



Executive Profile



MR. WILLIAM T. POUND

Executive Director of the National Conference of State Legislatures.

William Pound is the Executive Director of the National Conference of State Legislatures beginning in September 1987. Mr. Pound has been with the Conference since its founding in 1975 and has been instrumental in the development of many of its innovative programs and services designed for legislators, legislative leaders and legislative staff.

NCSL was created by the 50-state legislatures to represent their interest on the federal level and to develop greater interstate communication and cooperation. NCSL maintains a Washington, D.C. office, which represents state legislatures on state-federal issues and the Denver, Colorado office that works on state issues and priorities. NCSL provides a wide range of services to legislatures, including direct project assistance, research information, and publications.

Mr. Pound has researched and written extensively on legislatures and the legislative process and fiscal and public finance issues. He speaks to both national and international audiences on topics of state government fiscal conditions, public policy issues, and on the activities of state legislatures and federalism.

State Budget Update

February 12, 2009



NATIONAL CONFERENCE *of* STATE LEGISLATURES

The Forum for America's Ideas



William T. Pound
Executive Director
National Conference of State Legislatures



State Fiscal Overview

- State revenue performance is weak
- Budget gaps are growing
- Spending cuts are widespread
- Budget conditions are fragile





Revenue Performance Suffers

- Sales taxes: Falling as purchases decline and consumer confidence plummets
- Personal income taxes: Reeling from rising unemployment and stock market declines
- Corporate income taxes: Faltering as business profits drop
- Severance taxes: Weakening as energy prices drop

The revenue outlook is bleak.

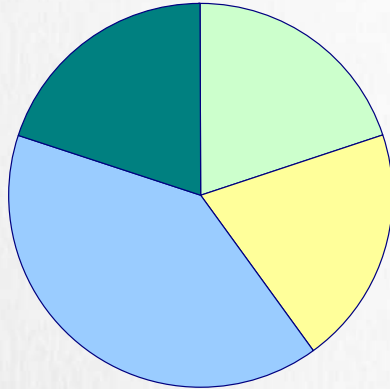




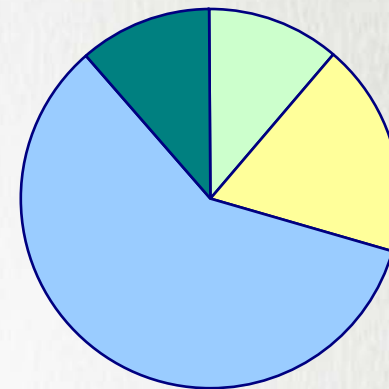
FY 2008 Tax Collections

(Compared with the Latest Estimate)

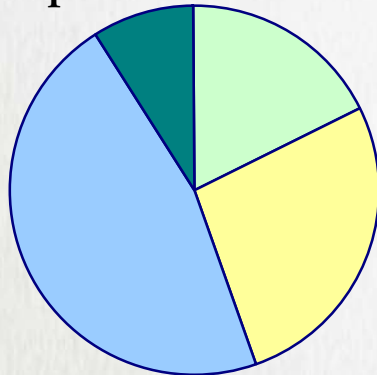
Personal Income Tax



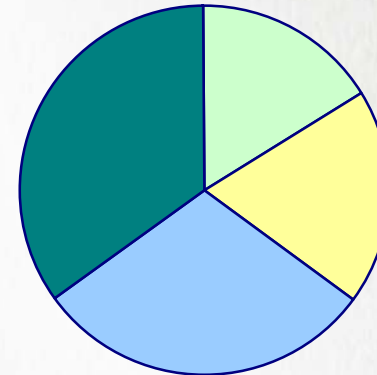
General Sales Tax



Corporate Income Tax



Other Taxes



- Above Estimate
- On Target
- Below Estimate
- Not applicable





How Important are General Sales and Use Taxes?

- They account for 31.5% of state tax revenues
- 9 states derive more than 40% of their tax collections from the general sales and use taxes
- In 7 states, the amount exceeds 50%
- Hawaii ranks 7th, with its general excise tax accounting for 50.2% of state tax collections





