



# State Fiscal Outlook

## Office of the State Controller Fiscal Officer Update

**December 12, 2012**

***Scott Pattison***  
***Executive Director***  
***National Association of State Budget Officers***



# ***Current Economic and Fiscal Situation***

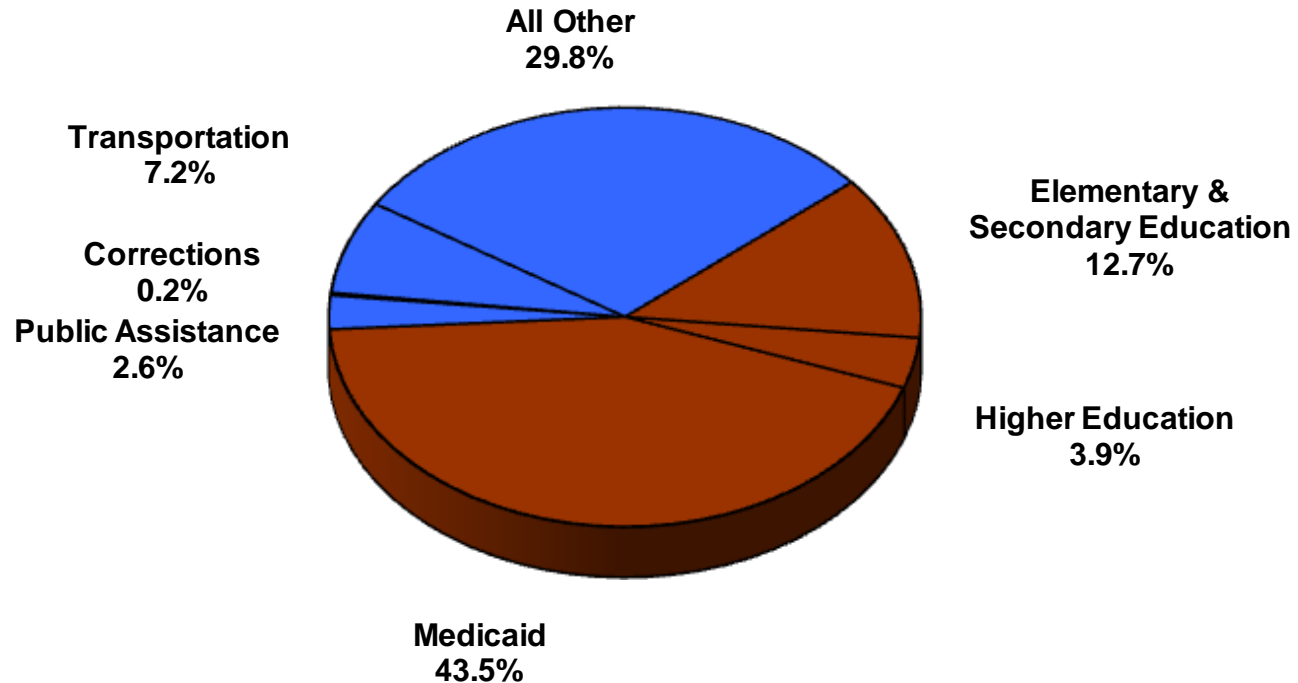


# States Watching “Fiscal Cliff” Negotiations...

- **Automatic spending cuts included in Budget Control Act (**sequestration**)**
  - Impacts domestic and defense spending
  
- **Take action on expiring tax provisions**
  - Includes Bush tax cuts, AMT, payroll tax holiday, etc.
  
- **Many program authorizations set to expire**
  - Farm bill, NCLB

# State Spending from Federal Funds

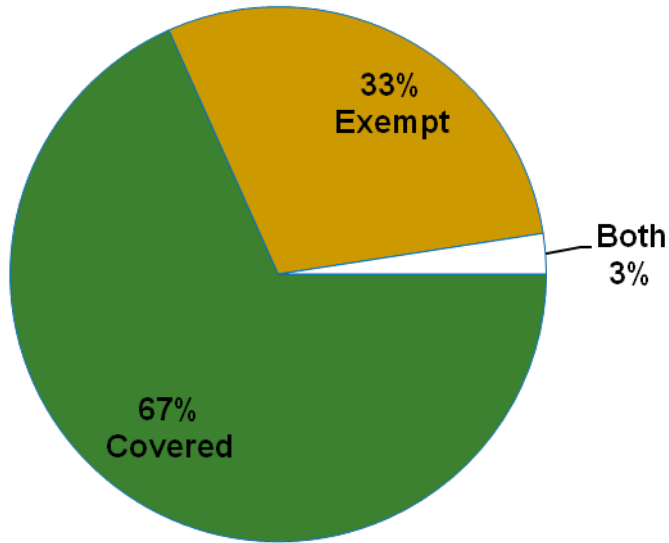
**Federal Funds Spending, Estimated Fiscal 2011**



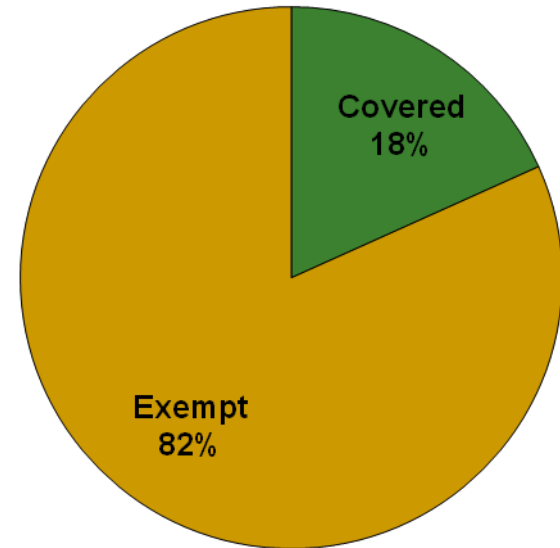
Source: NASBO 2010 State Expenditure Report

# Impact of Sequestration on State Budgets in 2013

**Coverage Status by Grant Program**



**Coverage Status by Funding Amount**



*Source: Federal Funds Information for States (FFIS), as presented at NASBO Fall 2012 Meeting (Note: Above figures only include programs that are part of FFIS VIP Series.)*

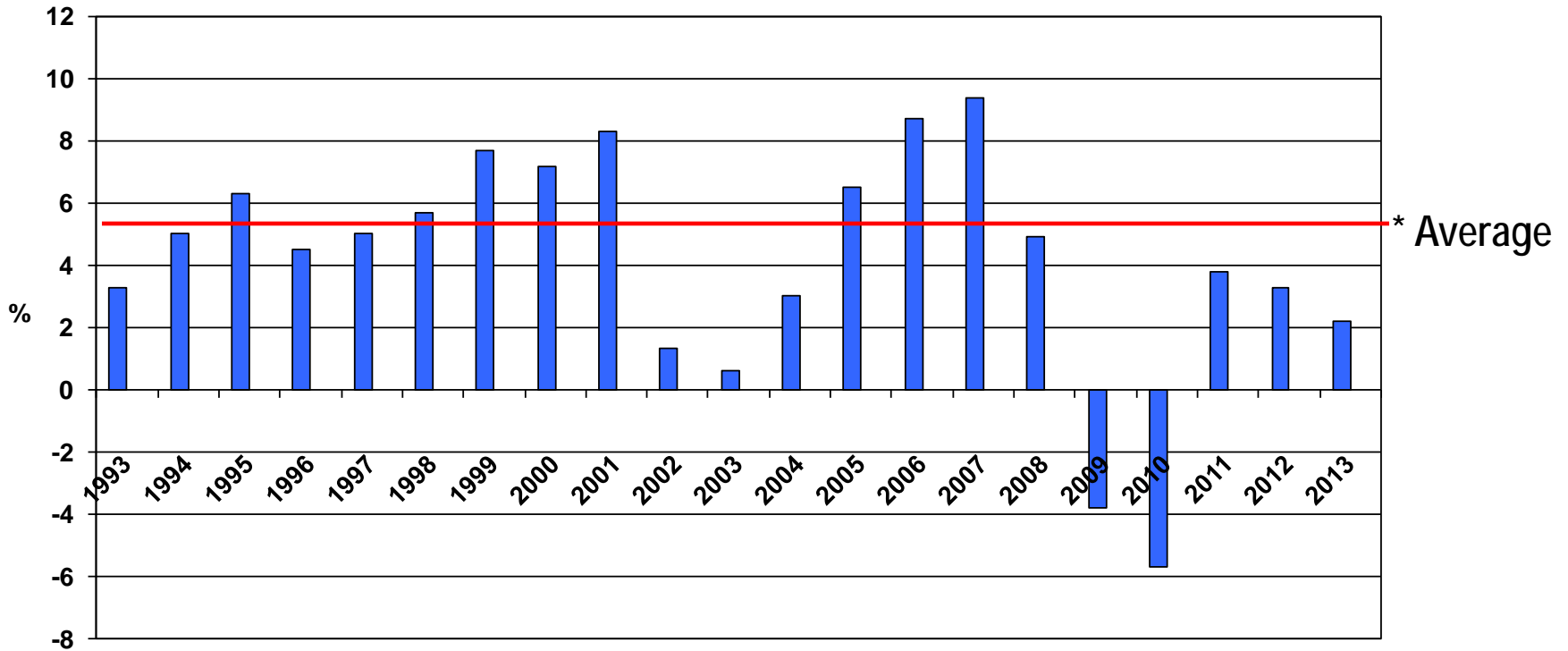


# ***Current Fiscal Situation: Indicators***



# Budget Growth

General Fund Expenditure Growth (%)



