Fiscal Outlook for the States

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The Council of State Governments’
Southern Legislative Conference (SLC)
Fiscal Outlook for the States

Length of Contraction Period (In Months)

- August 1939 - March 1933: 43 months
- May 1937 - June 1938: 13 months
- November 1948 - October 1949: 8 months
- July 1953 - May 1954: 11 months
- April 1957 - April 1958: 10 months
- November 1969 - November 1970: 16 months
- January 1971 - July 1980: 6 months
- July 1981 - November 1982: 16 months
- March 2001 - November 2001: 8 months
- December 2007 - ?
Fiscal Outlook for the States

New Houses Sold and For Sale (in thousands)

<table>
<thead>
<tr>
<th>Region</th>
<th>December 2007</th>
<th>December 2008 (preliminary)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>600</td>
<td>331</td>
</tr>
<tr>
<td>Northeast</td>
<td>56</td>
<td>28</td>
</tr>
<tr>
<td>Midwest</td>
<td>74</td>
<td>51</td>
</tr>
<tr>
<td>South</td>
<td>335</td>
<td>181</td>
</tr>
<tr>
<td>West</td>
<td>135</td>
<td>71</td>
</tr>
</tbody>
</table>

Percent Change:
- United States: -44.8%
- Northeast: -50.0%
- Midwest: -31.1%
- South: -46.0%
- West: -47.4%

Source: Manufacturing, Mining, and Construction Statistics, U.S. Census Bureau
Fiscal Outlook for the States

New Privately-Owned Housing Units Started: Seasonally adjusted rate (in thousands of units)

<table>
<thead>
<tr>
<th>Region</th>
<th>December 2007</th>
<th>December 2008 (preliminary)</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>1,000</td>
<td>550</td>
<td>-45.0%</td>
</tr>
<tr>
<td>Northeast</td>
<td>101</td>
<td>62</td>
<td>-38.6%</td>
</tr>
<tr>
<td>Midwest</td>
<td>137</td>
<td>80</td>
<td>-41.6%</td>
</tr>
<tr>
<td>South</td>
<td>549</td>
<td>277</td>
<td>-49.5%</td>
</tr>
<tr>
<td>West</td>
<td>213</td>
<td>131</td>
<td>-38.5%</td>
</tr>
</tbody>
</table>

Source: Manufacturing, Mining, and Construction Statistics, U.S. Census Bureau
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FDIC-Insured Bank Failures: February 2007 - February 2009

Total Failures: 38

- States with Bank Failures

Source: Federal Deposit Insurance Corporation
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- FDIC's Bank Fund Dropped to Lowest Point in 25 Years ($19 Billion) in 2008;
- At the end of 2007, the FDIC Bank Fund had $52 Billion;
- Number of Banks at Risk of FailureNearly Doubled Last Year and the Nation's Banks Lost $26.2 Billion in 4th Quarter 2008;
- Already in 2009, 14 Banks have Failed with 25 Banks Failing in 2008 compared to 3 in 2007;
- FDIC Has 252 Banks on 'Watch List' compared to 76 Banks in 2007.
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Annual Bond Sales: 1998-2008

*Dollars in billions

**As of Dec. 30

Source: Thomson Reuters
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Consumer Confidence Index
January 2008 through February 2009
(1985 = 100)
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Trajectory of the S & P 500 Stock Index, January 2007 to June 2009
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Total state budget shortfall in each fiscal year, in billions

2009: $94 reported to date  2010: $99
2011: Estimate $145

Source:
Center on Budget and Policy Priorities
# Fiscal Outlook for the States

## 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>Maryland</td>
<td>12.5%</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>11.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>State</th>
<th>Shortfall as a Percent of FY 2009 General Fund</th>
</tr>
</thead>
<tbody>
<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>
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Civil Labor Force and Unemployment by State, Seasonally Adjusted
December 2008, Preliminary

Source:
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Percent Change in Medicaid Spending and Enrollment, FY 1998- FY 2009


NOTE: Enrollment percentage changes from June to June of each year. Spending growth percentage changes in state fiscal year. Figures for 2009 do not include CA.
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States with the Largest Increases in Medicaid Enrollment, from 2007 to 2008

