

Fiscal Outlook for the States

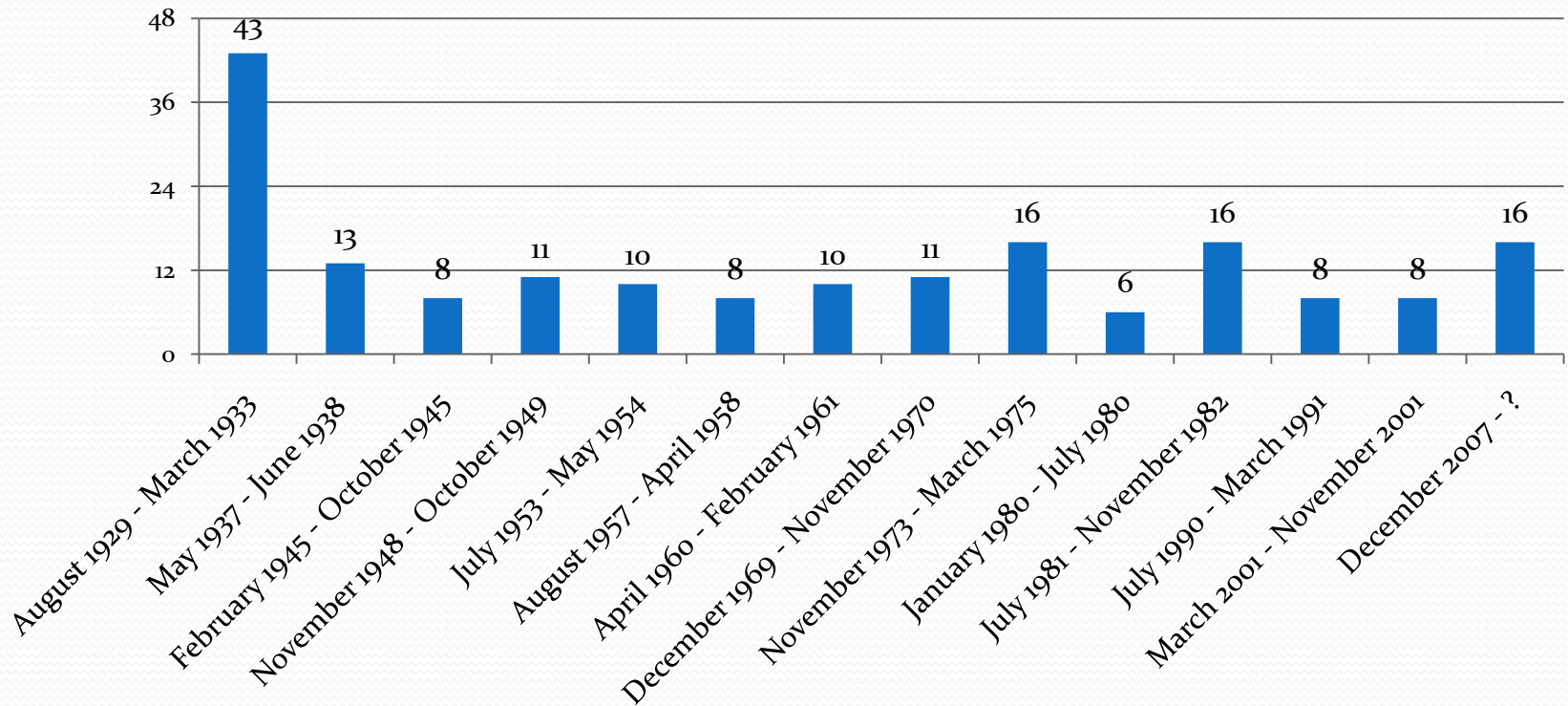
Presentation to the
Mississippi House of Representatives
Jackson, Mississippi
March 5, 2009

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The Council of State Governments'
Southern Legislative Conference (SLC)



