

Good news details: All-state budget vertical analysis (2010-2013)

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This article is part of the continuing "Good News" series with analysis and projections of state budgets. In particular, this article launches a new part of the series on all-state budget vertical analyses.

As part of our analysis of state budget data, Deltek previously published analyses and projections of the [health care](#), [social services](#), [justice](#), [public safety](#), and [homeland security](#) verticals. We also published vertical budget analyses on several larger states ([California](#), [New York](#), [Texas](#), [Florida](#), [Pennsylvania](#), [Ohio](#), [Massachusetts](#), [Illinois](#), [North Carolina](#), [Michigan](#), and [Virginia](#)). However, we have yet to publish overarching analyses and projections of verticals across all states. With this article, Deltek launches an all-state budget vertical analysis series.

Previous analyses and projections (linked above) have demonstrated several key points about state budgets and related business prospects. First, from FY 2009-2011, state budgets increased at an abnormal rate. Much of this increase can be attributed to key factors including expired stimulus funding, increased health care costs (both for state workers and Medicaid), increased retirement/pension costs for state workers, and increased unemployment compensation. Second, FY 2012 is the first projected overall state budget loss since Deltek began tracking in FY 1987. This loss is mostly due to expired stimulus funding and states' revenues decreasing as the result of the recession and slower economic growth. With decreased revenues, many states had to slash budgets, including measures such as laying off state workers, increasing state employee contributions to health care and retirement, freezing or reducing state worker pay, consolidating agencies, implementing efficiency measures through IT, and cutting departments and programs deemed unnecessary in difficult economic times. Third, and most promising for the business community, all indicators show the bloodletting should stop in FY 2013, with budgets flattening and then beginning on an upward trend. These same key points bear out in this all-state vertical analysis (see table 1).

Table 1: All-State Budgets Vertical Comparison FY 2010-2013

Vertical	FY 10	FY 10 % of Tot.		
Comm. Devo.	9,252,200,743	0.53%		
Econ. Devo./Regulation	97,099,344,549	5.57%		
Ed. (Higher)	207,058,272,724	11.88%		
Ed. (PK-12)	341,451,611,617	19.59%		
Gen. Gov.	69,211,341,865	3.97%		
Health Care	442,388,164,549	25.38%		
Homeland Sec.	11,085,940,511	0.64%		
Just./Pub. Safety	95,190,007,340	5.46%		
Nat. Res./Env.	41,965,350,324	2.41%		
Pub. Fin.	137,945,341,122	7.91%		
Soc. Serv.	172,206,142,236	9.88%		
Trans.	118,337,587,122	6.79%		
Total	1,743,191,304,703	100.00%		
Vertical	FY 11	FY 11 % of Tot.	% of Tot. % Δ FY 10-11	% Δ FY 10-11
Comm. Devo.	9,155,526,419	0.50%	-5.40%	-1.04%
Econ. Devo./Regulation	90,819,911,187	4.98%	-10.58%	-6.47%
Ed. (Higher)	221,527,673,361	12.15%	2.28%	6.99%
Ed. (PK-12)	349,821,902,250	19.18%	-2.06%	2.45%
Gen. Gov.	70,499,819,434	3.87%	-2.62%	1.86%
Health Care	477,605,743,934	26.19%	3.21%	7.96%
Homeland Sec.	10,793,010,624	0.59%	-6.93%	-2.64%
Just./Pub. Safety	96,711,213,899	5.30%	-2.87%	1.60%
Nat. Res./Env.	43,725,685,708	2.40%	-0.39%	4.19%
Pub. Fin.	152,999,670,883	8.39%	6.03%	10.91%
Soc. Serv.	175,280,400,877	9.61%	-2.69%	1.79%
Trans.	124,508,971,645	6.83%	0.58%	5.22%
Total	1,823,449,530,219	100.00%		4.60%
Vertical	FY 12	FY 12 % of Tot.	% of Tot. % Δ FY 11-12	% Δ FY 11-12
Comm. Devo.	5,780,136,032	0.33%	-34.79%	-36.87%
Econ. Devo./Regulation	88,153,878,400	4.99%	0.25%	-2.94%
Ed. (Higher)	213,455,888,488	12.09%	-0.48%	-3.64%
Ed. (PK-12)	335,978,823,657	19.03%	-0.80%	-3.96%
Gen. Gov.	64,671,892,177	3.66%	-5.25%	-8.27%
Health Care	458,942,759,758	26.00%	-0.75%	-3.91%
Homeland Sec.	10,885,731,989	0.62%	4.17%	0.86%
Just./Pub. Safety	96,378,099,013	5.46%	2.93%	-0.34%
Nat. Res./Env.	39,017,155,707	2.21%	-7.84%	-10.77%
Pub. Fin.	156,803,489,824	8.88%	5.85%	2.49%
Soc. Serv.	172,843,538,767	9.79%	1.85%	-1.39%
Trans.	122,558,579,006	6.94%	1.67%	-1.57%
Total	1,765,469,972,818	100.00%		-3.18%
Vertical	Sum of FY 13	FY 13 % of Tot.	% of Tot. % Δ FY 12-13	% Δ FY 12-13
Comm. Devo.	1,430,870,200	0.20%	-40.26%	Unknown
Econ. Devo./Regulation	23,891,207,420	3.27%	-34.60%	Unknown
Ed. (Higher)	88,324,588,046	12.07%	-0.14%	Unknown
Ed. (PK-12)	141,693,126,879	19.37%	1.77%	Unknown
Gen. Gov.	19,151,871,328	2.62%	-28.53%	Unknown
Health Care	203,209,195,677	27.78%	6.85%	Unknown
Homeland Sec.	2,828,021,424	0.39%	-37.31%	Unknown
Just./Pub. Safety	37,901,915,794	5.18%	-5.10%	Unknown
Nat. Res./Env.	12,853,899,773	1.76%	-20.50%	Unknown
Pub. Fin.	71,661,336,767	9.80%	10.29%	Unknown
Soc. Serv.	75,711,778,386	10.35%	5.71%	Unknown
Trans.	52,917,005,175	7.23%	4.20%	Unknown
Total	731,574,816,869	100.00%		Unknown
Legend:		Lowest # in Category		
		Highest # in Category		

