind energy projects emerging in OH, TN and AR; and

Discovery and development of natural gas shale estimated to generate 4,500 jobs and have a $2.3 billion economic impact – Fayetteville, AR.
Thank You

For Additional Information or Questions, Please Contact:

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