

State Fiscal Health Project

Assisting states implement evidence-based policies

Presentation by Stephen Bailey, Manager, State Fiscal Health

About The Pew Charitable Trusts

- Conducts research and analysis to improve policy, inform the public, and invigorate civic life.
- Established expertise on fiscal management of states, supported by research and experience providing hands-on assistance.
- Committed to identifying fiscal best practices and focused on non-partisan, driven solutions.

About State Fiscal Health



**Economic Development
Tax Incentives**



State Budget Policy

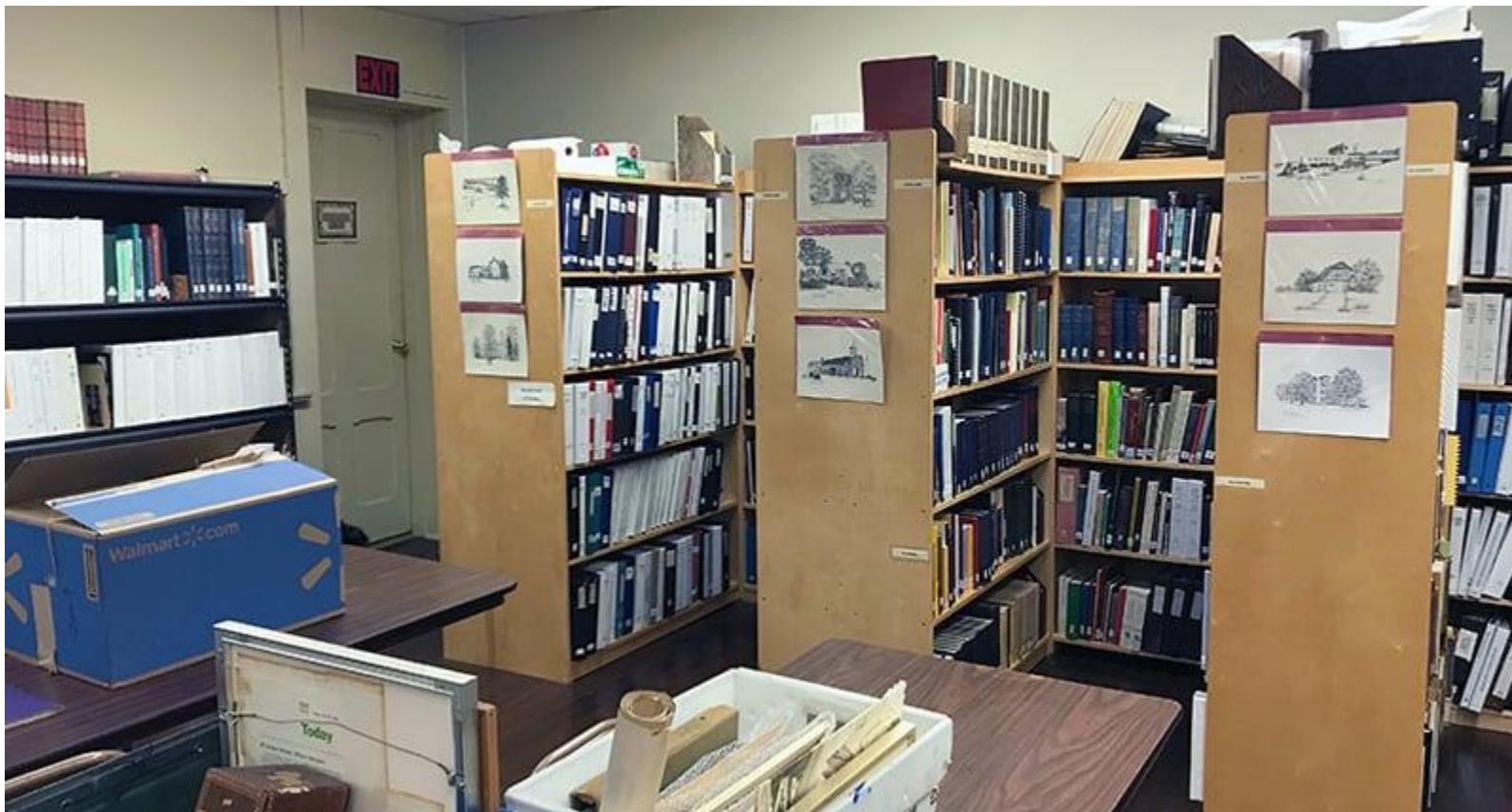


Managing State Debt



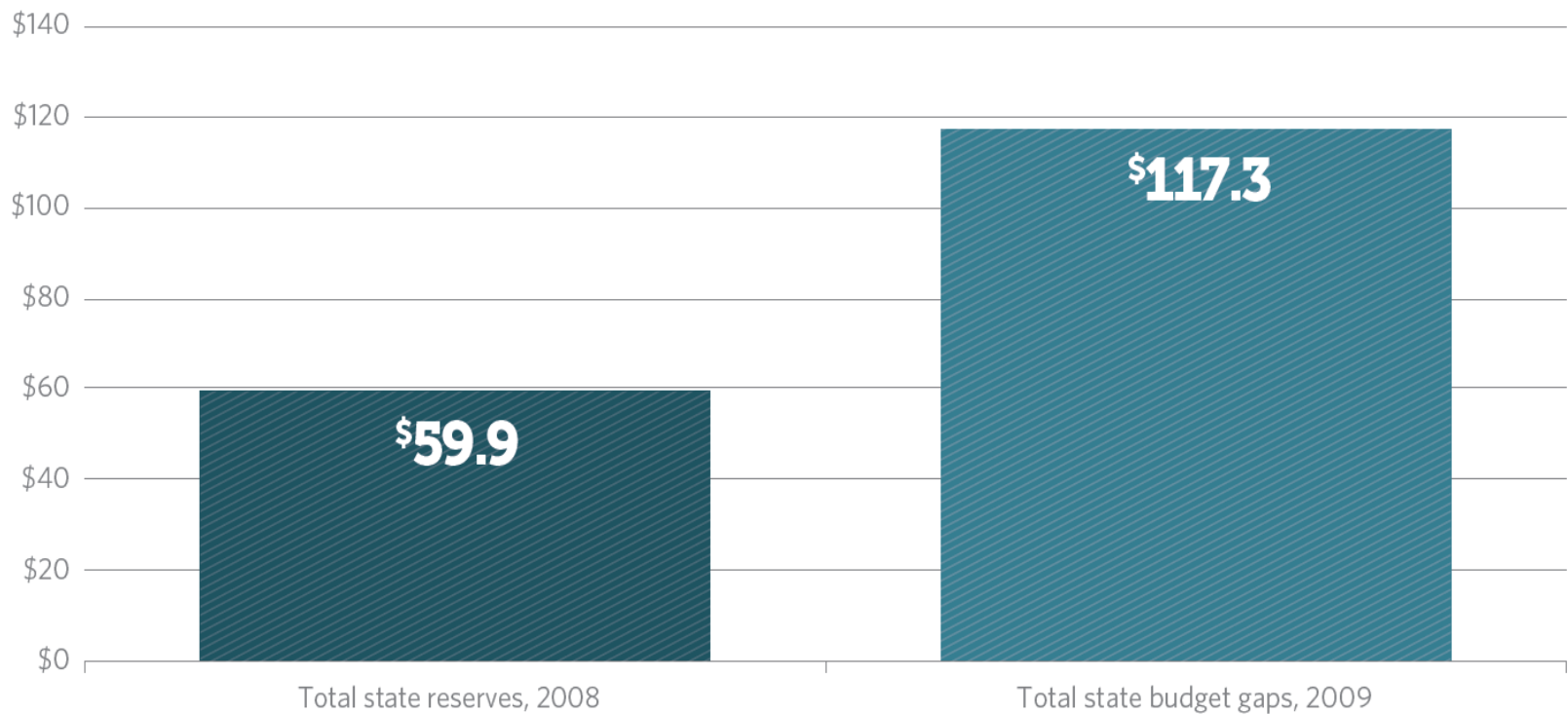
Local Fiscal Monitoring

“Don’t want this to be a report that collects dust on a shelf...”

