Pew Follow-up From November 28 Meeting

Can Pew share the budgeting factors of other states? A good starting point would be to look at AAA states (EX: During downturns did AAA states rely entirely on the reserve fund, did they raise taxes or cut their budget)

Below, please find a table that outlines the estimated impact of tax increases and decreases on state revenues in 2009-2011 across AAA rated states. Please note this table was generated by comparing NCSL State Tax Action state reported data and comparing it to Census state reported tax collections.

Estimated Impact of State Tax Changes in Total Tax Revenue: 2009-2011			
	2009	2010	2011
Delaware	2.27%	8.63%	0.00%
Georgia	-1.30%	-0.49%	1.64%
Indiana	6.16%	1.44%	0.00%
Iowa	0.01%	0.72%	-0.19%
Maryland	-0.39%	-0.13%	-0.13%
Missouri	-0.37%	-0.41%	0.00%
North Carolina	-0.08%	4.83%	-0.07%
South Dakota	0.00%	0.13%	0.00%
Tennessee	0.09%	1.69%	2.90%
Texas	0.00%	-0.08%	0.00%
Utah	0.14%	-0.10%	1.41%
Virginia	-0.02%	0.03%	0.33%

In FY2009 or FY2010 the following AAA rated states enacted personal income tax increases:

- Delaware—Increase in top marginal rate (temporary)
- Maryland—Increase in marginal rates (temporary and permanent)
- New York—Increase in top marginal rate (temporary)

In FY2009 or FY2010 the following AAA rated states enacted sales tax increases:

- Indiana—1 percent increase in sales tax rate (permanent)
  - Indiana's sales tax increase was enacted as part of a larger property tax reform and not enacted to balance the budget.
- North Carolina—1 percent increase in sales tax rate (temporary)
- Utah—0.05 percent increase in sales tax rate (permanent

Source: https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750-0fca152d64c2/UploadedImages/Reports/State%20Budgeting%20and%20Lessons%20Learned%20from%20the%20Economic%20Downturn-final.pdf

Can Pew confirm if Delaware is the only state which has never used its reserve account?

Pew has collected data on withdrawals and deposits for each state with a rainy day fund from 1994 (when applicable) to 2016. There are four states that are not included in our dataset—Colorado, Illinois, Kansas, and Montana. Colorado and Illinois do not have rainy day funds. Kansas and Montana established their rainy day funds in 2016 and 2017 respectively, so data is not yet available.

During this timeframe there were four states that did not make a withdrawal from their reserve account. Those states are Delaware, New York (Tax Stabilization Reserve Fund), North Dakota, and Wyoming. We do know from other reporting however that North Dakota used its budget stabilization fund in 2017.

According to the data we have collected from states from 1994 (when applicable) to 2016, Delaware is the only AAA rated state who has never used their reserve account.

Do any states have both an RDF and BSF?

There are six states that have two reserve accounts for general fund use. In all cases however, there is not a clear distinction between whether one is a rainy day fund and one is a budget stabilization fund. Instead, some of these funds vary in the way they are funded, while others differ in when they may be used. For example, in Vermont the General Fund Budget Stabilization Reserve may be used more broadly for any general fund budget deficit, while the Rainy Day Reserve may be used only whenever actual revenues drop below the initial revenue forecast by two percent or more.

1. Alaska
2. California
3. New Mexico
4. New York
5. South Carolina
6. Vermont

Separate from these six states that have two different rainy day funds for general fund use, some states keep separate cash flow accounts. For example, Minnesota maintains a cash flow account separate from its budget stabilization fund. It is intended to offset potential cash shortages caused by a mismatch between monthly revenue collections and spending, and currently sits at $350 million, or about 1.55 percent of the annual budget.

Have any States maintained a AAA rating, but allowed their funds to go to 1%?

Between 2000 and 2016 Georgia, Indiana, Iowa, North Carolina, Texas, Utah, and Virginia all drew their reserves down to 1% or less. North Carolina was the only state who saw a credit downgrade from one of the agencies when their balance fell to 0 percent in 2002. North Carolina’s credit history is documented below.

Two AAA rated states, Indiana and North Carolina, drew their reserves down to zero between 2000 and 2016.

In 2010 Indiana made a withdrawal of $375,900,000 leaving them with a balance of $0. Indiana received a credit upgrade from S&P in 2008 and Moody's in 2010. Fitch's gave Indiana a AAA rating in 2014, but historical information is not available.

In 2002 North Carolina made a withdrawal $247,522,048 leaving them with a balance of $0. Moody's downgraded the state in 2002 from Aaa to Aa1. In 2007 they were upgraded from Aa1 to Aaa. S&P's rating in 1992 was AAA. Fitch's rating in 2006, 2010, and 2014 was AAA.