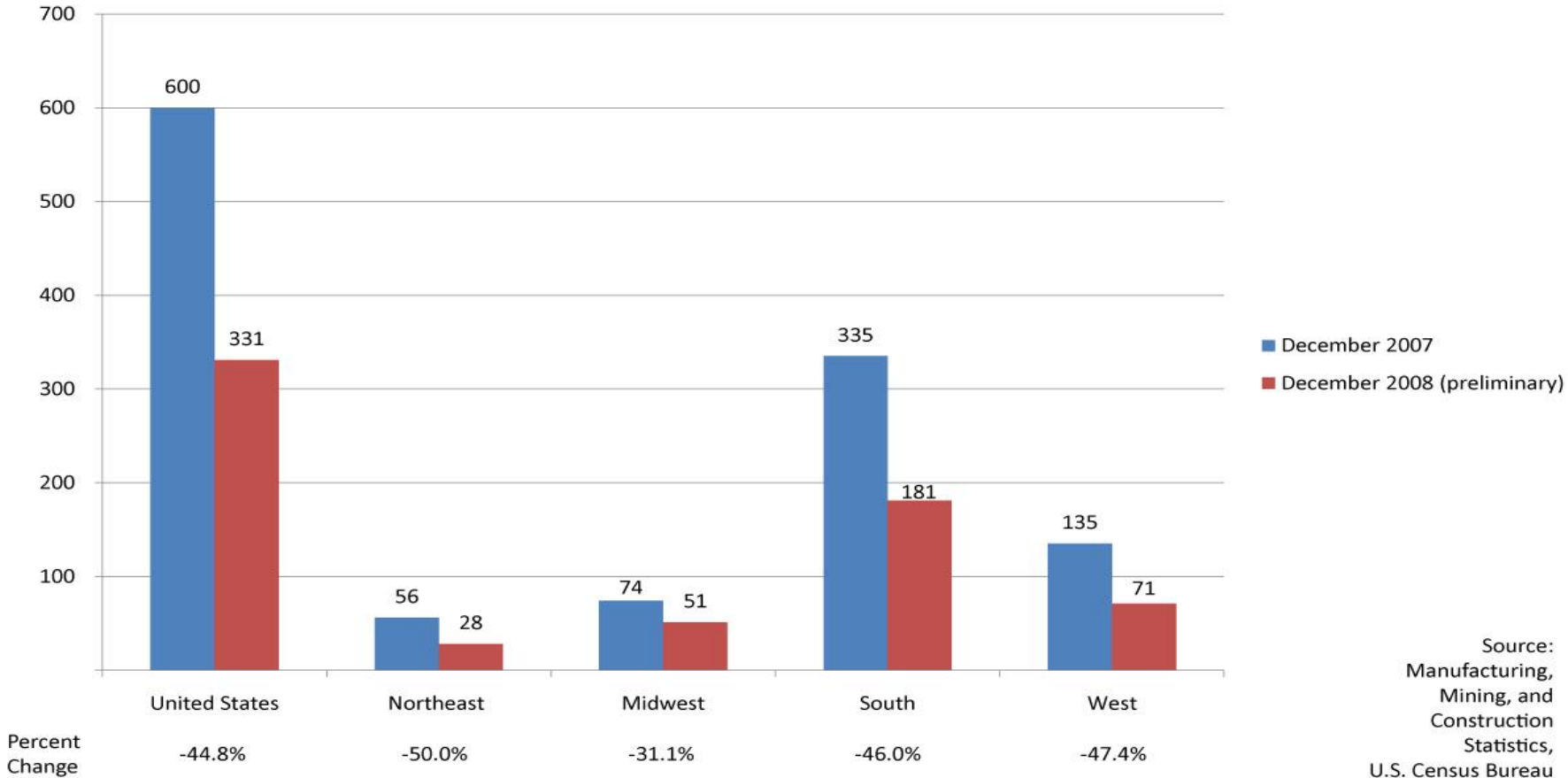
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Length of Contraction Period (In Months)



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New Houses Sold and For Sale (in thousands)

