SPOTLIGHT: The Fiscal State

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GOV. MATT MEAD
Wyoming

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AUG. 25-30 | LEXINGTON, KY.

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Deadline April 23!

Apply at www.csg.org/TollFellows

Applications will be accepted through Midnight Hawaiian Time April 23.
ON THE COVER
First elected in 2011, Gov. Matt Mead currently serves as the 32nd governor of Wyoming. He believes the state’s rainy day fund provides stability, helps maintain public services and allows the state to focus on keeping the budget balanced.

Photo Courtesy Janelle Rane Photography

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Stacey Abrams, the House minority leader for the Georgia General Assembly and state representative for the 89th House District, provides a few tips that can help lawmakers find balance, and success, as they make fiscal policy decisions.
As the winter season turns to spring, temperatures are on the rise both outside and inside state capitol buildings. That’s why The Council of State Governments is working overtime to provide state officials with the resources they need to communicate with colleagues and make sound decisions together. Opportunities to participate in leadership development, educational policy sessions and member-to-member networking are springing up at both the regional and national levels of CSG. Make plans to get involved in one—or all—of these exciting opportunities!

Here’s what’s happening at CSG.

1. Application deadline for CSG’s 2017 Henry Toll Fellowship
   April 23 is the deadline to apply for CSG’s 2017 Henry Toll Fellowship. Toll Fellowship sessions are designed to stimulate personal assessment and growth, while providing priceless networking and relationship-building opportunities. A total of 48 state leaders will be accepted to the leadership development program, which will take place in Lexington, Kentucky, Aug. 25–30. Apply online at csg.org/tollfellows. The official class roster will be announced in the July/August issue of Capitol Ideas.

2. Make plans to attend your CSG regional meeting
   CSG’s regional offices are hard at work planning outstanding programming and policy sessions for this summer’s slate of meetings. Visit your CSG region’s website for individual registration information and hotel deadlines.

   **CSG MIDWEST**
   72nd Midwestern Legislative Conference
   Annual Meeting | July 9–12 | Des Moines, Iowa

   **CSG SOUTH**
   71st Southern Legislative Conference
   Annual Meeting | July 29–Aug. 2 | Biloxi, Miss.

   **CSG EAST**
   57th Eastern Regional Conference
   Annual Meeting | Aug. 13–16 | Uncasville, Conn.

   **CSG WEST**
   70th CSG West Annual Meeting
   Aug. 15–19 | Tacoma, Wash.

3. Two CSG policy academies are seeking attendees
   CSG is looking for attendees for the first two policy academy sessions of the year. The Autonomous Vehicles Policy Academy will take place in Detroit, Michigan, June 12–14 and the Medicaid 101 Policy Academy will convene in Washington, D.C., June 28–30. For more information on either of these educational opportunities, please visit csg.org/policyacademies.

4. CSG to host 2017 Spring Business Meeting
   CSG will host both the Leadership Council and Shared State Legislation, or SSL, Committee meetings during the CSG Spring Business Meeting in Lexington, Kentucky, April 20–23. The SSL Committee, comprised exclusively of state officials, selects legislation to be included in our annual SSL volume, which is published online and in print for dissemination to state leaders and staff. For more information on CSG’s SSL Committee, please contact Jeff Stockdale at jstockdale@csg.org or visit csg.org/SSL.

5. CSG bids farewell to a true statesman and friend
   On March 5, longtime CSG participant and friend Sen. Douglas Henry Jr., the longest-serving member of the Tennessee General Assembly, died at the age of 90. It was Henry’s commitment to preserving states’ rights that prompted CSG to rename the “CSG Guardian of Federalism Award” to the “Senator Douglas Henry Guardian of Federalism Award” in 2008. The inaugural winners of the award bearing Henry’s name were Sen. John D. Rockefeller of West Virginia and Rep. Tom Davis of Virginia.
Governor Kate Brown
@OregonGovBrown · Feb 7
As Oregon’s economy continues to grow, we must ensure all communities - rural and urban - thrive.

Governor Kate Brown Retweeted
Business Oregon

Governor Bill Walker
@AkGovBillWalker · Jan 26
Any fiscal plan for Alaska must include new revenues. Alaskans deserve a #completeplan #akleg

Governor Phil Scott
@GovPhilScott · Jan 24
The biggest obstacle we face to economic sustainability, is a shrinking workforce.

TNECD @TNECD
TNECD’s Ted Townsend: “TN’s mix of business tax credits encourages investment, competitiveness and wage growth.” tinyurl.com/jr8949b

Nasbo @NASBO · Jan 27
States Have Recently Increased Investments in #Transportation and #Infrastructure bit.ly/2k0SyEy

Pew States @PewStates · March 2
Why might comprehensive federal tax reform have significant repercussions for states? @astaufferdc explains: pew.org/2kL8Dxu

WisLawJournal @WisLawJournal · March 9
Wisconsin Assembly to send treasurer elimination to voters ift.tt/2mp90B4 #LegalNews #wisconsin

U.S. News @usnews · Mar 2
Colorado has the No. 1 best economy of any U.S. state trib.al/f47V9KC #BestStates

Susan Wagle
@SenatorWagle · Mar 7
The Senate’s overwhelming rejection of the Governor’s tax plan sends a strong signal that we’re committed to fixing our state budget. #ksleg

Governor Kate Brown Retweeted
Business Oregon

Eddie Rodriguez @EddieforTexas · Jan 31
The Rainy Day Fund is meant for situations like these. Using our money to protect and educate Texas children is not wasteful. #txlege

William Glasgall @WGlassgall · Jan 27
How states spend your money - ultracool web app from @gordontrac @urbaninstitute
CONCEALED CARRY
New Hampshire residents who legally own a gun can now carry it concealed without a permit from their local police chief, thanks to a law signed by Gov. Chris Sununu in February. Sununu called the bill “common sense legislation” that aligns New Hampshire’s concealed-carry laws with that of neighboring Vermont and Maine, reported the New Hampshire Union Leader. Prior law allowed police chiefs to deny a concealed-carry permit to anyone they deemed “unsuitable,” which gave police too much power to arbitrarily deny someone their constitutional rights, according to the bill’s supporters.

SHALLOW GRAVES
The Vermont House approved a bill in February that raises the minimum depth of graves by a foot and a half, a change intended to encourage quicker and more thorough decomposition of corpses, reported the Burlington Free Press. Proponents of the bill say it will allow for burials that improve, rather than degrade, the quality of soil because bodies could be placed in a higher soil layer where heat, oxygen, insects and microbes could more efficiently recycle nutrients.

TEACHER LITERACY
New York’s Board of Regents in March eliminated a requirement that teachers in the state pass a literacy test to become certified because the test was seen as discriminatory to black and Hispanic candidates, who passed it at significantly lower rates than white candidates, reported The New York Times. The test, which had a low overall passing-rate, was also seen as redundant given the other requirements already in place for aspiring teachers, such as a bachelor’s degree.

FENTANYL OVERDOSES
In 2016, Delaware’s overdoses related to fentanyl, a powerful synthetic painkiller, tripled over the previous year, according to state officials. Delaware reported 120 fentanyl-related deaths in 2016, a 186 percent increase from the year before, according to the state Division of Forensic Science and the Department of Health and Social Services, reported The News Journal. The drug is sometimes passed off as heroin by drug dealers because of its similar appearance, but is considered 50 times more powerful.

TRANSGENDER STUDENTS
Connecticut Gov. Dannel P. Malloy in February signed an executive order that he said protects transgender students’ rights in public schools, according to the Hartford Courant. The order spells out that bathrooms and locker rooms in public schools and institutions of higher education are places of “public accommodation” and subject to the state’s anti-discrimination laws, which include gender identity. State agencies were directed to develop guidelines for school districts and public colleges and universities that would allow students to access school facilities “in a manner consistent with a student’s gender identity or expression.”

New Jersey Gov. Chris Christie signed a bill into law in February setting a five-day limit on initial prescriptions for pain-killing opioids and requiring insurance companies to accept addicts into treatment without delay, reported NJ.com. During his Jan. 10 State of the State address, Christie challenged the state Legislature to send him a bill to fight the opioid epidemic that he could sign within 30 days. During a Statehouse press conference in February, Christie praised the Legislature, which only missed his deadline because of a snowstorm. “That tells you how important this issue is to families all across New Jersey,” he said.

The law was necessary because most doctors routinely write prescriptions for 30 days, no matter the ailment, said New Jersey state Assemblyman Declan O’Scanlon. Patients, or their children with access to their medicine cabinets, often develop a dependency on the leftover pills, he said. The law allows physicians to add another five days to the prescription after the fourth day if the pain has not subsided.

Maine, Massachusetts and New York have enacted laws limiting initial prescription to a seven-day supply.
FLORIDA PROJECT AIMS TO KEEP PEOPLE WITH MENTAL ILLNESSES OUT OF JAIL

Florida’s Criminal Mental Health Project is helping to keep individuals with mental illnesses out of jail. Agencies and departments participating in the program include the Florida Department of Children and Families, the U.S. Social Security Administration, Florida’s court system, 14 police departments and the state attorney’s office.

“This is really about making structural changes in the community, so we approach this at many different intersection points,” County Court Judge Steve Leifman, one of the founders of the program, told The Oklahoman.

The two primary components of the program are the pre-booking program and post-booking program. In the pre-booking program, if an officer identifies an individual as having a mental health problem, the individual is taken to a mental health crisis unit for assessment and treatment instead of being arrested. Their case is closed by plea, dismissal or trial. With both approaches, a case manager works to develop a personalized treatment plan for the individual and follows up multiple times to assess the plan’s effectiveness.

Individuals convicted of misdemeanors or less serious nonviolent crimes, without a history of violence, are eligible for the program. Approximately 80 percent of eligible candidates agree to participate in the program. Roughly 20 percent of program participants return to criminal behavior, compared to 75 percent of nonparticipants.

Police and jail officers who are involved with the program are required to complete crisis intervention team training, which includes 40 hours of training on psychiatric diagnoses, suicide intervention, mental health laws and local resources.