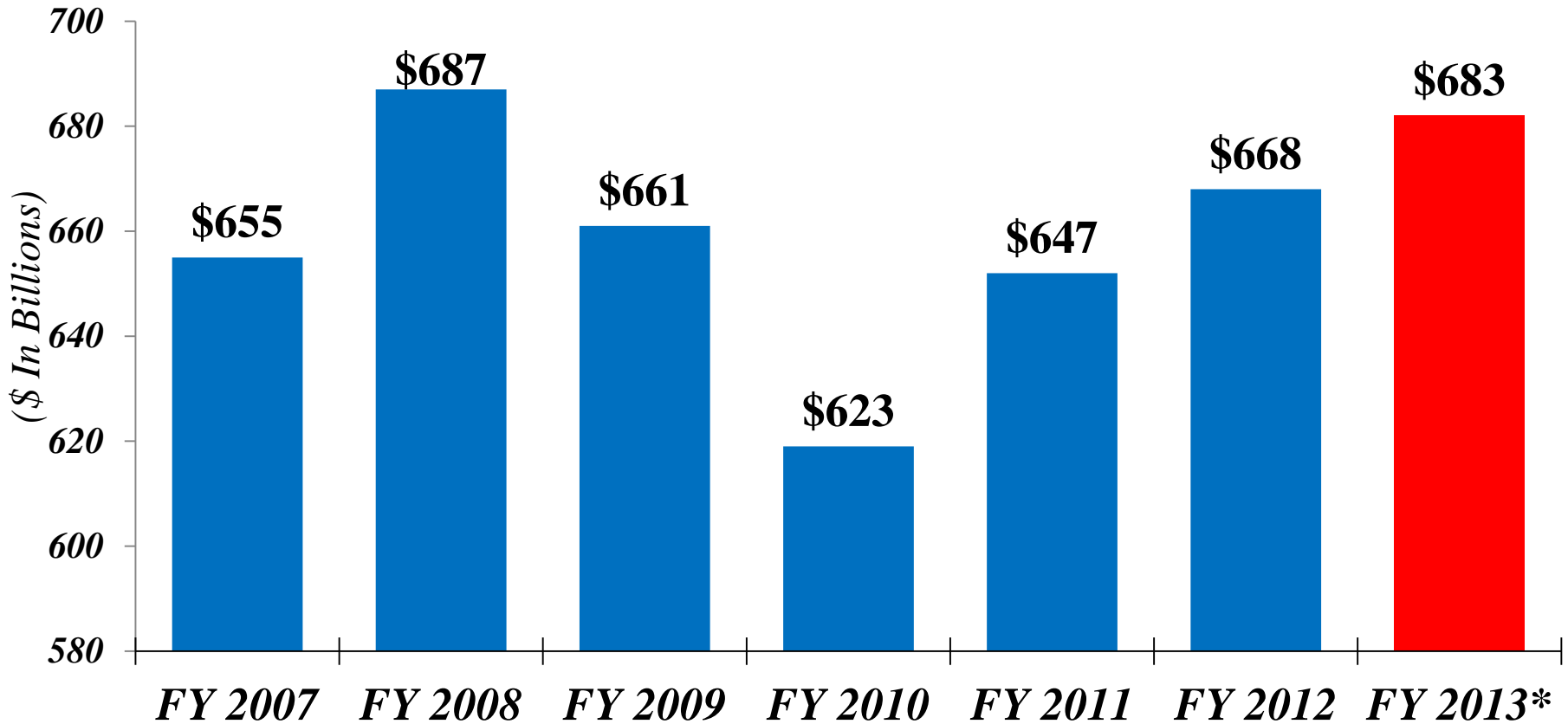
35-year historical average rate of growth is 5.7 percent  
Source: NASBO Spring 2012 Fiscal Survey of States

\*Fiscal '12 numbers are estimated  
\*Fiscal '13 numbers are recommended



# FY 2013 Recommended Spending Still \$4.6 Billion Below FY 2008

*General Fund Spending FY 2007-FY 2013 (In Billions)*

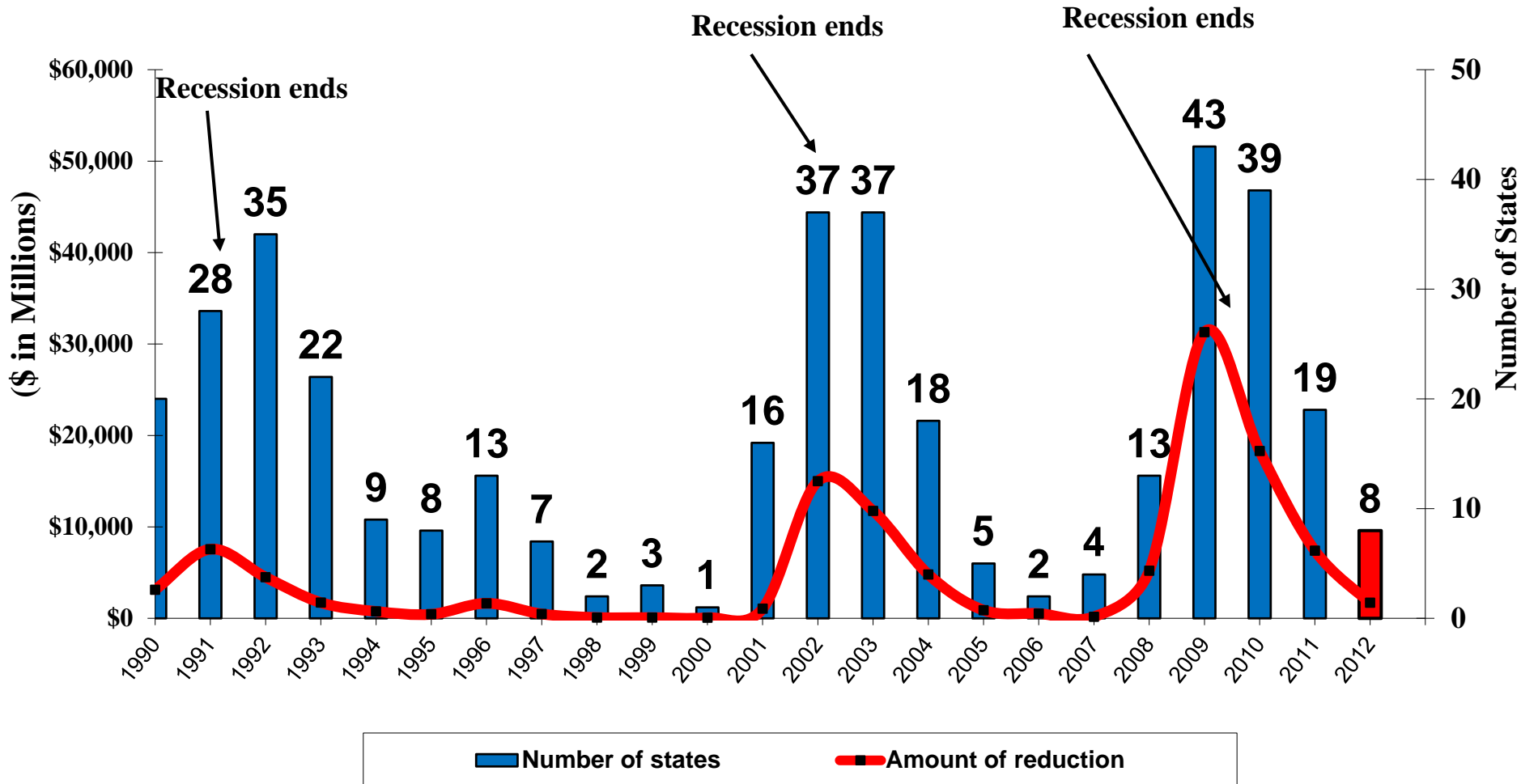


\* Fiscal 2013 is Proposed Spending



# Minimal Mid-Year Budget Cuts in FY 2012, Eight States Cut \$1.7B

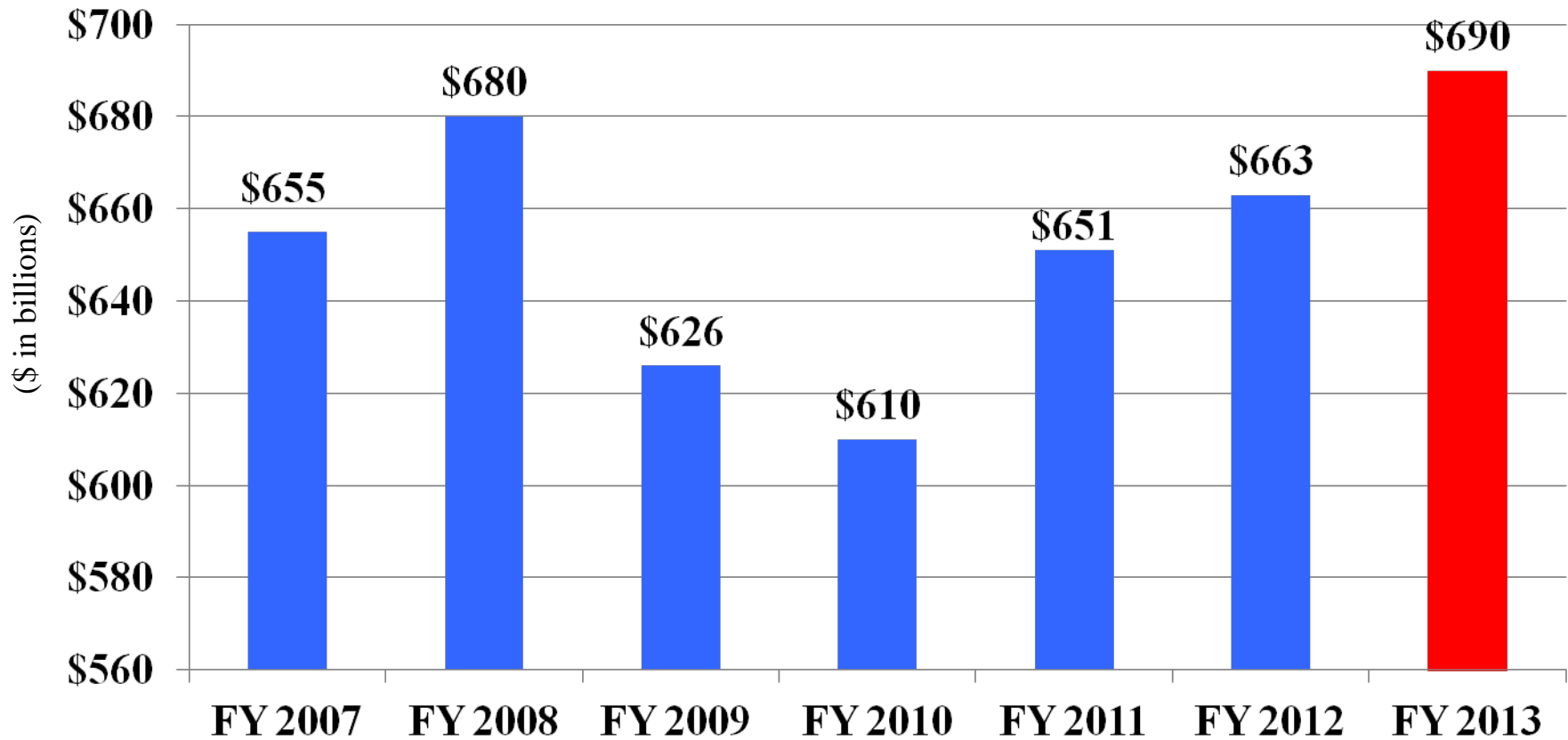
## Budget Cuts Made After the Budget Passed (\$ millions)