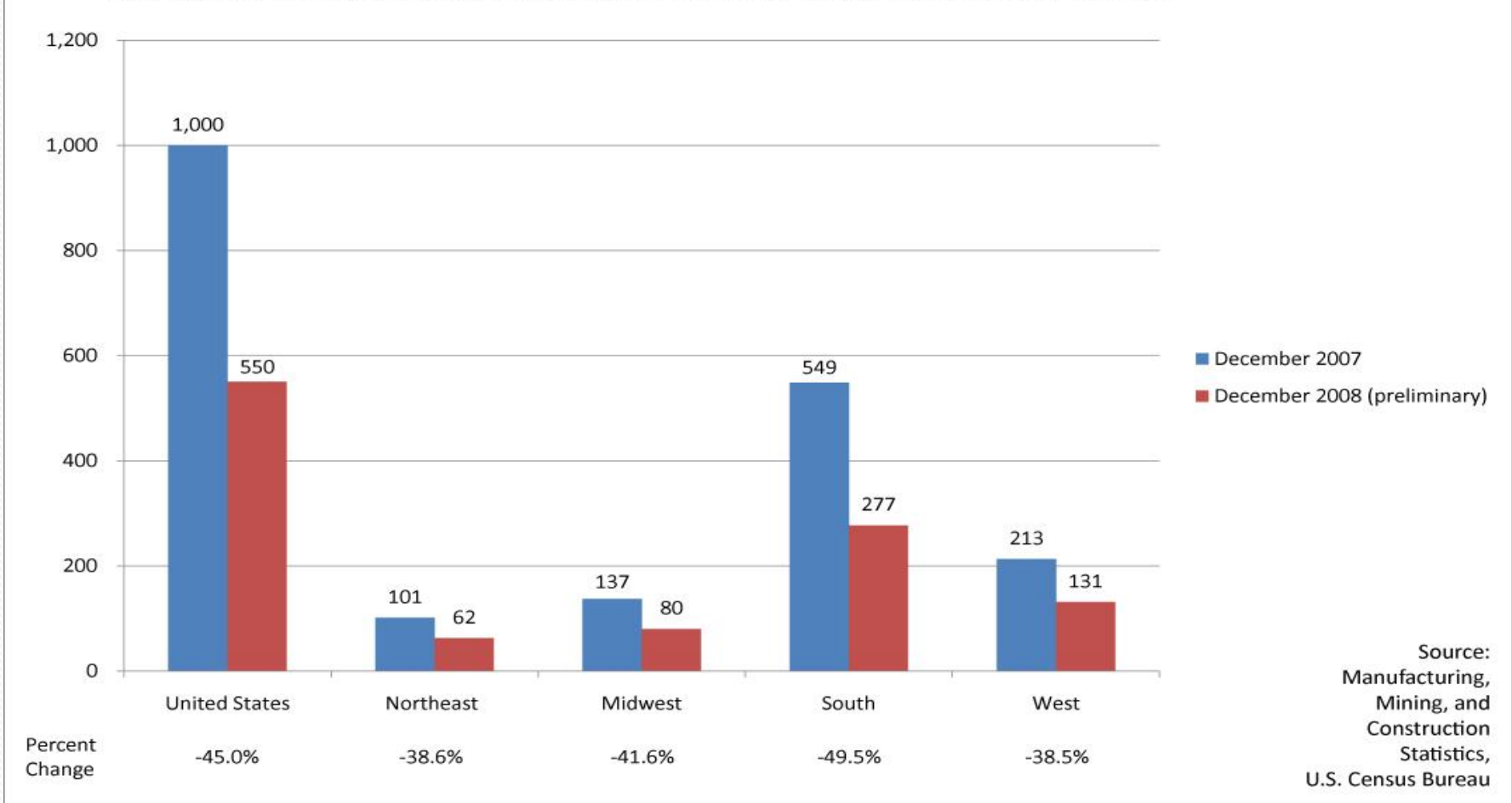


Source:
 Manufacturing,
 Mining, and
 Construction
 Statistics,
 U.S. Census Bureau



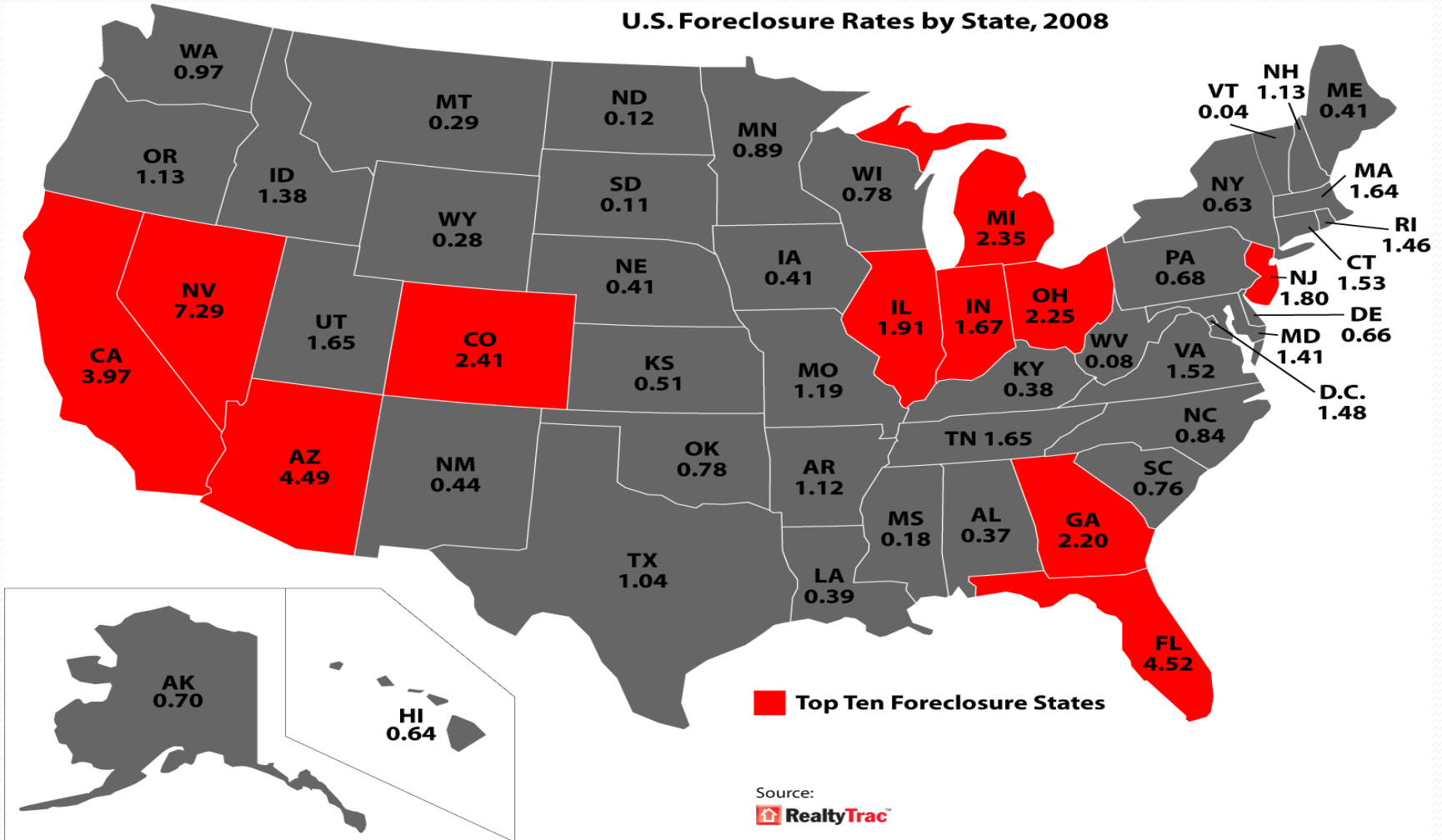
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New Privately-Owned Housing Units Started: Seasonally adjusted rate (in thousands of units)