Note: The data in table 1 for FY 2013 is not complete (it only includes data for 21 out of 50 states, plus D.C.). As a result, any direct comparisons and projections between FY 2013 and other states are limited. Subscribers have access to more detailed analysis, including states with FY 2013 budget data, [here](#).

Analyst's Take:

The community development vertical is the smallest budgetary expenditure for all states in each of the fiscal years included. It also shows the largest losses in FY 2012 and 2013. While community development funding can do wonders for future economic growth, it is clear that many states have reduced its importance in shorter term economic planning.

Economic development funding took a big hit in FY 2011. This may have been the result of delayed stimulus funding. It may have also been the result of increased funding to health care and education spending. However, this is an interesting budgetary priority considering many states have struggling economies.

Health care is the largest percentage of state budgets for each year. This is not surprising, as states continue to struggle with health care costs and look for ways to deliver services more efficiently through IT.

Public finance is the largest gainer in each year included. The vertical includes state financing, investments, insurance payments, and retirement systems. States are facing increased insurance premiums and retirement costs for employees, which is having an impact on this vertical. States are also looking to improve efficiency through IT (e.g., enterprise finance systems), which is also accounting for some of the budgetary growth.

Homeland security and public finance are the only verticals showing gains in FY 2012. Homeland security funding is relatively stable with slow growth rates supported by many associated federal programs.

Final Analysis

While FY 2012 is generally a down year for state budgets, states will still procure the goods and services they need. The 3.18 percent loss from FY 2011-2012, while significant as a loss, is not going to have a deep and lasting effect on state contractors. Quite the contrary, as contractors settle in to the reality of fewer contracts for this fiscal year, opportunities, contracts, old projects, and new projects should all improve in 2013. So, while some vendors may be considering withdrawing from the state market, many more will stay put. Vendors that remain will be very well-positioned for the coming recovery.

For subscribers, this article contains additional analysis of the 21 states with actual FY 2013 data, compared and contrasted to illustrate trends and projections, [here](#).

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