



# State Budget and Stimulus Update

Nov. 16, 2021

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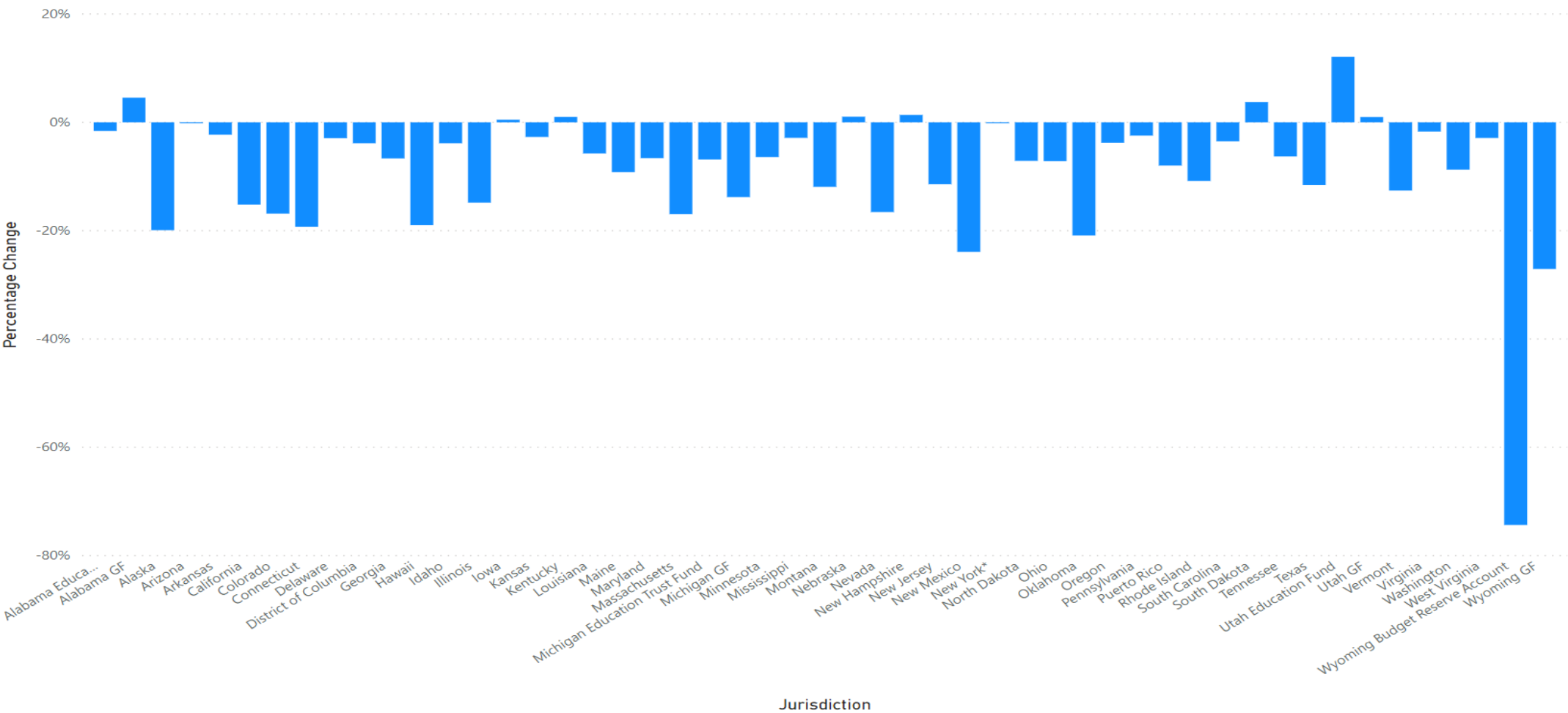


## Revenue Estimates Plummet

- Pre-pandemic states were expecting steady growth
- Revised estimates during the pandemic
  - California was projecting a \$54 billion deficit
  - Colorado expected at \$3.3 billion shortfall for FY 2021
  - Michigan predicted a \$6.3 billion drop in revenue for FY 2020 and FY 2021