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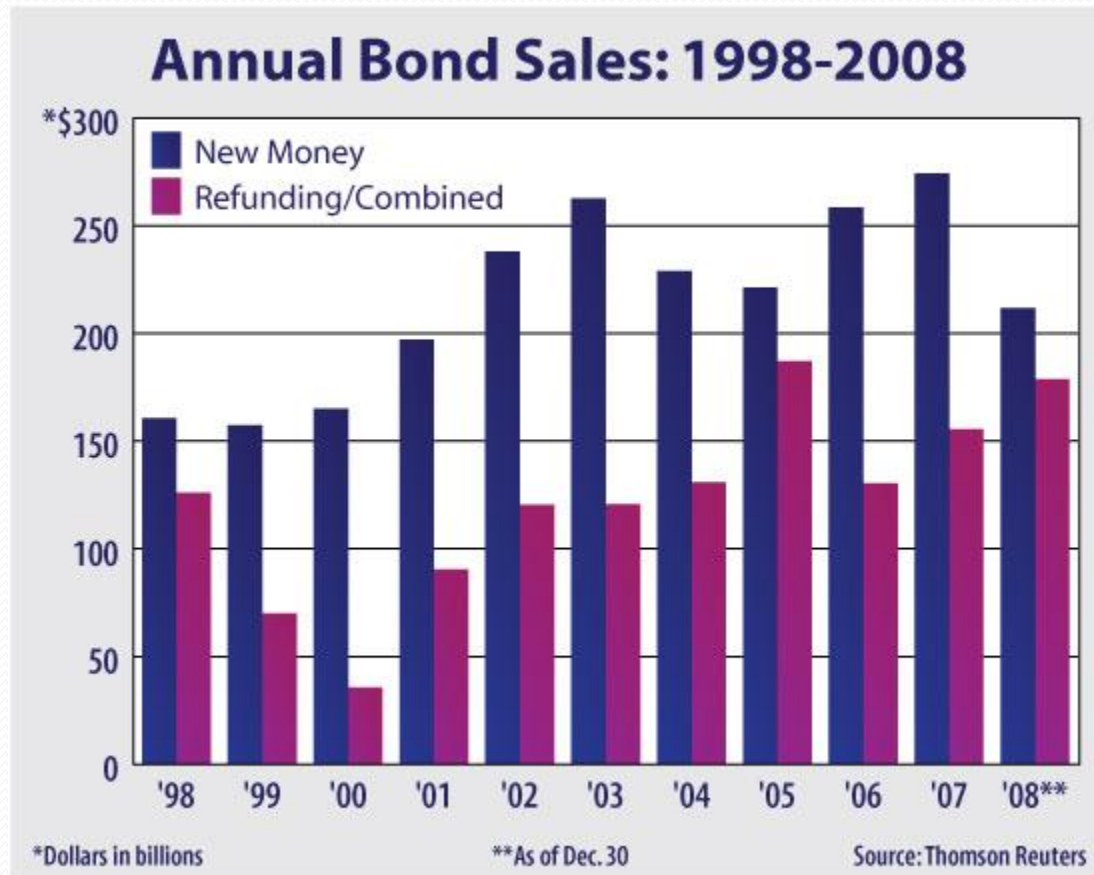
U.S. Foreclosure Rates by State, 2008



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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 Failure Nearly 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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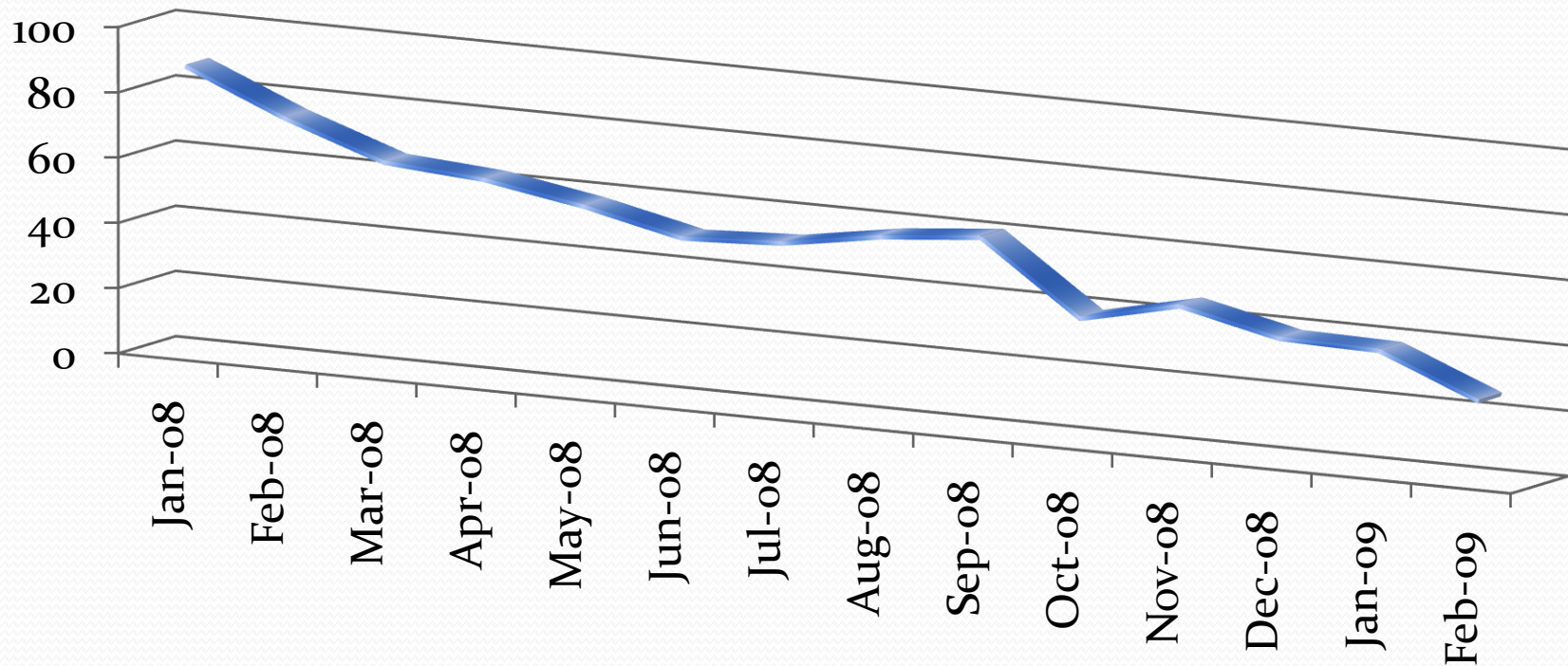