HEMP

Kentucky officials are expecting an increase in hemp cultivation this year. By the end of 2017, hemp acreage will be three times greater than the 2016 amount, 4,500 acres. The state Department of Agriculture has approved 209 applications for the cultivation of almost 13,000 acres of industrial hemp for research purposes, the Associated Press reported. “It reflects the tremendous enthusiasm that Kentucky farmers and processors have in a crop that connects our past to our future,” said Agriculture Commissioner Ryan Quarles, who presented on hemp cultivation at the 70th Annual Meeting of the Southern Legislative Conference.

HIGH-SPEED RAIL

The Virginia Department of Rail and Public Transportation is planning to build new high-speed rail tracks and improve existing tracks between Richmond and Washington, D.C., as part of the DC2RVA Rail Improvement Project, according to Greater Greater Washington. The improvements are part of the larger Southeast High Speed Rail Corridor, a project seeking to expand high-speed rail in the South. The updates in Virginia, which will include straightening curves on rail tracks to allow faster speeds, are expected to cost $5.2 billion.

TEACHER TRAINING

In December, the Tennessee State Board of Education released a new database designed to measure the impact of teacher preparation programs. Programs are scored on a scale from one to four, with four being the highest, according to The Tennessean. The ratings are based on results in Tennessee, including whether teachers who completed the program were hired in a local district and the teachers’ effectiveness in teaching in-state students. State officials hope that the database will help districts more easily track and request certain qualifications and certifications of prospective teachers.

NEW NUCLEAR PLANT

A partially constructed power plant in northern Alabama, which has been dormant since construction stopped in 1988, has been sold at auction and is expected to create more than 12,000 jobs in the region. The Tennessee Valley Authority sold the Bellefonte Nuclear Plant in Hollywood, Alabama, to Nuclear Development LLC for $111 million, reported AL.com. The purchasing company asserts that the economic impact to the region will exceed $1 billion per year. Between 8,000 and 10,000 workers will be needed to complete construction of the plant, with another 2,000 direct and indirect permanent jobs.

ONLINE SALES TAX

Eleven state attorneys general have asked the U.S. Supreme Court to overturn a 1992 ruling that makes it harder for states to collect sales taxes on online purchases, according to The Clarion-Ledger. The court ruled in Quill Corporation v. North Dakota that the state could not make the company collect sales taxes because it did not have a physical location in the state. The attorneys general have filed amicus curiae (“friend of the court”) briefs encouraging the court to reconsider the issue in its upcoming term.

For more on CSG South, visit capitolideas.csg.org and www.slcatlanta.org.
**TECH UPGRADES**

Minnesota Gov. Mark Dayton proposed funneling $125 million into cybersecurity and information technology systems upgrades, while the Minnesota House formed the Select Committee on Technology and Responsive Government charged with studying ways the state government can update and improve their technology systems, reported Government Technology. Technology officials in the state say that aging systems and increasing cybersecurity threats are putting citizens’ data at risk.

**MEDICAID REVAMP**

Illinois Gov. Bruce Rauner announced plans to renovate the state’s Medicaid system, saying the changes could save the state money and improve health outcomes, according to the Chicago Tribune. Rauner plans to expand managed care programs from about 65 percent to 80 percent of Illinois residents on Medicaid. Private insurers administer Medicaid benefits in managed care plans and the state administers benefits in traditional Medicaid plans. Rauner also wants the program to focus more on coordinating care for patients and paying hospitals based on results rather than services rendered.

**SCHOOL FINANCING**

The Kansas Supreme Court ruled that public school funding in the state is unconstitutionally low, reported the Lawrence Journal-World. The court left open the possibility that it could order the closing of public schools if lawmakers don’t produce a solution, but did not give specific instructions about how much more funding is needed. The Kansas State Department of Education said that its budget request for the next two years, which asks for $841 million in additional funding, was designed to meet standards set in an earlier Supreme Court ruling.

**RECORDS REQUESTS**

Wisconsin state agencies are responding more quickly to public records requests since Gov. Scott Walker’s March 2016 executive order directing state agencies to respond to requests promptly, update requesters on the status of their requests, track all requests and facilitate access to electronic records when possible, reported the Wisconsin State Journal. In August the Department of Administration also issued a set of best practice guidelines. The average response time to fulfill 10,395 requests since has been nine workdays, a 30 percent improvement, according to a Wisconsin State Journal review.

**RAPE KITS**

Iowa has 4,265 untested rape evidence kits being stored by the state’s law enforcement agencies, according to a survey released in March by the attorney general’s Crime Victim Assistance Division. Testing on the kits will begin in June by a private laboratory, reported The Des Moines Register. However, it’s unclear how many of the kits will be tested. A team that includes representatives from the Crime Victim Assistance Division, Iowa Coalition Against Sexual Assault, Iowa Division of Criminal Investigation and Des Moines and Iowa City police will review each case to determine which kits will be tested.

Those convicted of crimes in Nebraska who successfully complete probation sentences are less than half as likely to commit repeat crimes as those sent to prison, according to research from the University of Nebraska-Lincoln. Of those who completed probation, 14.2 percent committed additional serious crimes within three years, compared to a recidivism rate of 30.1 percent for those who served prison sentences, according to the report.

“The hard work that probation has done over the last several years is paying off. This study reinforces that we are on the right track,” Deb Minardi, Nebraska’s deputy probation administrator, told the Omaha World-Herald.

UNL professor Richard Wiener and his team studied Nebraska court records from 2006 through 2012 to ascertain the three-year recidivism rates of probationers. The report did not include those who did not successfully complete probation, but a study of that group is underway, Minardi told the newspaper. About 71 percent of those sentenced to probation completed their supervised requirements. It’s safe to assume that the recidivism rate would be higher for those who do not complete probation, Minardi said.

The Nebraska Office of Probation supervises 13,518 adults on probation, which costs between $3,000 and $10,000 per year per person, while the cost of housing an inmate for a year in prison can be upwards of $35,000.
IN CALIFORNIA, PERSONAL EMAIL OF PUBLIC EMPLOYEES MAY BE PUBLIC RECORD

The California Supreme Court ruled unanimously in March that text messages and emails sent by public employees from their personal devices or accounts are a matter of public record if they “relate in some substantive way to the conduct of the public’s business,” reported the Los Angeles Times. The court issued only general guidance on what types of communications qualify; cities and counties will have to interpret when the public’s right to know trumps employees’ right to privacy.

“A city employee’s communications related to the conduct of public business do not cease to be public records just because they were sent or received using a personal account,” Justice Carol A. Corrigan wrote for the court.

The ruling does not compel governments to search the employees’ private devices, but requires them to make “reasonable efforts” to obtain the requested information.

Some local governments in the state said they were concerned that broad requests for information would be expensive and could invade employees’ privacy. The court acknowledged those concerns, saying it wouldn’t always be clear what had to be disclosed. Deciding whether something written in a personal account is public record will require an examination of the content, the purpose for which it was sent, the person to whom it was sent and whether the communication was written within the scope of the worker’s job, the court said. If the communication is primarily personal and contains only an incidental mention of an agency, it is not covered, Corrigan wrote.

Karl Olson, who represented a group of news media outlets in the case, said the ruling sent “a strong message that public officials and employees should not try to evade public scrutiny by using personal accounts.”

OUTSIDE SALES TAXES

Wyoming Gov. Matt Mead signed a bill in March requiring any company, including online companies, located outside Wyoming that does more than 200 transactions or $100,000 in sales in the state annually to pay sales taxes, according to the Casper Star Tribune. The Wyoming Department of Revenue can take those who don’t pay to court to collect. The bill is intended to provide a path to collect from companies who refuse to pay; however, the U.S. Supreme Court ruled in 1992 that states cannot collect from businesses not physically located in their state.

INMATE MENTAL HEALTH

Most of Nevada’s inmates who have serious mental illnesses have been relocated to the Northern Nevada Correctional Center in Carson City as part of the state Department of Corrections’ plan to treat prisoners with psychiatric issues, reported the Las Vegas Review-Journal. About 300 inmates are being treated at the center, where they can receive comprehensive mental-health services. The department plans to make sure treatment continues for inmates who are on parole. Before inmates are released, the department will give them 30 days of medication and help set up parolees’ Medicaid eligibility.

SANCTUARY LAW

Oregon Gov. Kate Brown in February issued an executive order prohibiting state agencies from helping federal immigration officials locate or apprehend undocumented immigrants, according to The Oregonian. Oregon law already forbids state and local law enforcement from using public resources to find or arrest people whose only crime is being in the U.S. without documentation; the executive order expands this law to all agencies. Brown’s order includes the caveat that no state employee should break state or federal law to comply with her order.

MARIJUANA 101

Colorado agriculture officials in February educated officials from about a dozen states on the basics of marijuana farming and regulating a crop that is federally illegal, reported CBS News. The Colorado Department of Agriculture is working on the first government-produced manual on producing marijuana and took visiting agriculture officials on a tour of a marijuana-growing warehouse. Colorado sold about a billion dollars’ worth of marijuana in 2016.

DRUNK DRIVING

Utah is likely to become the first state in the nation to limit drivers to a blood-alcohol content of 0.05, according to The Salt Lake Tribune. The Legislature passed a bill in March that changes Utah’s definition of driving under the influence from a 0.08 BAC to 0.05. The average man would reach the legal driving limit with three drinks and the average woman with two. The National Transportation Safety Board recommends that all states transition to a 0.05 BAC limit.

For more on CSG West, visit: capitolideas.csg.org and www.csgwest.org.
KEEPING SCORE: HOW STATES EARN GOOD CREDIT RATINGS

On Oct. 25, 2016, Moody’s Investors Service downgraded New Mexico’s $327 million in outstanding general obligation bonds from Aaa to Aa1. Credit analysts explained that the rating was lowered because the state’s general fund reserves were depleted but emphasized that a rating upgrade is possible if the reserves are restored once revenue returns to normal. Conversely, Moody’s warned that a failure to replenish the reserves could justify further downgrades.

The “big three” credit rating agencies—S&P Global, Moody’s Investors Service and Fitch Ratings—periodically conduct in-depth analyses of state and local government finances in order to assign a credit rating. These ratings, which are similar to the credit score that lenders review when an individual applies for a loan or credit card, provide a signal to investors about a government’s ability to repay its debt obligations. The credit agencies assess performance across a variety of criteria, such as trends in the state’s economy, existing debt and the state’s ability to operate throughout the business cycle.

