



*State Budget Update
November 2006*

**Associated Taxpayers of Idaho
60th Annual Tax Conference**

December 6, 2006

Boise, Idaho



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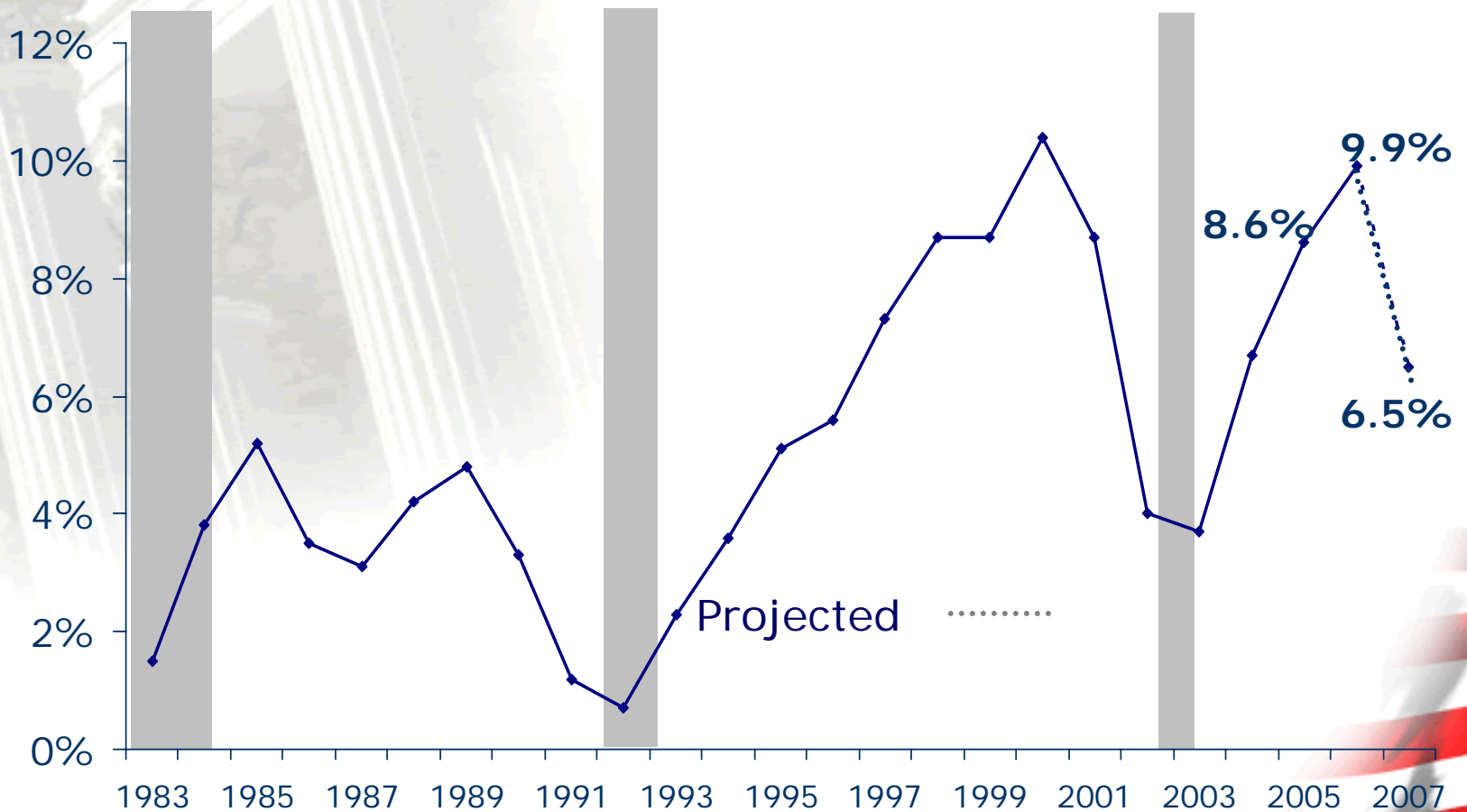
Where States Are