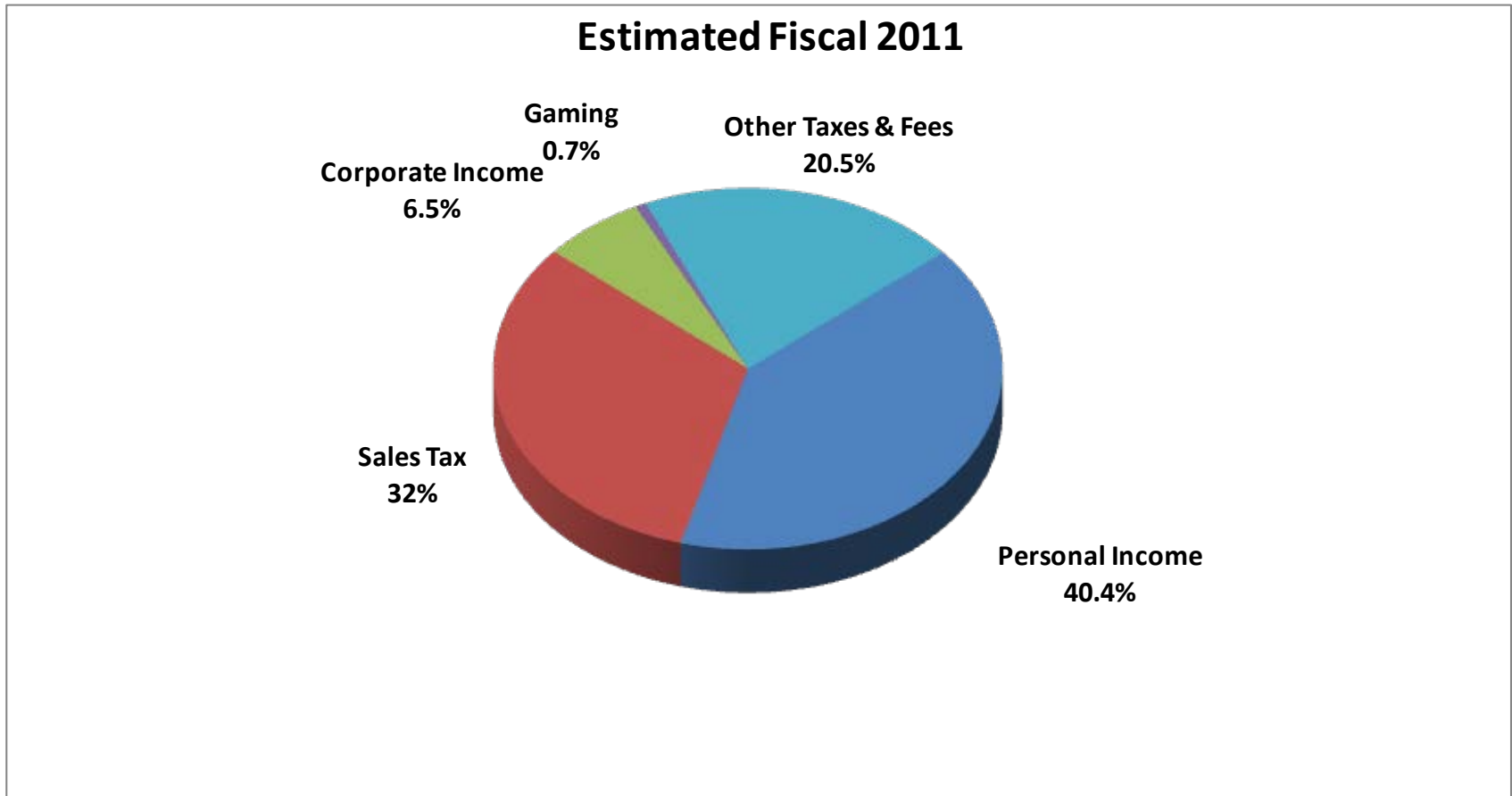
# General Fund Revenue Projected to Surpass Fiscal 2008 by \$10B

## General Fund Revenue: FY 2007-FY 2013



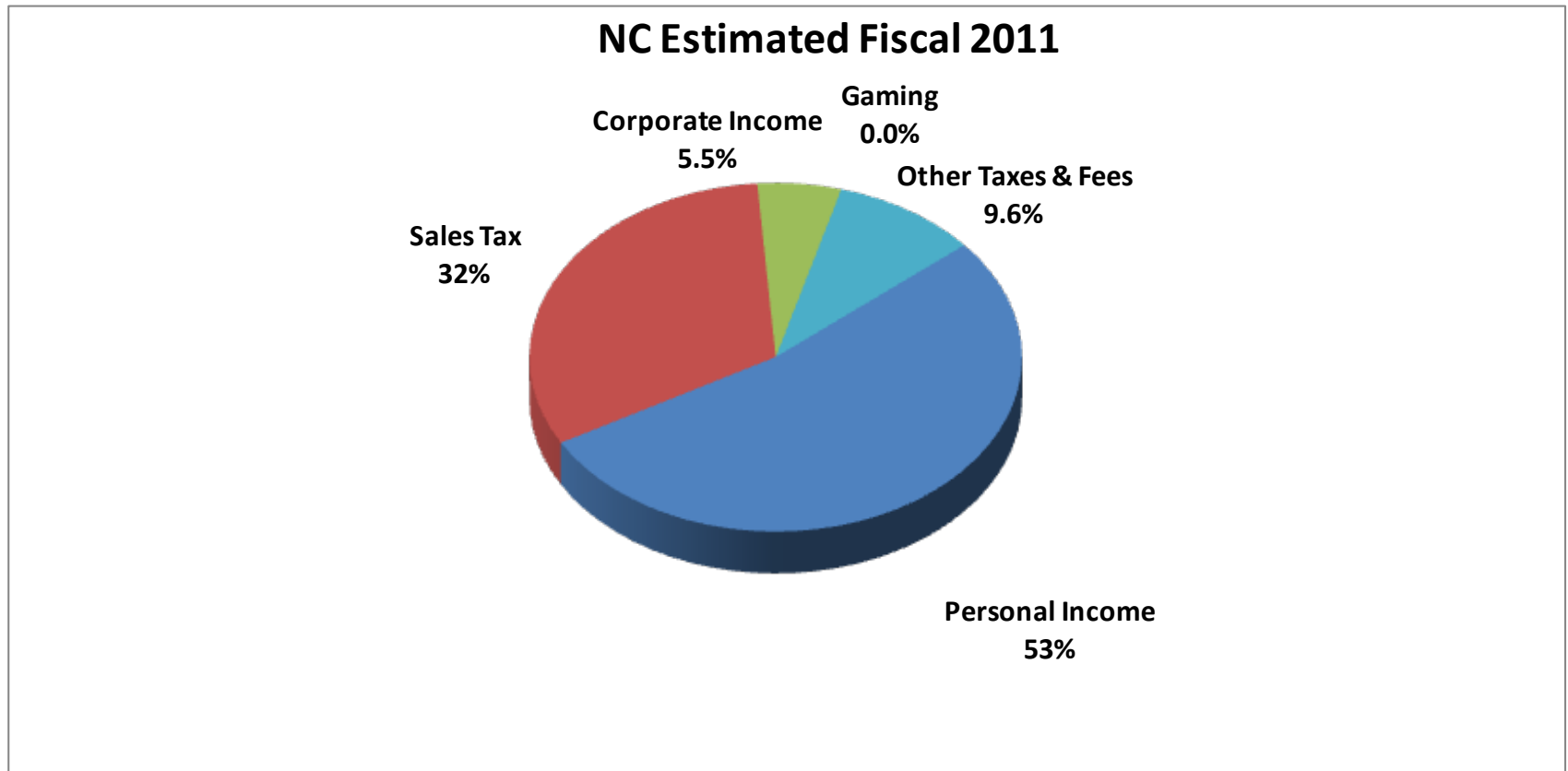
\* FY 2007- 2011 are actual. FY 2012 is preliminary actual and FY 2013 is proposed