States deemed able to meet their debt obligations during periods of fiscal stress, or capable of adapting quickly to such stress, are typically granted the highest ratings. States that operate with structurally weaker budgets, less diversified economies or fewer fiscal management tools to address shortfalls receive lower ratings. Typically, states with higher ratings enjoy lower borrowing costs. As of January 2017, 12 states held the highest (Aaa/AAA) ratings from all three agencies.

In light of New Mexico’s downgrade and similar actions on other states by rating agencies citing insufficient reserves or depleted rainy day funds, The Pew Charitable Trusts examined credit rating action reports issued by Moody’s between 1992 and 2015. The research revealed that rainy day funds and states’ broader reserves play a key role in the credit agencies’ evaluations: 81 percent of the 149 reports examined mentioned reserves generally, and 42 percent specifically noted the condition of the state’s rainy day fund and cited it by name.

But a fiscal cushion is not enough to ensure that states have or retain a high rating. In a forthcoming report, Pew will detail how credit rating analysts are attentive to the policies that define rainy day funds and how well state policymakers align their reserves with the business cycle.

Rainy day funds that are designed with distinct, objective goals—and that contain guidelines for deposits and withdrawals that policymakers can adhere to regardless of changes in governors, legislatures and business cycles—have been identified by ratings agencies as good reserve policy. In interviews with Pew, ratings analysts said rule-based mechanisms that determine when states deposit or withdraw from their reserves are a credit positive, provided that the rules are evidence-based. Although business cycles and their impact on tax collections vary from state to state, the agencies say rainy day fund policies that are attentive to a state’s economic and revenue volatility are sound reserve policy. For example, as Moody’s noted, one of Minnesota’s credit strengths is its reserve policy, which “targets reserve levels based on historic volatility and forecast revenues.”

The way lawmakers use these savings can also affect a state’s credit rating. It is well known that the economy ebbs and flows, which can make budgeting more difficult for lawmakers as revenue rises and falls. According to ratings analysts, states should align their reserves with the swings in their economies—making deposits during times of growth and withdrawing during emergencies or revenue downturns. Pew’s research found that a drawdown of a state’s rainy day fund in response to a revenue shortfall or other fiscal stress will usually not be regarded as a credit negative. However, not all withdrawals are viewed the same: The highest-rated states reinforce structural balance by using rainy day funds with caution and as only one part of a broader strategy to close budget gaps or meet other fiscal challenges. States that rely too heavily on reserves or that fail to address underlying fiscal issues run the risk of creating structural budget gaps and receiving lower ratings.

Policymakers should be aware that the fiscal management strategies states employ to address financial stress, and to ensure they meet their debt obligations, can affect credit ratings for better and worse. A state’s credit ratings can—over the long run—improve if its rainy day fund policies are structured to work with the economy. In its forthcoming report on state rainy day funds and credit ratings, Pew will detail findings from its 50-state research and offer recommendations to state decision-makers.
FISCAL STATE

It’s been a long road to recovery for states since the Great Recession. Despite more positive economic news at the national level in recent years, such as falling unemployment rates and rising consumer confidence, states’ fiscal outlook has been slower to improve. Declining revenues due to falling energy prices in fossil fuel states and growing pension liabilities have dampened states’ fiscal spirits, but there is some good news on the horizon, according to experts from the National Association of State Budget Officers. In this issue of Capital Ideas, you’ll find a top-to-bottom review of how states’ bottom lines are faring as a result of a diverse array of factors—from federal regulations and global trade to state and local economic development policy.

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How Much Does a Federal Dollar Cost the States?

by Katherine Barrett and Richard Greene

With newspapers and scholarly reports full of discussion about states and their shortages—or surpluses—of tax revenues, it would be easy to focus exclusively on the dollars brought in through sales taxes, income taxes and so on. That kind of analysis misses out on the revenue elephant in the room, though: the money that comes from the federal government.
said Jonathan Ball, the Utah legislative fiscal analyst. “That’s the first step in managing to the agencies, if you’re going to accept volatility.” Once dollars are identified as the 35.5 percent figure in fiscal year 2010, the flow of federal stimulus dollars was at its peak, according to The Council of State Governments’ calculations.

This heavy reliance on federal dollars keeps budget officers awake at night. As NASBO noted in their Fall 2016 Fiscal Survey of the States Summary, one of the biggest threats to a stable flow of cash is “increasing federal uncertainty, particularly concerning the prospects of tax reform and health care policy.”

Utah has recently taken steps to soften the potential blow of cuts from the federal government. It now identifies the federal dollars that are contingent on annual renewals. “They should be used and spent like a windfall,” said Jonathan Ball, the Utah legislative fiscal analyst. “That’s the first step in managing volatility.” Once dollars are identified as potential one-time influxes of cash, “we said to the agencies, if you’re going to accept federal funds that exceed the amount in the funding bill, then we’re going to reduce the state funding by that amount,” he added.

Potential volatility isn’t the only reason why states can’t think of funding from Washington, D.C., as “free money.”

“Overreliance on federal funding comes with conditions on how to spend, what eligible populations you must cover and how to operate the programs,” said Jason Turner, executive director of the Secretaries’ Innovation Group, a network of state human service and workforce secretaries.

Turner also voiced concern that states may be less inclined to carefully prioritize spending when they’re getting 100 percent of the funding from the feds. “States do better at prioritizing eligible populations, delivery systems and outcomes they want to achieve when they’re sharing the fiscal responsibilities with the federal government,” he said.

Historically, federal dollars are siphoned to the states in one of two ways: as allocations contained in the annual federal budget and as block grants, which promise a sum of money to support a given service. The Trump administration seems intent on shifting the balance between the two in favor of block grants for various areas—most notably Medicaid.

The benefit of block grants is that they give the states a fair amount of flexibility in how they spend those dollars. They are largely free from the kinds of conditions the feds may require for allocations from the annual federal budget and that can seem extremely appealing to states. A number of years ago, when then-Speaker Newt Gingrich was advancing the case for block grants at a National League of Cities conference, the audience was so pleased with the tradeoff of potentially fewer dollars for more control that many rose up and cheered.

Of course, some would argue that there’s already ample ability for states to be flexible with their Medicaid programs, simply by applying to the federal government for a waiver to current rules. But there is no guarantee waivers will be approved, and when they are the process can take years.

As Wisconsin state Rep. John Nygren recalled, “We had a lot of problems with lost and stolen food stamps. We were going to put people’s photos on their card. The average person lost like seven a year. That had to go for a waiver, and the waiver was rejected.”

Ultimately, even if block grants can create flexibility, that has to be weighed against the fiscal issues. Often, block grants are set at a given level, which can remain unchanged for years, regardless of the states’ growing costs. That’s certainly been the case in the past. According to a 2016 paper by the Center on Budget and Policy Priorities, or CBPP, that examined several decades of budget data, funding for housing, health and social service block grants has fallen significantly over time. According to the paper’s authors, “These data provide a cautionary tale for proposals to merge large numbers of additional programs—especially programs serving families and individuals who are low income or otherwise vulnerable—into block grants …”

In the case of Medicaid, it seems likely that a block grant program might be structured to respond to growth in the recipient population, so that more Medicaid enrollees would translate into a larger grant. Fair enough, so far. But, according to Judith Solomon, vice president for health policy at the CBPP, it likely wouldn’t take into account the inflation in the costs of health care, which has stubbornly remained at the top of many budget officers’ lists of sleep-depriving challenges.

“The more health care costs rise, the more drugs are introduced, all of those things,” wouldn’t lead to increased grants from the federal government, said Solomon. As a result, there’d be a “cost shift and the states would have to figure out how to deal with that,” she said.
In December, the National Association of State Budget Officers, or NASBO, released the latest edition of its semiannual Fiscal Survey of States. According to data collected from state budget offices, fiscal 2017 is expected to mark the seventh consecutive annual increase in both general fund spending and revenue.

There is some good news on the horizon. The budget environment for most states indicates modest growth. However, fiscal progress has been uneven across states, with some facing difficult budgetary challenges. Certain states have been impacted by a variety of factors that pose a challenge to their fiscal health, including the decline in energy prices, demographic changes, tax policy decisions, long-term liabilities and slow economic growth. States are also facing rising spending demands and long-term budget pressures in areas including healthcare, education and infrastructure. The current fiscal environment led states to enact cautious spending plans for fiscal 2017.

Enacted budgets for fiscal 2017 project state general fund revenues will total $809 billion, a 3.6 percent increase over fiscal 2016. At this time, it seems likely that overall actual revenue totals will be lower than these original projections, with general fund collections coming in below forecast in 24 states, on target in 16 states, and above forecast in just four states at the time of data collection (fall 2016), based on those states able to report for fiscal 2017. Similarly, general fund revenue growth was weak in fiscal 2016, increasing just 1.8 percent to $781 billion, after rising 5 percent in fiscal 2015. The most recent revenue slowdown has been driven by a number of factors. All three of the largest sources of general fund revenue had a lackluster performance in fiscal 2016. Personal income tax collections were negatively affected by the weak stock market gains in calendar year 2015, and corporate income tax collections outright declined. Sales tax growth was also weak, tempered by low inflation and slower growth in the consumption of taxable goods and services. Additionally, the continued decline in oil and gas prices and coal production affected severance-tax states like Alaska, New Mexico and West Virginia.

As a result of these lower than expected revenue collections and the consequent budget gaps, many states reduced spending during the year. Nineteen states reported midyear budget decreases in fiscal 2016, a historically high number in a nonrecessionary period. On the spending side, progress since the Great Recession has been slow, with 32 states spending less in fiscal 2016 than their prerecession peak in fiscal 2008, after accounting for inflation. Aggregate general fund spending increased 3.7 percent in fiscal 2016, a somewhat slower rate of growth than the 4.4 percent increase in fiscal 2015. According to enacted budgets, state general fund spending is estimated to increase 4.3 percent in the aggregate for fiscal 2017, although the final
Rainy Day Funds

Since data for the fall 2016 Fiscal Survey of States was collected, a number of states have seen weakening fiscal conditions. At least 29 states have revised their revenue forecasts downward at some point during fiscal 2017, with an average downward revision of -1.8 percent. A number of factors have contributed to this, including overly optimistic economic forecasts of gross domestic product, or GDP, and income, and the continued decline in the sales tax base and the lack of growth in the price of tangible goods. The slow revenue growth has led some states to make budget cuts, fund transfers and take other actions to ensure that their budgets remain in balance for fiscal 2017. While most states have revised revenue forecasts downward, at least 13 states revised their forecasts upward or made no change to date.

