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# THE STATE OF STATE BUDGETS

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# STATE SUPPLEMENTAL APPROPRIATIONS & RAINY DAY FUND TRANSFERS

- States have enacted 27 supplemental appropriation bills.
  - Largely to health and human service agencies and for education.
  - Other supplemental appropriations have been introduced for business relief.
- 10 states have authorized transfers from their rainy day fund accounts.



# UNCERTAINTY AHEAD

- Just starting to get some official estimates, but uncertainty remains.
  - What does re-opening businesses look like?
  - How soon will jobs return?
  - How much pent up demand will there be from consumers?



## STATE REVENUE IMPACTS

- Unofficially, some states are preparing for revenues that are 15-20% less than expected.
- Significant reductions to FY 2020 and FY 2021 estimates.
  - California, PIT, Sales and CIT could drop 25% over 14 months (about 41.2 billion)
  - Colorado faces a \$3.3 billion shortfall in FY 2021 (25% of the state's general fund budget).
  - In Kentucky's "optimistic" scenario, general fund revenues for the first half of FY 2021 are projected to decline 10.5%, on top of a 2.3% decline in FY 2020.



## STATE REVENUE IMPACTS

- States reliant on oil production and tourism especially vulnerable.
  - Alaska revised their revenue estimate to assume \$40 per barrel for oil, down from earlier assumptions of \$59.
  - North Dakota based its budget on \$48 per barrel.
  - In Hawaii 1 in 3 workers is unemployed.

## STATE BUDGETS SQUEEZED

- Like the Great Recession, spending freezes and across the board reductions are some of the first tools to close budget gaps.
  - Georgia agencies asked to prepare for 14% cuts.
  - Utah asked agencies to prepare plans for 2%, 5% and 10% cuts.
- Demand for social service programs increases during times of economic downturns.
  - Eligibility for Medicaid.
  - 36 million Americans drawing unemployment.

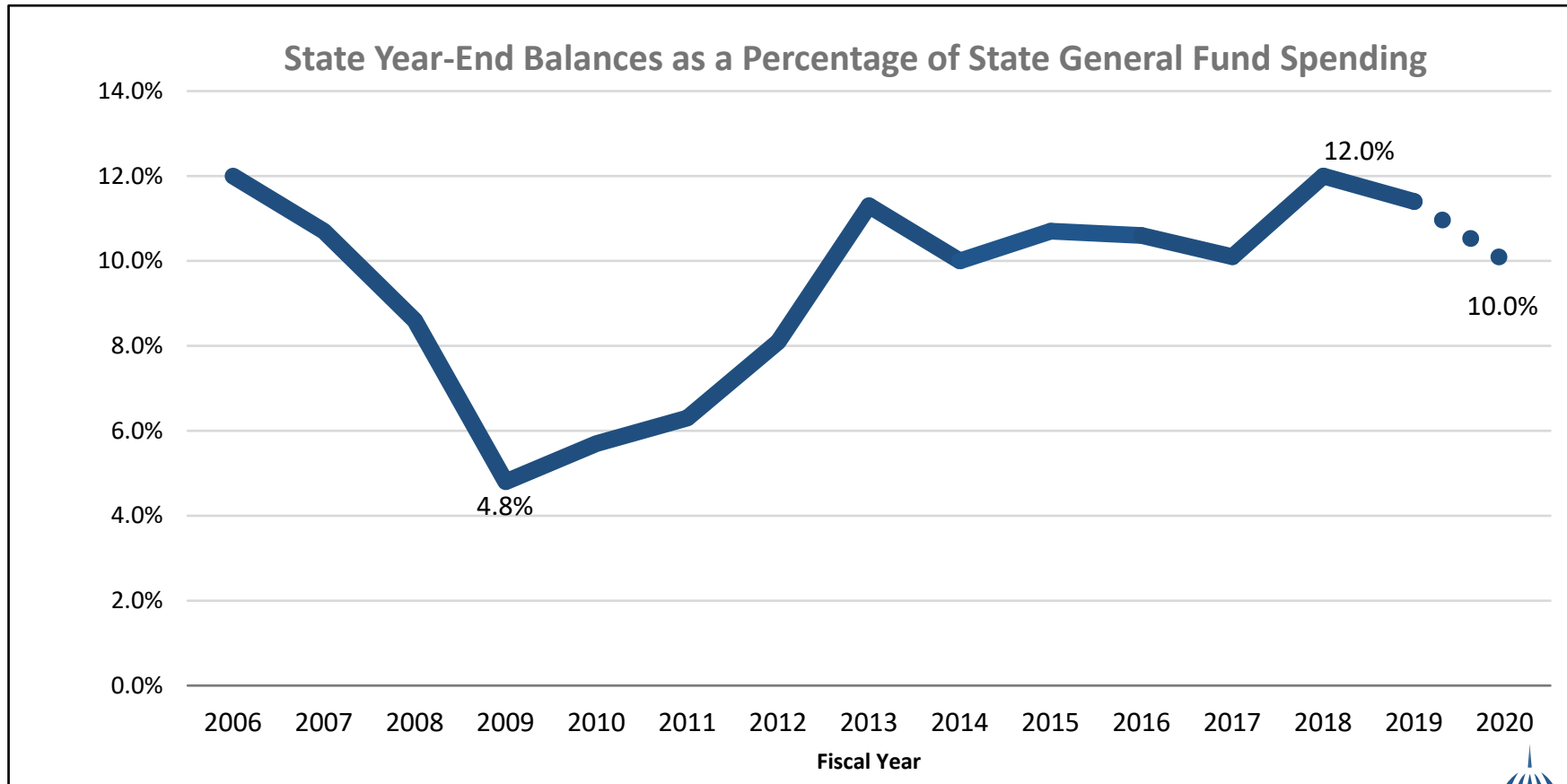


## THE BUDGET PROCESS INTERRUPTED

- Many states had an FY 2021 or biennial budget in place before the pandemic using estimates from December and January.
- About 18 states still working on FY 2021 budgets.
- States are getting creative passing continuing resolutions, extending fiscal years, and passing base budgets.
- Many special sessions expected.



# STATE YEAR-END BALANCES





# FEDERAL FUNDS

The CARES Act provided \$150 billion in aid to state, local and tribal governments.

- Who has authority to allocate these funds?
- Money can be used for unexpected costs related to COVID-19 – states are working through allowable expenditures.
- The funds must be spent by December 30. States quickly creating mechanisms to track and report spending.
- Many states are waiting for additional guidance, or further Congressional action before spending the funds.



# QUESTIONS & CONTACT INFORMATION

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