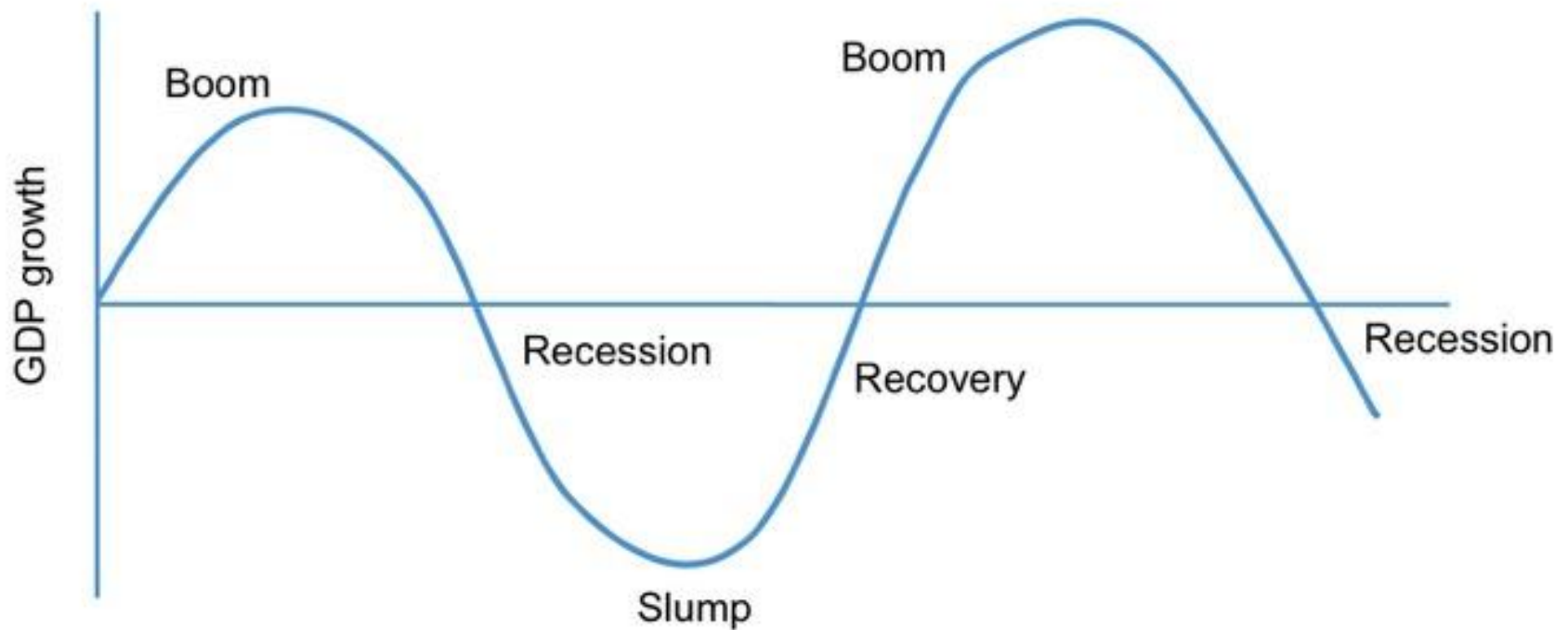


State Shortfalls Outstripped Savings Nearly 2 to 1 in the First Year of the Great Recession