States are also currently preparing spending plans for the next fiscal year. Governors have released budget proposals for fiscal 2018, which will begin on July 1, 2017, for 46 states (New York begins its fiscal year on April 1, Texas on Sept. 1, and Alabama and Michigan on Oct. 1). Over the coming months, 47 states will enact a new budget for fiscal 2018, while three states previously enacted budgets covering both fiscal 2017 and fiscal 2018. Among the 47 states approving a new budget this year, 17 will authorize a two-year budget covering both fiscal 2018 and fiscal 2019. For most states, fiscal 2018 revenue projections to date are assuming continued slow growth in tax collections, although some are projecting slightly higher levels than the current year. As a result, budget proposals for fiscal 2018 have remained cautious with most governors calling for another year of modest spending growth.

Some preliminary themes from fiscal 2018 budgets show a continued emphasis on early learning, a re-examination of school funding proposals, a call for increased infrastructure spending, the need for workforce development programs, restructuring of child welfare services, possible pension reforms and new initiatives to help address the opioid crisis. Additionally, a number of governors have called for improving structural balances, rainy day fund increases, and increased efficiency and the consolidation of government services.

As states begin to enact budgets for fiscal 2018, they are not only contending with slow revenue growth and constrained spending, but also federal uncertainty in a number of areas including the possible repeal and replacement of the Affordable Care Act, the consideration of federal tax reform, and discussions regarding various infrastructure proposals. All of these factors combined will require states to make difficult decisions moving forward.

About the Authors

Brian Sigritz is the director of state fiscal studies at NASBO, where he tracks and analyzes tax and revenue trends, transportation, public-private partnerships, energy, and disaster response issues. He also monitors the fiscal health of the states and edits and produces the State Expenditure Report annually.

Kathryn Vesey White is a senior policy analyst at NASBO, where she monitors state budget and policy developments in education and economic development. She also covers state budget process issues such as the use of data and evidence in budgeting, and authors the semiannual Fiscal Survey of States report.

Following the Dollar (on page 16)

John Hicks is executive director of the National Association of State Budget Officers. He joined NASBO in April 2016. Prior to coming to NASBO, Hicks served in Kentucky state government for 32 years, including 25 years in Kentucky’s Office of State Budget Director. For the last 10 years, he served as the deputy state budget director. Founded in 1945, NASBO serves as the professional organization for all state budget officers of the 50 states and U.S. territories. NASBO collects data and publishes numerous reports on state fiscal conditions and organizes meetings and training for budget and finance officials.
Introduction

State governments spent more than $1.9 trillion in fiscal year 2016. That spending is authorized by state budgets that are approved by legislatures and begin with a budget recommendation made by the governor. Through their constitution, laws and practices, each state has defined a budget process. The budget process is where each state determines public priorities by allocating financial resources among competing claims. Tax policy changes are often also done as a part of the budget process.

States generally have two types of budgets: operating and capital. The operating budget funds the day-to-day operations of agencies and programs, while the capital budget funds the acquisition or construction of major capital items, including land, buildings and equipment.

Balanced Budget Requirements

State governments must match up their income with their spending. Forty-six states have a formal balanced budget requirement.

Revenue Estimates

States develop revenue forecasts upon which the budget is based, often through a formal revenue-estimating group with varying degrees of participation by the legislative branch and appointed citizen experts.

The Budget Cycle

Thirty states do budgets each year, while the remaining 20 states have a biennial budget, covering the next two fiscal years. The fiscal year runs from July 1 through June 30 in 46 states.
Budget Instructions, Agency Requests, Reviews and Governor Decisions

One of the first steps in the budget process is the issuance of budget instructions to state agencies for the preparation of budget requests.

Agencies usually submit their budget requests by the end of October for review by the budget office. The state budget office is responsible for the analysis of agency requests and, based on the governor’s decisions, puts together the budget proposal.

Governors submit their budget recommendations most often between mid-December and early February.

Legislative Review and Adoption of the Budget

A governor’s budget proposal is reviewed by the legislature through the winter and spring.

Often, each chamber of the legislature approves its own version of the budget, and a conference committee then resolves the differences between the two. A budget will take the form of one or multiple appropriation bills. Adoption of the budget occurs in the spring in time for the beginning of the fiscal year.

Unlike the federal budget process, it is rare for a state legislature to fail to adopt appropriations in time for the start of the next fiscal year.

Gubernatorial Line-Item Veto Authority

In addition to the ability to veto whole budget bills, 44 states give the governor the power of a line-item veto over budget bills.

With that power, a governor may veto individual items contained in an appropriation bill while leaving the rest of the bill to become law. Thirty-eight states require a super majority for the legislature to override the governor’s line-item veto, a power used by governors to limit spending and influence the legislative budget process.

Executing and Monitoring the Budget

The implementation of the budget is an extensive process that includes management, control, monitoring and performance review mechanisms. The state budget office and legislative oversight committees play key roles for the purpose of midyear interventions and as an important feedback loop for the next budget cycle.

When budgeted revenues fall short, states make mid-year adjustments which can include budget cuts, transfers of funds, and the use of rainy day fund reserves, to maintain a balanced budget.

Approval by the state legislature in the following year for supplemental funding occurs in limited instances when necessary spending exceeds budget authority.
the fiscal state
fast stats on the states’ fiscal chairs

89 MEN
31 WOMEN
38 FIRST-TIME CHAIRS
77 REPUBLICANS
40 DEMOCRATS
1 NONPARTISAN
2016 STATE LEGISLATIVE SALARIES

WHEN IT COMES TO COMPARING STATE LEGISLATIVE SALARIES, THERE ARE LOTS OF CAVEATS.

7 STATES PAID LEGISLATORS A PER DIEM SALARY

Legislators also received a session per diem to cover expenses. For example, in

- **NORTH DAKOTA**: Up to $1,682/month in lodging vouchers
- **UTAH**: Up to $100 + taxes/day for lodging and up to $39/day for meals

![Per Diem Salaries](chart)

38 STATES PAID LEGISLATORS AN ANNUAL SALARY

These annual salaries span a huge range.

**$110,000**

**$100,000**

**$90,000**

**$80,000**

**$70,000**

**$60,000**

**$50,000**

**$40,000**

**$30,000**

**$20,000**

**$10,000**

**$0**

![Annual Salaries](chart)

For every $1 Texas legislators received ...

Legislators received just under $14 in California.

**$37,447** Average Annual Salary for 38 States
5 STATES PAID LEGISLATORS UNUSUAL OR SESSION-BASED COMPENSATION

- **MAINE**: $14,074/year for the first regular session, $9,982/year for the second regular session
- **NEW HAMPSHIRE**: $200/two-year term and no per diem
- **NEW MEXICO**: No salary, but $163/day for expenses and mileage reimbursed at 54¢/mile
- **SOUTH DAKOTA**: $6,000/session
- **VERMONT**: $693.74/week during session only

THE 2016 ANNUAL SALARIES OF 16 STATE LEGISLATURES WERE EXACTLY THE SAME AS THEIR 2006 ANNUAL SALARIES

<table>
<thead>
<tr>
<th>State</th>
<th>Salary</th>
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<tbody>
<tr>
<td>Arizona</td>
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<tr>
<td>Colorado</td>
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<tr>
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<td>Virginia</td>
<td>$17,640</td>
</tr>
</tbody>
</table>

10 YEARS AGO ...

In 2007, legislators in 39 states earned annual salaries with an average of $32,697. When adjusted for inflation, that’s very close to the average in 2016 (within two percent).

17 States had annual legislative salaries that were above the 2016 average.

21 States had salaries that were below the average.
Healthy Rainy Day Fund Keeps Fiscal Storms at Bay
by Carrie Abner

Wyoming is consistently ranked among the top states for its rainy day fund, which currently has about $1.6 billion. How has planning ahead helped prepare the state for more challenging fiscal times?

“The rainy day fund was established in 2005 to help the state manage the volatility in our economy caused by fluctuations in energy prices. The rainy day fund provides stability and helps smooth out some of the dips in our budget, allowing us to maintain needed public services during a time of diminished revenue growth, and prudent use of the fund has allowed Wyoming to stay strong with balanced budgets, important projects moving ahead and savings in reserve for the future.”

With the low prices of natural gas and other fossil fuels, what is Wyoming doing to reduce tax revenue volatility?

“We have been working to diversify the economy with projects like the Integrated Test Center, or ITC. The ITC is a state-private partnership that will help lay the groundwork for a carbon-asset industry. Teams from around the world are participating in the XPRIZE Foundation’s carbon competition at the ITC, seeking solutions for emissions from coal power plants. During my time in office, Wyoming has also aggressively recruited technology businesses and firearms companies and promoted manufacturing. Looking back many years, it is clear that diversification of the state’s economy requires more than one governor’s time in office. Mindful of that, I recently announced the Economically Needed Diversity Options for Wyoming, or ENDOW Initiative. This initiative will develop a 20-year diversification plan for the state, building on our successes and looking long-term into the future.”

What do you hope the short- and long-term impacts of the ENDOW Initiative will be on the state’s economy?

“Wyoming is a welcoming, business-oriented state. Year after year we are recognized as number one among states for our business-friendly tax climate and as one of the best states to start a business. Wyoming has no state income or corporate tax, and our internet connectivity is second to none. Several years ago, I asked agencies to reduce regulations by a third, and this has been a successful effort—some agencies reduced rules by more. The ENDOW Initiative will produce a 20-year comprehensive economic diversification strategy and include four-year action plans. Our community colleges and the University of Wyoming will be involved to ensure we have the job training employers are looking for. We are not trying to displace energy, tourism and agriculture, our top three industries. We hope to increase economic opportunities in those areas and expand our economic base overall.”
You have been recognized by EducationSuperHighway for your leadership on increasing internet connectivity in public schools. In a rural state like Wyoming, why is this important?