# Revenue Loss Projections

Percent Change in FY 2021 Projected Revenues vs. FY 2020 Projected Revenues



- California is now projecting a \$38 billion surplus
- Tennessee's June 2021 revenue collections 18.6 percent more than 2019
- Michigan expects revenue growth of 9.7 percent, the largest growth projection in 20 years
- Idaho finished FY 2021 with a record \$900 million surplus



## From Rags to Riches

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# State General Fund Revenues

- FY 2021 revenues 15.4 percent above FY 2020 revenues
  - Low baseline
  - Tax filing deadline
- Lower revenue growth for FY 2022 vs. FY 2021
- Personal income tax collections are slightly down in FY 2022
  - Tax filing deadline
  - Reductions
- Sales tax collections are slightly up in FY 2022





## Rainy Day Funds

- States relied less than expected on rainy day funds
- Rainy day funds as a percentage of general fund spending
  - FY 2020 pre-pandemic projection 8.6%
  - FY 2021 projection 6.8%
  - Current FY 2021 estimate 7.5%
  - FY 2022 projection 8.0%

- Remote work
- Shifting consumer spending
- Online sales taxes
- Strong stock market
- Federal aid to states



## Life Savers

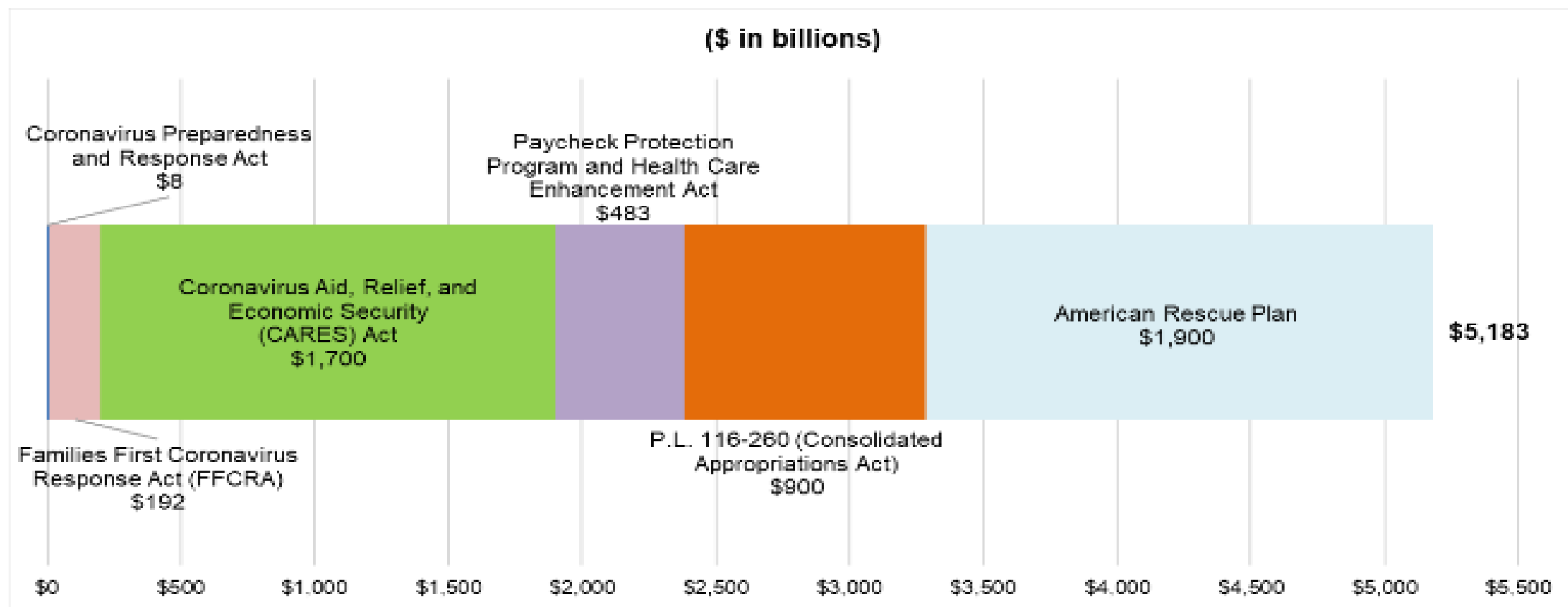
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# State Fiscal Situation & Budget Challenges

