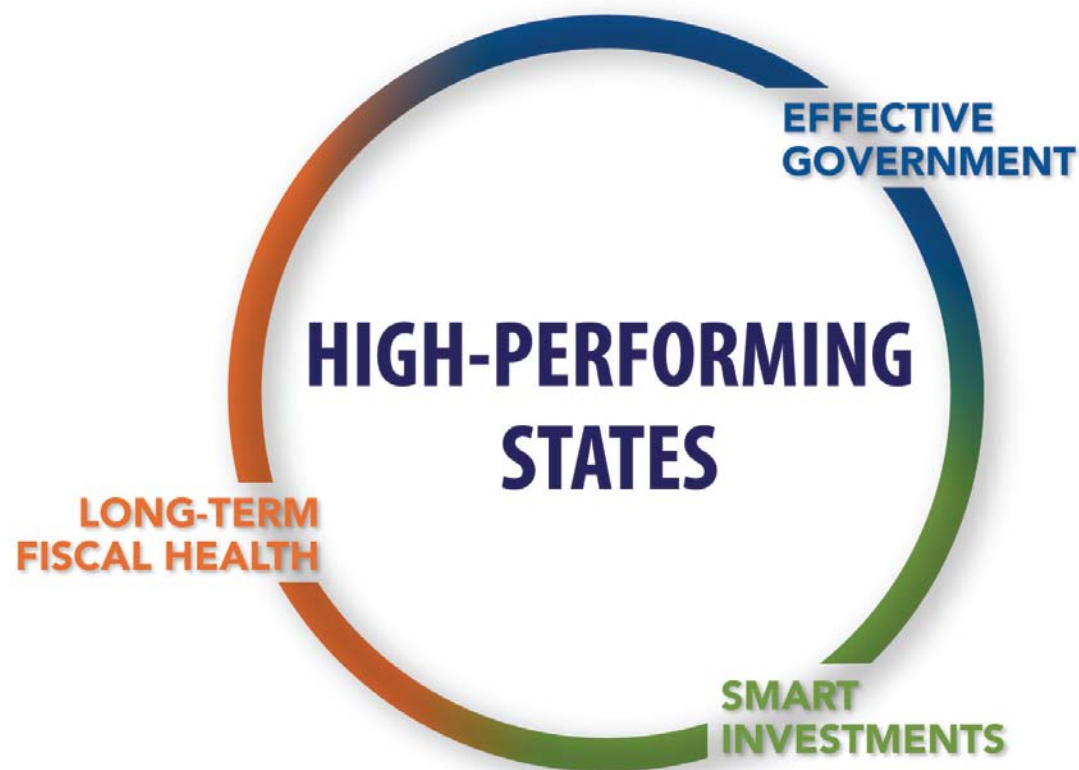
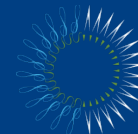


THE
PEW
CENTER ON THE STATES

Looking Ahead: Facing Facts
The 97th Arizona Town Hall



OUR WORK:

Fiscal Health

Government Performance

Election Initiatives

Partnership for America's Economic Success

Pew Children's Dental Campaign

Pew Home Visiting Campaign

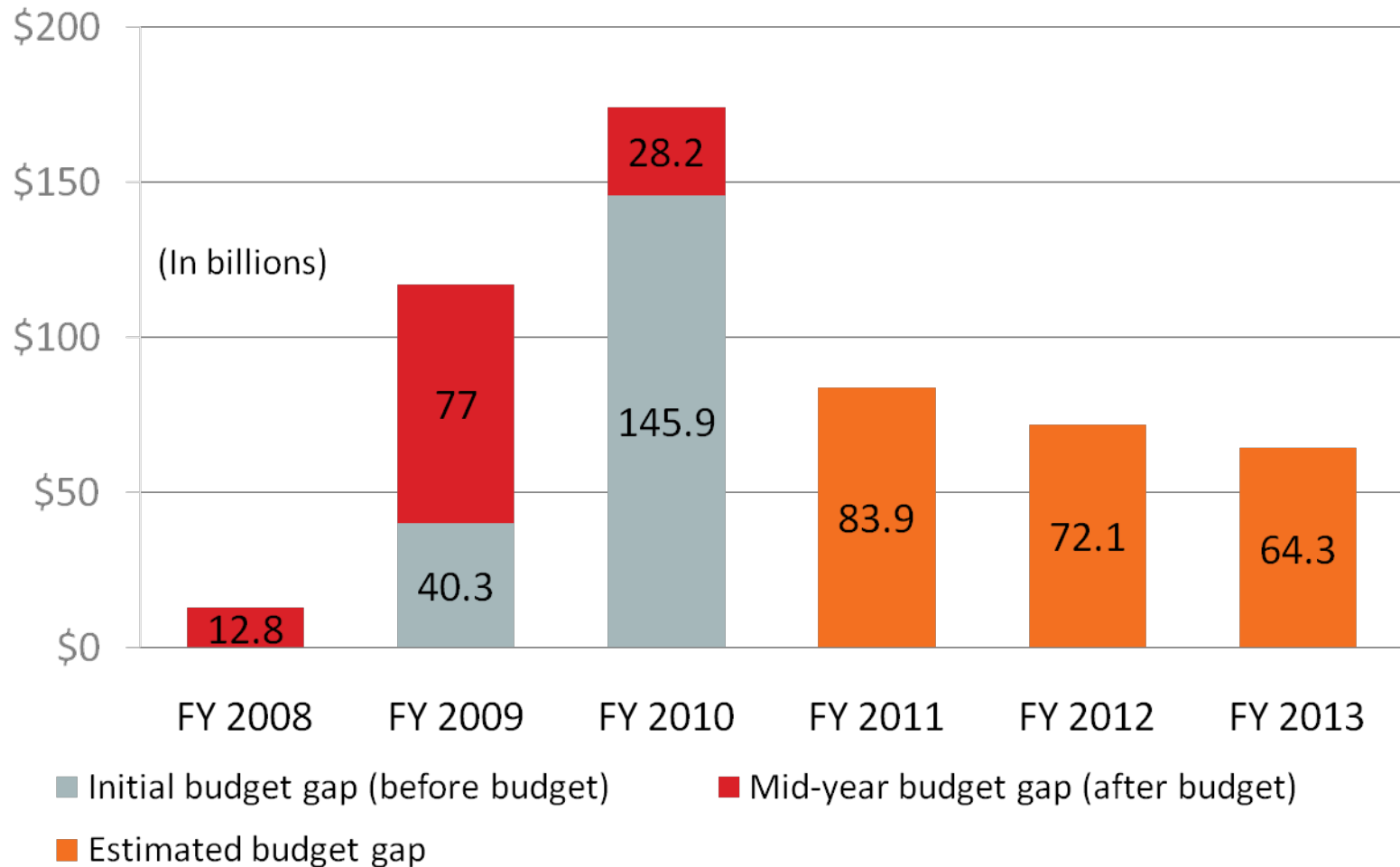
Pre-K Now