“Wyoming places a high value on education. As a rural, geographically large state, we understand the value of internet connectivity to student learning. Our investment in the statewide Unified Network gives our students the opportunity to compete on a national and global scale and at every level. We have successfully upgraded all schools to a minimum of 200 Kbps per student. We continue to work with schools to assure that students and teachers in Wyoming classrooms have access to high-quality connectivity. In the world of technology, the challenge is to keep pace with rapid changes. Wyoming is well equipped to continue leading the nation in connectivity for schools.”

During budgetary downturns, addressing revenue shortfalls represents only half the challenge. How do you balance cuts to state programs and services?

“In 2016, the combined cuts to the 2017–18 budget by the Legislature and my office totaled $317 million—about 11 percent of the executive branch budget. These cuts were difficult but necessary due to falling revenues. It is never easy to decide where cuts come from because each will have an effect. I asked agency heads to try to limit cuts to programs that would have a compounding effect—for example, a $1 cut becomes $2 because of lost matching funds. A hiring freeze left some vacancies that saved dollars. Rather than across-the-board cuts that weaken everything, I favored strategic reductions that maintain essential services.”

You recently closed a deal with Amazon to begin collecting taxes on their online sales. What impact can internet sales taxes have on state revenues?

“Collection of taxes on internet or ‘remote’ sales will solve two longstanding problems. First, it will place remote sellers and Wyoming brick-and-mortar retailers on equal footing. Second, it will help to ensure that taxes legally due in Wyoming are paid. A 2009 study claimed that Wyoming had potential unpaid taxes from remote sales between $23 million and $46 million. While not a major portion of state revenue, these taxes will obviously help maintain a balanced budget and provide needed services to our citizens. Electronic commerce is growing and our tax systems need to address the changing economy.”

Wyoming has been a leader in the country’s move toward energy independence. What do you see as the future of energy development in the state and across the country?

“Energy is Wyoming’s number one industry and provides more than 70 percent of state revenue. We are the number one exporter of energy to other states. We are number one in coal and uranium production and in the top 10 for oil and gas production. We have world-class wind energy resources and lots of sunshine. In 2013, at my direction, Wyoming was the first state to develop and release a comprehensive energy strategy. In 2016, we updated the strategy. Wyoming’s energy strategy supports an all-inclusive energy mix and can be a model for others, including the federal government. With fewer federal regulations and pro-growth policies, including support for energy development, the national economy will grow. One way to spur the economy is to get America’s energy sector working again—bringing back those jobs. A growing economy needs more, not less, energy and a secure, abundant supply.”

Some lawmakers have proposed fining utilities for wind or solar power production. Why is renewable energy production important to Wyoming’s energy portfolio?

“Wyoming is blessed with plenty of sunshine and wind, providing great opportunities for renewable energy development. As a state, we look to embrace every opportunity to grow and diversify our economy. We will soon be home to the largest wind farm in the country, the Chokecherry project in southern Wyoming, with up to 3,000 megawatts of energy and hundreds of new jobs. Our community colleges have developed training courses to meet the demand of this growing sector. We also hope to attract companies involved in manufacturing, research and technology development.”

You’ve been a leader in efforts in Wyoming and among Western governors to protect threatened animals and to prevent their listing under the Endangered Species Act. Why is this a priority for you?

“Wildlife and open spaces are a vital part of Wyoming’s heritage and economy. We love the outdoors. As stewards of the resources, we have a responsibility to manage them well. Our proactive management of species, like sage-grouse, successfully balances the needs of wildlife with the needs of our people. This promotes healthy wildlife populations and a strong economy and ensures that the sometimes crippling restrictions of the Endangered Species Act need not apply.”

What changes have been made in fiscal policy in recent decades that have provided elected officials more flexibility in addressing revenue shortfalls today?

“Conservative, disciplined budgeting has kept Wyoming strong through good and not-so-good economic times. We are required by law to balance our budgets, and we do that. Since taking office in 2011, I reduced the executive branch operating budget from $2.9 billion to roughly $2.6 billion. Our Permanent Mineral Trust Fund was started in 1974 and now stands at approximately $7.4 billion, and our rainy day fund was established in 2005 and now has about $1.6 billion. Both funds have grown substantially during my time in office—a result of saving when possible and being fiscally conservative. Savings and frugality help us weather revenue shortfalls.”
In a climate of decreasing revenues from all sources, unpredictable federal funding, and increased competition for funding at the state and local level, state courts must vigorously present and justify their resource needs in order to deliver justice.

The National Center for State Courts, or NCSC, initiated an annual survey in 2011 to learn whether the economic recession of 2008 and state legislative reaction to tough economic times were having an impact on the state courts’ resources and the courts’ ability to deliver justice. The NCSC learned that two-thirds of the states experienced a decrease in state funding in 2010 and 60 percent experienced a decrease in 2011.

In the fall 2016 survey, 22 states and territories responded. Results from the survey suggest that the financial situation in state courts has somewhat improved, but the courts are still struggling. While 12 of the states and territories reported being in better shape than they were in 2008, eight of the state court systems reported being in worse shape. Six of the state court systems are in worse financial shape than just one year ago.

“Declining funding for the judicial branch is having a real impact not only on essential court services but also on the courts’ ability to provide nonessential, but very effective, programs and services,” said Arthur W. Pepin, director of the New Mexico Administrative Office of the Courts, president of the Conference of State Court Administrators, an affiliate organization of the National Center for State Courts. “Effective programs including drug courts, foreclosure settlement programs and others face elimination despite their clearly demonstrated value to taxpayers and to the participants.”

About two-thirds of the state court systems receive funding primarily from the state; 20 percent receive funding primarily from the counties and municipalities, and 20 percent receive funding from a mix of state and local sources.

But funding for state courts isn’t limited to state and local governments.

The federal government provides some funding directly to the state courts to help them to prevent and address child abuse and neglect and to assist the courts to hear and dispose of cases involving domestic violence. The State Justice Institute receives federal funds to provide technical assistance and training to the state courts.

NCSC’s 2016 fall survey of courts revealed that individual states face challenges, mostly due to declining state or local revenue and competition with other state and locally funded priorities. As an example, the Texas Judiciary has been told that this year’s legislative priorities are reforming the foster care system, addressing mental health, attending to the public education finance system, making higher education more accessible and encouraging economic opportunity for businesses.

STATE COURT FUNDING STREAMS
State courts receive funding from a variety of sources including their state’s general fund, county and municipal general funds, and federal dedicated grant funding.
But some court officials in the states are concerned that the costs associated with these legislative priorities could have a big impact on resources for the courts.

“Shifting budget allocations to these initiatives could affect the judiciary’s ability to fulfill its mission to enhance service to families, children, and the elderly and incapacitated; to provide basic legal services for low-income populations; and to provide indigent defense and representation for defendants with mental illness,” said David Slayton, administrative director of the Texas Judiciary.

Some states are seeing reduced funding due to reduced case-loads and reductions in fees, fines and surcharge revenues, and some states and territories are increasing the level of fines and fees to supplement their budgets. Courts in fossil fuel energy states, such as West Virginia and Wyoming, have experienced reductions in state revenue in recent years and expect the drop to continue.

**JUDICIAL AND STAFF POSITIONS**

A few of the state court systems have seen changes in the number of funded judicial positions. After years of struggling to hear and timely dispose of cases with existing judicial resources, a few of the state court systems received funding to add judicial positions needed to address the workload. The Arizona Legislature expanded the state’s Supreme Court from five to seven members, not at the request of the current court. Six other states received funding to increase the number of general or limited jurisdiction judicial positions in the coming year. Only North Dakota was forced to decrease the number of judicial positions.

Four states increased the number of staff positions and five states decreased the number of staff positions in their court systems in 2016.

**JUDICIAL AND STAFF COMPENSATION**

In 2016, a majority of the states and territories provided pay raises to judges and staff. The average annual percent salary increase for state court appellate and judicial officers and for the state court administrators was 1.72 percent from Jan. 1, 2016, to Jan. 1, 2017. This annual increase remains below the prerecession average annual increase of 3.24 percent from 2003–2007, according to the NCSC Survey of Judicial Salaries, 2017.

**INVESTMENTS IN TECHNOLOGY**

Technology is increasingly integral to court operations. Over the past two years alone, courts have funded and enhanced investments in information technology infrastructure, case management systems and electronic docketing management systems, electronic filing, digital court recording and video conferencing of court proceedings, cybersecurity protections, and apps for smartphones or other mobile devices. But as in any governmental or private-sector agency, funding for technology is rarely a one-time investment. Rather, with the rapid pace of new innovations, court officials anticipate that continued investments in new technologies and upgrades will remain a consistent part of state court budgets in the future.

Courts are struggling to enhance access to justice and fair and timely resolution of disputes. With pressures to reduce the scope of government as well as taxes on individuals and businesses at the state and local levels, courts must strongly present and justify their requests for the resources needed to serve those who enter the courthouse doors seeking protection, timely resolution and justice. ☑

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**About the Author**

Daniel J. Hall is the vice president of the Court Consulting Services Division of the National Center for State Courts.
FRESHMAN ORIENTATION

At age 33, Taiwanese-born Yuh-Line Niou is the first new face to fill her district seat since 1976; the seat was previously held by former assembly speaker and long-time legislator, Sheldon Silver. Niou has served in state government since she was an intern in college; most recently she served as a staffer for New York Assemblyman Ron Kim. She hopes to use her years of legislative and policy experience to give the residents of her diverse New York City district a fresh, yet knowledgeable voice in the state house.

“I represent lower Manhattan, a district which encompasses a set of very diverse neighborhoods—from the Financial District and Battery Park City, to Manhattan’s Lower East Side and Chinatown,” said Niou. “My priorities in both the district and in Albany need to reflect the needs of my constituents, many of whom haven’t had access to government due to several barriers.”

Niou is leading the push in the Assembly to restore funding to senior centers that she believes provide critical social services. She also plans to lead the effort to revitalize and repair public housing developments damaged by Hurricane Sandy, while also working toward strengthening neighborhood resiliency and spurring community growth. Most importantly, she hopes to bring diversity to Albany.

NEW YORK STATE ASSEMBLYWOMAN YUH-LINE NIOU

For first-time legislators, the to-do list can be quite long. Get to know new colleagues and build necessary alliances. Start memorizing Mason’s Manual. Introduce that piece of legislation promised on the campaign trail and work to build support for its passage.