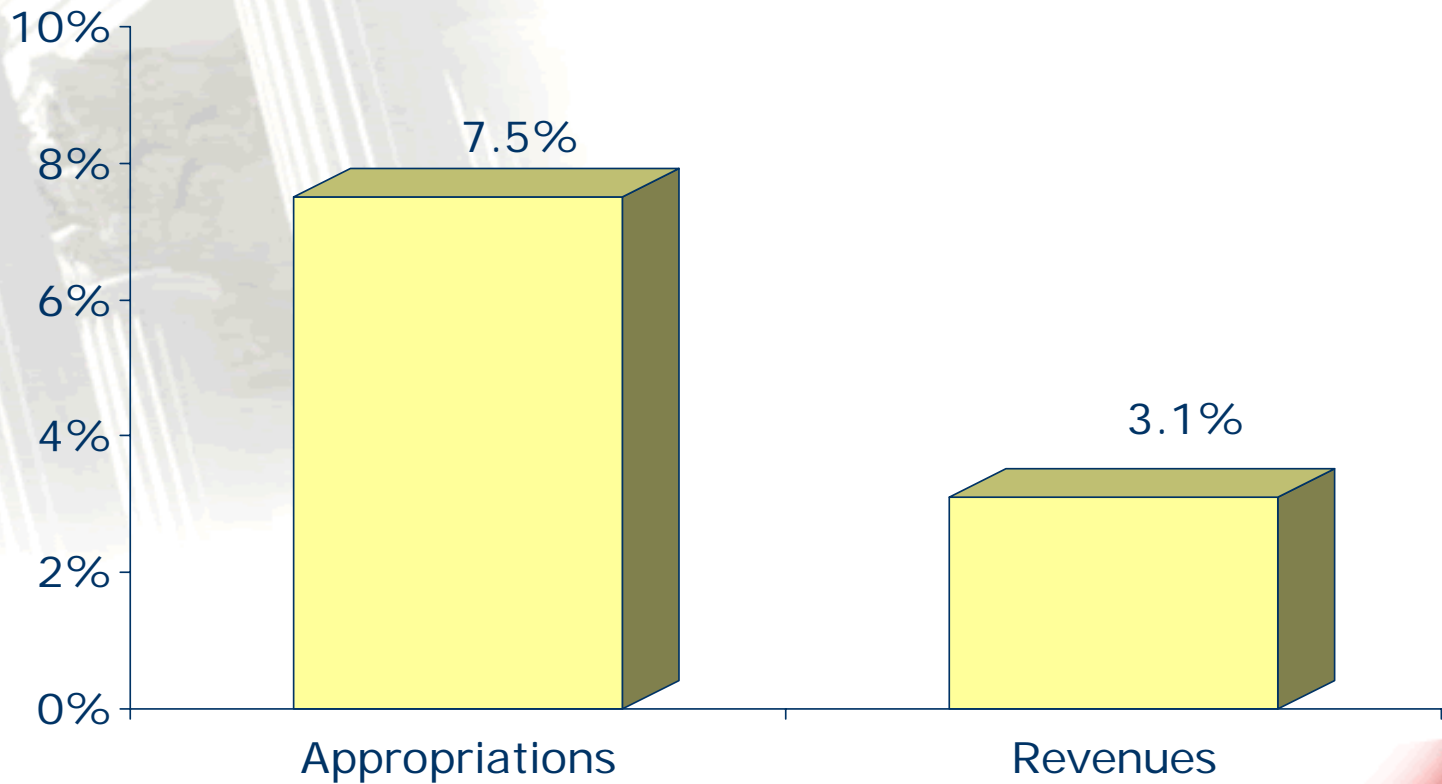
- Overall state revenue performance is solid.
- Individual tax categories are performing with mixed results.
- Spending largely has stayed within budget.