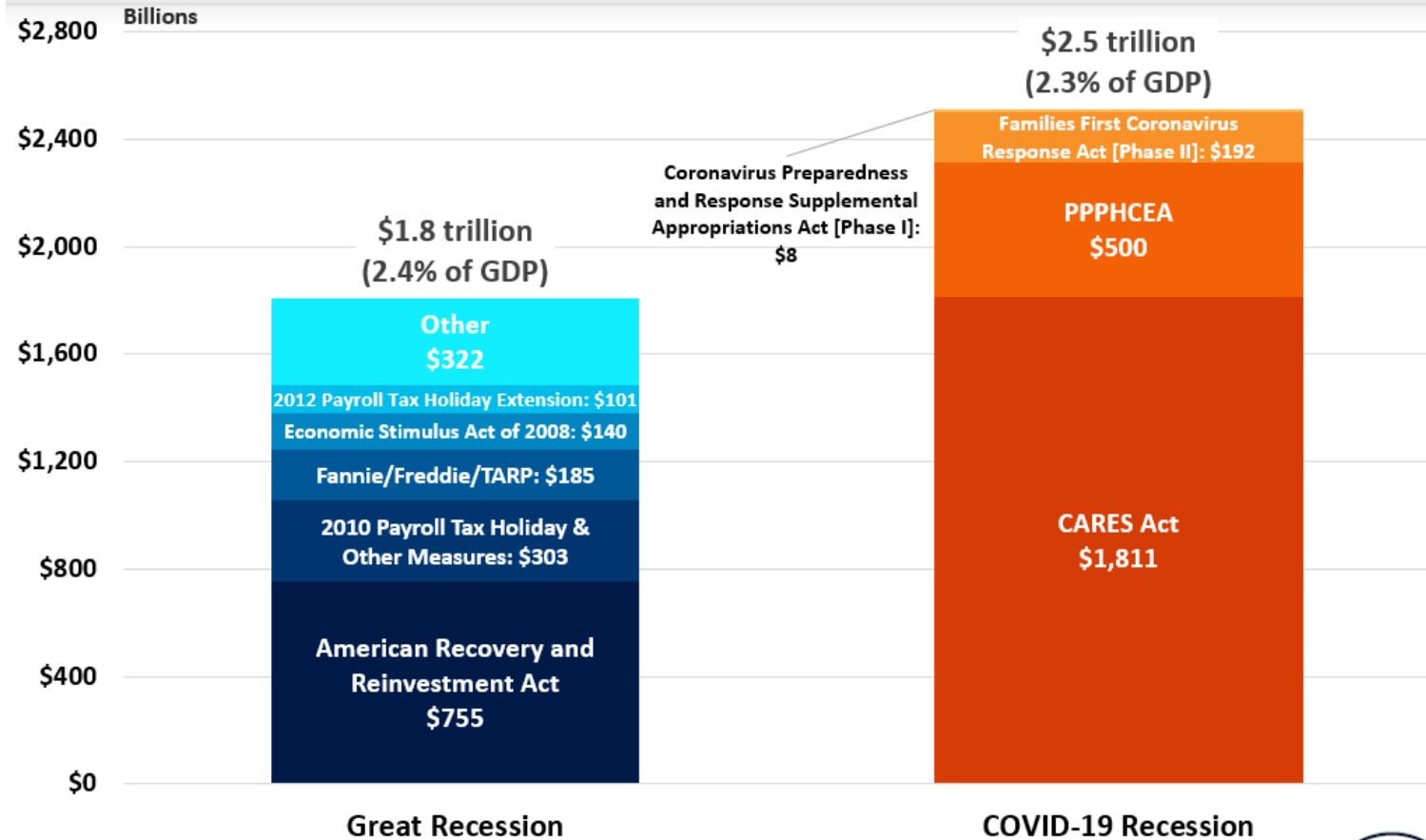
- How to spend ARPA funds
- One-time vs. ongoing expenses
- Logistics of spending and tracking funds
- Unemployment uncertainty
- Revenue uncertainty