Public Safety Performance Project

Results First

Stateline

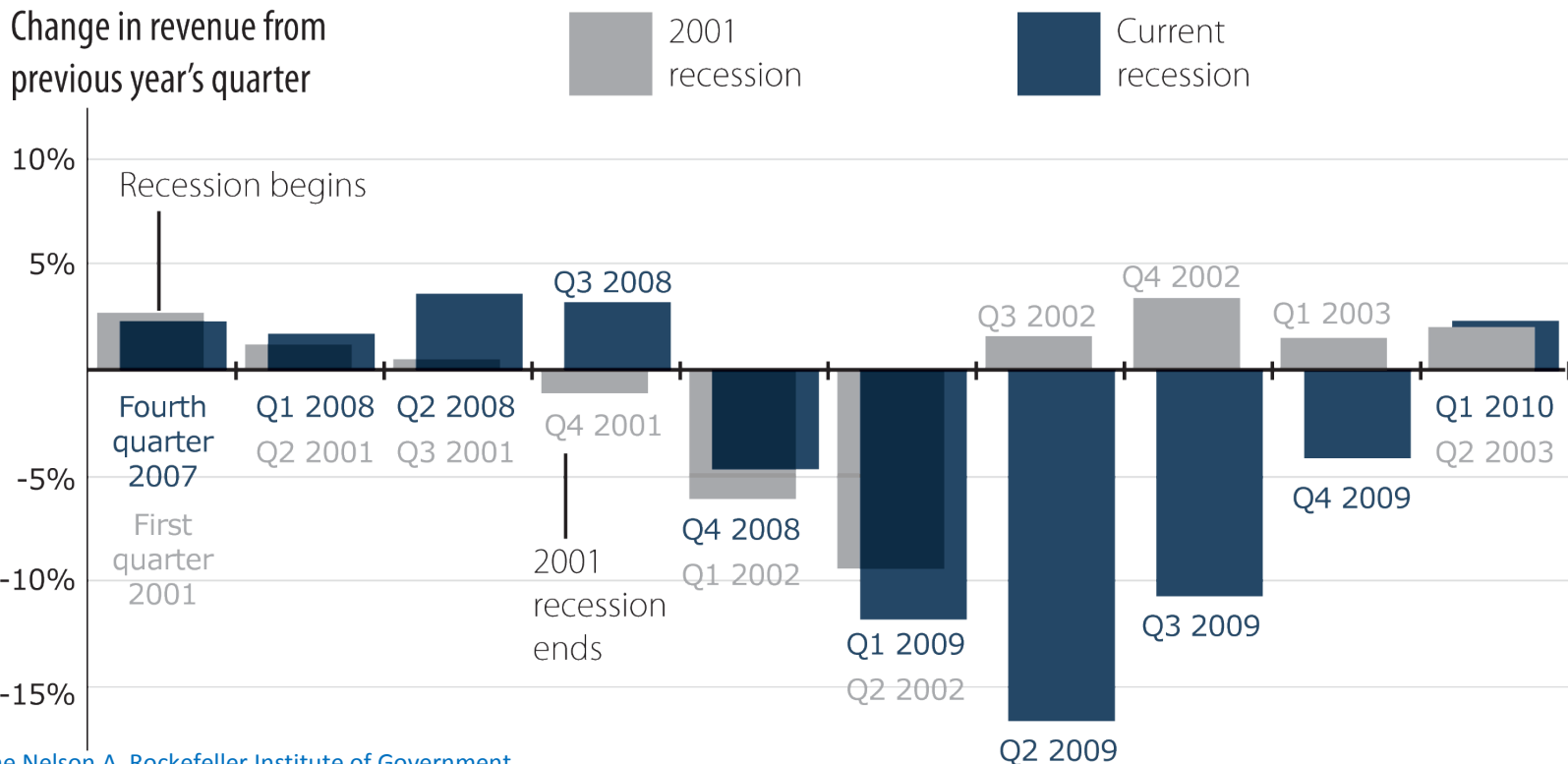
What a recession means for states



Revenue takes historic hits

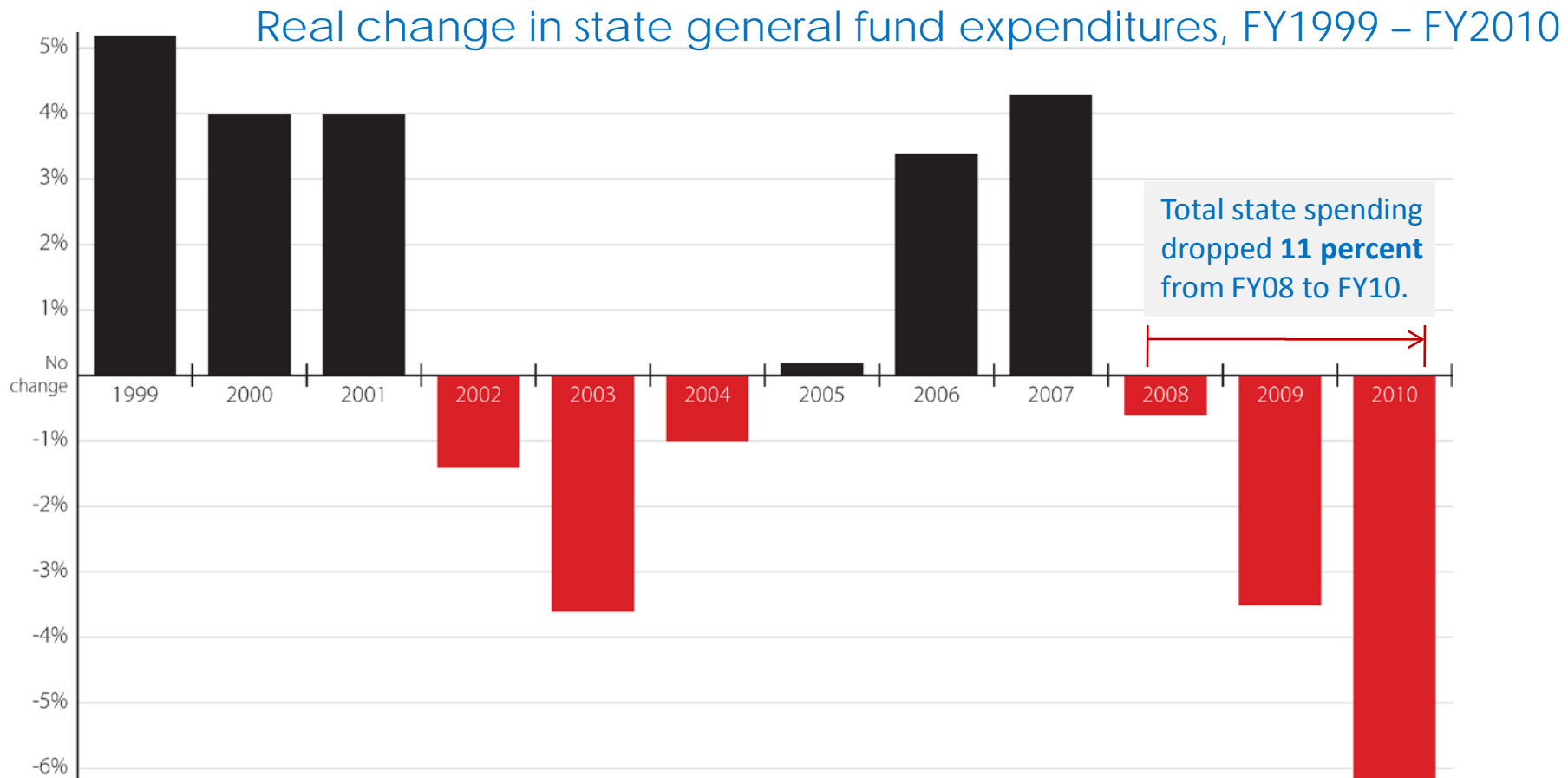
How this recession compares to the last

States experienced the largest revenue decreases in the months following the 2001 recession. This recession has already surpassed those declines—and revenue figures are expected to continue to take a hit.



