

The Deltek Straight Dope on State Budgets, Part III: Improved Ending Balances

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The National Association of State Budget Officers (NASBO) and the National Governor's Association (NGA) released a report this week 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.

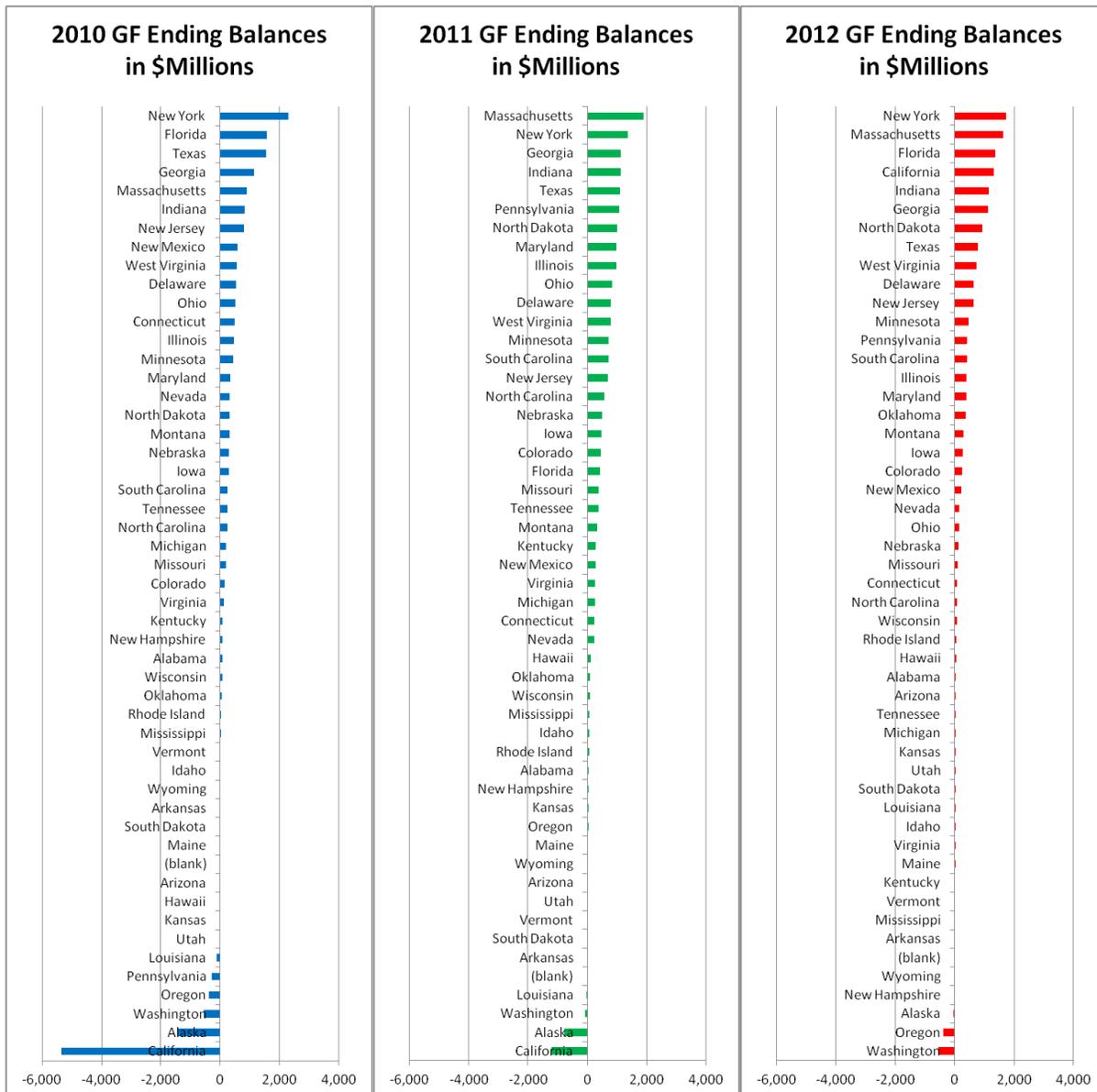
In this installment of the blog series, Deltek offers a snapshot of state GF ending balances.

After some of the nearly disastrous budgetary practices leading up to and through the early stages of the recession, by and large, states are now more fiscally conservative and better able to balance budgets. For the 29 states not yet back to 2008 revenue and expenditure levels, balanced budgets may still mean not funding everything to the level they would like. Despite some of these budget shortcomings, fewer states are ending the year in the red in FY 2011 and 2012, compared to the years through the recession. In fact, the average year-end balance went up from \$160 million in FY 2010 to \$379 million in FY 2011. While down slightly in FY 2012 to \$313 million, average ending balances are still up significantly from the recessionary trough.

Higher ending balances are good news for the GovCon community. Simply, as more states end the year in the black, they will be better able to move forward with procurement and new projects in following years.

See figure 3, below for a graphical representation of the data.

Figure 3: State General Fund Ending Balance Changes FY 2010 to 2012



Source: NASBO and Deltek

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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Source: NASBO and Deltek