# Enacted COVID-19 relief funding

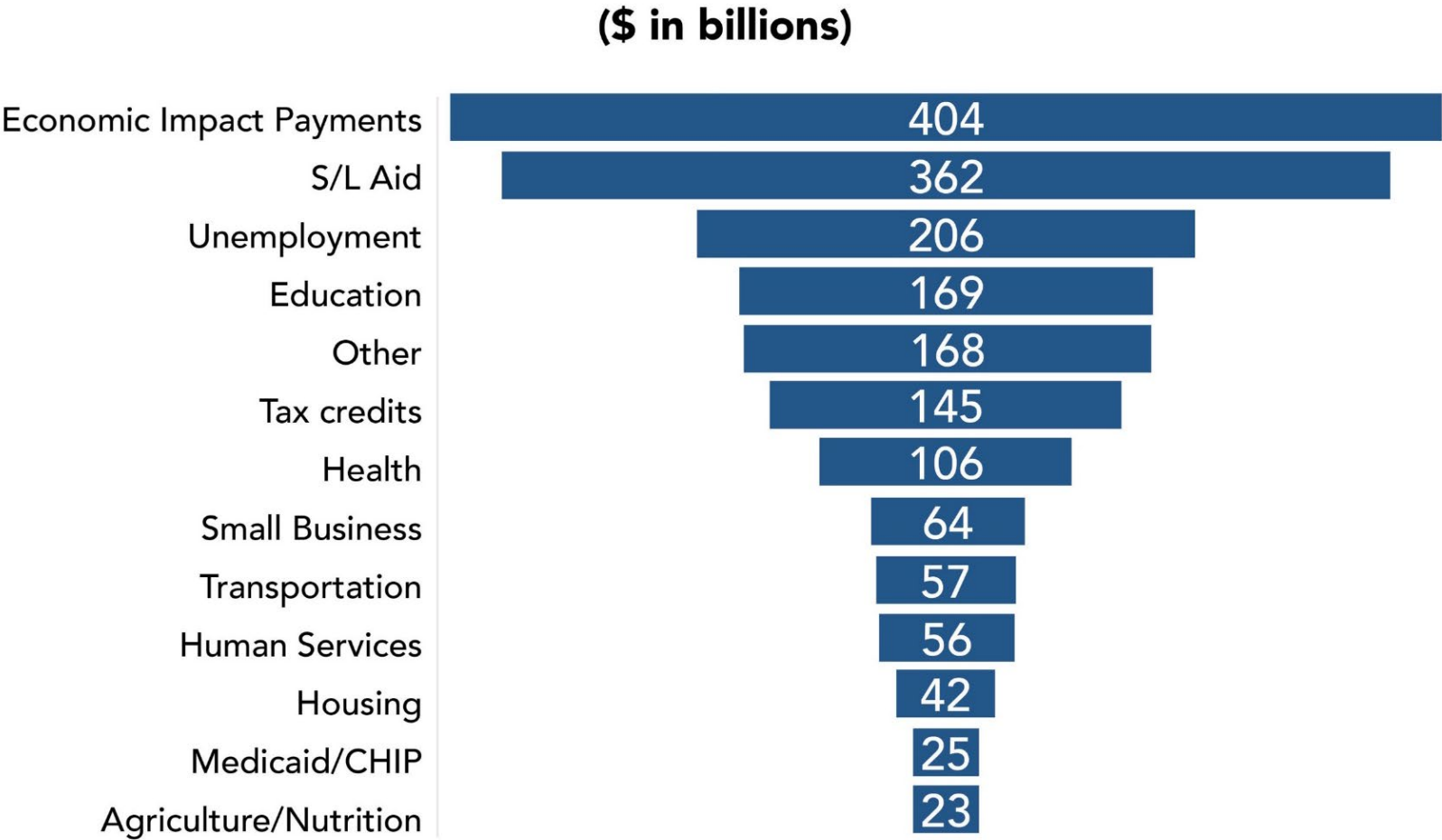


# Cost of COVID-19 and Great Recession Responses



Note: Figures reflect 5-year cost estimates  
Source: CBO, CRFB Calculations

# American Rescue Plan Act Funding





## Coronavirus State and Local Fiscal Recovery Funds

- \$350 billion to state and locals
  - \$195.3 billion to states and the District of Columbia
  - \$130.2 billion to local governments
- Formula disbursement
- Funds must be obligated by Dec. 31, 2024, and spent by Dec. 31, 2026.
- More flexible than CARES Act Coronavirus Relief Fund
- NCSL working directly with Treasury to clarify guidance questions.
- **\*Waiting on the Final Rule**