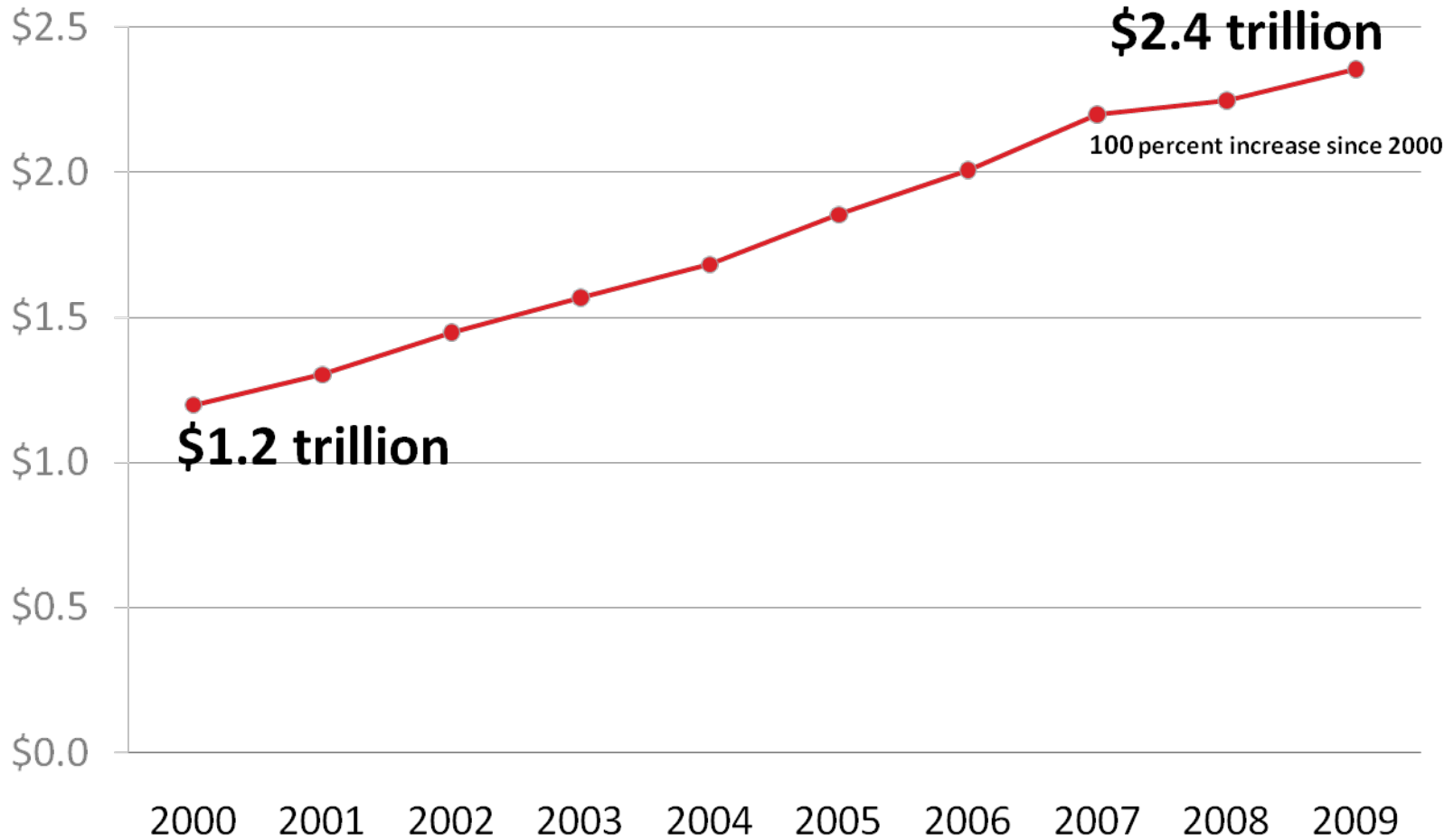
Source: [The Nelson A. Rockefeller Institute of Government](http://www.nelsona.rockefellerinstitute.org)

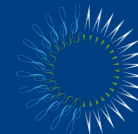
States take austerity measures



SOURCE: National Association of State Budget Officers/National Governors Association Spring Fiscal Survey, June 2010