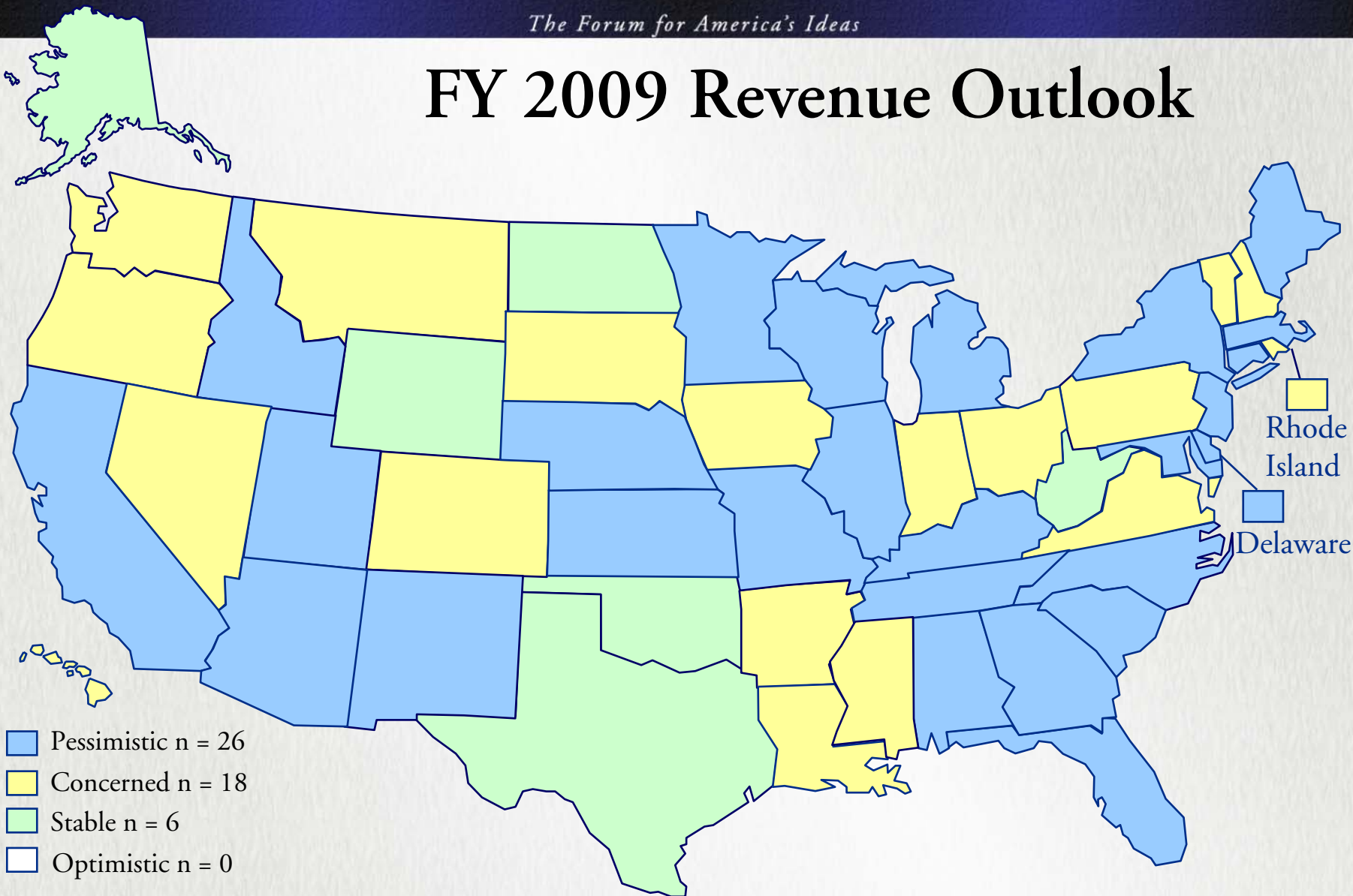
How Important are Personal Income Taxes?

- They account for 35.4% of state tax revenues
- 17 states derive more than 40% of their tax collections from the PIT
- In 5 states, the amount exceeds 50%
- Hawaii ranks 32nd, with PIT accounting for 30.6% of state tax collections