50-state total 2008 reserves and 2009 budget gaps, in billions of dollars



Rainy day funds help offset booms and busts of the economic cycle

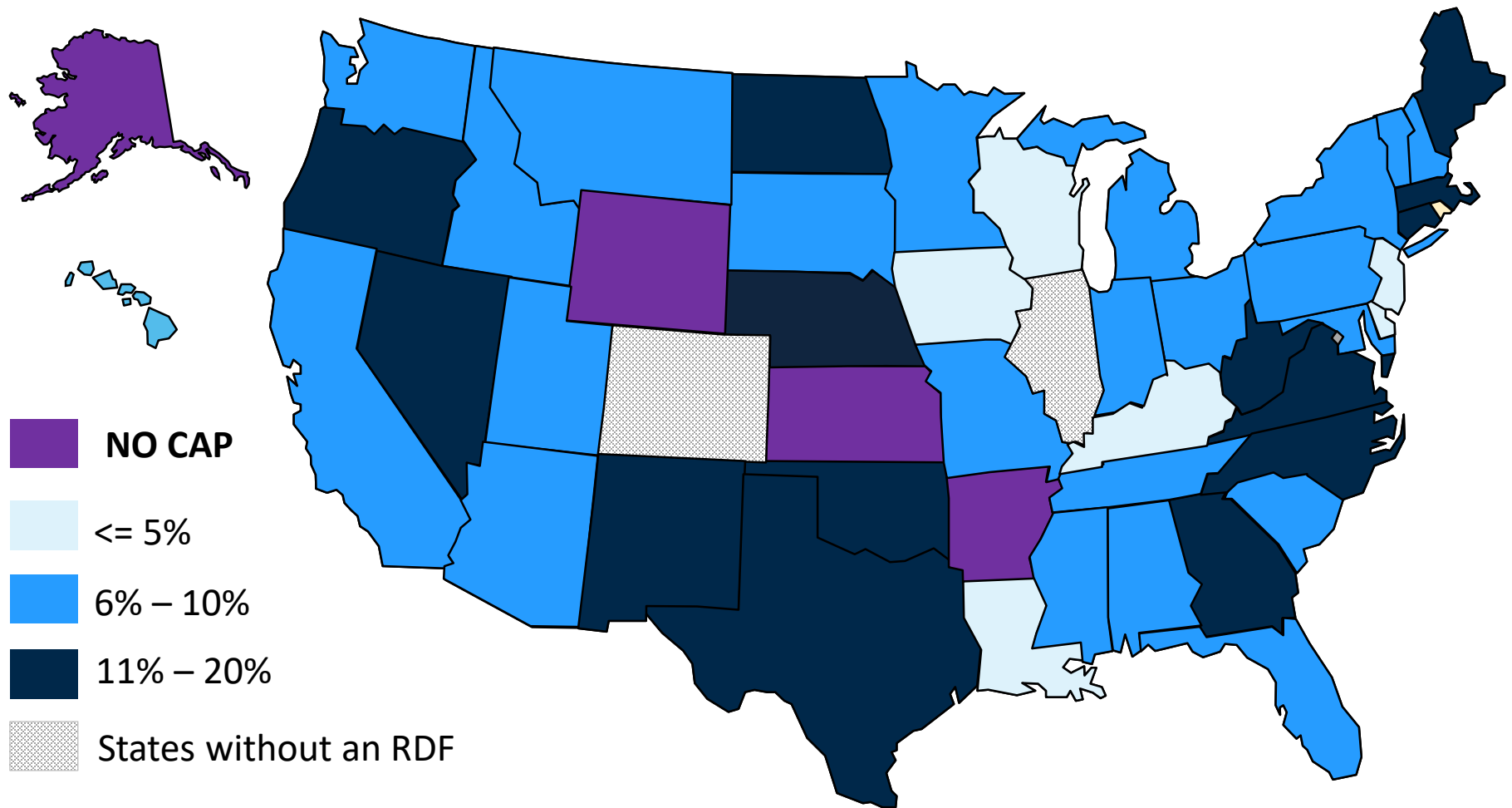


How Much Should a State Save?

- The traditional “5 percent rule” has been debunked
- S&P gives top scores for states with formula-based reserve funds that can reach at least 8 percent of general fund revenue/expenditures
- Fitch and Moody’s says reserve size should be tailored to economy, tax structure, revenue volatility, and financial flexibility

