



# **State Fiscal Outlook: Minnesota and the Nation**

## **ONE MINNESOTA**

***January 25, 2012***

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# ***Current Fiscal Situation: Overview***



# State Fiscal Outlook

- **Revenue improvement**
- **Still not yet pre-recession**
- **Spending pressures**
- **Health care reform**
- **Limited federal funds**



# State and Local Employment Continues to Decline

- **State and local employment has declined 665,000 from the start of the recession through December**
  - **State employment declined 132,000 from Aug. 2008-Dec. 2011**
  - **Local employment declined 533,000 from Sept. 2008-Dec. 2011**
- **State governments have eliminated 17,000 positions since September**
- **States have also taken other personnel actions such as furloughs, early retirement, salary reduction, etc.**



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



# State Budgets



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**\* Average**

*\*34-year historical average rate of growth is 5.6 percent  
Source: NASBO Fall 2011 Fiscal Survey of States*

*\*Fiscal '12 numbers are appropriated*



# FY 2012 Spending Remains \$20 Billion Below FY 2008



(\$ in billions)

*\* FY 2007 – 2010 are actual, FY 2011 is preliminary actual and FY 2012 is enacted.*



# Medicaid Continues to Drive General Fund Spending Growth

Changes in General Fund Spending by Category Between FY 2011 and FY 2012



In Billions

*Data is based on comparative levels of enacted spending in FY 2011 and FY 2012  
Source: NASBO Fall 2011 Fiscal Survey of States*





# State Revenue Continues to Grow in 3<sup>rd</sup> Quarter, but at Slower Rate



Source: Fiscal Studies Program, Rockefeller Institute of Government; U.S. Census Bureau



# Revenue Remains Below Pre-Recession Levels



(\$ in billions)

*\* FY 2007- -2010 are actual. FY 2011 is preliminary actual and FY 2012 is enacted.*



# Minnesota GF Revenue: 1997-2011



(estimated)

Source: NASBO State Expenditure Report



# Total Balance Levels Remain Low for Most States

## Balances as a Percentage of Expenditures



(percentages)

\* FY 2006 – FY 2010 are actual, FY 2011 is preliminary actual and FY 2012 is enacted.



# Balances in MN and Selected States





# Mid-Year Budget Cuts Decline

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

*\*FY 2012 mid-year budget cuts are ongoing*

*Source: NASBO Fall 2011 Fiscal Survey*



# ***Current Fiscal Situation: Economic Overview***



# Unemployment Rate in MN and Selected States







# National Unemployment Rate Compared to MN



%

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



# Who gets out first?

## Historical Boost to State Earnings and Employment due to Oil & Natural Gas





# ***Background on State Spending Trends***



# Spending by Funding Source (Percentage)





# MN Spending by Funding Source (Percentage)





# Total State Expenditures





# General Fund: Medicaid & Education 64%





# MN General Fund: Medicaid & Education Over 73%







# MN General Fund Spending Growth over 10 years





# State Spending from Federal Funds





# MN State Spending from Federal Funds



# Focus on Outcomes

- Focus on results and ***outcomes***
- Spend funds for effective programs
- Improve management



# ***Outlook***



# State Fiscal Outlook

- **State budgets dependent on economy**
- **Health care reform, federal government will have an impact**
- **Tough competition for general funds and limited federal funds**
- **Dealing with long-term liabilities**



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