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Consumer Confidence Index

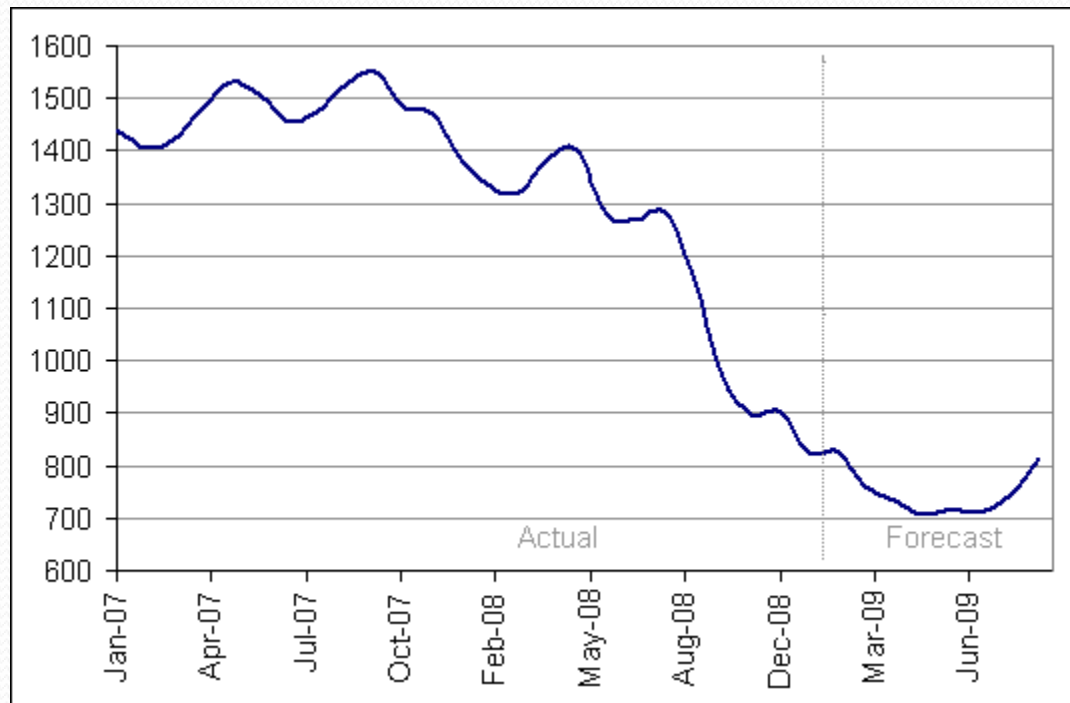
January 2008 through February 2009

(1985 = 100)