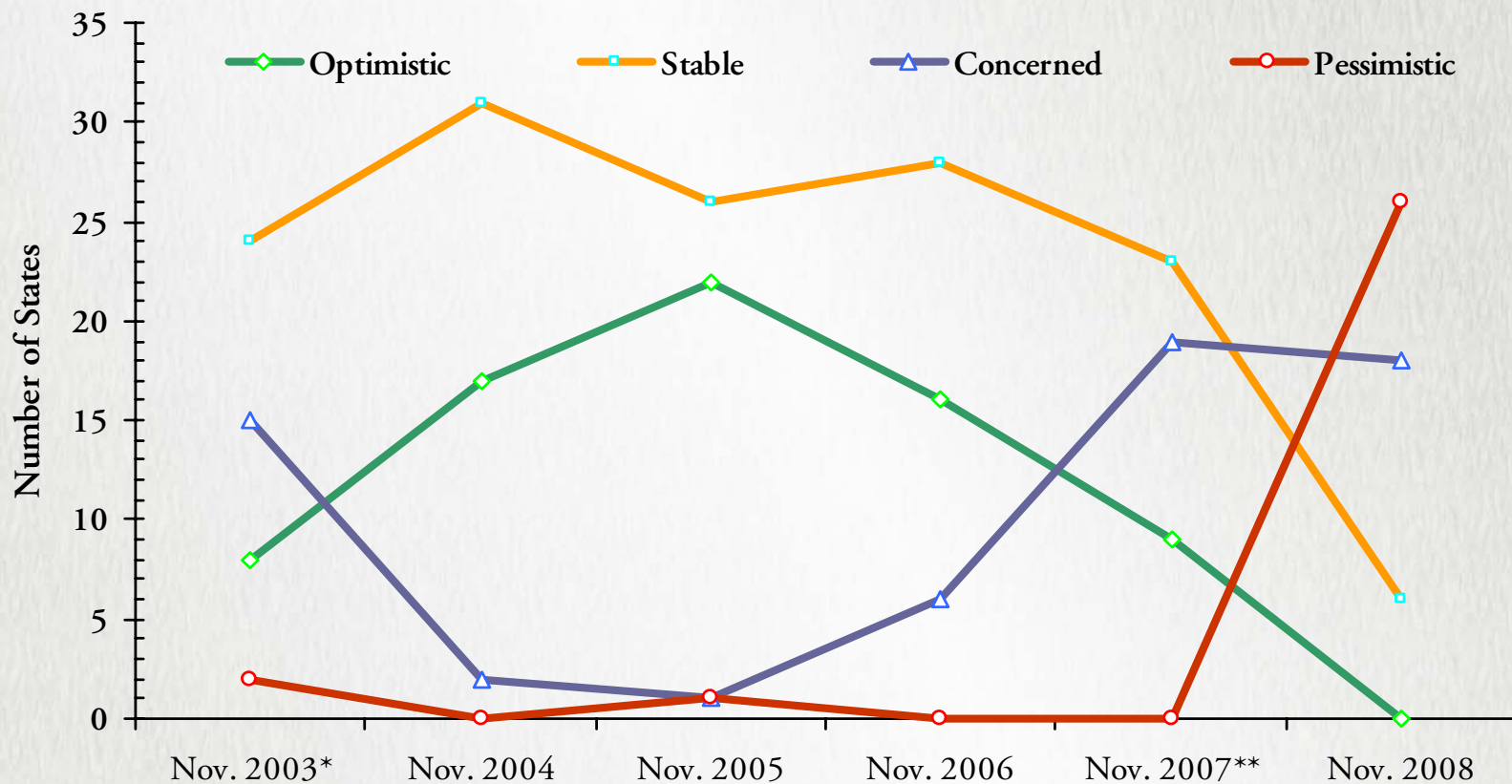


FY 2009 Revenue Outlook





Revenue Outlook for the Remainder of the Fiscal Year (FY 2004-FY 2009)