State Year-End Balances

As a Percentage of General Fund Expenditures

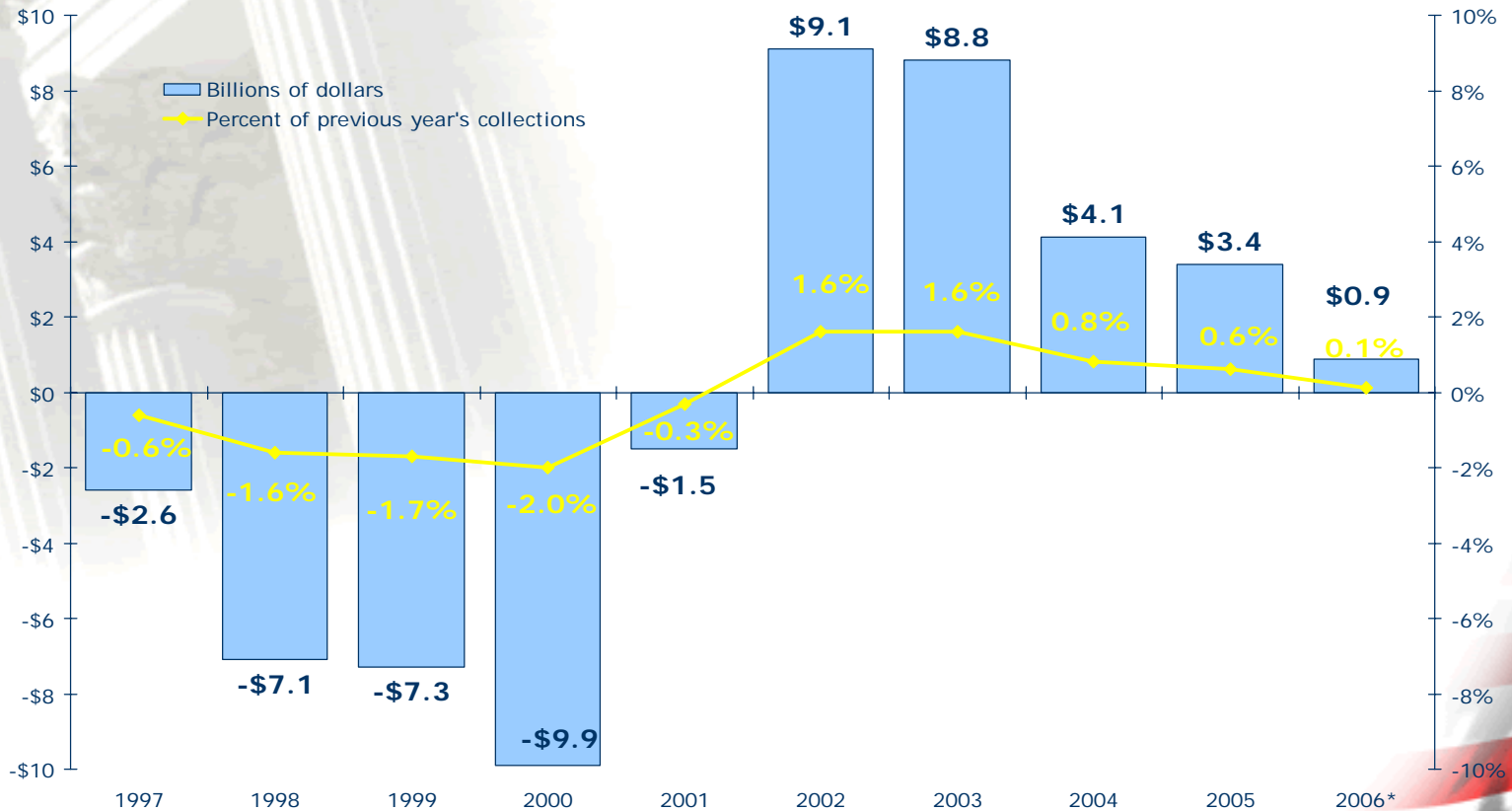


Projected Percentage Changes in Revenue and Appropriations: FY 2007



Net State Tax Changes

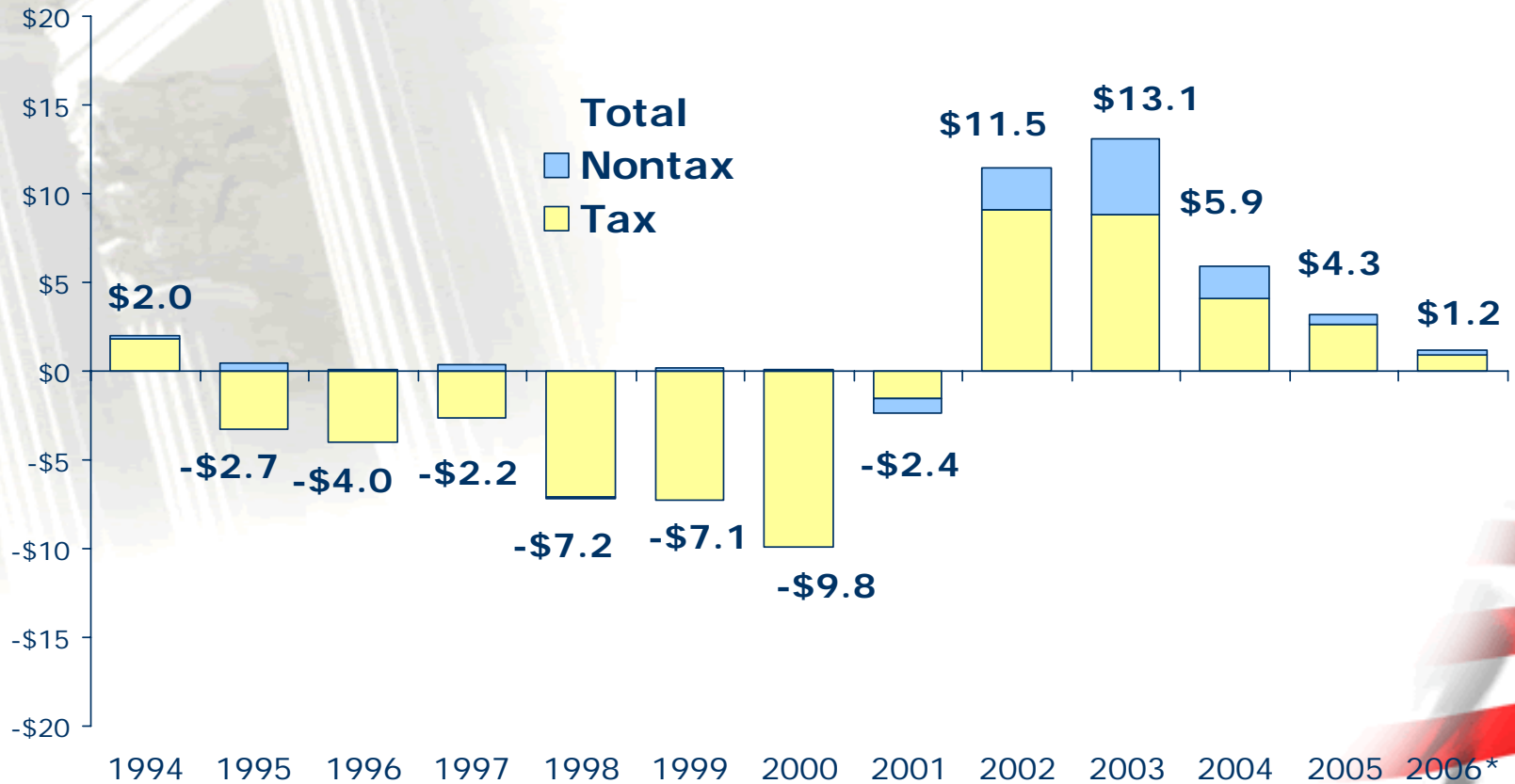
By Year of Enactment, 1997-2006



* 47 states reporting for FY 2006

Total Tax and Nontax Revenues

in billions of dollars



* 47 states reporting for FY 2006

2006 Net State Tax Changes

in millions of dollars



Personal income tax	\$-1,760.4
Corporate income tax	-167.3
Sales and Use tax	720.7
Health	291.1
Motor Fuel	1,252.4
Cigarette and Tobacco	477.9
Alcohol	0.0
Miscellaneous	<u>52.6</u>

Net Total \$867.0

State Revenue Performance

(Number of States Reporting)



	Nov. 2002	Nov. 2003	Nov. 2004	Nov. 2005	Nov. 2006
■ Above forecast	8	21	36	42	23
■ On target	8	13	10	6	22
■ Below forecast	33	16	3	1	3

Revenue Outlook for the Remainder of the Fiscal Year (Nov. 2002- Nov. 2006)