Oh, and find out where to park at the capitol building.

There’s no shortage of things to learn—from the myriad practical necessities to the in-the-weeds political maneuvers—when you’re the new one on campus.

Over the next year, follow these four freshman legislators, one from each CSG region, in Capitol Ideas as they share what they are learning in their first year of service.
Rep. Micah Caskey brings a range of experience to his new role at the South Carolina House of Representatives. Caskey spent several years serving his country as an active duty Marine, commanding units during combat tours in Fallujah and Ramadi, Iraq, and later in Helmand Province, Afghanistan. His time overseas helped inspire him to continue his service in a slightly different way back home.

“As a Marine in Iraq and Afghanistan, I spent a lot of time with local leaders in those countries that were working to help improve things for their citizens,” Caskey said. “I saw tribal elders and village leaders literally risk their lives to lift up their communities. As I returned to civilian life, I couldn’t help but notice that some of the challenges facing our state were not, in my view, being adequately addressed.”

Caskey also brings experience from his time as a management consultant in the Alaska energy industry and as a prosecuting attorney to his role at the South Carolina statehouse, where he was quickly tapped to lead the House Freshman Caucus. Among the first items on his agenda in his new role, he said, is to “find the bathroom,” both literally and metaphorically.

“My parents were always very involved in the community,” said Mah. “They were immigrants who became citizens as soon as they were eligible. They were my first example of civic engagement. My grandfather was an immigrant to the United States during the period in which the Chinese Exclusion Act was in effect. That law and many others were made by legislatures that did not include any representation by the people who were affected.”

Prior to Mah’s election the House, the former professor and community organizer served two years as a senior policy adviser to Gov. Pat Quinn. Even though her work in the governor’s office gave her familiarity with the inner workings of Springfield, it did not take away from the sense of awe and purpose she felt the first time she stepped on the floor.

“Seeing my name on the vote board for the first time and seeing my name on the engraved name plates at my seat were unforgettable moments. I was part of a legislative body that shapes policy and has the ability to affect people’s lives. It’s an awesome privilege to be here and we have a tremendous responsibility to serve our constituents well.”

As Illinois’ first Asian-American lawmaker, Rep. Theresa Mah hopes that she will be able to give a voice to the predominately immigrant constituency that elected her. Mah is a second-generation Asian-American and credits both her family and the needs of her community as inspiration to run for the General Assembly.

“The daughter of an Italian immigrant who grew up in New York, Syms has called the Grand Canyon State home for 15 years, where she is raising her three young children and has served her community, state and country as an assistant attorney general, assistant U.S. attorney and a local councilwoman. Through her experience working with members of her community—as a prosecutor and as a local representative—she has learned the importance of remaining true to the view and values of the people she serves.

“Sitting in the House chamber and experiencing the formality of the process, it is impossible not to be moved by the great responsibility you have to the people you represent,” Syms said. “That is why I will always reach out to the community for feedback before taking a position on a particular issue.”
The beginning of fiscal year 2018 is barely four months away in all but four states—Alabama, Michigan, New York and Texas—and governors from coast to coast have started proposing budgets for the coming year. But while the U.S. economy is nearing its third-longest recovery since records began in 1857, the outlook for state revenue is less robust than almost eight years of steady gross domestic product growth might imply. Following the National Association of State Budget Officers’ observation that “weak revenue performance” in 2016 helped keep inflation-adjusted general fund spending under where it was even in the recession in 2008, The Nelson A. Rockefeller Institute of Government recently described the 2016–17 outlook for state tax collections in one word: gloomy.
THE CONTRAST BETWEEN TEPID REVENUE GROWTH AND GROWING SPENDING NEEDS, especially for Medicaid and pension payments, suggests that states will resort—as they often do—to balancing their budgets by using one-time solutions and other techniques that shift the cost of current expenditures to the next generation of taxpayers or beyond.

Such behavior, while sometimes unavoidable in times of fiscal crisis, should be avoided routinely, both as an issue of transparency as well as the more profound one of intergenerational equity—the principle that today’s recurring costs should be funded with today’s recurring revenue sources. States and municipalities generally use cash budgeting techniques rather than accrual methods used in their own comprehensive annual financial reports as well as those of corporations. The New York State Comptroller’s Office’s Accounting and Reporting Manual, states that “under the cash basis of accounting, revenues and expenditures are recognized as cash is received and disbursed.” By contrast, in accrual-basis accounting, “most transactions are recorded when they occur, regardless of when cash is received or disbursed.” A common variant of this known as modified accrual is also used. The state of Washington’s State Administrative and Accounting Manual, or SAAM, published by Washington’s Office of Financial Management, advises that under modified accrual, “revenues are considered available when they will be collected either during the current period or soon enough after the end of the period to pay current year liabilities,” while expenditures are generally recognized when the fund liability is incurred, if measurable.

Given the variety of choices available to officials, it is no wonder that the very definition of a “balanced budget” can vary from state to state, even though balance is the law of the land in 49 of the 50. (The lone exception, Vermont, follows the example of its peers although it is not required to do so by statute.)

One-time actions can make state finances more difficult to sustain as debt increases. Illinois, for example, has been unable to enact an annual budget since 2015 and exists from month to month on an unstable mixture of continuing spending deals, underfunding public-worker pensions and delaying payments on almost $12 billion in vendor bills as of late February 2017.

To help create a roadmap for more responsible fiscal practices across the U.S., the Volcker Alliance, in the 2015 report Truth and Integrity in State Budgeting: Lessons from Three States, scrutinized the finances of California, New Jersey and Virginia and set out these six principles of better budgeting:

• Complete budgetary information, including how balance was achieved and whether one-time revenue sources were tapped, should be easier to find and interpret.
• Short-term revenue forecasts should be transparent and supportable by historic growth trends. Past projections should be assessed for accuracy to help improve forecasting methods.
• Recurring costs should be paid with recurring revenue.
• The proceeds of borrowings should not be used to cover operating expenses.
• States should move away from strictly cash budgeting and toward the type of accounting, used in their audited comprehensive annual financial reports, that shows the true present value of future spending obligations.
• States must build rainy day funds to safeguard essential services during economic downturns. The size of the funds should be adjusted for revenue volatility, and they should be replenished consistently after they are tapped.
Accounting may be complicated, but governments have an obligation to the public to reveal what services cost, how much money is borrowed, where there are shortfalls, and what tradeoffs society will face to balance the budget.”

Paul Volcker, former Federal Reserve chairman and founder of the Volcker Alliance

THE VOLCKER ALLIANCE, a New York-based nonprofit organization, was established in 2013 by former Federal Reserve Chairman Paul A. Volcker with a mission to address the challenge of effective execution of public policies and to help rebuild public trust in government.

Truth and Integrity in State Budgeting built on the work of the State Budget Crisis Task Force, co-chaired by Mr. Volcker and Alliance Director Richard Ravitch, and the Volcker Alliance is now applying its six fiscal principles to an examination of the transparency and sustainability of all 50 states’ budgets for the fiscal years of 2015, 2016 and 2017.

This research on the state budgets is being conducted by public finance professors and graduate students at 13 universities and campus-based policy institutes, along with experts at Municipal Market Analytics Inc., an independent financial consulting firm, and Katherine Barrett and Richard Greene, senior fellows at The Council of State Governments as well as longtime budget-watchers for the Pew Charitable Trusts, Governing magazine and the Volcker Alliance. We anticipate publishing periodic assessments of the states’ budget practices starting later this year, with updates in 2018 and 2019.

“Trust in government is at a low point,” Mr. Volcker said when the 50-state project made its official debut in October 2016. “Part of the reason is that the public cannot even tell what our government can afford. Accounting may be complicated, but governments have an obligation to the public to reveal what services cost, how much money is borrowed, where there are shortfalls, and what tradeoffs society will face to balance the budget. This project aims to show the way.”

To compare budget practices across America, Volcker Alliance researchers are asking a common set of questions in each state, including how revenues and expenditures are estimated; the use of one-time solutions to balance budgets; whether states are making their full, actuarially determined payments for pensions and other post-employment benefits, (known as OPEBs and consisting largely of retiree health care costs); and how well states are disclosing budget and related fiscal information to the public, including the use of tax abatements and other exemptions and the estimated cost of repairing infrastructure. To collect the data, the teams are examining documents including enacted and revised budgets and supplementary documents, comprehensive annual financial reports, legislative research reports and official statements for municipal bond issues. Preliminary results of the inquiry have shown some broad use of best practices as well as several instances of those that could use improvement.

Among our findings for fiscal 2016, for example, are:

- About a third of the 31 states for which preliminary data are available needed to make meaningful adjustments in their enacted budgets during the fiscal year.
- While closing general fund deficits by selling debt was extremely rare, a few states did use the proceeds of bond premiums as a source of current funds. (In this technique, an issuer sells a bond for more than par value, treating the amount over par as if it were revenue.)
- About a third of the states also failed to make the full actuarially determined or required payment for public-employee pensions, creating or adding to a debt that will need to be repaid in the future if promised benefits are to be maintained.
- Most states failed to make their actuarially determined payment for OPEB, where such benefits are offered, continuing a longtime trend of governments financing this item on a pay-as-you-go basis.
FORECASTING REVENUES AND EXPENDITURES is another area in need of improvement. Only 15 of the 31 states we tracked in fiscal year 2016 disclosed consensus revenue estimates in budget documents.

While consensus estimates do not guarantee accurate forecasts, the Rockefeller Institute of Government and the Pew Charitable Trusts, among others, have found that a governor, lawmakers and other parties agreeing on a single figure can remove revenue estimates from politics and allow leaders to focus more attention on the best ways to allocate available resources.

We also found that while about half of the 31 states disclose revenue estimates for at least three years into the future, only a third publish similar forecasts for expenditures. While such estimates are always subject to revision — and should be — they can provide important early signals of potential fiscal upturns or stresses and help guide policy for the use and replenishment of rainy day funds and other fiscal reserves. Indeed, almost all the states we have surveyed so far have formal policies for replenishing rainy day funds after they have been tapped, although many still don’t adjust the size of the reserves for swings in revenue, an increasing concern with tax revenue becoming more volatile than state GDP growth since the early 2000s, according to the Rockefeller Institute.