# Revenue Sources in the General Fund (Percentage)



Source: NASBO 2010 State Expenditure Report

# North Carolina Revenue Sources in the General Fund (%)

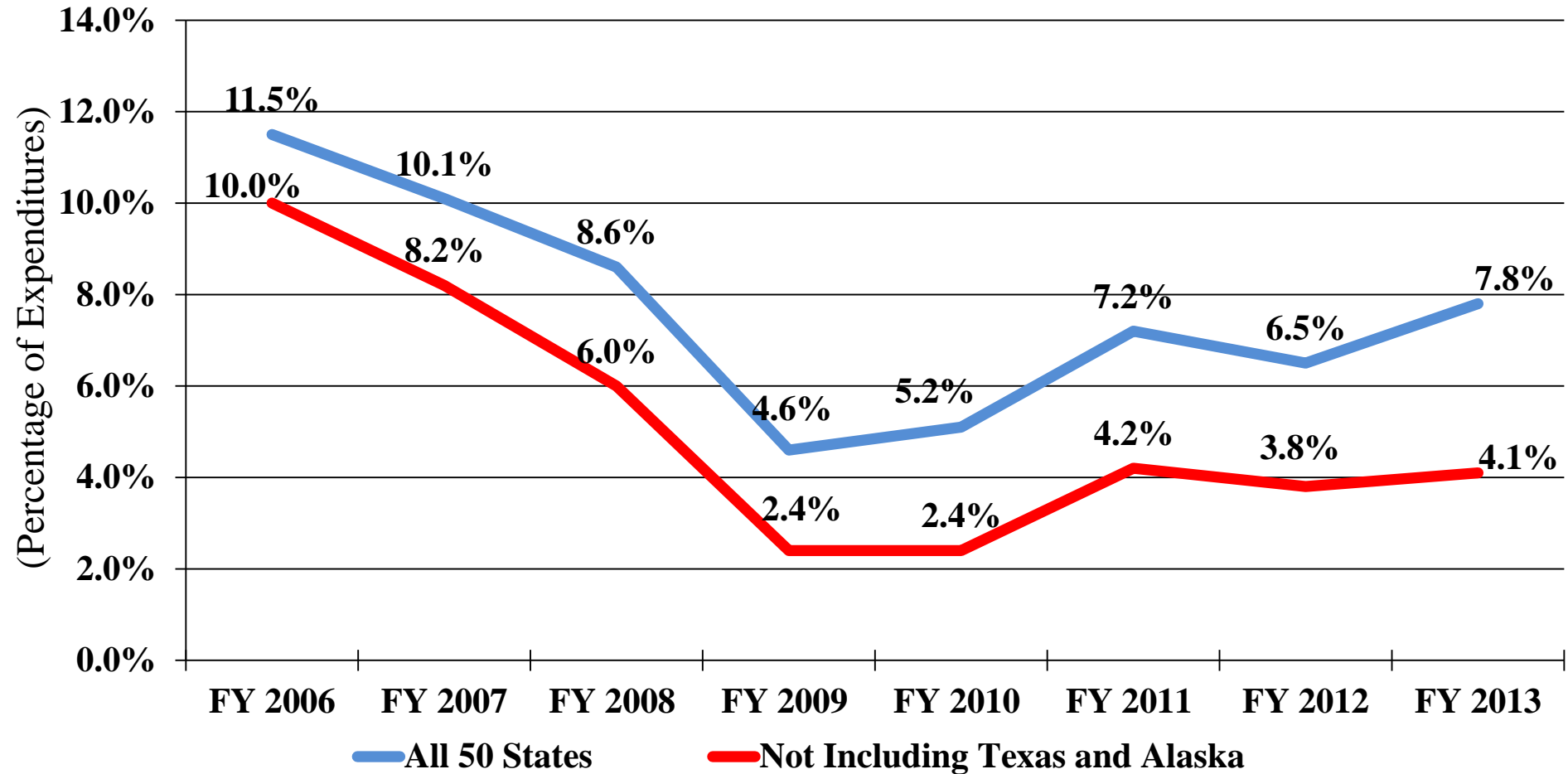


Source: NASBO 2010 State Expenditure Report



# States Continue To Rebuild Reserves After Recession

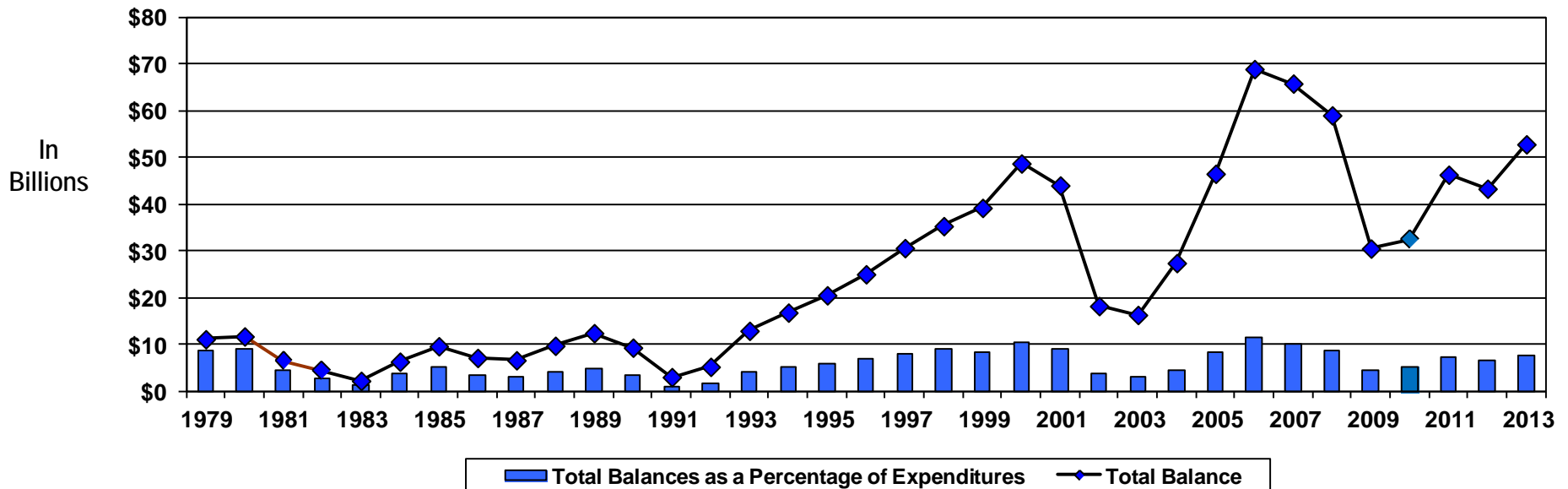
## Total State Balances as a Percentage of General Fund Expenditures FY 2006 – FY 2013