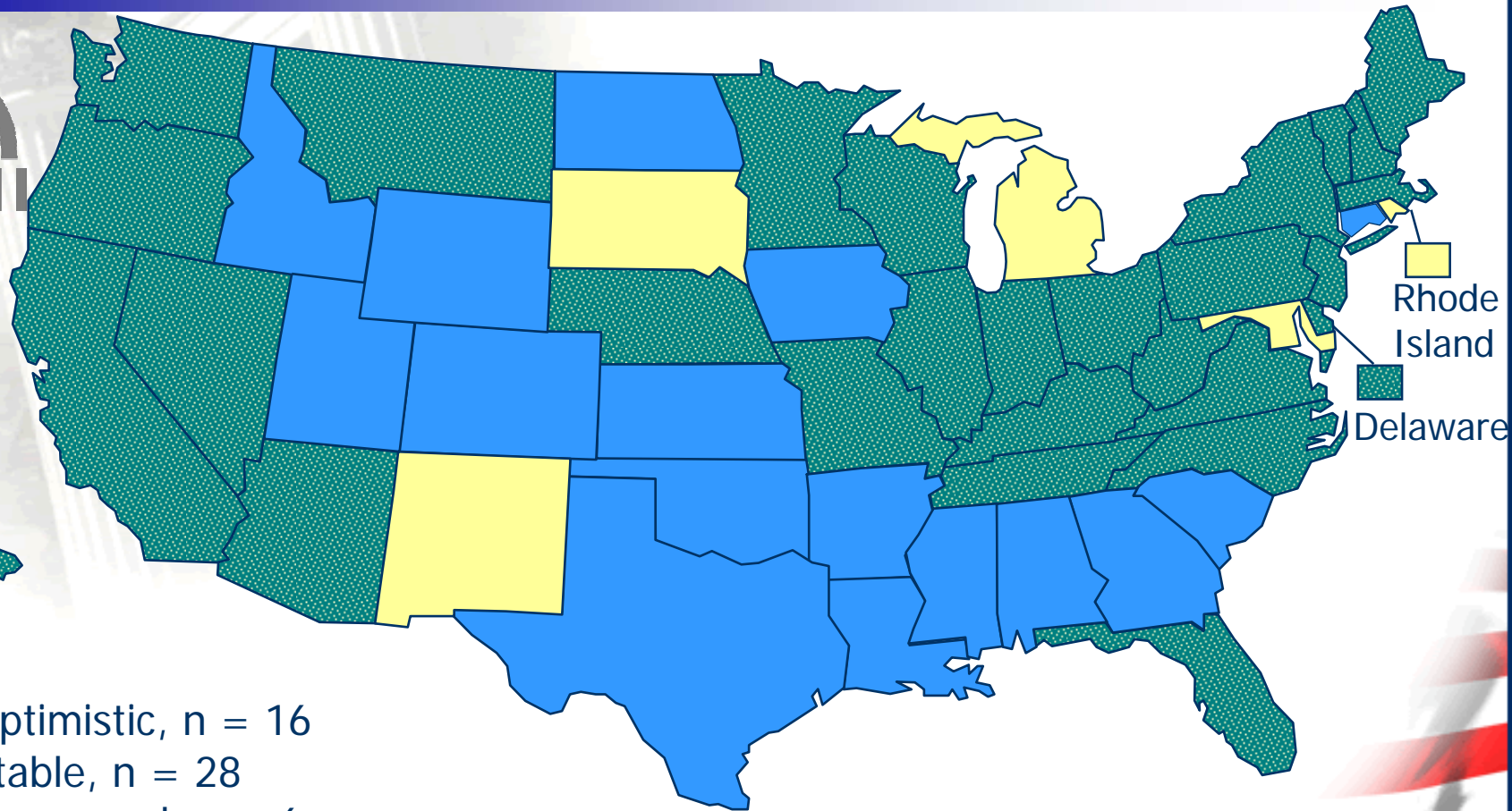


Outlook as of	November 2002 (FY 2003)*	November 2003 (FY 2004)**	November 2004 (FY 2005)	November 2005 (FY 2006)	November 2006 (FY 2007)
Optimistic	2	8	17	22	16
Stable	8	24	31	26	28
Concerned	29	15	2	1	6
Pessimistic	9	2	0	1	0

* Two states not reporting

** One state not reporting.

Revenue Outlook for the Remainder of FY 2007



Rhode Island

Delaware

- Optimistic, n = 16
- Stable, n = 28
- Concerned, n = 6




Spending Overruns

(in FY 2007 budgets)



14 states report spending overruns:

- Corrections: Eight states
 - Medicaid: Five states
 - Other: Public health, mental health, addiction services, public safety, employee compensation, electricity, education, farm aid, infrastructure
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Top Fiscal Issues for 2007



- Education: 29 states
 - Health Care/ Medicaid: 23 states
 - Taxes: 16 states
 - Budget: 16 states
 - Infrastructure/ Transportation: 10 states
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Top Fiscal Issues for 2007



- Pensions/ Retirement: 9 states
- Corrections: 8 states
- Gambling: 2 states
- Property insurance: 2 states
- Other: 10 states