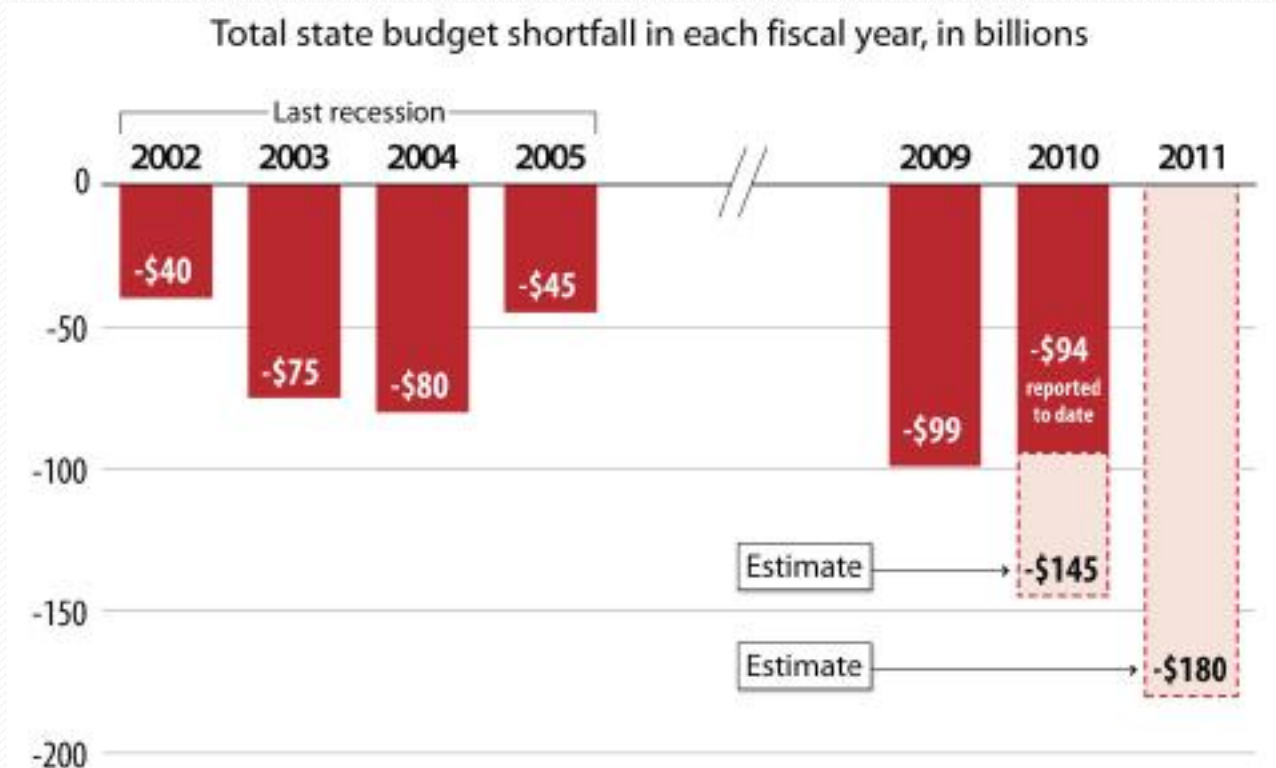


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Trajectory of the S & P 500 Stock Index,
January 2007 to June 2009



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Source:
Center on Budget and Policy Priorities

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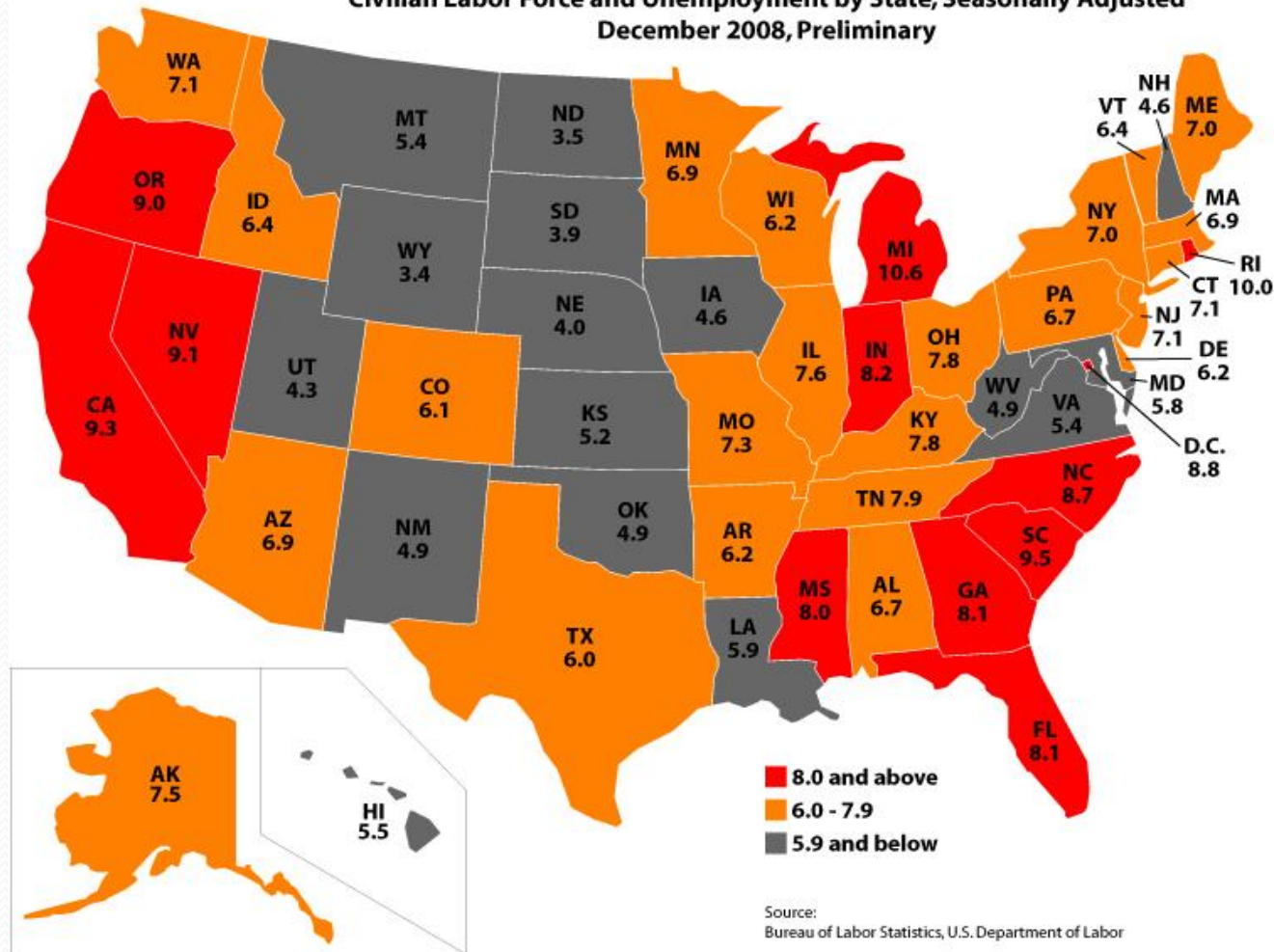
States with Projected FY 2010 Budget Shortfalls

State	Shortfall as a Percent of FY 2009 General Fund
Arizona	29.8%
California	25.6%
Connecticut	23.1%
Delaware	15.3%
Florida	22.6%
Hawaii	11.9%
Idaho	13.9%
Iowa	12.2%
Kansas	16.7%
Louisiana	21.7%
Maryland	12.5%
Massachusetts	11.0%