## ○ Allowable uses:

- Emergency and Economic effects of pandemic
- Premium pay to essential employees or grants to their employers
- Government services affected by revenue reduction resulting from COVID-19
- Investments in water, sewer and broadband

## ○ Ineligible uses:

- Towards pensions or to offset revenue resulting in a tax cut
- Rainy day funds

# Breakdown of Funds

## **Provides \$195.3 billion to states and the District of Columbia:**

- \$25.5 billion to each state, minimum of \$500 million.
- \$169 billion would be allocated based on the states' share of unemployed workers over a three-month period, from October-December 2020.

## **Provides \$130.2 billion to Local Governments:**

- \$65.1 billion for counties.
- \$45.6 billion for metropolitan cities.
- \$19.5 billion for towns with fewer than 50,000 people.

## **Provides \$4.5 billion to U.S. territories.**

## **Provides \$20 billion to tribal governments.**

## **Provides \$10 billion for a Coronavirus Capital Projects Fund**

## More on Tranches

- 31 states subject to split
- 19 states and the District of Columbia received full disbursement.
- Combined - \$154.4 billion out the door initially.
- \$40.9 billion coming in 2022.

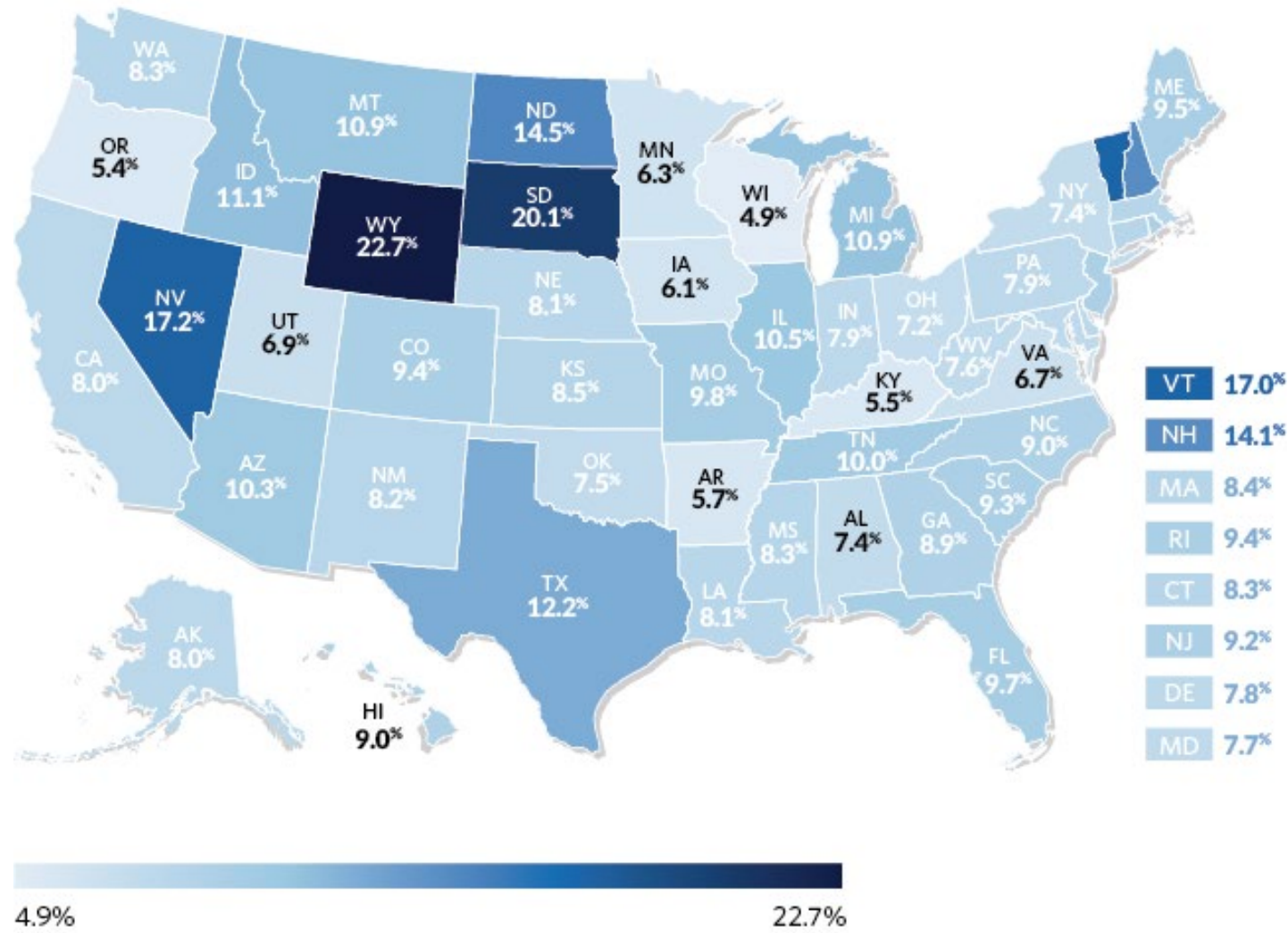


<b>State</b>	<b>Subject to split?</b>	<b>State</b>	<b>Subject to split?</b>	<b>State</b>	<b>Subject to split?</b>
Alabama	Yes	Kentucky	Yes	North Dakota	No
Alaska	Yes	Louisiana	No	Ohio	Yes
Arizona	Yes	Maine	Yes	Oklahoma	Yes
Arkansas	Yes	Maryland	No	Oregon	No
California	No	Massachusetts	No	Pennsylvania	No
Colorado	No	Michigan	Yes	Rhode Island	No
Connecticut	No	Minnesota	Yes	South Carolina	Yes
Delaware	No	Mississippi	Yes	South Dakota	Yes
Dist. of Columbia	No	Missouri	Yes	Tennessee	Yes
Florida	Yes	Montana	Yes	Texas	No
Georgia	Yes	Nebraska	Yes	Utah	Yes
Hawaii	No	Nevada	No	Vermont	Yes
Idaho	Yes	New Hampshire	Yes	Virginia	No
Illinois	No	New Jersey	No	Washington	Yes
Indiana	Yes	New Mexico	No	West Virginia	Yes
Iowa	Yes	New York	No	Wisconsin	Yes
Kansas	Yes	North Carolina	Yes	Wyoming	Yes



## How ARPA Aid Compares With the Size of States' Budgets

Allocations range from 4.9% of total FY 2020 spending in Wisconsin to 22.7% in Wyoming



