

The Deltek Straight Dope on State Budgets, Part IV: Growing Rainy Day Funds

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The National Association of State Budget Officers (NASBO) and the National Governor's Association (NGA) recently released a report outlining the fiscal condition of the states. Some media coverage has sensationalized the report and the states' fiscal conditions. This analysis examines NASBO numbers and related business implications, in black and white. Deltek believes in presenting the straight dope.

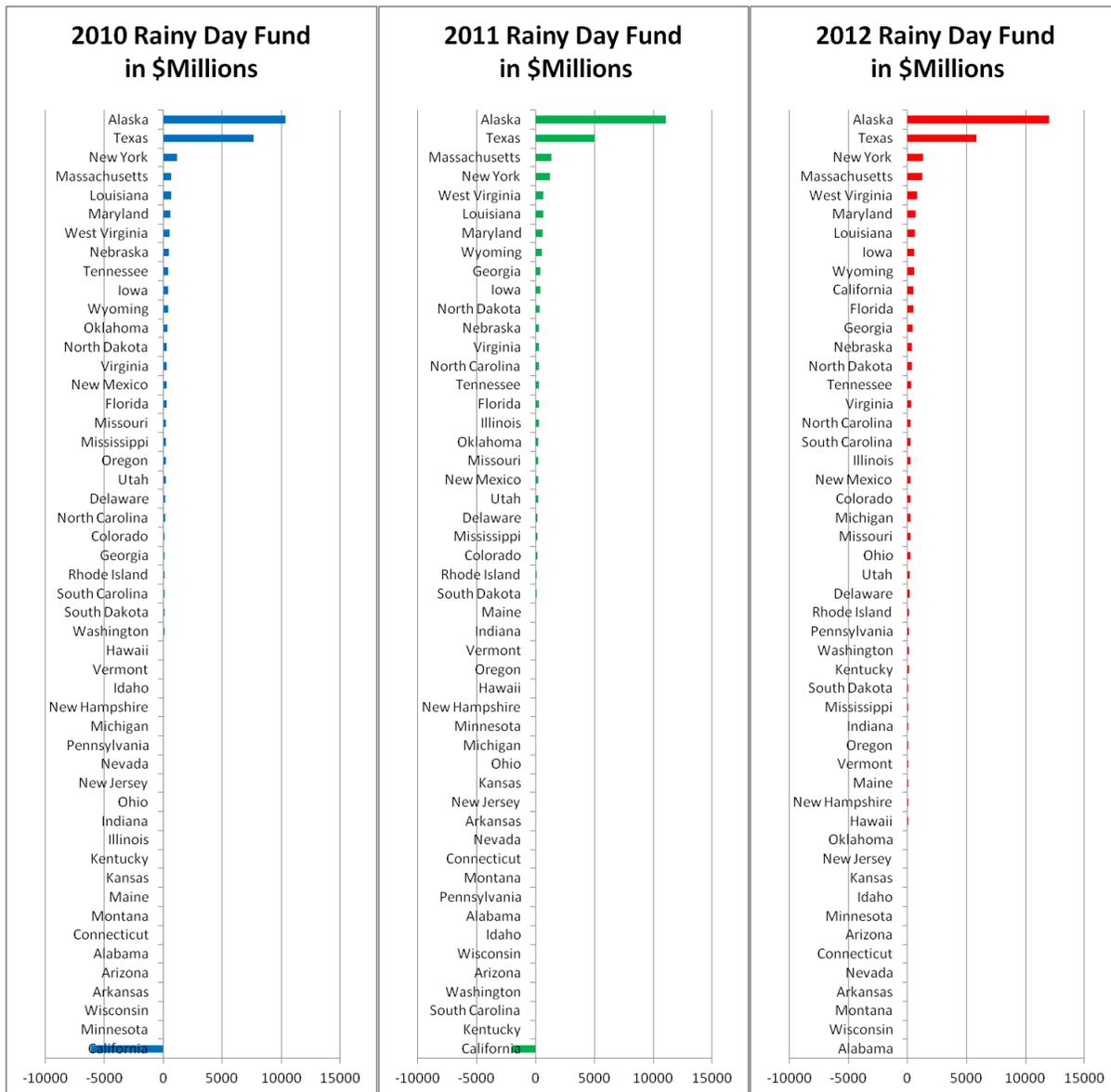
As highlighted by NASBO, state general funds (GF) budgetary conditions are actually improving in FY 2012, albeit slowly. The economic recovery is still tepid. NASBO projects growth to continue, with slowly improving economic conditions in FY 2012 and 2013. Deltek projects similar improvement in state all funds (AF) budgets, with slow growth in 2013 and improved growth looking forward to 2014 and 2015. So, while some media outlets would lead the business community to believe that doom and gloom lie ahead for the states, the data shows otherwise. Simply, expenditures, revenues, balances, and rainy day funds are all up and improving. This is good news for the GovCon community.

In this installment of the blog series, Deltek offers a snapshot into state GF rainy day fund balances.

Rainy day fund balances are also up in the states. This means that not only are overall balances improving, but states are back to saving for any future economic crises. Again, this is fantastic news and indicates improved state fiscal health. More specifically, total rainy day balances have risen from \$21 billion in 2010, to \$24 billion in 2011, and up to \$30 billion in 2012. Should another unforeseen financial crisis arise, states will be better able to offset the challenge with their own savings. In the end, this helps stabilize state governments and mitigates the risk of doing business with them.

See figure 4, below for a graphical representation of the data.

Figure 4: State Rainy Day Fund Balances FY 2010 to 2012



Source: Deltek and NASBO

Deltek’s Take

- Despite sensationalized media coverage, state financials are improving.
- States made the difficult decisions to cut during the recession and as ARRA expired; contractors should look for fewer cuts and more growth, moving forward.
- Some states will concentrate revenue and expenditure growth on returning spending to 2008 levels, as opposed to engaging in new projects.
- Nearly all states should surpass 2008 revenue and spending in 2013 or 2014. This will place new projects back on the forefront of state budgets.

Deltek’s Recommendations

- Contractors should stay engaged in the state market, as financials are solid, looking forward.
- Strategize now to remain in position through slow growth of 2012 and be prepared for accelerated opportunities in 2013 and 2014.

Subscribers have access to the full article and data set, [here](#).

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