With President Donald Trump and U.S. Senate Democrats both proposing infrastructure spending plans that could reach $1 trillion, it is critical for citizens to know more about the health of their roads, bridges, buildings and other infrastructure and what it might cost to get them to a state of good repair. California’s 2017 infrastructure report provides a model of transparency in this field, proposing $43 billion to fix infrastructure over five years and estimating the state’s deferred-maintenance tab at $78 billion. But only a handful of the states we have tracked disclose similar information. With the Federal Highway Administration estimating it will cost $46 billion just to replace the nation’s structurally deficient bridges, states that declare budgets in balance without a nod to their long-term obligations for infrastructure renewal are choosing to push at least some of today’s costs to tomorrow’s taxpayers. In infrastructure and other critical areas, cost-shifting is something states should strive to avoid.

California’s 2017 infrastructure report provides a model of transparency in this field, proposing $43 billion to fix infrastructure over five years and estimating the state’s deferred-maintenance tab at $78 billion.
Lingo can be daunting for the uninitiated in any industry. Here, we untangle some of the acronyms, abbreviations and organizations you’ll find in this issue.
acronym soup

GAAP
Generally Accepted Accounting Principles

ENDOW
Economically Needed Diversity Options for Wyoming

S&P
Standard and Poor’s

NCSC
National Center for State Courts

ITC
Integrated Test Center

COSCA
Conference of State Court Administrators

KPERS
Kansas Public Employees Retirement System

DOL
U.S. Department of Labor

SAAM
State Administrative & Accounting Manual
One of the acronyms policymakers likely hear most often is “GASB,” which stands for the Governmental Accounting Standards Board.

“People have said to me plenty of times, ‘Who is GASB and why do we have to do what they say?’” said Jan Sylvis, vice chair to the GASB and retired chief of accounts for the state of Tennessee. “In a nutshell, GASB sets accounting and financial reporting standards for state and local governments.”

Created in 1984, GASB is an independent organization that was developed after state and local leaders started talking about the development of reporting principles.

“State government officials at that time believed we needed to have a set of standards that everybody followed to allow for comparability across state governments,” said Sylvis. “There was a concern that if we didn’t have a set of accounting standards then perhaps the federal government would step in.”

“The genesis was at the state level,” she said.

GASB is cousin to FASB, or the Financial Accounting Standards Board, which was created in 1973 and establishes financial accounting and reporting standards for public and private companies and nonprofit organizations that follow Generally Accepted Accounting Principles, or GAAP.

While FASB covered standards for the private sector, no such standards existed for the public sector.

“There was a lot of discussion nationally with several state leaders that a governmental accounting standards board be developed specifically to address the needs of governments. Because just naturally governments are different from private sector entities,” said Sylvis.

GASB is governed by a board of seven individuals that represent backgrounds from...
Meet CSG’s GASAC Representative, Alan Conroy

Conroy is executive director for the Kansas Public Employees Retirement System, beginning in that capacity in 2012. He is responsible for all aspects of KPERS’ daily operations. Before KPERS, Conroy served for 10 years as director of the Kansas Legislative Research Department, the nonpartisan research and fiscal agency for the Kansas Legislature. He was with the department in various positions starting in 1983. For 20 of those years, he helped provide staff support for the Legislature’s Joint Committee on Pensions, Investments and Benefits, the legislative committee charged with ongoing KPERS oversight. Earlier in his career, he worked for the Division of Budget in the Kansas Department of Administration.

Conroy currently serves as CSG’s representative on the Governmental Accounting Standards Advisory Council.

In a nutshell, GASB sets accounting and financial reporting standards for state and local governments.”

* Jan Sylvis, vice chair to the GASB and retired chief of accounts for the state of Tennessee
This year, states will have the opportunity to better evaluate the efficacy and value of tax incentives designed to attract, expand and retain business activity in their states with the implementation of the Governmental Accounting Standards Board’s Statement 77, or GASB 77, which for the first time requires state and local governments to disclose in their financial statements how much revenue was lost to tax abatements for economic development.

The statement, which was issued in 2015, applies to all state and local budgets starting after Dec. 15, 2015, that conform to GASB’s Generally Accepted Accounting Principles, or GAAP. Data will start coming in as early as April, with a heavy stream coming in by November and December, as governments close their 2016 fiscal years and begin the reporting process.

“This is really going to help bring the debate back around to the big picture about opportunity costs,” said Greg LeRoy, executive director of Good Jobs First, a policy resource center that tracks subsidies and tax abatements. “At what point do you overspend on incentives to the point that it harms public goods that benefit all employers? … Tens of billions of dollars that have never been publicly reported are going to be dragged out of the shadows.”

Financial incentives for economic development are intended to motivate a business to do something it would not have otherwise done, such as locate or relocate in a specific state, expand their facilities, or create more jobs. They include tax credits, exemptions and deductions; low-cost capital financing and loan guarantees; and even cash grants.

GASB 77 is reflective of a shift in state legislatures to more closely track the efficacy and return on investment of tax abatements and other financial incentives for economic development. Because data about government spending in this area hasn’t been closely tracked and is often dispersed among various state, county and local agencies, it is difficult to determine if the estimated $70 billion being forfeited every year by state and local governments is worth it.

“In some states, tax expenditures can actually exceed revenues,” said Jennifer Burnett, CSG director of fiscal and economic policy. “With every dollar being scrutinized, it doesn’t make sense to give incentives a pass on that level of scrutiny. To be able to evaluate them you have to have good data.” The costs can also be unpredictable; the costs of some state tax incentive programs have increased quickly and unexpectedly by tens or hundreds of millions of dollars, according to Pew’s Business Incentives Initiative.

North Dakota is among 23 states that have passed laws requiring independent evaluation of their tax incentive programs since 2012, according to Pew. The state passed SB 2057 in 2015, requiring the legislature to evaluate the state’s tax incentive programs over a period of
It was the first time in our state’s history that we actually looked at economic incentives to see if they are working. ... There has been a wave of states, because of economic pressures, now looking at these incentives.”

» Jason Dockter, North Dakota state representative and chair of the Interim Political Subdivision Taxation Committee

six years to determine whether the programs are benefiting the state through job creation and other goals, whether the incentive has a positive influence on business behavior, and the overall effect of the incentive on the state economy, among other measures of success.

North Dakota’s Interim Political Subdivision Taxation Committee reviewed its first round of incentive programs in 2016. As a result of their analysis, the committee drafted bills to repeal four incentive programs due to lack of use.

“It was the first time in our state’s history that we actually looked at economic incentives to see if they are working,” said North Dakota state Rep. Jason Dockter, chair of the Interim Political Subdivision Taxation Committee. “There has been a wave of states, because of economic pressures, now looking at these incentives.”

The committee also drafted a bill to reform the state’s Angel Fund Investment Credit because of misuse. The committee discovered that nearly half of the money meant to fund start-up businesses in the state was going to out-of-state companies. They also determined that a 45 percent tax credit was being given immediately upon putting money in a venture capital fund, regardless of whether that money was eventually invested in a business before it was withdrawn.

Dockter said analyzing the worthiness of tax incentives was often a frustrating process because the data necessary for calculating their return on investment was not available.

Tax and other financial incentive programs have long been a key policy lever for business development, but critics express concerns about eroding the tax base, the influence of site- location consulting firms in pushing financial incentives, the potential for corruption or arbitrarily favoring certain industries or companies, and the lack of accountability for companies that don’t create as many jobs or pay as high a wage as promised. Additionally, critics say that these programs simply pit states against one another for existing business in a “race to the bottom” rather than actually creating new economic activity.

Recently, some states have tried to combat these pitfalls by including sunset clauses that ensure the laws don’t stay on the books indefinitely and claw-back provisions that require companies to pay back the money gained through subsidies or tax abatements if they don’t live up to what they promise. Some states are requiring companies to meet certain criteria upfront, such as wages paid, jobs created, health insurance and other benefits provided, capital investment made, and taxes created. In Wyoming, for example, the state’s economic development staff does due diligence on each project and closely follows its development. The state’s constitution requires the investments to be made with governmental entities rather than companies, allowing the governmental entity to retain the assets created if the project fails, according to a 2011 CSG report, State Business Incentives: Trends and Options for the Future.

Additionally, it is unclear how much financial incentives ultimately influence business choices. The initial decision about where to locate or expand business activities is based on business needs such as the supply chain, the availability of an appropriate workforce, utility and energy costs, access to higher education facilities for training, and marketplace demand, said Doug Stang, director of State and Local Government Affairs at 3M. Typically incentives are a very small portion of the total investment, he said.

“Government incentives are secondary to the business needs,” said Stang. “Once one of our businesses determines that this is a region that fits with what we need business-wise then we would engage to see what incentives would be available. It could be that one final piece of the puzzle that makes it make sense to invest in a certain region.”

Conversely, in some cases, excessive requirements attached to a tax incentive may be seen as too burdensome to be worthwhile, said Stang.

The portion of the total cost of business taken up by all state and local taxes combined is about 2 percent for the average company in the U.S., according to LeRoy of Good Jobs First.

“It’s business basics—labor, occupancy, logistics, energy—tiny changes in any of those big variables dwarfs anything you can do with the tax code,” he said. “So the punchline for public officials is to say, instead of obsessing over pocket lint—the 2 percent—that what of it is you can do to help the company with the 98 percent. That means making sure you have a great, productive workforce, making sure you have an efficient, modern infrastructure, making sure you have quality of life and amenities that enable you to attract the talent that an employer would want to recruit to a community. … That’s not about tax giveaways, that is about adequate revenue and quality of services, and, frankly, it’s what matters.”
The core obligation of state legislative bodies is the adoption of a budget—a blueprint for the vision and aspirations of the people we serve. Within its line items and the tax policies that fund its revenue streams are clear markers for paths to economic mobility, long-term investments in our business model and real inclusion. While disagreement is par for the course, Democrats and Republicans in Georgia’s legislature have forged a necessary partnership that has sustained an AAA bond rating and improved our ability to steward the state’s economy.

To know what a state values, you need only look at how it collects and spends its residents’ dollars. I grew up in a family with parents who experienced a deeper poverty in their childhoods than I could ever imagine, in a community where families—including ours—often struggled to make ends meet. I know that a few cents extra in sales tax can mean less food on the table or the inability to pay for car repairs, which may mean a day of missed work and possibly a lost job. We have a moral obligation as leaders to leverage smart, thoughtful tax policy to end—rather than perpetuate—generational poverty and economic insecurity.