State	Shortfall as a Percent of FY 2009 General Fund
Minnesota	14.7%
Nevada	30.0%
New Jersey	12.3%
New York	24.3%
North Carolina	15.3%
Rhode Island	13.7%
Utah	12.1%
Vermont	20.8%
Virginia	10.4%
Washington	18.2%
Wisconsin	20.3%
U.S. Average	15.9%

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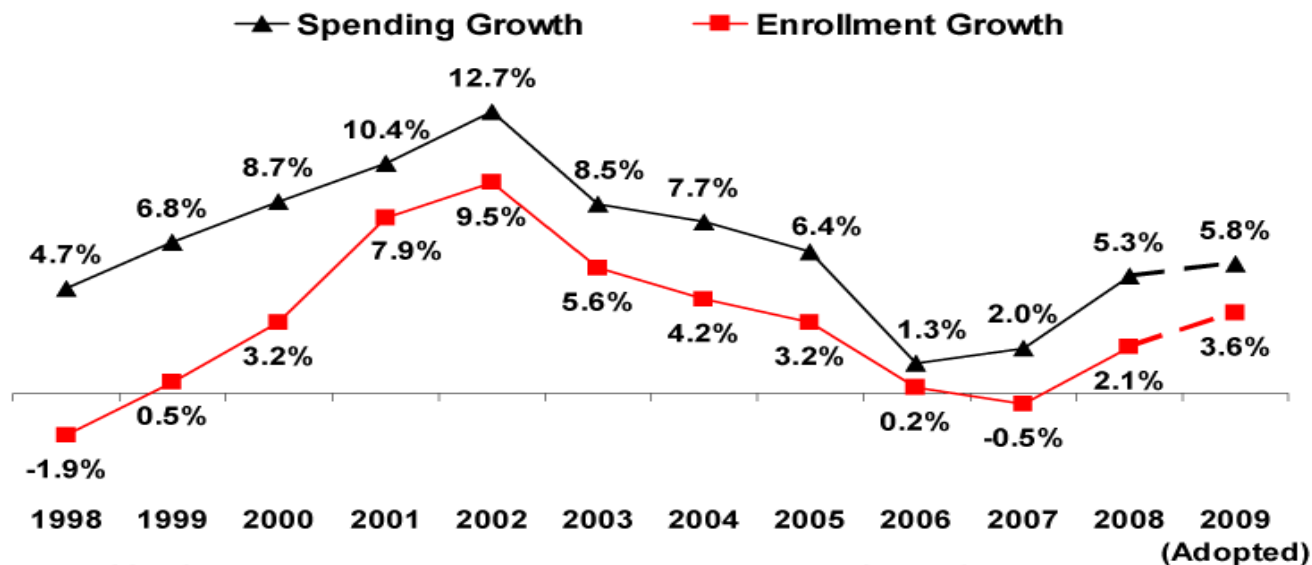
Civilian Labor Force and Unemployment by State, Seasonally Adjusted
December 2008, Preliminary