Growth in outstanding debt



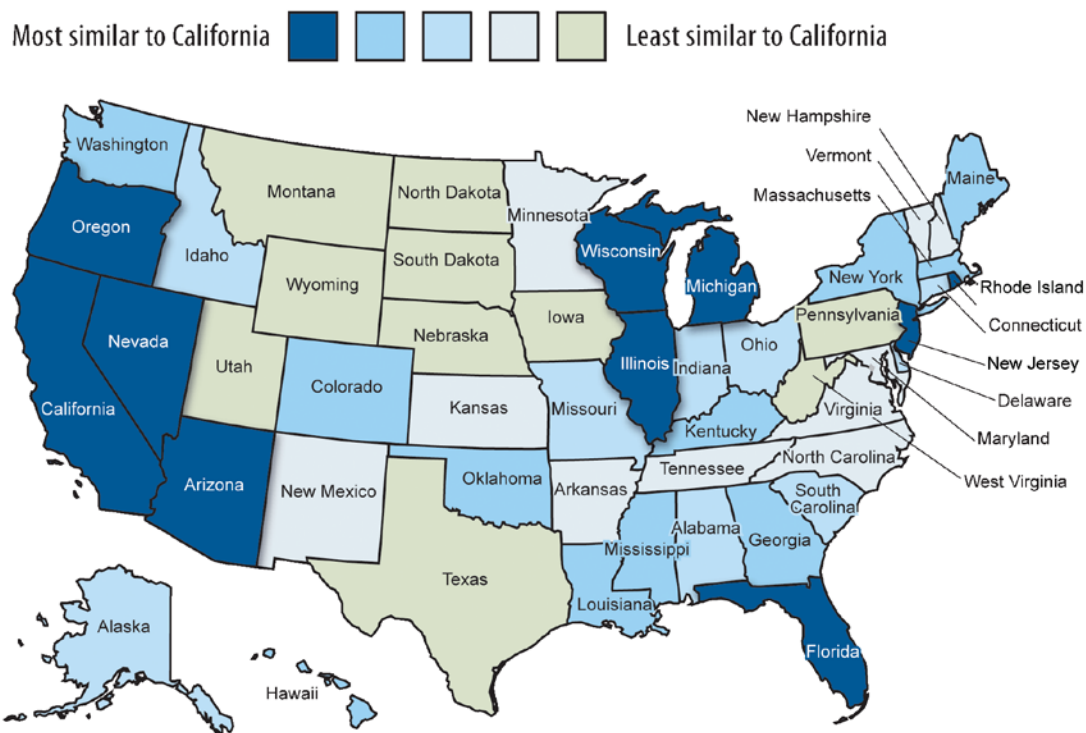


California dreaming?

How does your state compare with California?

Using indicators chosen to gauge California's fiscal conditions, Pew Center on the States collected data for all 50 states. Pew's researchers then "scored" the states based on the results, with California ranking highest at 30.

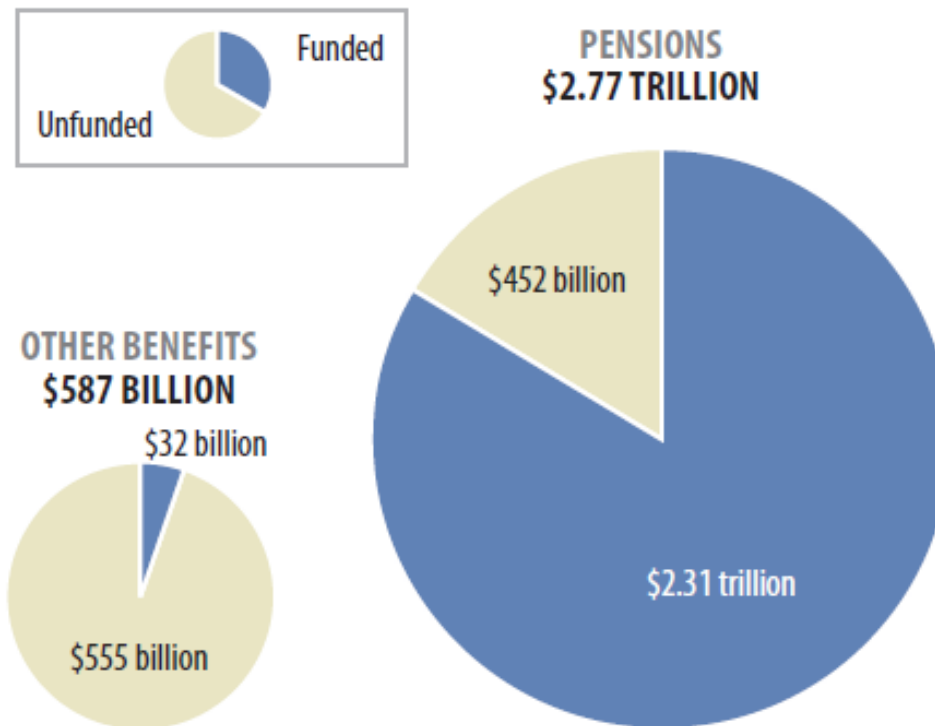
SOURCE: Pew Center on the States, based on analysis of data from the Nelson A. Rockefeller Institute of Government, the Center on Budget and Policy Priorities, the U.S. Department of Labor's Bureau of Labor Statistics, the Mortgage Bankers Association, the Public Policy Institute of California and the Pew Center on the States' Government Performance Project; best available data as of July 31, 2009.



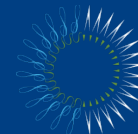
Source: Pew Center on the States, *Beyond California: States in Fiscal Peril*, 2009

\$1 trillion gap

The pension bill is much larger than that of other benefits, but it is 84 percent funded; the bill for other benefits is only 5 percent funded.