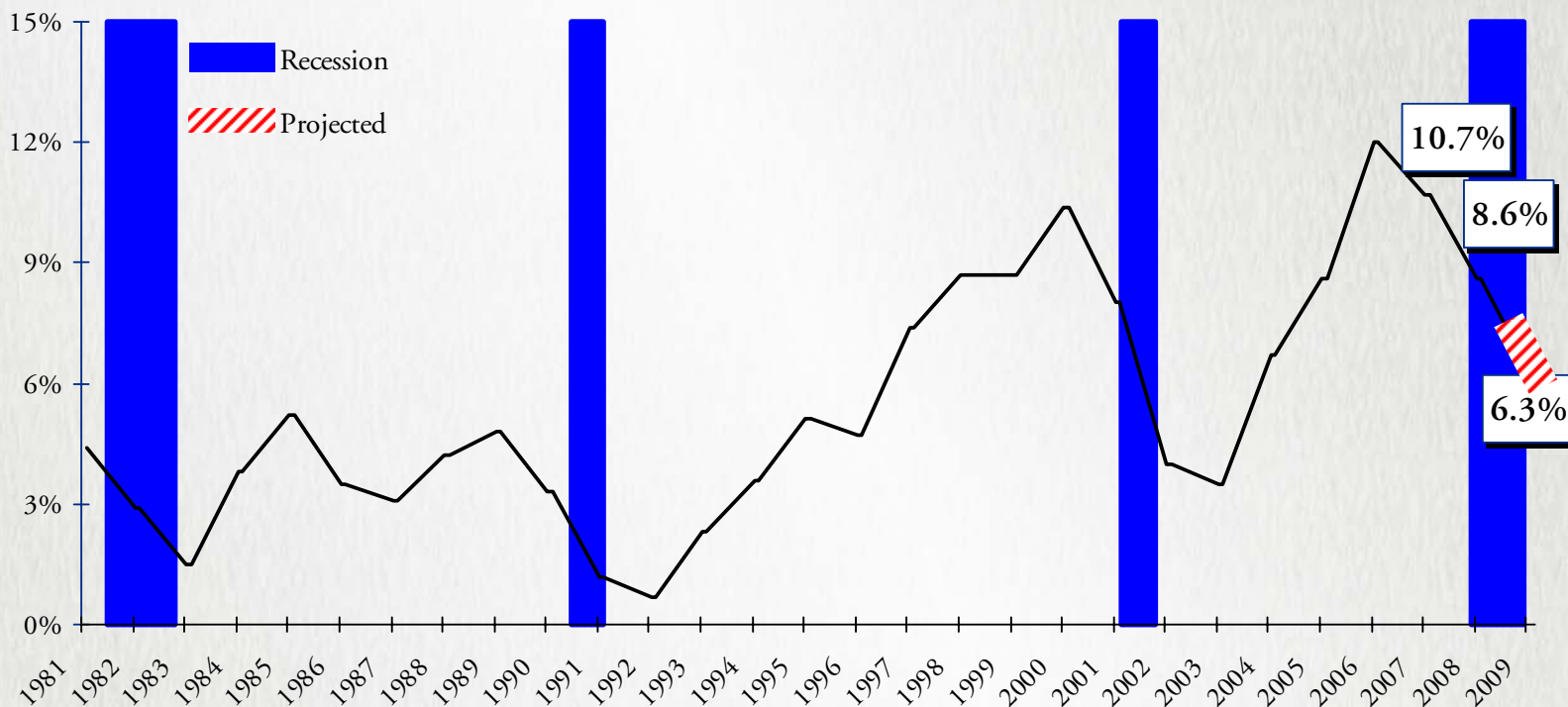


* 49 states reporting

** Includes Puerto Rico



State Year-End Balances as a Percentage of General Fund Spending

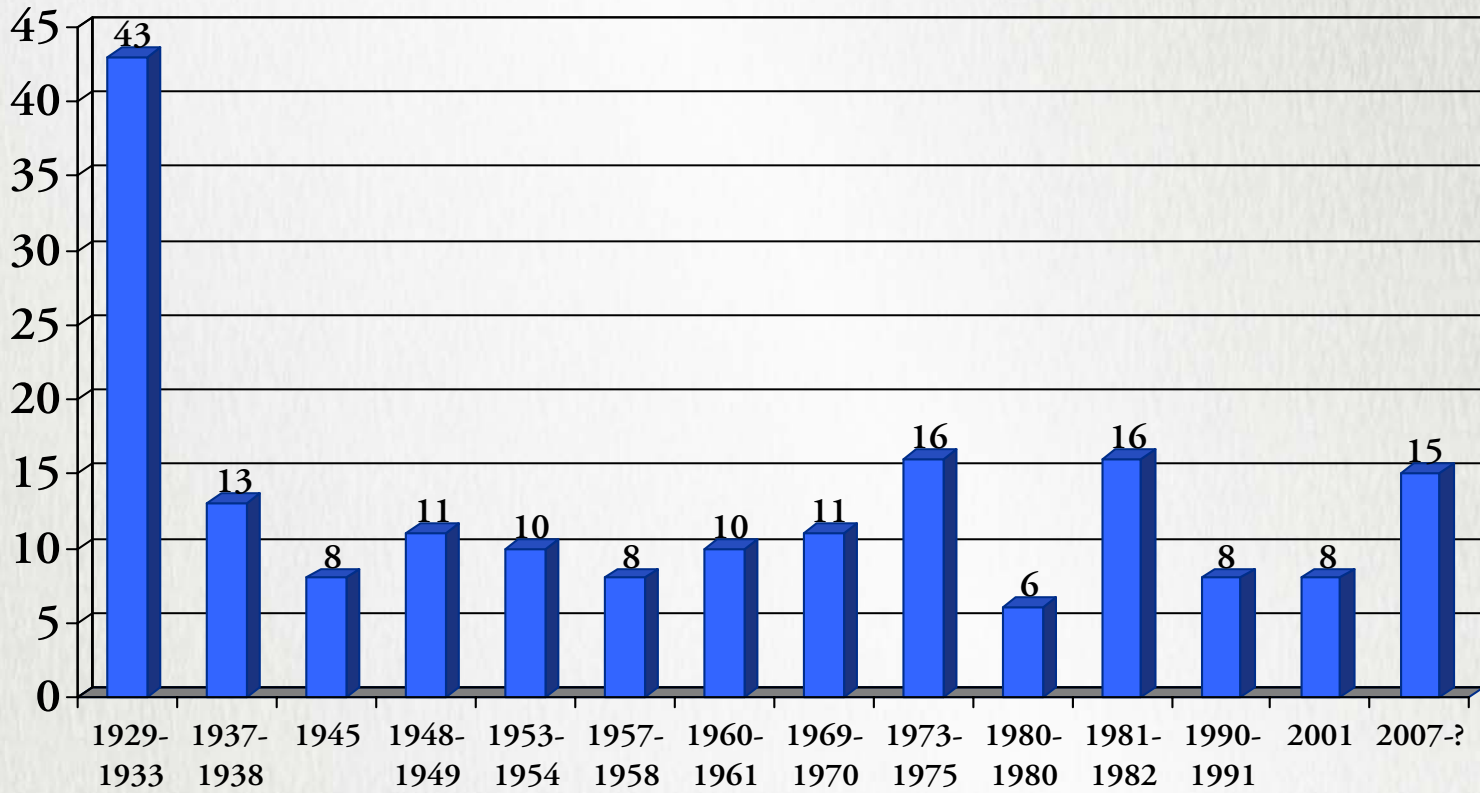


49 states reporting for FY 2007–FY 2009.