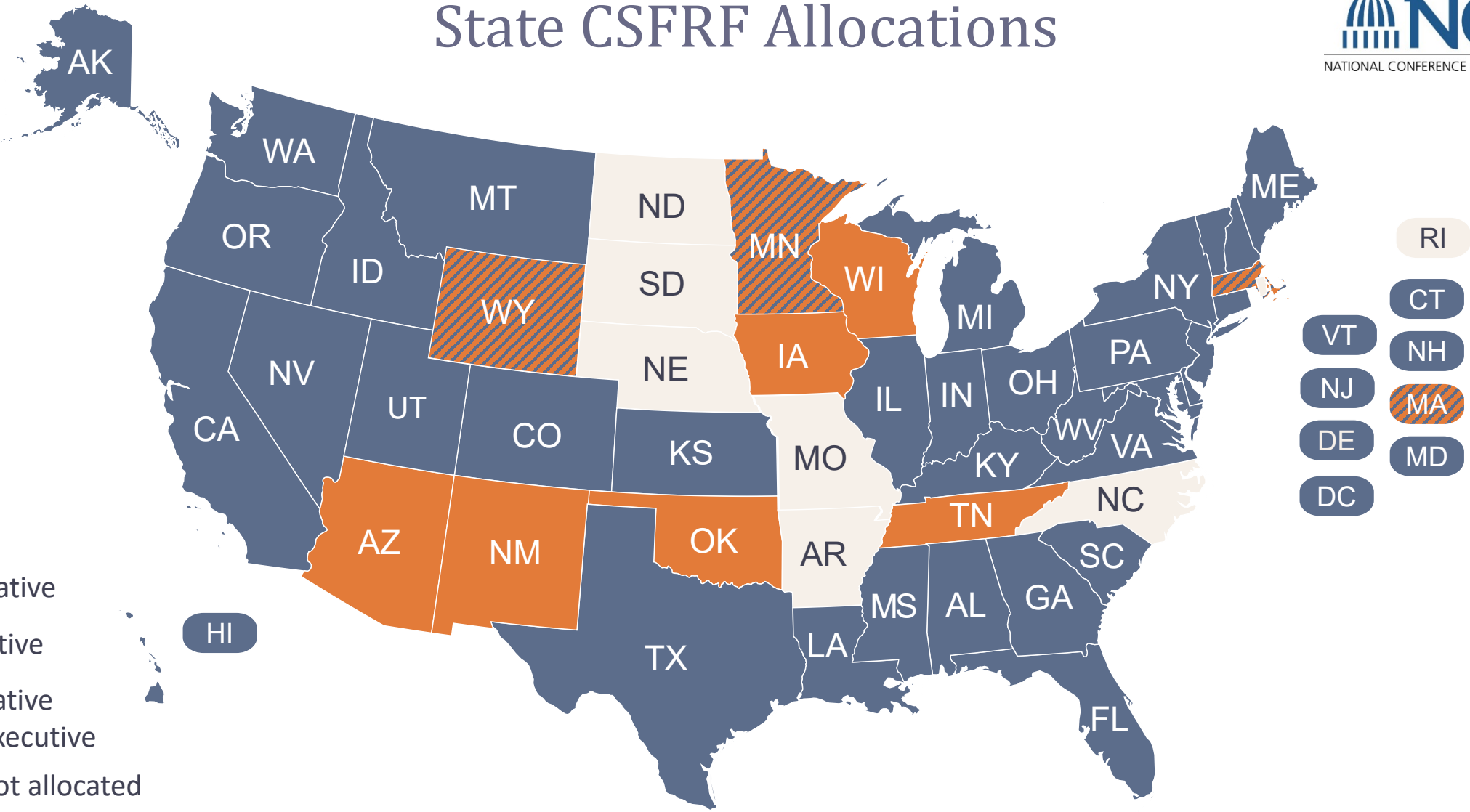
Source: The Pew Charitable Trusts, 2021, using U.S. Department of Treasury and National Association of State Budget Officer's data.

- Most legislatures have authority to appropriate *anticipated* federal funds
- Things get messy when funds are unanticipated  
Ex. ARRA, CARES Act, and ARPA

# Unanticipated Federal Funds

# State CSFRF Allocations

- Legislative
- Executive
- Legislative and Executive
- Has not allocated



State Fiscal Recovery Fund Categories

- ☐ Select all
- ☐ Access to Justice
- ☐ Arts, Culture and Tourism
- ☐ Broadband
- ☐ Economic Relief and Development
- ☐ Education
- ☐ General Infrastructure
- ☐ Housing
- ☐ Human Services
- ☐ Other
- ☐ Public Health Response
- ☐ State Operation and Administration
- ☐ Unemployment Trust Fund
- ☐ Water Infrastructure
- ☐ Workforce Development

States

- ☐ Select all
- ☐ Alabama
- ☐ Alaska
- ☐ Arizona
- ☐ Arkansas
- ☐ California
- ☐ Colorado
- ☐ Connecticut
- ☐ Delaware
- ☐ District of Columbia
- ☐ Florida
- ☐ Georgia
- ☐ Hawaii