Source:
Bureau of Labor Statistics, U.S. Department of Labor

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

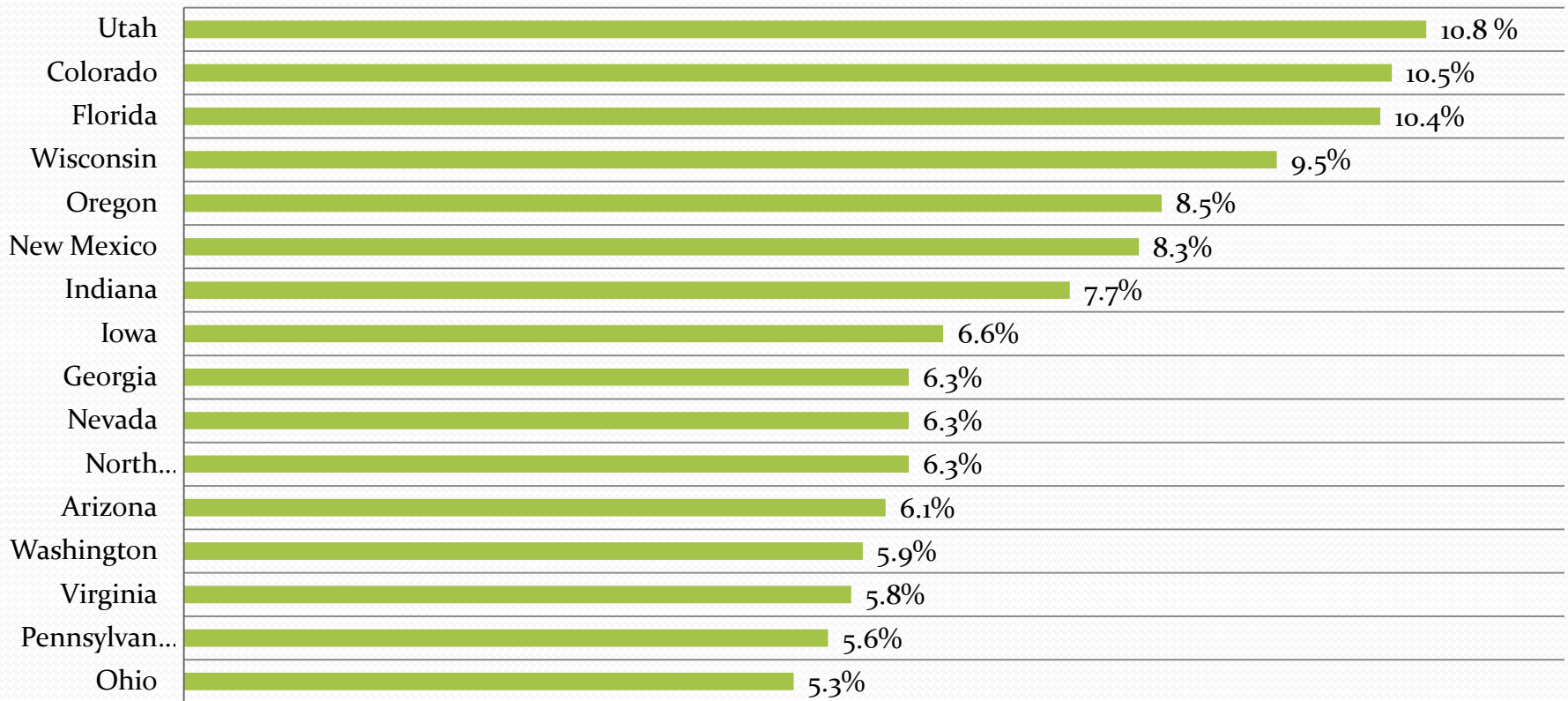


SOURCE: Enrollment Data for 1998-2006: *Medicaid Enrollment in 50 States*, KCMU. Spending Data from KCMU Analysis of CMS Form 64 Data for Historic Medicaid Growth Rates. FY 2007, FY 2008 and FY 2009 data based on KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, September 2008.

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



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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

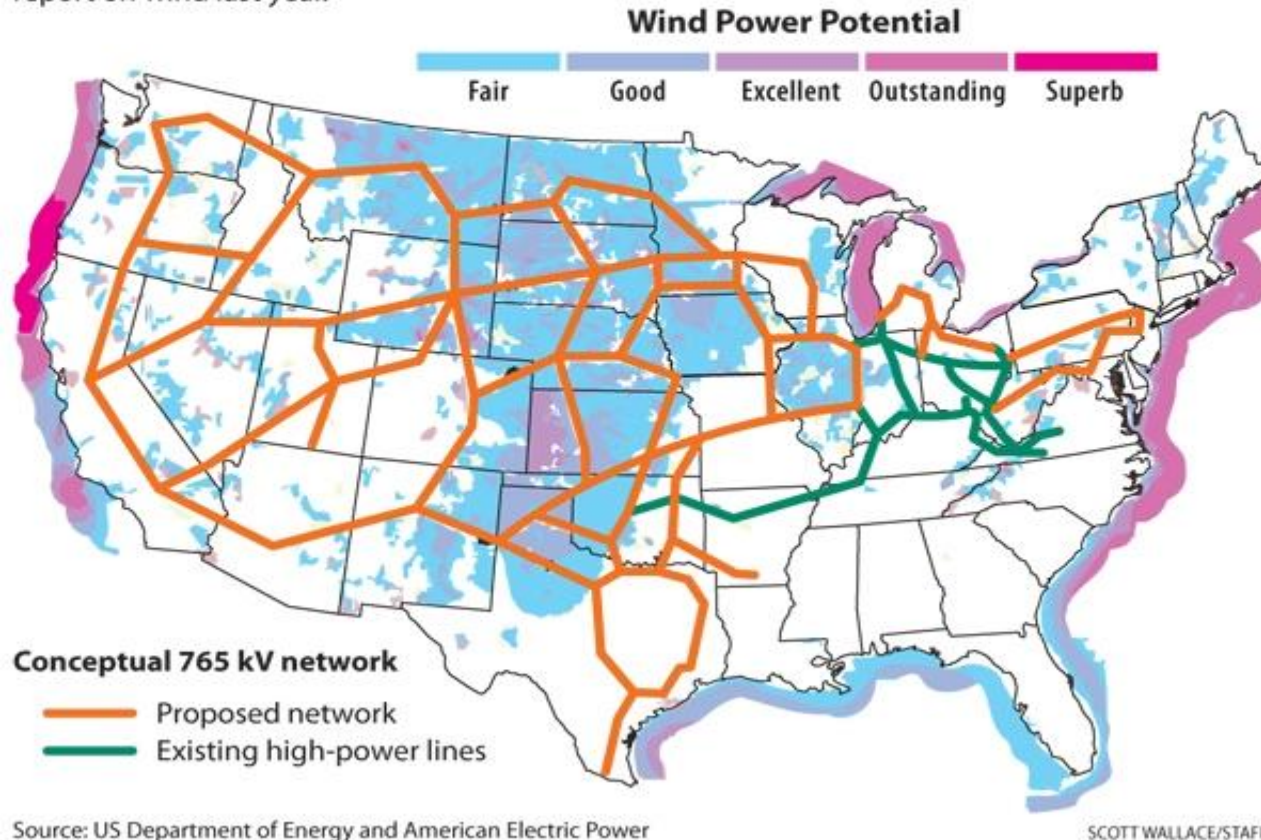
- Wind Manufacturing Companies – Oklahoma;
- Wind Turbine Plant with 600 Workers – Butte, Montana;
- Four Wind Turbine Manufacturing Plants Employing 2,500 – Colorado;
- Wind Turbine Plant Employing 500 – Newton, Iowa;

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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.



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.

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Thank You

For Additional Information or Questions,
Please Contact:

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