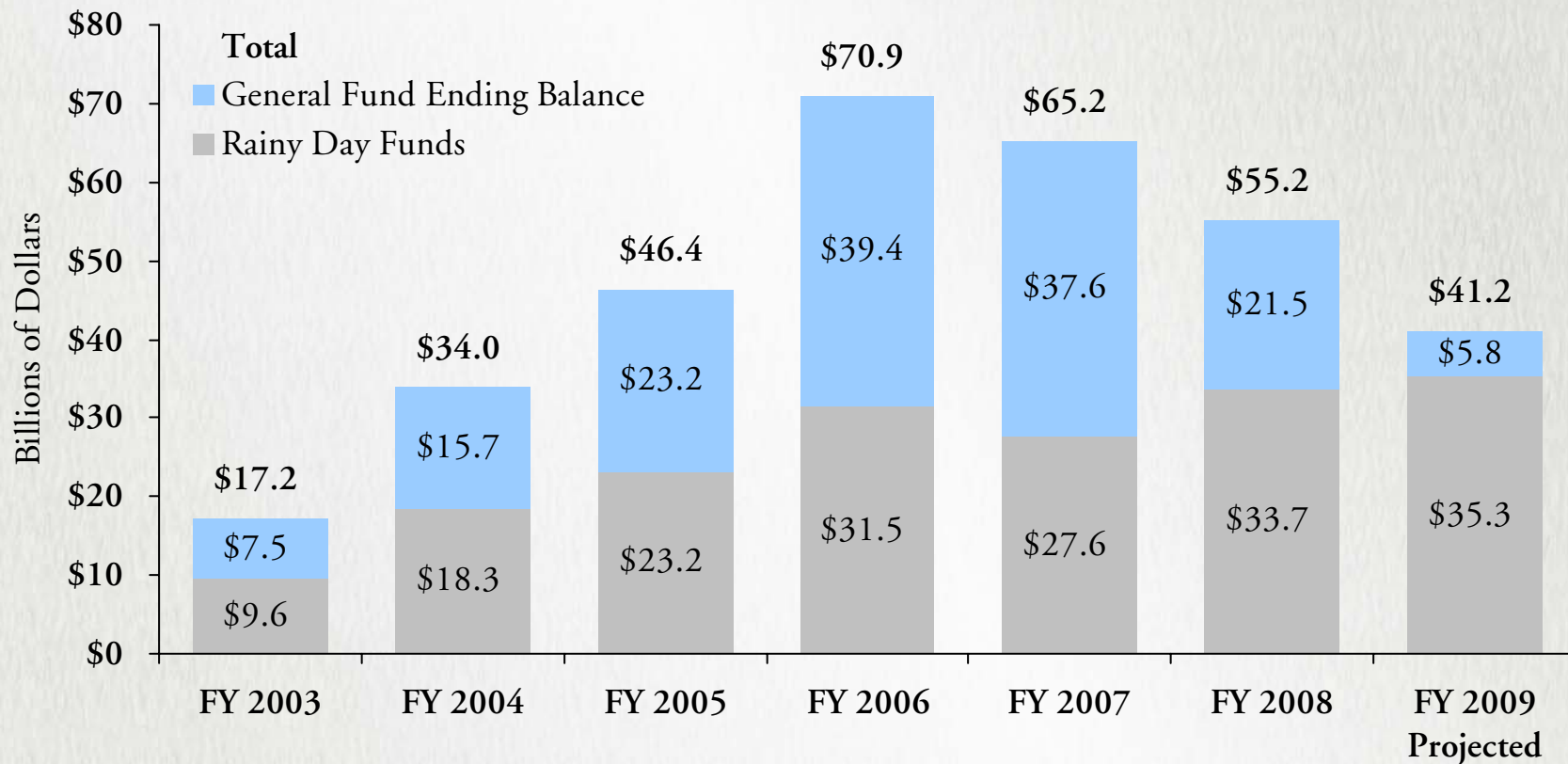
U.S. Business Cycle Downturns 1929-2009: Duration in Months





State Balances Fluctuate

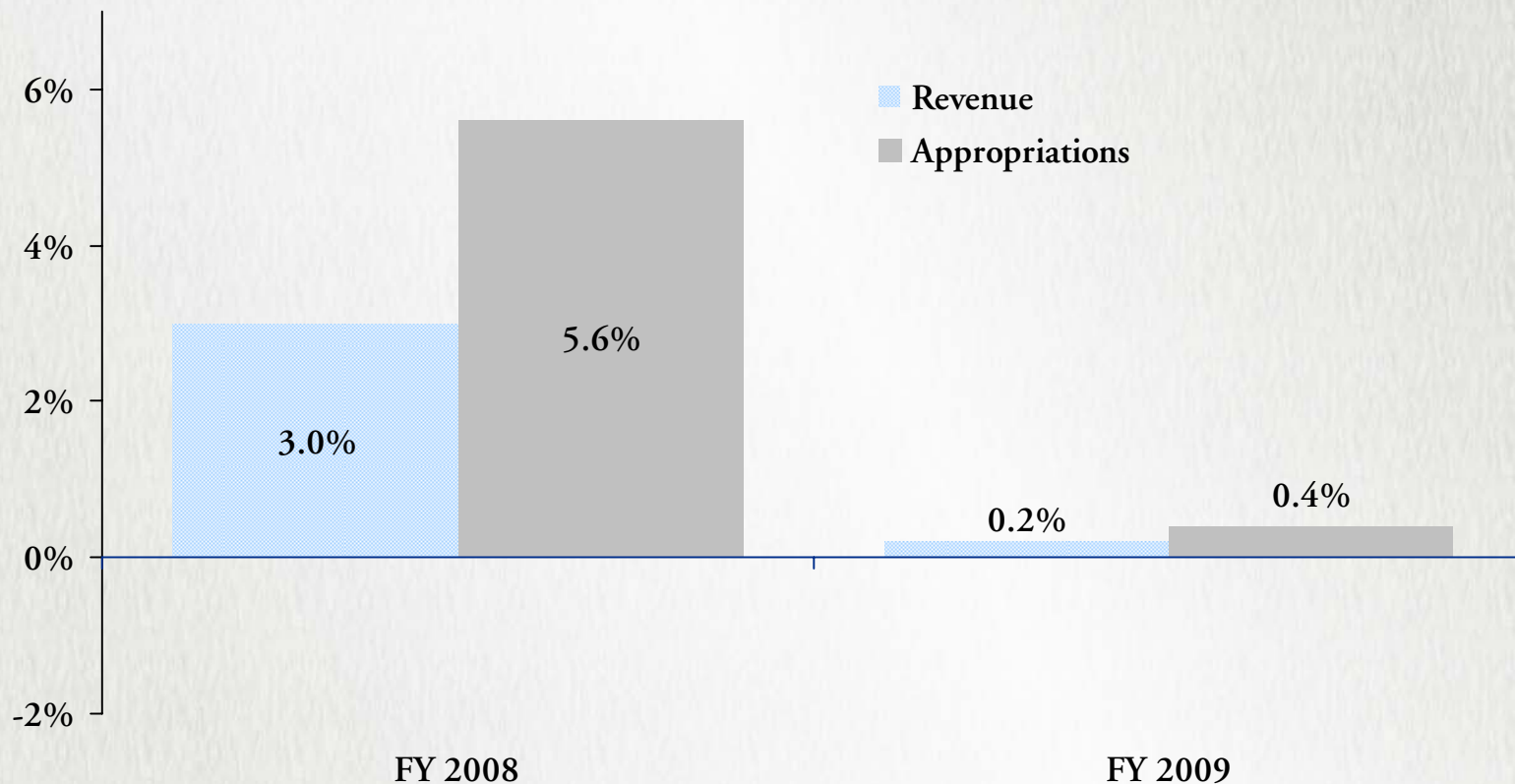
(billions of dollars)