# State Balance Levels Recovering

**Total Year-End Balances and Total Year-End Balances as a % of Expenditures, Fiscal 1979 - Fiscal 2013**



\* Fiscal 2012 totals are estimated and fiscal 2013 are proposed

\*\*35-year historical average is 5.9%

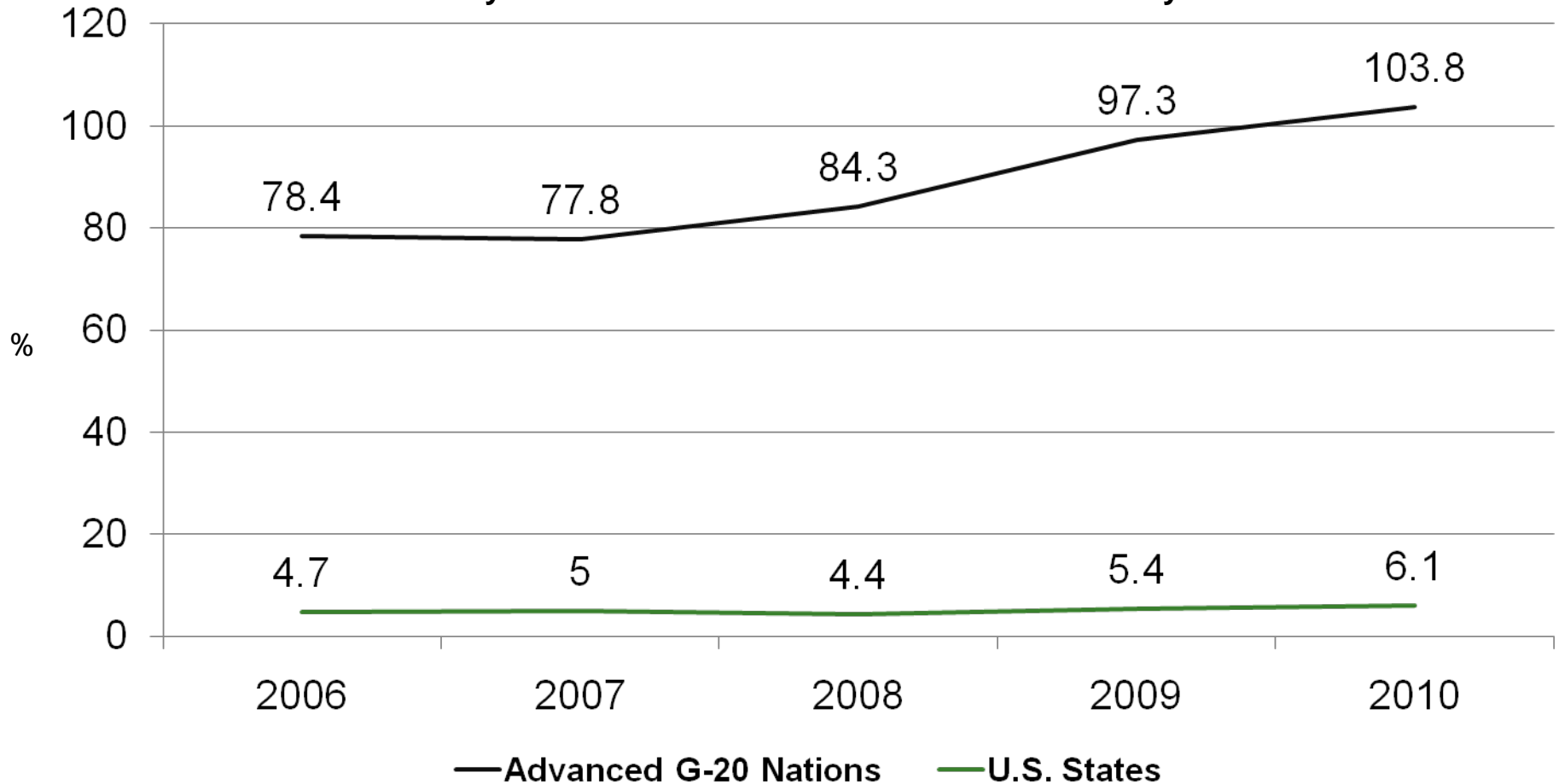
Source: NASBO Spring 2012 Fiscal Survey



# ***FY 11-12 Background on State Spending Trends***

# State Debt Not the Problem

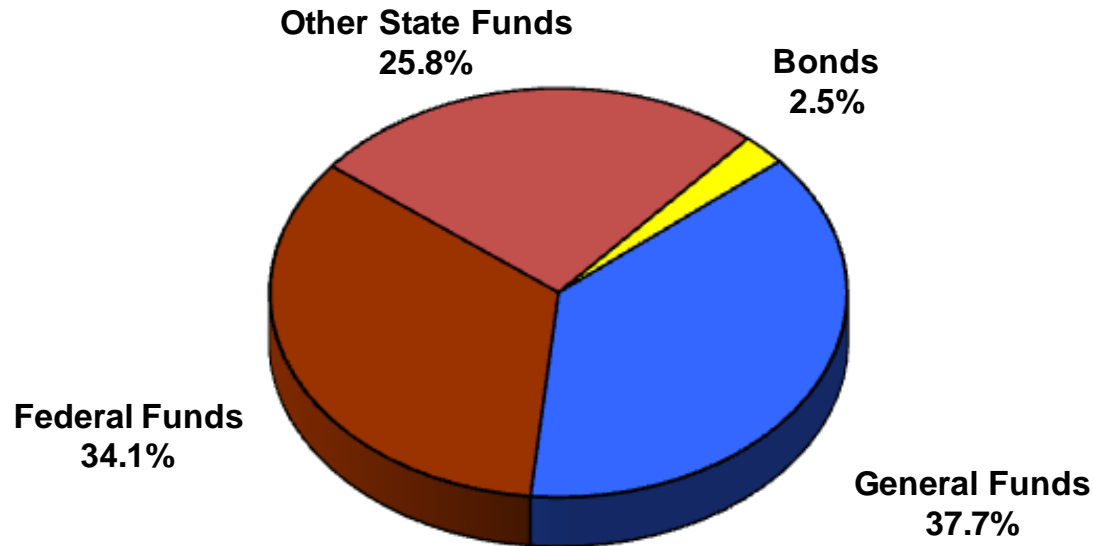
**Debt-to-GDP: U.S. States Compared to Advanced G20 Nations –  
Moody's Investor Services & International Monetary Fund**





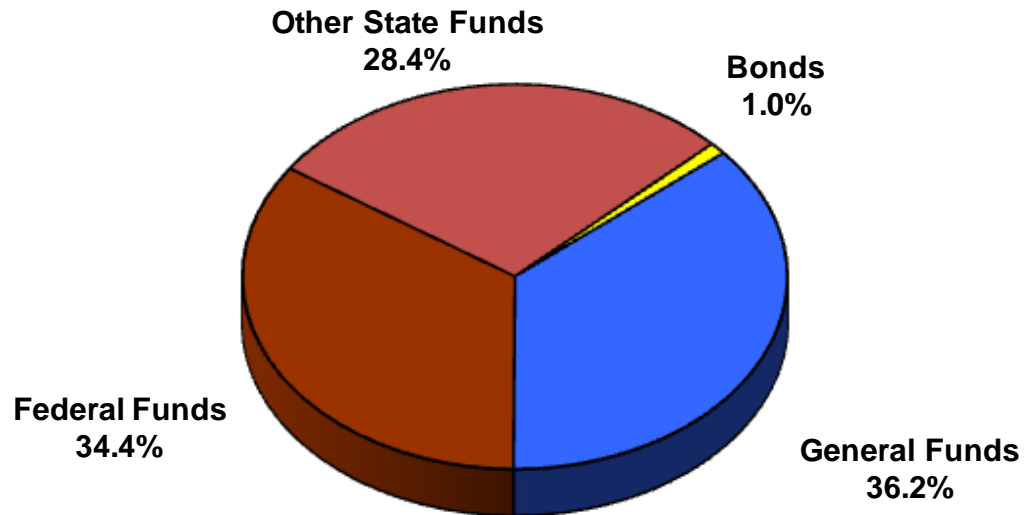
# Spending by Funding Source (High Percentage Federal)

**Total State Expenditures By Funding Source, Estimated Fiscal 2011**



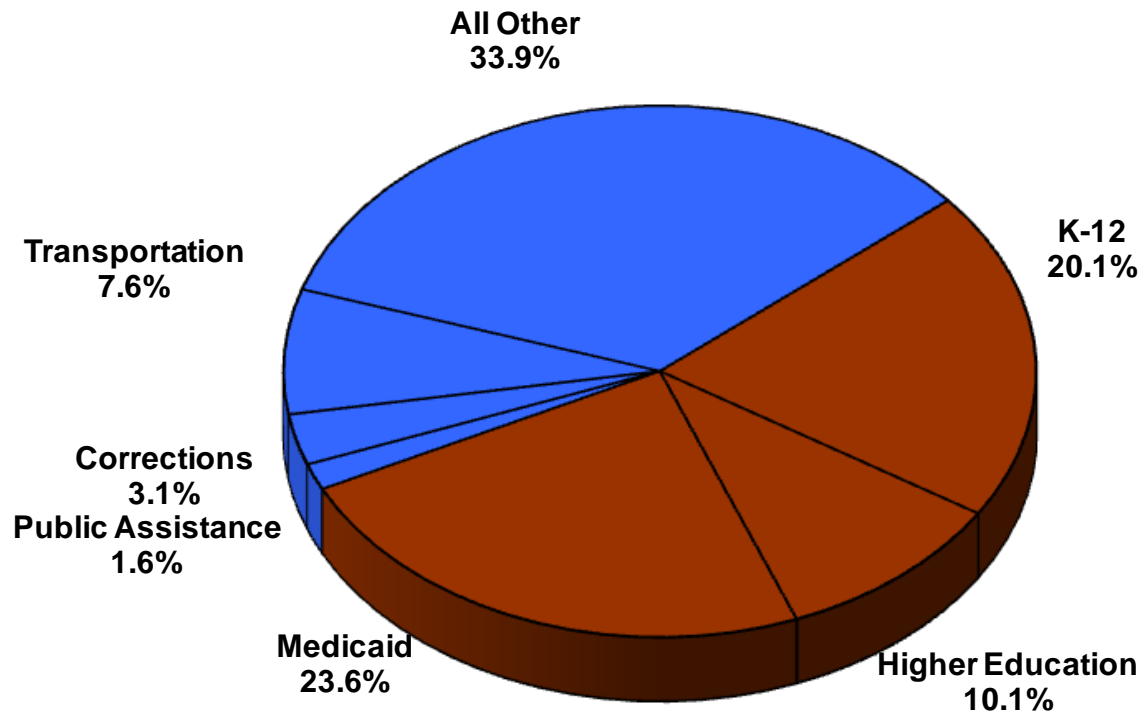
# North Carolina Spending by Funding Source (Percentage)

**Total State Expenditures By Funding Source, Estimated Fiscal 2011**



# Total State Expenditures: Medicaid Grows Again

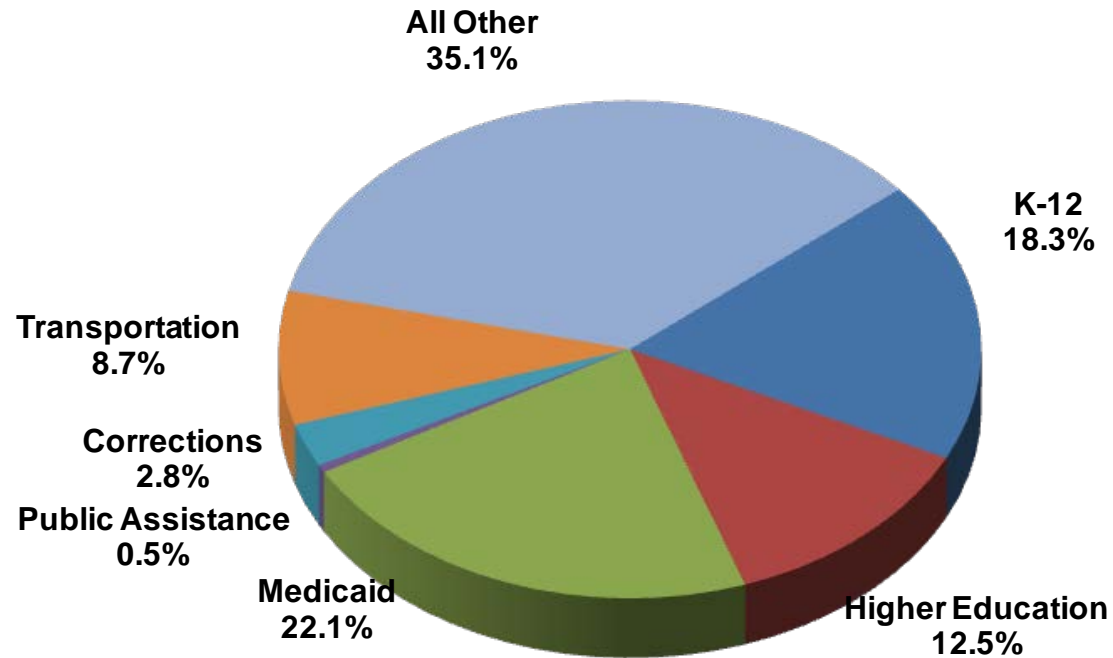
Total Expenditures by Function, Estimated Fiscal 2011