State Savings Targets for Rainy Day Funds

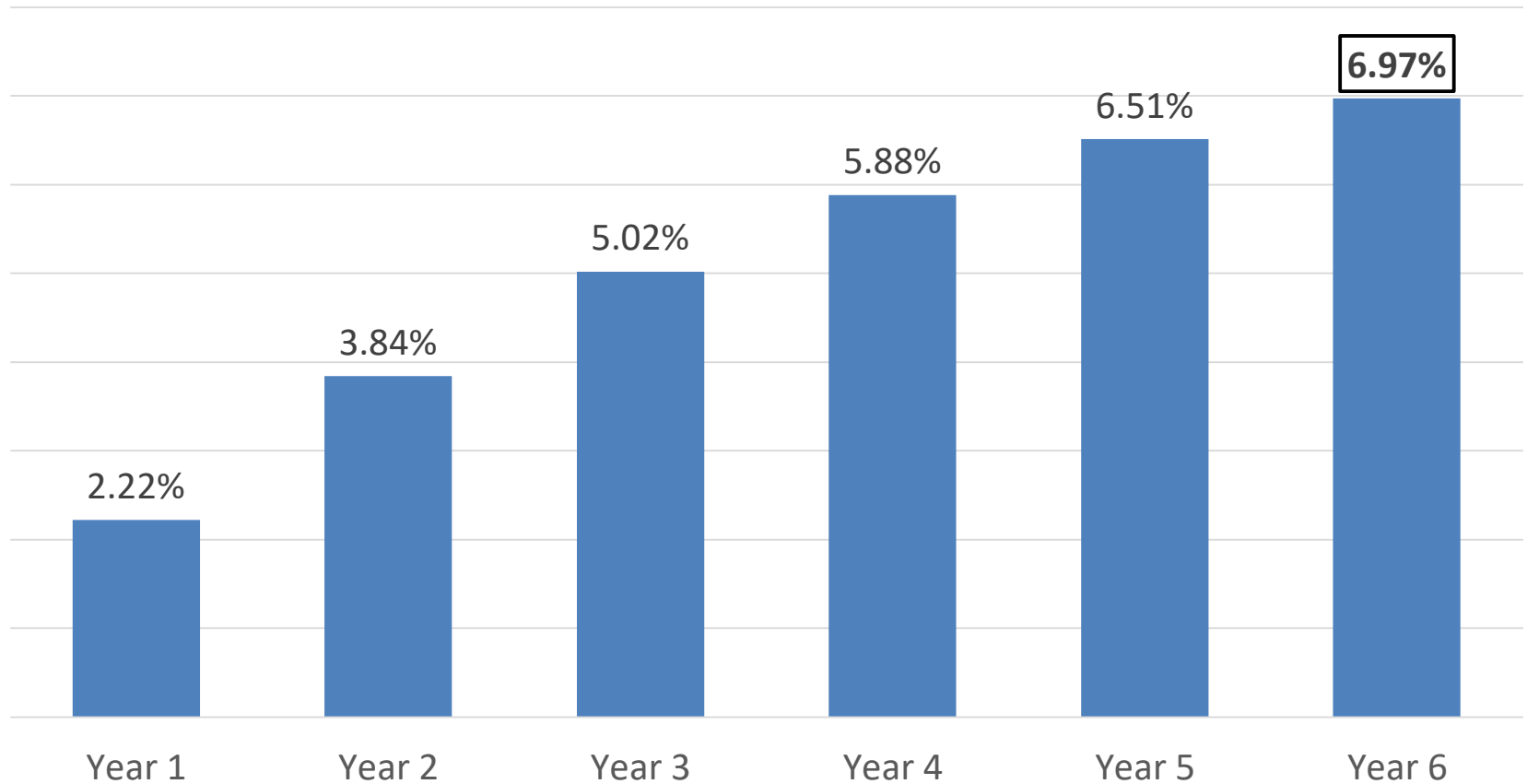
As a percent of annual revenue or expenditures