*49 states reporting for FY 2007 – FY 2009.



Projected Percentage Changes in Revenue and Appropriations

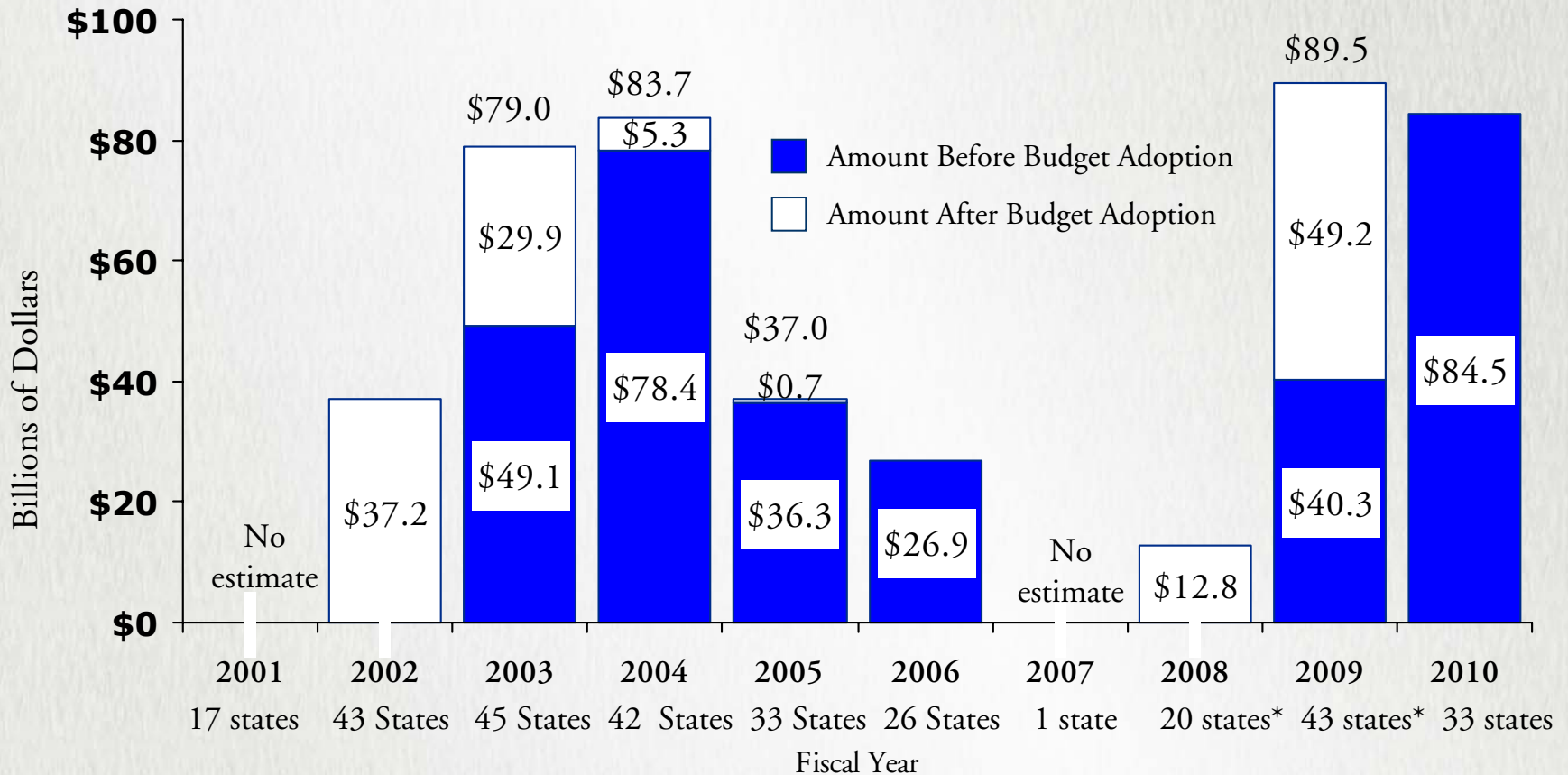


*49 states reporting.