Source: NASBO 2010 State Expenditure Report

# North Carolina Total State Expenditures

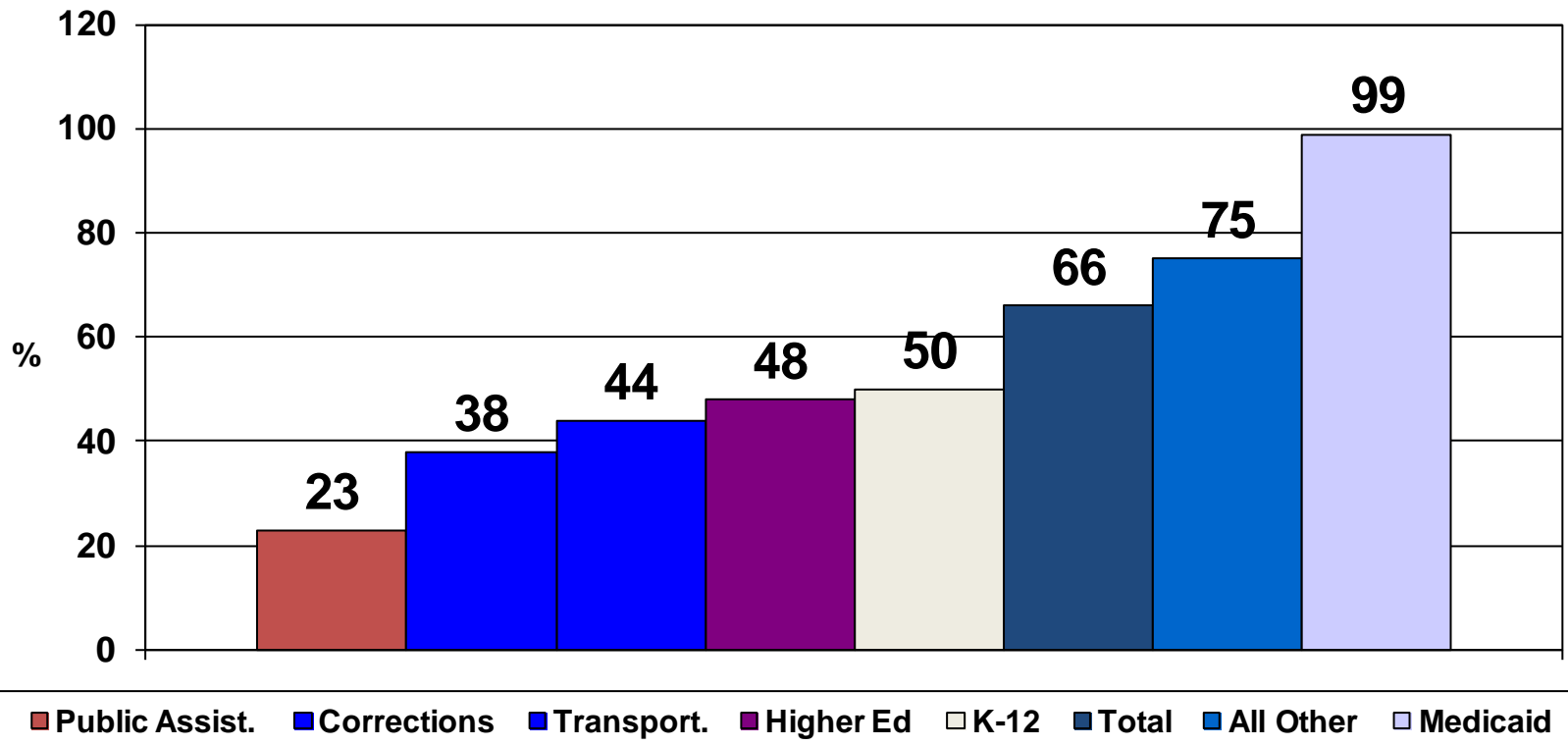
**NC Total Expenditures by Function, Estimated Fiscal 2011**



Source: NASBO 2010 State Expenditure Report

# Total Expenditures Percentage Growth in Spending Categories

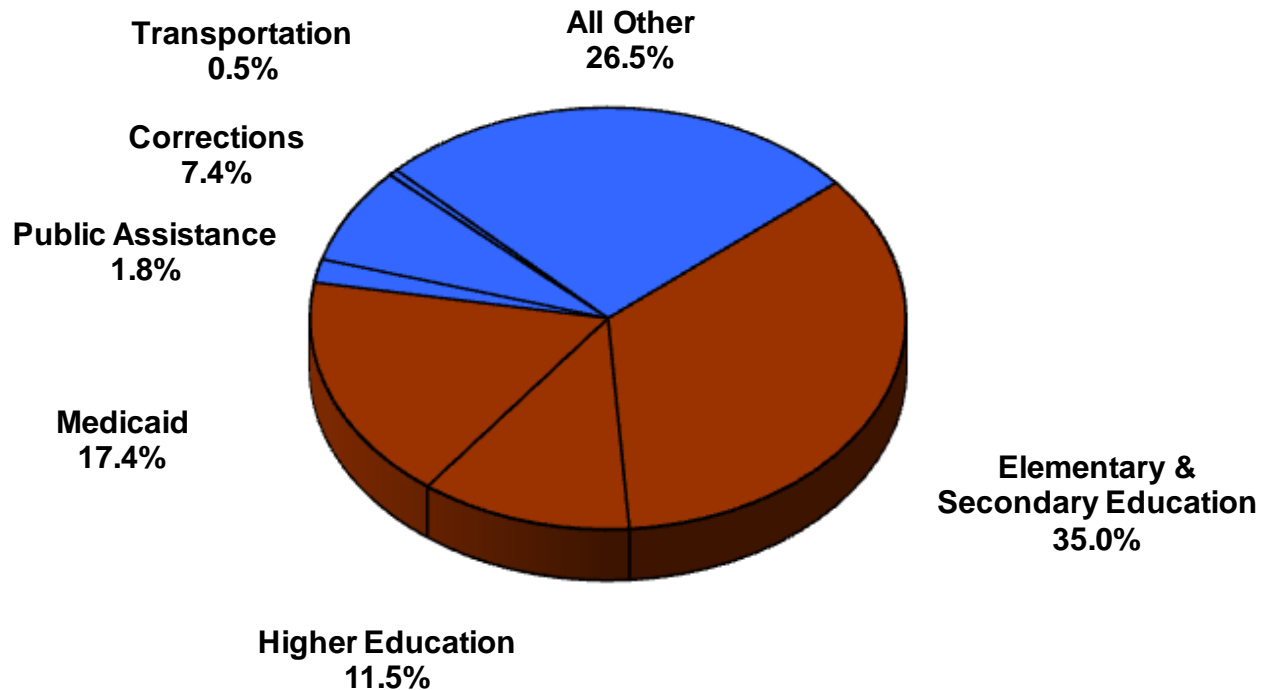
**Percentage Growth in Spending Categories  
Between Fiscal 2001 and Fiscal 2011 (Total Funds)**



Sources: NASBO 2002 and 2010 State Expenditure Reports

# General Fund: Growing Medicaid & Education 64%

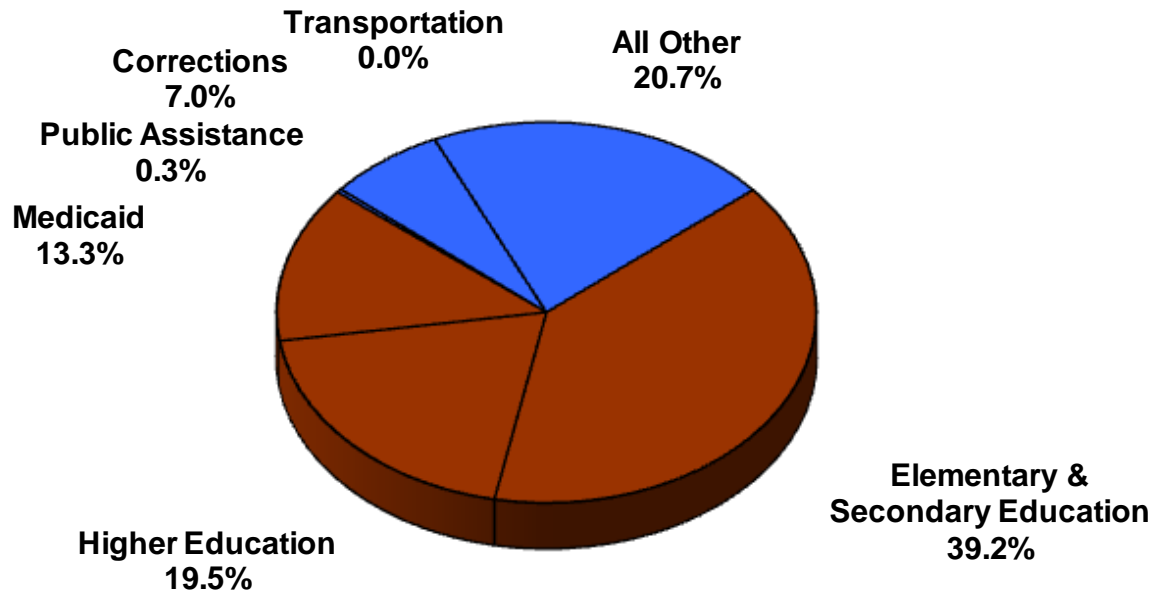
**General Fund Expenditures by Function, Estimated Fiscal 2011**