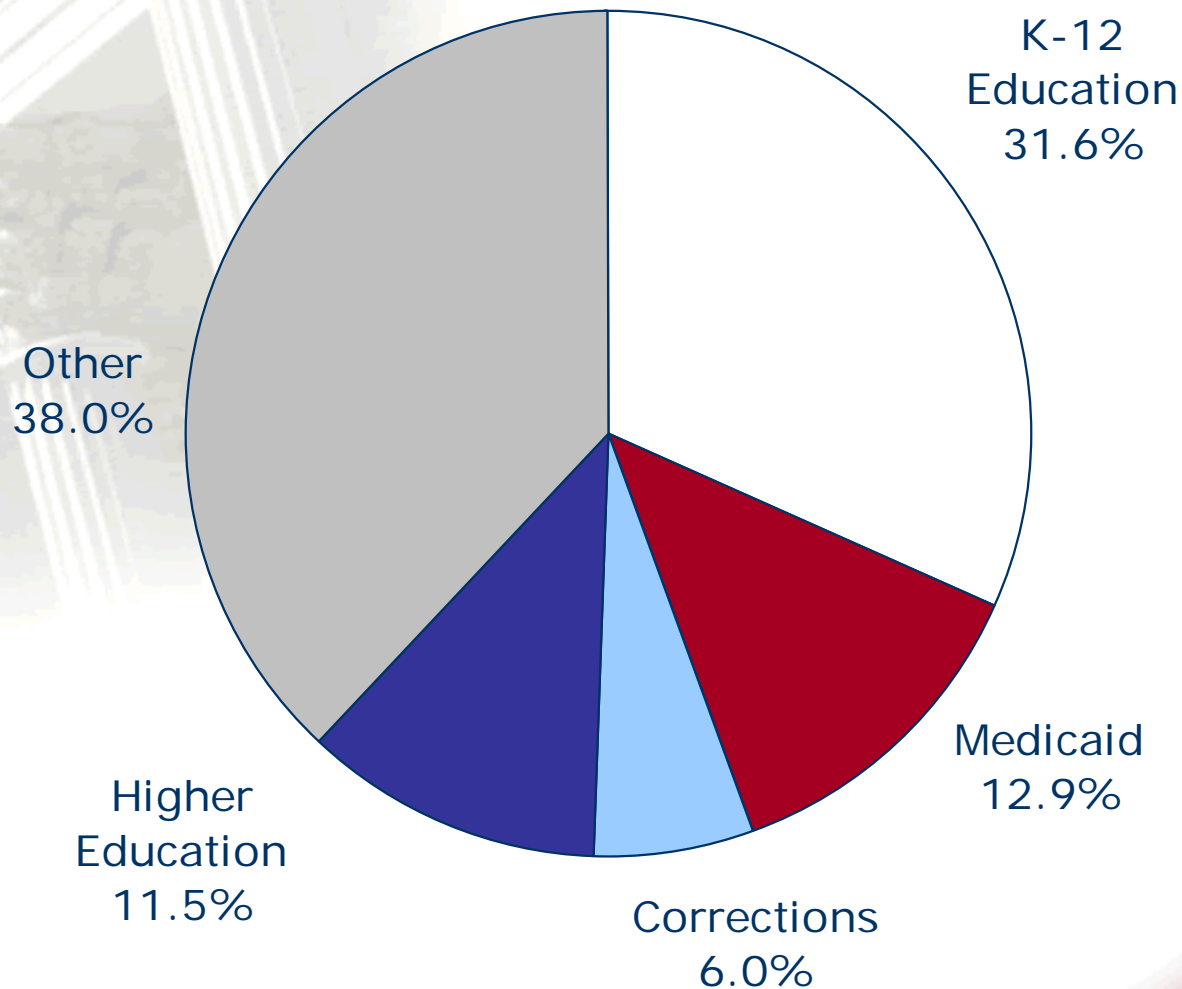


Longer-Term Fiscal Pressures

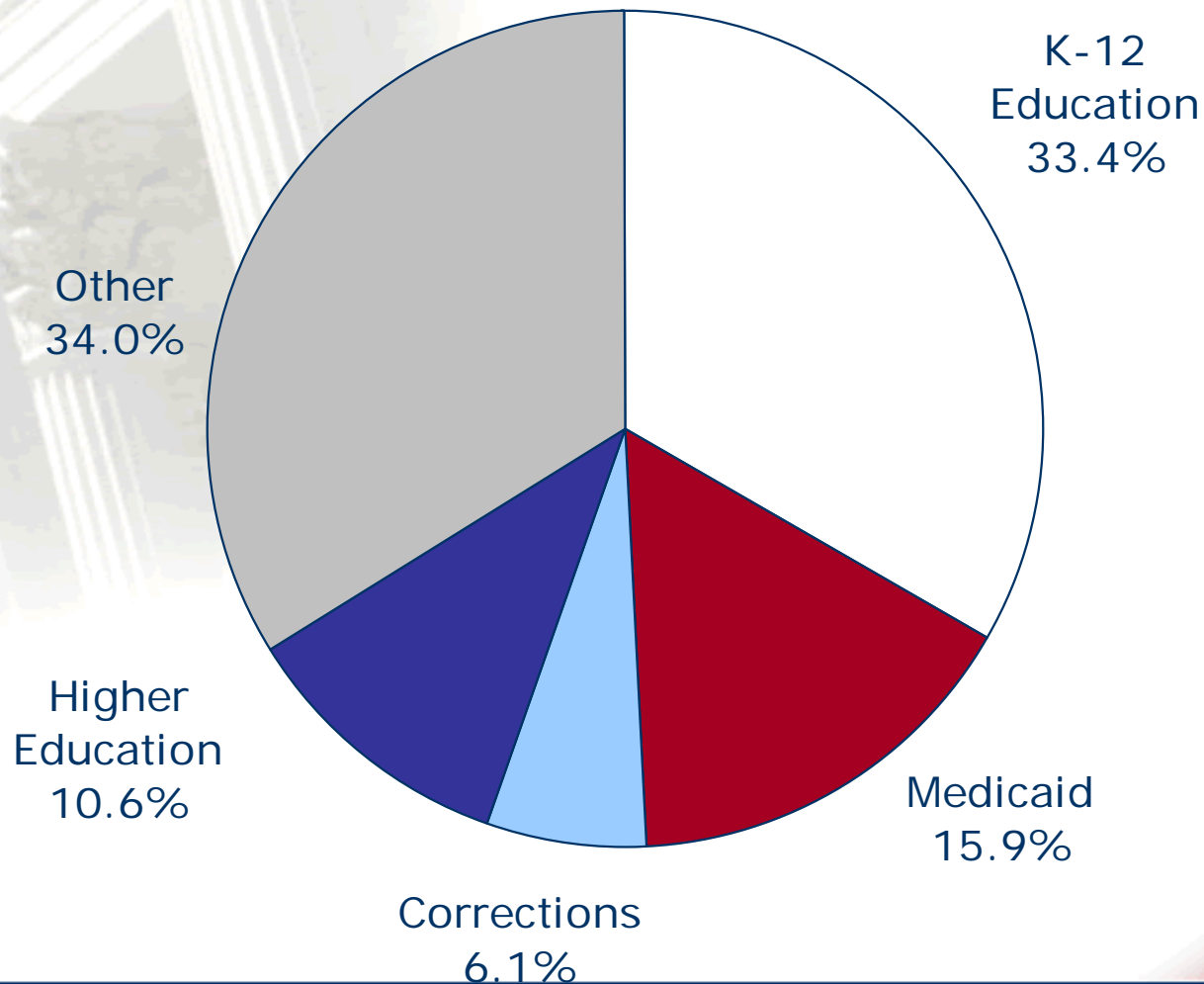


- K-12 education
 - Medicaid and other health care costs
 - Pension obligations
 - Infrastructure
 - Other programs and services
- 

Composition of General Fund Budgets, FY 1996




Composition of General Fund Budgets, FY 2006





Longer-Term Fiscal Pressures




- Federal actions that affect state budgets:
 - Unfunded or underfunded federal mandates
 - Reduced federal funding for states
 - Federal tax reform
 - Budget inflexibility
 - Voter mandated spending
 - Earmarked revenues
 - Tax & spending limits
 - Fewer one-time options
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Longer-Term Fiscal Pressures



- Concern about future revenue growth: stability and performance
 - Revenue growth that lags state expenditure needs
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Selected Economic Indicators

Percent Change from Previous Year
FY 2008–FY 2010



Indicator	FY 2008	FY 2009	FY 2010
State General Fund Revenues*	3.6%	4.7%	4.8%
Nominal GDP	4.9%	5.0%	4.9%
CPI	2.2%	2.2%	2.2%


*These figures exclude projected general fund revenue changes in Oregon because of the distortions caused by the state's 2% Kicker Law.

Source: NCSL survey of legislative fiscal offices, November 2006, and the Congressional Budget Office, *The Budget and Economic Outlook: An Update* (CBO: August 2006) 62.



Conclusion



- State budgets are stable in the near term, but some key issues in 2007 carry costly price tags.
 - Revenue performance appears to be tempering.
 - Many states face longer-term fiscal challenges.
 - Federal actions loom large over states.
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For More Information



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