State Budget Gaps FY 2001-FY 2010 (projected)



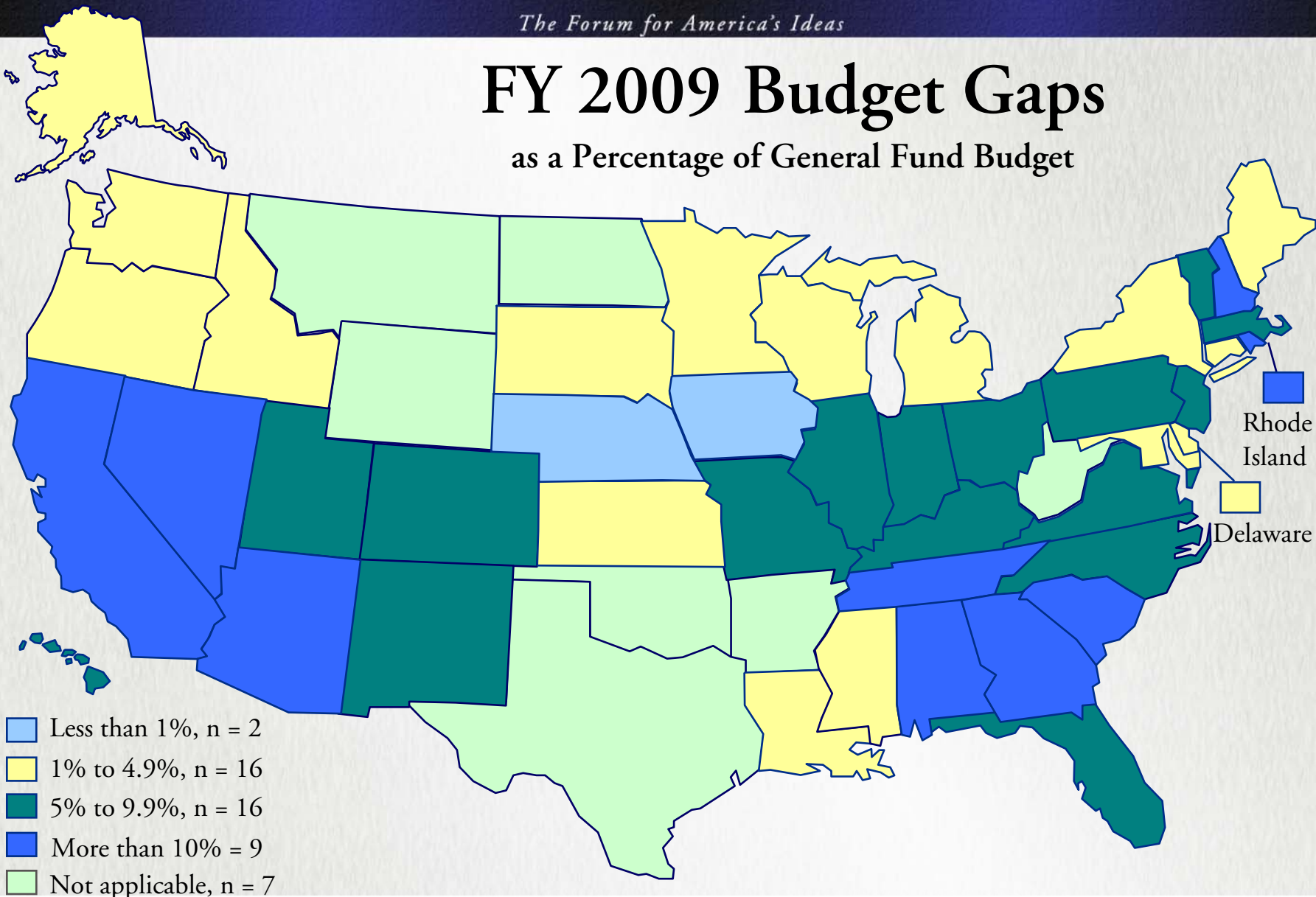
Source: NCSL survey of legislative fiscal offices, various years.