As the co-founder of NOW Corp., a financial services firm that provides capital to small businesses, I have had the opportunity to help business owners across the country minimize the risk they face when taking on large projects, allowing them to grow fearlessly. Before I became an entrepreneur, I practiced as a tax attorney, steeping myself in the intricacies of public finance and tax policy. In both government and private sectors, I learned first-hand how a state’s economic framework can lift up a business or dash its hopes.
The political right is often chided for a singular focus on the welfare of companies, and the left faces derision for giving primacy to families. Neither position is mutually exclusive, and when legislators refuse to work in partnership to support both business and workers, they risk hurting the entire state.

Successful partnership, however, requires real leadership, commitment and hard work. Whether for families or the places they work, my philosophy on fiscal and tax policy is straightforward: sensible, broad-based and moderate. With colleagues on both sides of the aisle, I have stood in favor of modernizing our ad valorem tax policy on cars and fought against increasing our sales tax to provide income tax cuts to the wealthy. On every issue, my fundamental obligation is to lead with my values and the numbers.

Anyone who has made a payroll understands the importance of predictability in the state’s fiscal policies, and anyone who has worked in a job knows how much of a difference a change in your taxes can make. Here are a few tips that can help lawmakers find balance, and success, as they pursue both missions.

1. Work Across the Aisle to Find a Mutual Path Forward

The balancing act of creating space for families to thrive and helping businesses increase their bottom line demands vigorous debate. As the minority leader in the Georgia House, our body is first to consider both the budget and tax policies. During my tenure, I have been privileged to work in concert with both Democratic and Republican colleagues to pass thoughtful budgets that have expanded our investments in education, human services and transit. Likewise, we have collaborated on incentive packages to attract new jobs, investment pools to incubate start-ups and changes to the tax code to rein in give-aways.

2. Ask Tough Questions and Listen Earnestly to Find Solutions

To promote good policy or to stymie decisions that would hurt our constituents, I make it my business to ask thoughtful questions of those with whom I may disagree. The best policy is born when you engage the other side, taking time to understand their beliefs and the origin of their values, and authentically respect the validity of their ideals. And I listen—for areas of agreement or spaces for compromise. When I disagree, I must bring to the table more than a rejection of their proposals. Leaders offer alternatives, and most importantly, they invite the public to the conversation.

Tax policy is not simply an ideological or academic issue. For those we serve, it is a matter of survival. Therefore, leaders must work in concert to achieve the delicate interplay between taxation and spending, as both are crucial to achieving our common goals of a financially healthy state.

3. Seek Outside Partnerships

More importantly, economic empowerment of citizens and business cannot be the provenance of only government. Instead, a robust partnership between the nonprofit, government and business sectors is essential to true economic mobility.

No single policy, project or sector can break the cycles of economic uncertainty that beset most of our states. And no tax cut is a silver bullet to drive businesses forward. However, a willingness to find partners and allies in unexpected places, an ability to connect policy to the real impact it will have on daily life, and a fervent commitment to providing creative actors with the tools they need to create jobs, these levers can put communities nationwide on the path to sustained growth and security—our best policy.

About the Author

Stacey Abrams is the House minority leader for the Georgia General Assembly and state representative for the 89th House District. She is the first woman to lead either party in the Georgia General Assembly and is the first African-American to lead in the House of Representatives. Stacey serves on the Appropriations, Ethics, Judiciary Non-Civil, Rules, and Ways & Means committees.
//CSG MIDWEST

Hosts ‘Under the Dome’ Event

in South Dakota

South Dakota legislators and staff heard from Gary Moncrief, professor emeritus at Boise State University’s Department of Political Science, during a CSG Midwest Under the Dome event at the South Dakota State Capitol on Jan. 11. Moncrief spoke about the challenges facing state policymakers—from term limits and a polarized electorate to the ever increasing power of social media on governance—as well as the importance of maintaining the role of legislatures as an institution in the three-branch system of governance. For more information about Under the Dome programming, please contact CSG Midwest Assistant Director Cindy Andrews at candrews@csg.org.

//CSG JUSTICE CENTER’S

Stepping Up Initiative Convenes California Counties

Teams representing 53 California counties convened in January to establish system-wide plans to lower the population of incarcerated people with mental illnesses as part of Stepping Up, a national initiative and partnership between the CSG Justice Center, National Association of Counties and American Psychiatric Association Foundation. Aspects of the initiative are also supported by the U.S. Department of Justice’s Bureau of Justice Assistance. The event coincided with the release of Reducing the Number of People with Mental Illnesses in Jail, a roadmap for community stakeholders to create a comprehensive plan for addressing mental illness in jails. For information, visit stepuptogether.org.

//CSG National Conference

Registration Opens

Registration for the CSG 2017 National Conference, Dec. 14-16 in Las Vegas, is now open. The CSG National Conference provides an opportunity for state leaders to come together to address some of the most pressing policy concerns of the day. For more information and to register, visit csg.org/2017nationalconference.
//CSG’S Transportation Director Addresses Journalists in New York

On Jan. 12, Sean Slone, CSG’s director of transportation and infrastructure policy, spoke to a group of journalists from around the country taking part in the City University of New York Graduate School of Journalism’s Ravitch Fiscal Reporting Program in New York City. He spoke about what President Donald Trump’s infrastructure investment plan might look like, challenges facing Congress in the years ahead, states that have addressed transportation funding in recent years and how journalists can best report on the infrastructure funding issue.

//MILITARY CHILDREN’S COMPACT Celebrates the Month of the Military Child

Join the Military Interstate Children’s Compact Commission, or MIC3, in celebrating the Month of the Military Child. April provides an opportunity to recognize and honor the service of our youngest heroes, military children. In 2011, the University of New Hampshire Cooperative Extension Military Youth and Family Program started the “Purple Up! for Military Kids” campaign, now celebrated nationwide. Wearing the color purple, a symbol of all branches of the military, recognizes military youth for their strength and sacrifice.

A governmental entity operating under the Interstate Compact on Educational Opportunity for Military Children, MIC3 is a CSG Affiliate organization. For more information about MIC3, please visit mic3.net.

//CSG JUSTICE CENTER Releases Reports

The CSG Justice Center, with support from the U.S. Department of Justice, has released a variety of new resources aimed to help state policymakers and practitioners strengthen criminal and juvenile justice programming.

- Critical Connections identifies questions policymakers should consider when seeking to help people leaving prison and jail connect to needed mental health and substance use treatment.
- The Variability in Law Enforcement State Standards: A 42-State Survey on Mental Health and Crisis De-escalation Training found that nearly all states have law enforcement training standards on mental health and crisis de-escalation, but the hours, topics, and teaching methods differ widely.
- A Five-Level Risk and Needs System: Maximizing Assessment Results in Corrections through the Development of a Common Language presents a model for supporting the implementation of Risk-Need-Responsivity principles through a standardized five-level risk and needs assessment system.
- The Juvenile Justice Research-to-Practice Implementation resources provide juvenile justice agency managers, staff and other practitioners with concrete strategies, tools and best-practice models to help them implement research-informed policies and practices and improve outcomes for youth in the juvenile justice system.

For more information, visit csgjusticecenter.org.

//CSG, NCSL & NGA Receive Federal Grant to Research Occupational Licensure Portability

CSG is part of a coalition of state organizations that have been awarded a new federal grant from the U.S. Department of Labor, or DOL, to conduct research on improving occupational licensure mobility. More than one-fifth of American workers are employed in occupations that require a license. In January, DOL announced the $7.5 million grant award to the National Conference of State Legislatures, in partnership with the National Governors Association and CSG, which will work collaboratively to conduct and publish research and provide technical assistance to states on improving licensure portability across state borders.

//NATIONAL ASSOCIATION OF STATE TECHNOLOGY DIRECTORS Launches New Logo, Website

The National Association of State Technology Directors, or NASTD, which represents information technology professionals from the 50 states through four regions and the private sector, released a new logo and a refreshed association website on March 27. The association has updated its logo and website in preparation for its upcoming 40th anniversary year and 40th Annual Conference and Technology Showcase at The Peabody Hotel in Memphis, Tennessee, Aug. 27-31. For more information about NASTD, visit nastd.org.
In most states, the official executive residence is a home for the first family, a venue for special events and, often, a trip down the memory lane of a state’s past.

**IN FOUR STATES—** Colorado, Connecticut, New Hampshire and Ohio—governors do not live in the official residence, according to CSG’s 2016 *The Book of the States*.

Virginia Gov. Terry McAuliffe is the **55TH GOVERNOR** to live in the state’s Executive Mansion, **the oldest governor’s mansion** in the U.S. that is still used for its original purpose.

Kentucky Gov. Matt Bevin’s family— with 11 members—is the largest family to ever occupy the Kentucky Governor’s Mansion.

A set of Tiffany sterling silver inscribed with the New York state seal and purchased in 1912 can still be found at the New York State Executive Mansion. The trumpet vases, epergne and footed platters are still used.

Oregon’s Mahonia Hall is named after the scientific term for the state flower—*Mahonia aquifolium*—or the Oregon grape.

In the 1970s, a private donor paid for an **OKLAHOMA-SHAPED SWIMMING POOL** for the grounds of the Governor’s Mansion.

The official residence of the governor of New Jersey is called **DRUMTHWACKET**. Gov. Charles Smith Olden gave the home the Scots-Gaelic name **meaning “WOODED HILL.”**

Former New Hampshire First Lady Susan Lynch started a **12-YEAR RENOVATION** of The Bridges House in 2004. In a Concord Monitor article dated Dec. 9, 2016, Lynch discussed renovation of the Governor’s Mansion, referring to the “dark, dank, gloomy, creepy place it used to be.”

**44 STATES HAVE AN OFFICIAL GOVERNOR’S RESIDENCE.**
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   Tuesday, April 11 | 2 p.m. EDT

THE LEGAL LANDSCAPE OF PUBLIC EMPLOYEE PENSION REFORM
   Tuesday, April 18 | 2 p.m. EDT

WORKFORCE DEVELOPMENT:
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