<table>
<thead>
<tr>
<th>State</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utah</td>
<td>10.8%</td>
</tr>
<tr>
<td>Colorado</td>
<td>10.5%</td>
</tr>
<tr>
<td>Florida</td>
<td>10.4%</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>9.5%</td>
</tr>
<tr>
<td>Oregon</td>
<td>8.5%</td>
</tr>
<tr>
<td>New Mexico</td>
<td>8.3%</td>
</tr>
<tr>
<td>Indiana</td>
<td>7.7%</td>
</tr>
<tr>
<td>Iowa</td>
<td>6.6%</td>
</tr>
<tr>
<td>Georgia</td>
<td>6.3%</td>
</tr>
<tr>
<td>Nevada</td>
<td>6.3%</td>
</tr>
<tr>
<td>North...</td>
<td>6.3%</td>
</tr>
<tr>
<td>Arizona</td>
<td>6.1%</td>
</tr>
<tr>
<td>Washington</td>
<td>5.9%</td>
</tr>
<tr>
<td>Virginia</td>
<td>5.8%</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>5.6%</td>
</tr>
<tr>
<td>Ohio</td>
<td>5.3%</td>
</tr>
</tbody>
</table>
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State Strategies to Deal with Looming Shortfalls:

1. Slashing Spending
   ✓ Health programs (28 states)
   ✓ K-12 education (26 states)
   ✓ Elderly and disabled programs (22 states)
   ✓ Colleges and universities (32 states)
   ✓ State workforce (38 states)

2. Tapping ‘Rainy Day’ Funds

3. Expanding Gaming (Hawaii, Ohio, Wyoming, Nebraska, Maine, Kentucky, Pennsylvania)
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State Strategies to Deal with Looming Shortfalls (Cont):

4. Raising Taxes and Fees
   - CA (sales, income, vehicle tax)
   - WI (tax on hospital revenue and oil companies)
   - ID, MA, IL, OR, SD (gas tax)
   - NY (income tax for high-earners and 88 new fees/taxes)
   - GA and TX (transportation)
   - FL (reviewing sales tax exemptions and fees)
   - MS, FL, SC, KY, WI, AR, IL, RI, NC (cigarette tax)
   - Taxing Internet transactions (22 States)
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States still have to contend with surging expenditures in a number of major categories:

- Healthcare
- Education
- Public Pensions
- Emergency Management
- Unemployment Insurance
- Transportation
- Infrastructure
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Bright Sparks

• Solar Power Cell Manufacturing Plant – Atlanta, Georgia;
• $1.2 Billion Solar Electric Plant – Clarksville, Tennessee;
• $1 Billion Solar-Energy Cell Manufacturing Plant – Cleveland, Tennessee;
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Bright Sparks

- Wind Manufacturing Companies – Oklahoma;
- Wind Turbine Plant with 600 Workers – Butte, Montana;
- Four Wind Turbine Manufacturing Plants Employing 2,500 – Colorado;
- Wind Turbine Plant Employing 500 – Newton, Iowa;
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Bright Sparks: Wind Energy

America’s future wind web?

Before wind power can feed 20 percent of America’s energy diet, new high-voltage wires will need to connect turbines to cities. After mapping which areas of the country have both strong wind speeds and little human development, Ohio-based American Electric Power developed one possible plan for future power lines included in a US Department of Energy report on wind last year.

Wind Power Potential

- Fair
- Good
- Excellent
- Outstanding
- Superb

Conceptual 765 kV network

- Proposed network
- Existing high-power lines

Source: US Department of Energy and American Electric Power
Economic Status of the States

Bright Sparks

- $2.2 Billion Clean-Coal Plant – Meridian, Mississippi;
- 700 Job Expansion at Electric Boat – Groton, Connecticut;
- $4 Billion ThyssenKrupp steel plant (2,700 direct jobs) will begin on schedule in 2009 – Mobile County, Alabama
- $1.5 Billion Bio Tech Hub Estimated to Generate 30,000 Jobs – Kannapolis, North Carolina;
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Bright Sparks – N.C. Research Campus (NCRC), Kannapolis, North Carolina

- NCRC, $1.5 billion private-public venture created to foster collaboration and further knowledge in biotechnology, nutrition, agriculture, and health;
- Anchored by the David H. Murdock Research Institute will house over $150 million of state-of-the-art scientific equipment;
- Partial client list includes Anatomics, Carolinas Medical Center, Dole Foods Research & Development Group, Inception Micro Angel Fund, Lab Corp, Pharmaceutical Product Development and Red Hat;
- Universities involved include Duke University, UNC Chapel Hill, NC State University, UNC Charlotte, North Carolina Central University, NC A&T State University, UNC Greensboro and Rowan Cabarrus Community College.
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Bright Sparks

- Bio Science and Alternative Energy Research – Blue Springs, Missouri;
- $563 Million federal National Bio and Agro-Defense Facility – Manhattan, Kansas;
- IBM’s U.S expansions in East Lansing, Michigan (1,500 direct and indirect jobs) and Dubuque, Iowa (1,300 jobs);
- $3 Billion (Over 20 Years) Redevelopment of the Closed U.S. Navy Base – Charleston, South Carolina.
Fiscal Outlook for the States

Thank You

For Additional Information or Questions, Please Contact:

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