Authority

- ☐ Select all
- ☐ Executive
- ☐ Legislative

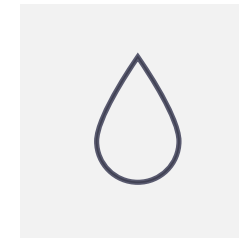
Description Search

Update	Category	State	Authority	Description	Source
11/12/2021	Broadband	West Virginia	Legislative	\$90 million in fiscal year 2022 to the Broadband Development Fund.	<a href="#">Legislation</a>
11/10/2021	Access to Justice	Texas	Legislative	\$13.9 million to the Texas Indigent Defense Commission for deposit into the Fair Defense Account for the purpose of addressing the backlog in court cases.	<a href="#">Legislation</a>
11/10/2021	Access to Justice	Texas	Legislative	\$150 million is appropriated to the Commission on State Emergency Communications for deposit into the Next Generation 9-1-1 Service Fund.	<a href="#">Legislation</a>
11/10/2021	Access to Justice	Texas	Legislative	\$160 million is appropriated to the Trusteed Programs within the Office of the Governor for the purpose of providing funding for grants for victims of crime.	<a href="#">Legislation</a>
11/10/2021	Access to Justice	Texas	Legislative	\$200,000 to the Office of Capital and Forensic Writs for the purpose of addressing the backlog in court cases and paying costs related to the coronavirus disease pandemic.	<a href="#">Legislation</a>
11/10/2021	Access to Justice	Texas	Legislative	\$3 million for the purpose of addressing the backlog in court cases, including information technology support.	<a href="#">Legislation</a>
11/10/2021	Access to Justice	Texas	Legislative	\$5.8 million for deposit into the Texas Commission on Law Enforcement Account.	<a href="#">Legislation</a>

# CSFRF Major Allocation Categories



Broadband



Economic Relief



Education



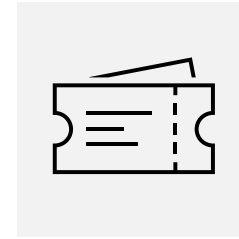
Housing



Human Services



State Ops/Admin.



Arts and Tourism



Unemployment Trust Fund



Water Infrastructure



Workforce Development



Public Health still a major priority!



# \*Number of states allocating to categories

\*at least



# Notable Allocations

- **Hazard/premium pay** – 6 states
- **Funding pandemic-related positions** – 7 states
- **Vaccine Incentives** – Massachusetts, New Mexico, and Nevada
- **Food banks and food insecurity** - 13 states
- **Childcare grants to business, relief to workers and families** - 5 states
- **Violence prevention (i.e., domestic, sexual assault, public safety)**– 5 states

# Allocation Timelines Vary

Legislative procedures, spending authority, guidance and disbursement amount play a role.

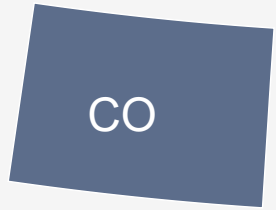
Prior to Interim  
Final Rule

End of Fiscal  
Year

Special Session

Next Legislative  
Session

# Approaches to Priorities and Implementation



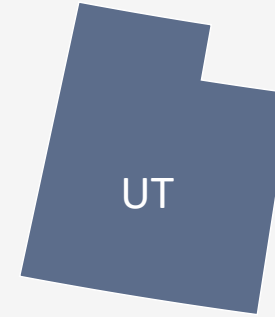
- Established a broad legislative framework.
- Determined specific uses by transfer of funds to existing and new cash funds.



- Governor created 3 bipartisan committees to consider proposals and make recs.
- Broadband; Water and Sewer; Economic Impact



- Governor's SPARK Taskforce
- Working Groups → Advisory Committee → Executive Committee → State Finance Council authorizes funds.



- Established a set of criteria for how to spend the funds.
- Scored proposals based on criteria
- Divided funds into buckets



- 3 phase recovery plan.
- *Phase I* –Urgent Needs (now-Jan '22)
- *Phase II* – Additional Recovery Projects (Jan '22)
- *Phase III* –Multi-Year Recovery Projects



# Avoiding the Fiscal Cliff

- Managing one-time expenditures
  - Distinguishing budgets and projects
    - Non-recurring vs. recurring
  - Coordinating with local governments
- Long-term fiscal planning
  - Multi-year budgeting practices
  - Innovative, big picture goals achieved strategically (e.g., housing, broadband, etc.)
  - Flexibility with investment strategies
  - Adjusting for influx of state revenues and federal stimulus
  - Planning beyond ARPA

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