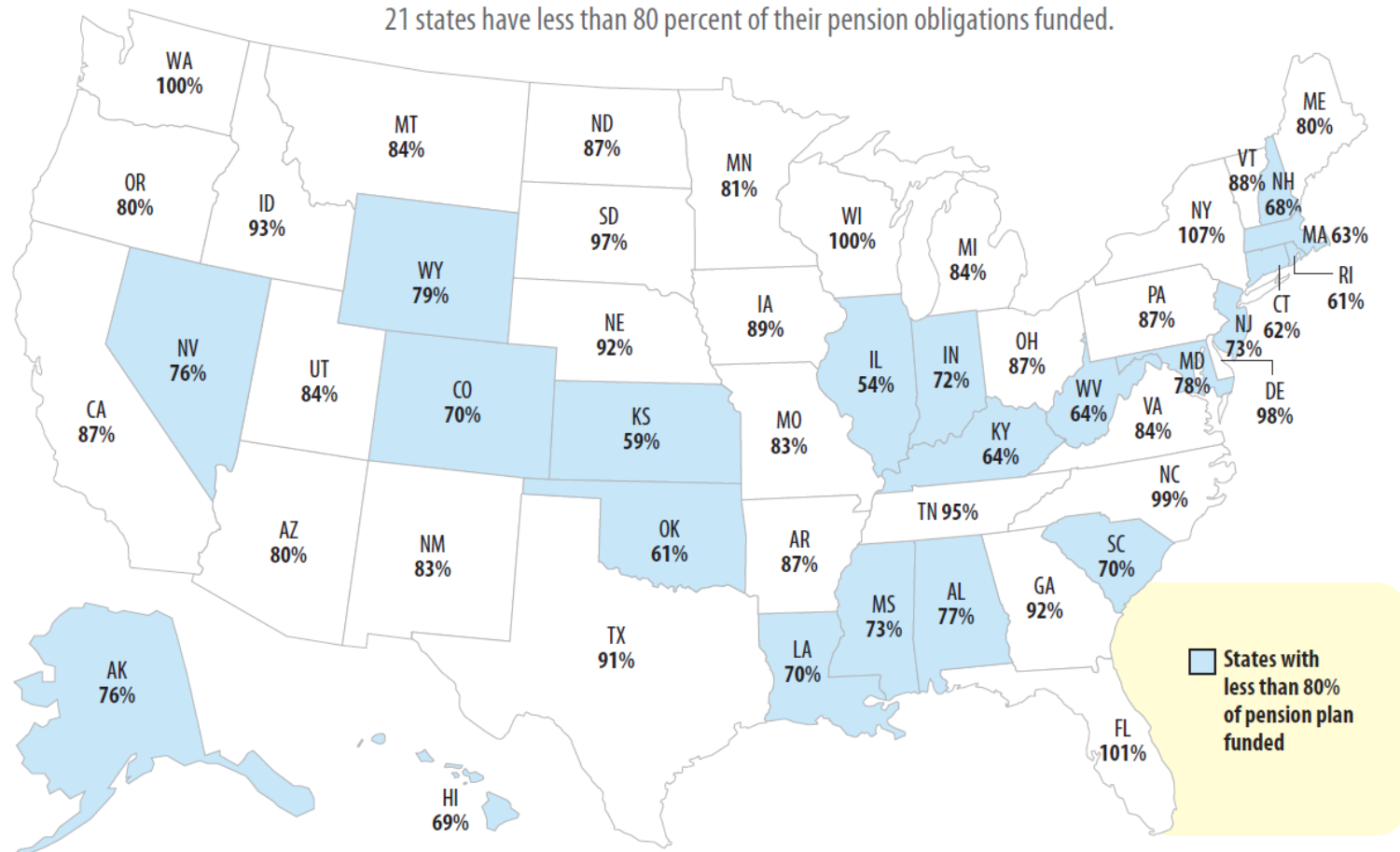


SOURCE: Pew Center on the States, 2010.

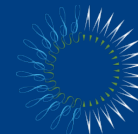


Laggards in pension funding

21 states have less than 80 percent of their pension obligations funded.