* Includes Puerto Rico



FY 2009 Budget Gaps

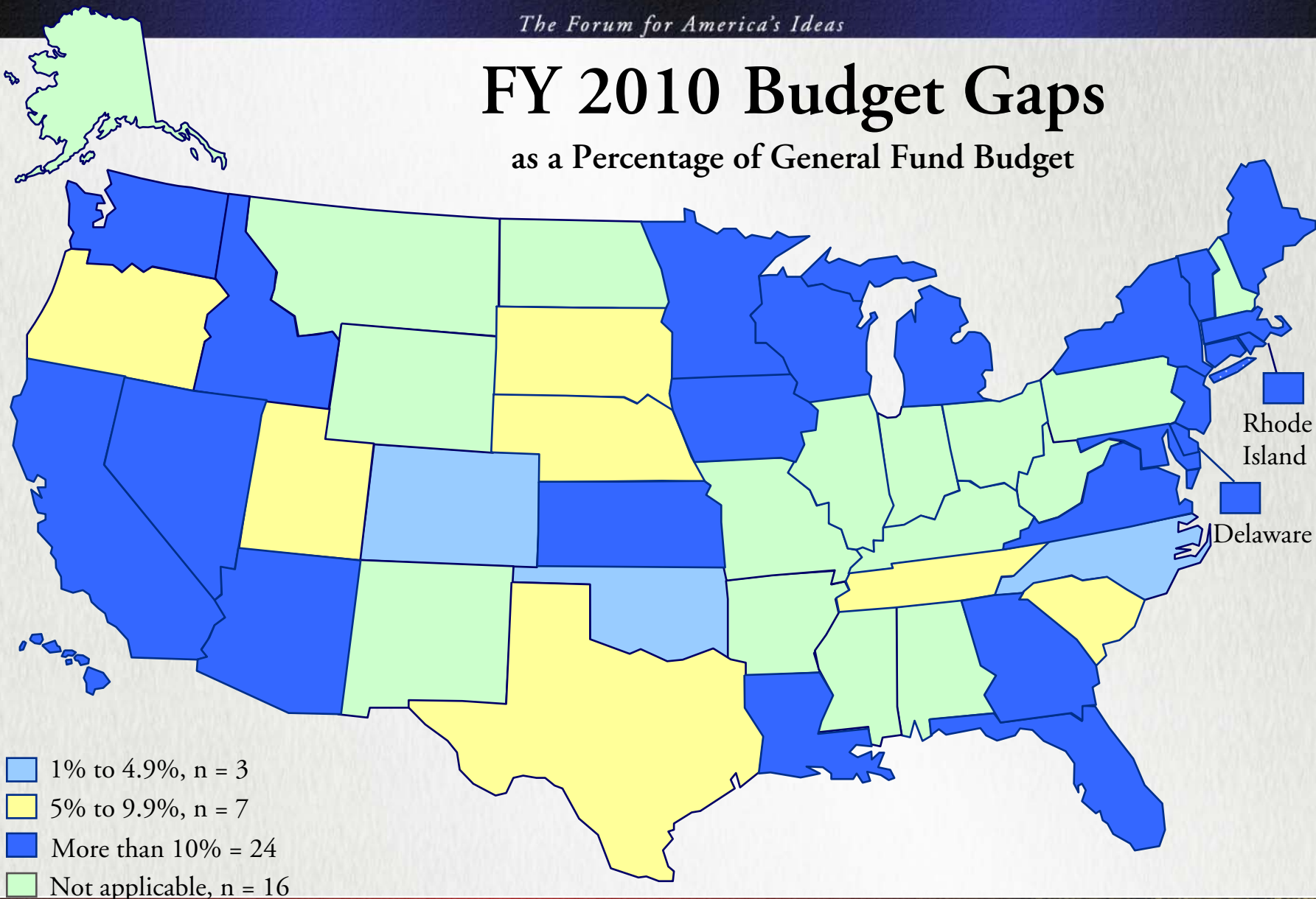
as a Percentage of General Fund Budget





FY 2010 Budget Gaps

as a Percentage of General Fund Budget





Actions to Balance FY 2009 Budgets: Program Cuts

- Across-the-board cuts (20 states, 10 states considering)
 - Delaware (7%)
 - Georgia (10%)
 - Hawaii (2%-4% + 4%)
 - Kansas (3%)
 - Maine (5%)
 - Nevada (7.4% +)
 - Ohio (4.8%)





Actions to Balance FY 2009 Budgets: Program Cuts

- Targeted program cuts (enacted or proposed)
 - Higher education (at least 18 states): Alabama, Arizona, Connecticut (\$47.0 million), Florida (\$113.0 million), Idaho (10%), Virginia (15%)
 - K-12 education (at least 14 states): Florida (\$480 million or \$140 per pupil), Idaho (5.3%), Maryland, New Mexico (\$80 million), New York (3.3%), Virginia (\$400 million), Washington
 - Medicaid (at least 14 states)
 - Corrections (at least 14 states)
 - Local government aid (at least 10 states)



Actions to Balance FY 2009 Budgets: Other Measures

- Salary freeze (at least 6 states): Idaho, Indiana, Washington
- Hiring freeze (at least 20 states): Hawaii, New Jersey, Virginia
- Travel ban (at least 15 states): Delaware, Hawaii, Maine
- Layoffs (at least 11 states): Louisiana and New York
- Furloughs: California and Maryland
- IOU's: California



Actions to Balance FY 2009 Budgets

- Tap rainy day funds (at least 9 states): Arizona, Nevada
- Fund sweeps (at least 21 states): Colorado, Nevada, Florida
- Delay capital projects (at least 12 states)
- Shift pay-as-you-go to debt (at least 3 states)
- Purchase freeze (at least 9 states)
- Tax amnesty programs (3 states)





Actions to Balance the Budget: Potential Tax & Fee Increases in 2009

- Tobacco Taxes: Kentucky (\$0.70), Utah, and Virginia
- Alcohol Taxes: California, Massachusetts, and New York
- Soda and Candy Taxes: Massachusetts and New York (18% on non-diet soda)
- Gambling Taxes: Alabama





Actions to Balance the Budget: Potential Tax & Fee Increases in 2009

- Sales Taxes: California (Governor has proposed a 1.5% sales tax rate increase), New York, and Rhode Island (lower rate by 2 cents and expand base to services)
- Hospital Taxes: Georgia and Wisconsin
- Personal Income Tax Surcharge: California
- Tax Acceleration: New Mexico and Nevada
- Elimination of sales tax exemption on clothing: New York (<\$100)



Actions to Balance the Budget: Potential Tax & Fee Increases in 2009

- Oil and/or Natural Gas Taxes: California and Montana
- Gasoline Taxes: California (\$0.13), Idaho (\$0.02), Illinois, and Oregon
- Vehicle Registration & Violation Changes: Colorado, Florida, Idaho
- Rental Car Taxes: Idaho (6.0%)

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For more information