Source: NASBO 2010 State Expenditure Report

# North Carolina General Fund: Medicaid & Education 72%

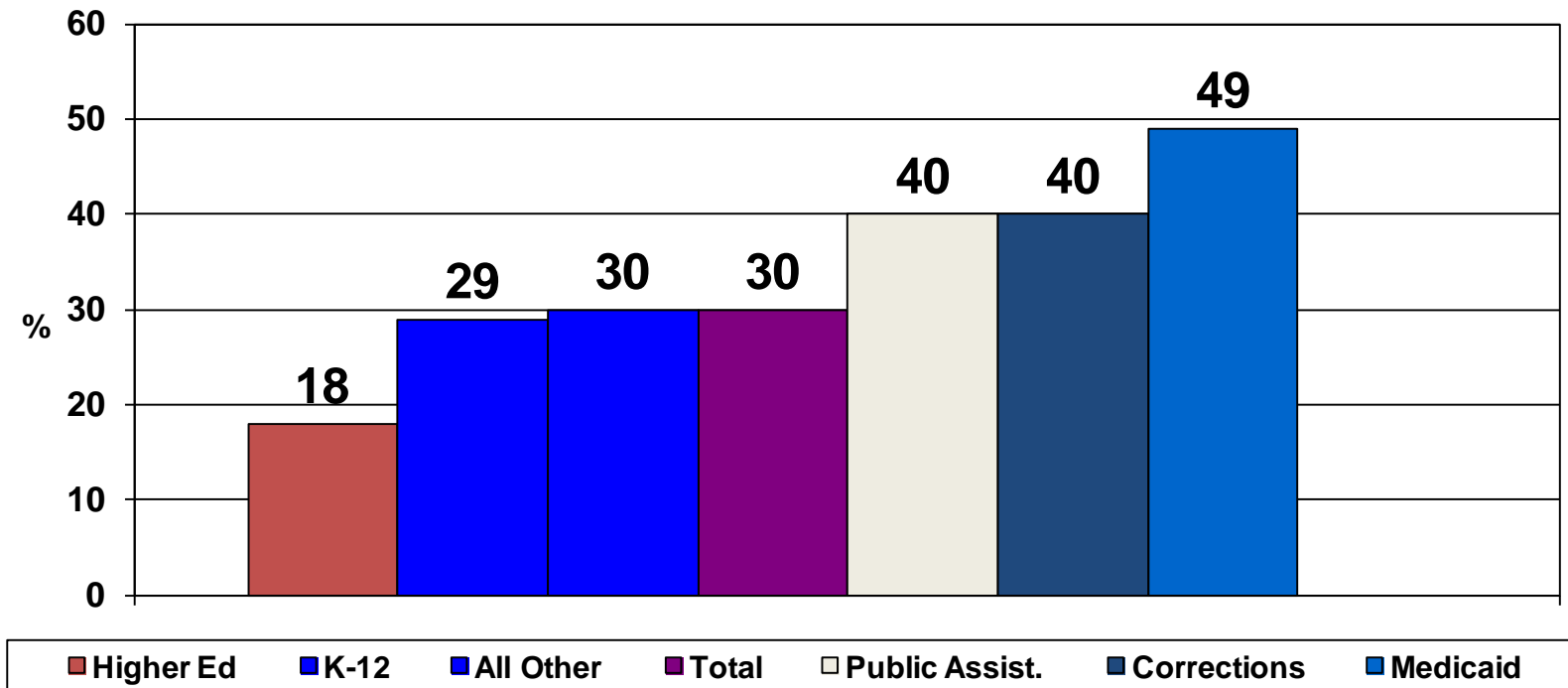
**NC General Fund Expenditures by Function, Estimated Fiscal 2011**



Source: NASBO 2010 State Expenditure Report

# General Fund Percentage Growth in Spending Categories

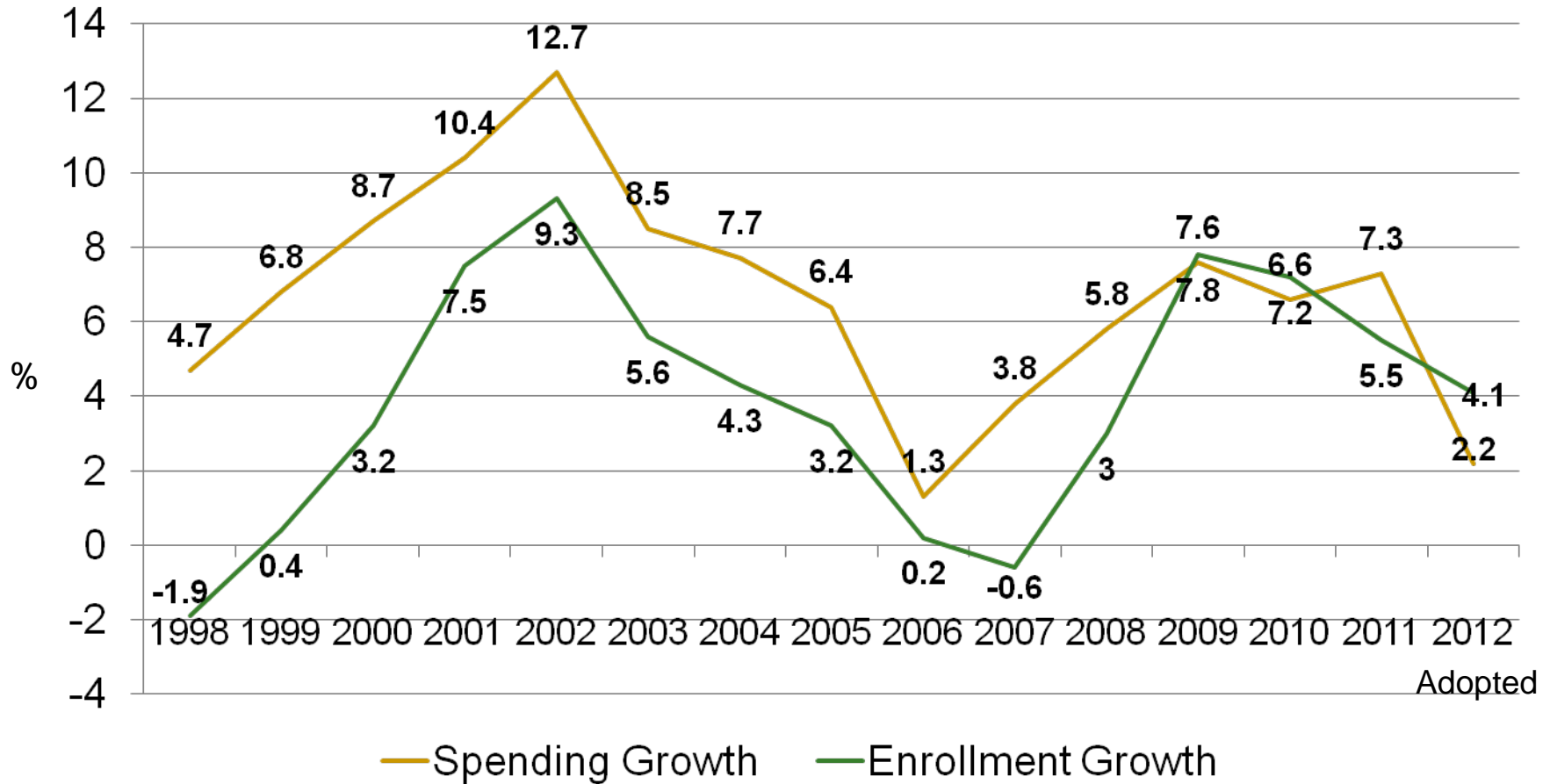
**Percentage Growth in Spending Categories  
Between Fiscal 2001 and Fiscal 2011 (General Funds)**