Example: Arizona Optimal Size Analysis

Moderate recession

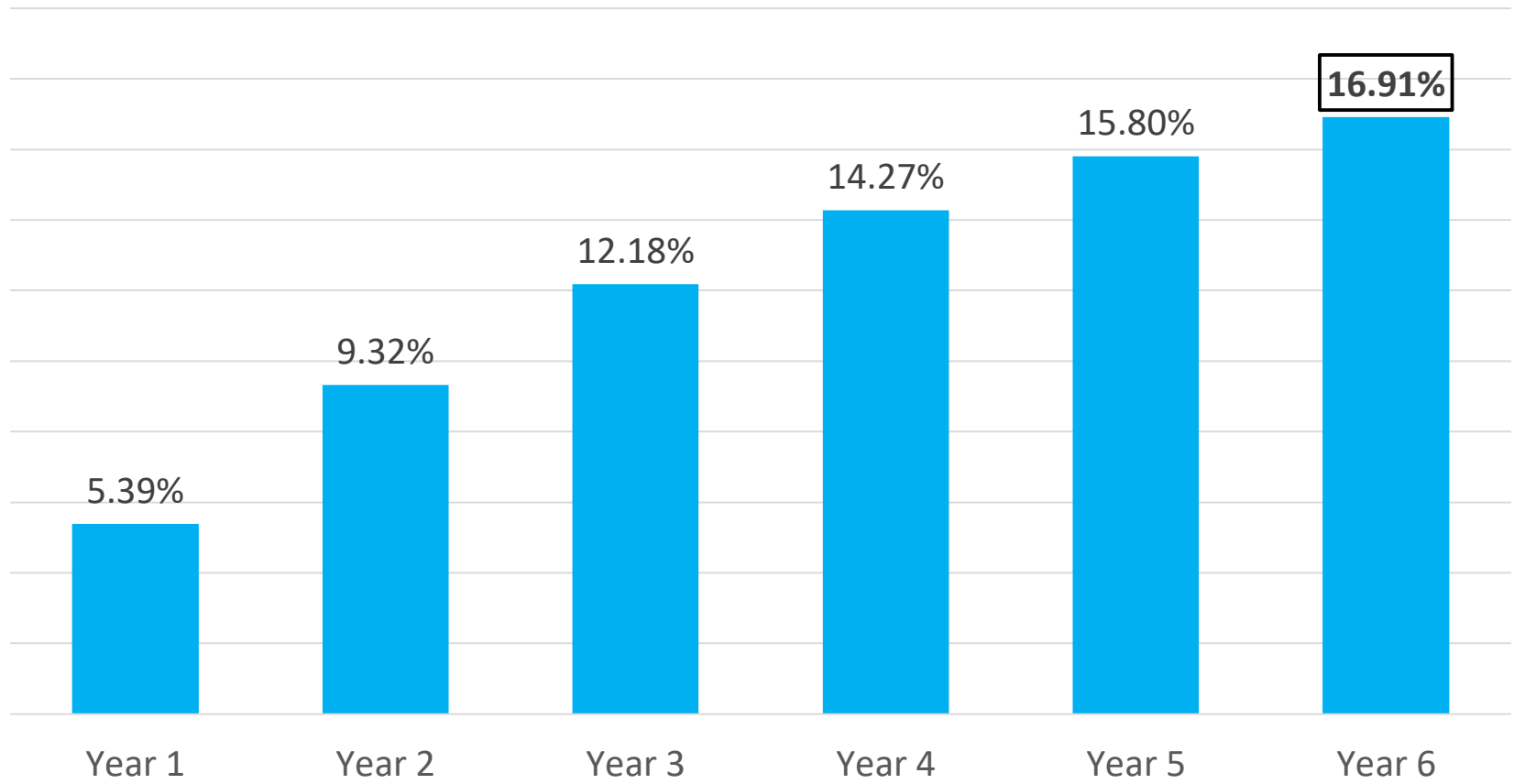
Cumulative Reserves Needed, % FY2017 Revenues



Example: Arizona Optimal Size Analysis

Severe recession

Cumulative Reserves Needed, % FY2017 Revenues



Arizona SB 1091 – 2019 Legislative Session

Increased the target on state's rainy day fund from 7 to 10 percent

Senate Engrossed

State of Arizona
Senate
Fifty-fourth Legislature
First Regular Session
2019

CHAPTER 54

SENATE BILL 1091

AN ACT

AMENDING SECTION 35-144, ARIZONA REVISED STATUTES; RELATING TO STATE FISCAL PROCEDURES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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