Sources: NASBO 2002 and 2010 State Expenditure Reports



# Increases in Medicaid Spending and Enrollment



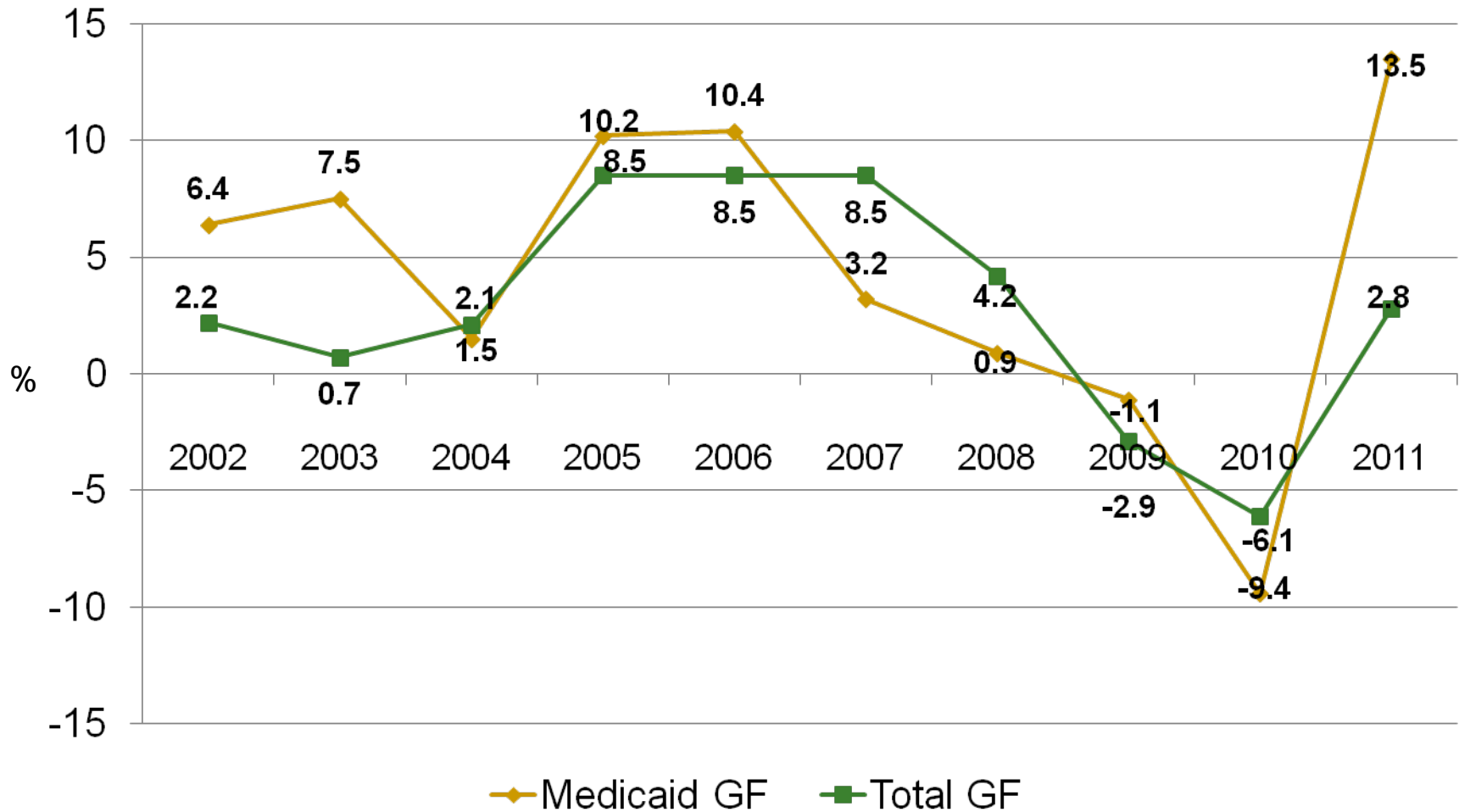
Adopted

Source: Kaiser Commission on Medicaid and the Uninsured



# Medicaid General Fund Growth vs. Total General Fund

If Revenue and Medicaid Grow at Same Rate Next 10 Years as Last, Revenue will Increase 30% while Medicaid will increase 46%

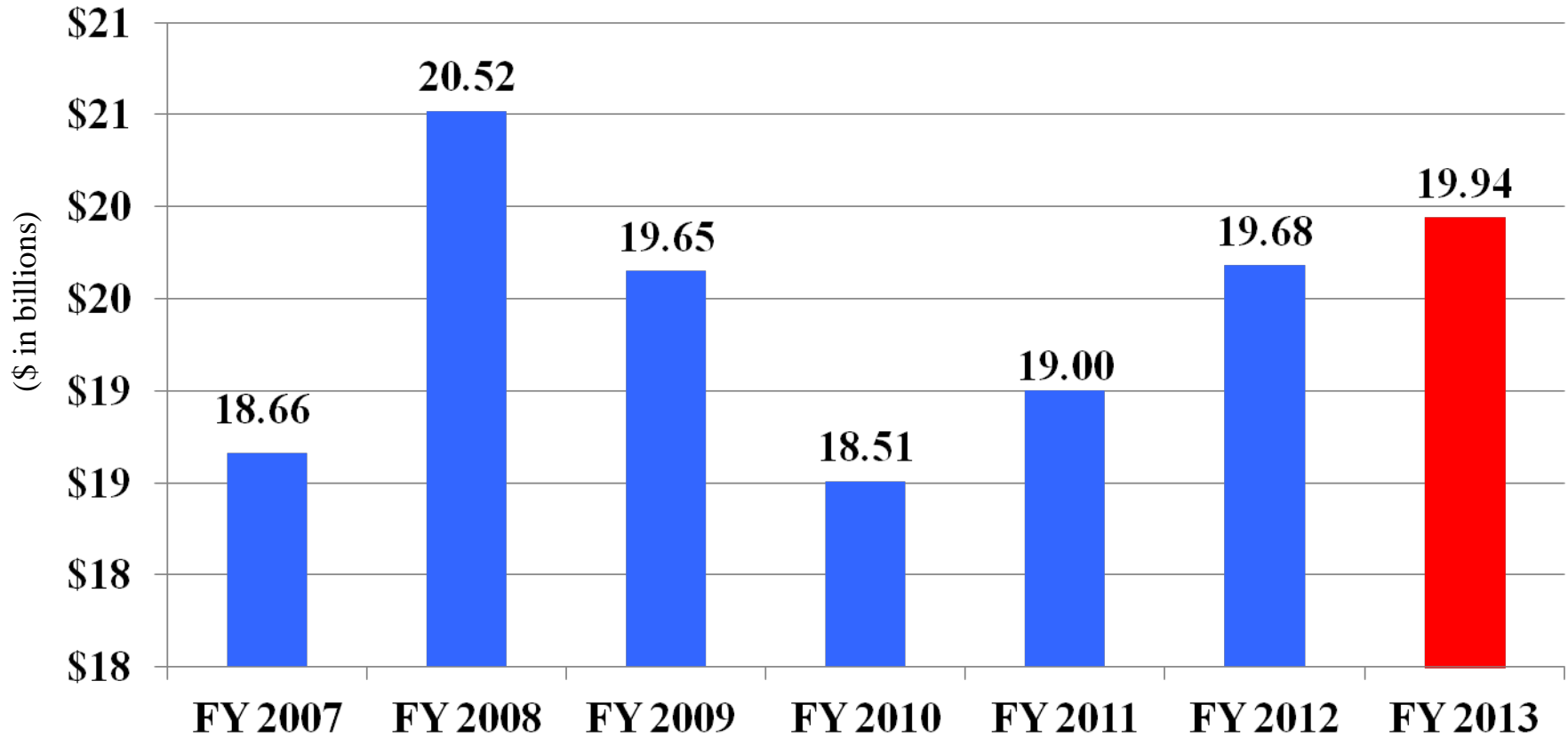


Source: NASBO State Expenditure Report



# NC FY 2013 Recommended Spending Remains Below FY 2008

## NC General Fund Spending: FY 2007-FY 2013

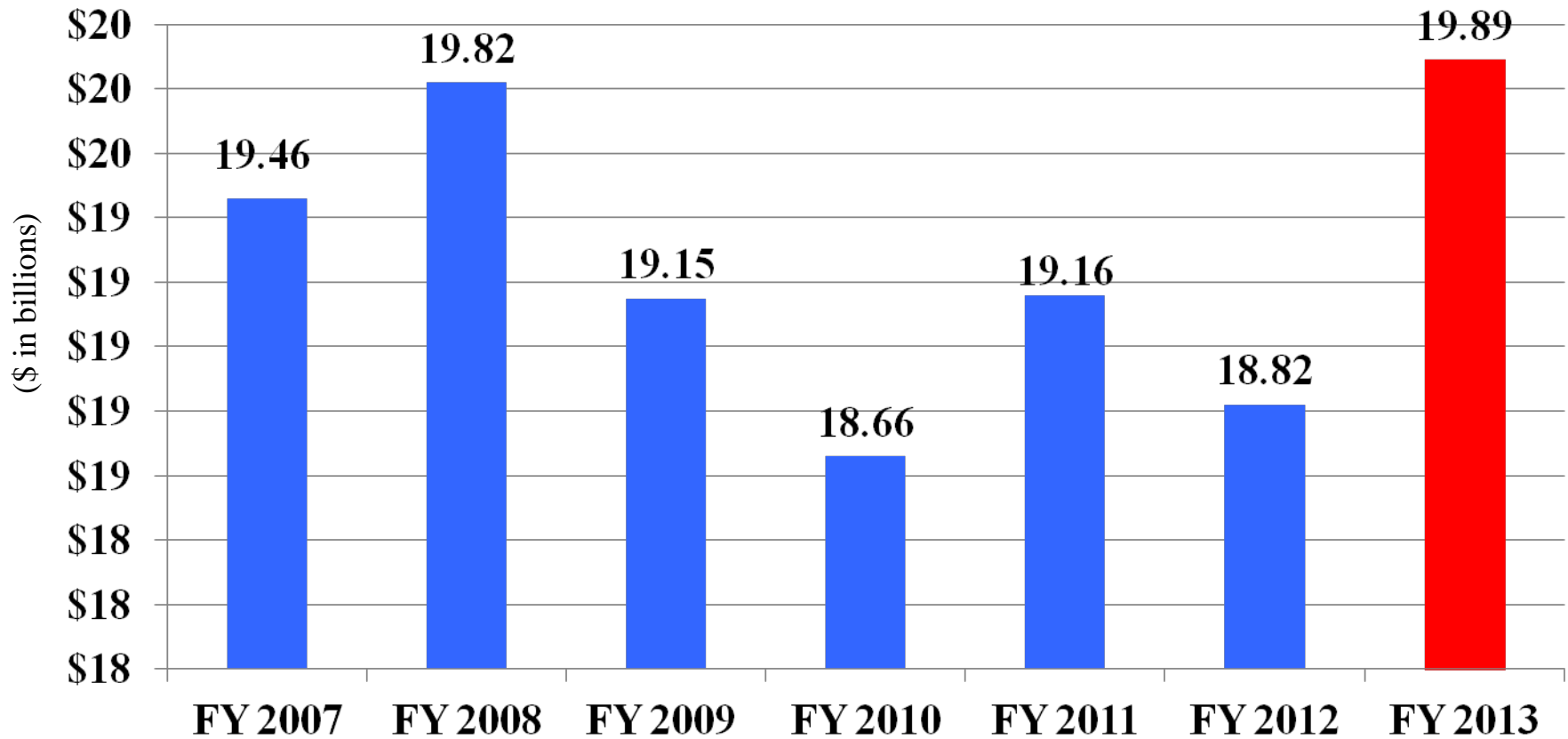


\* FY 2007- 2011 are actual. FY 2012 is preliminary actual and FY 2013 is proposed



# NC FY 2013 Revenue Slightly Exceeds FY 2008

## NC General Fund Revenue: FY 2007-FY 2013



\* FY 2007- 2011 are actual. FY 2012 is preliminary actual and FY 2013 is proposed



# State Fiscal Outlook

- **Trends positive**
- **Back to pre-recession levels in some cases**

**But...**

- **Spending pressures will continue**
- **Federal funds will decline**





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