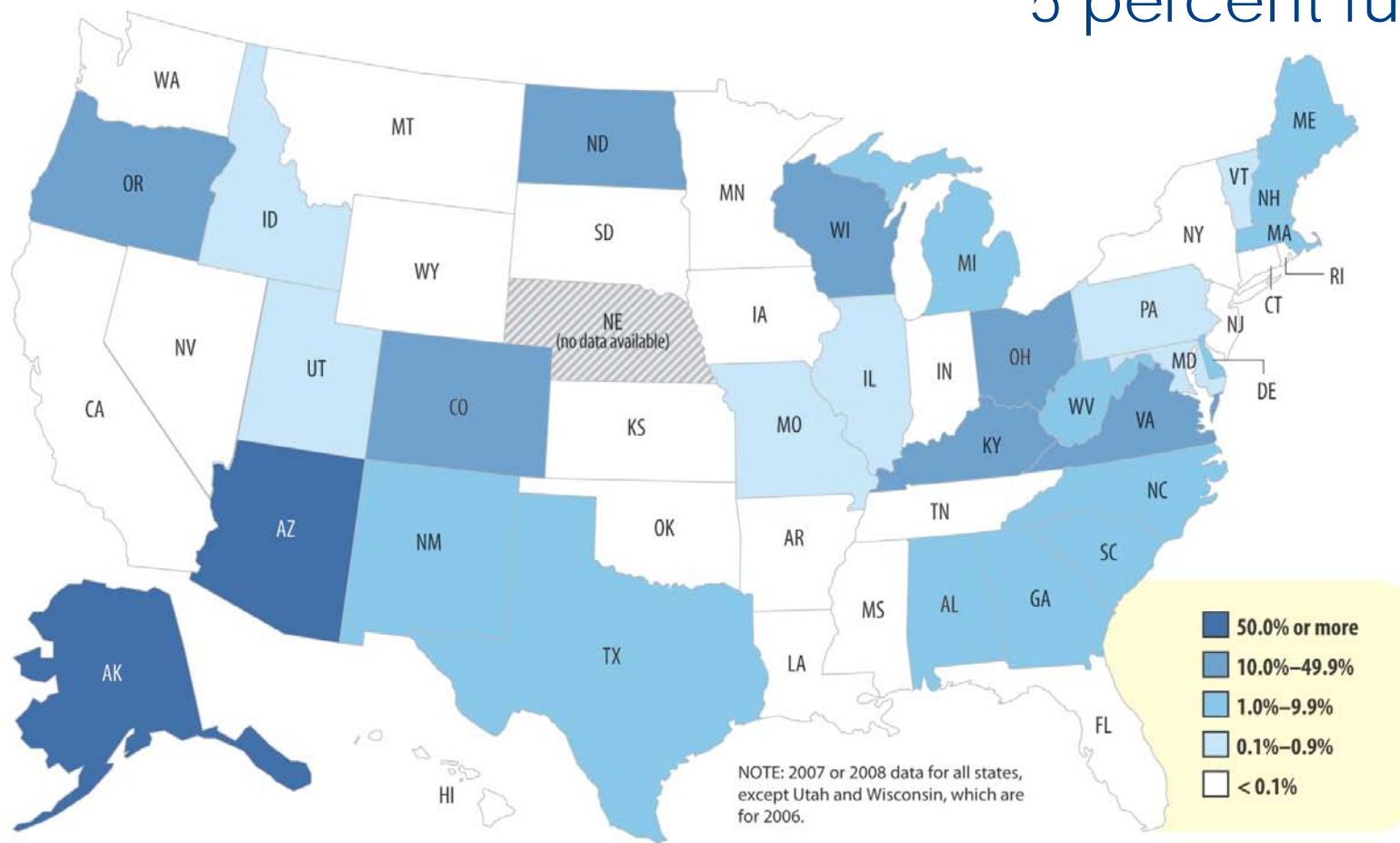


SOURCE: Pew Center on the States, 2010.



Tracking the fiscal conditions in the states

5 percent funded



SOURCE: Pew Center on the States, 2010.

Twenty states had set aside no money for retiree health care and other benefits

Unfunded pension liabilities, FY2008



New York

8% discount rate: +\$10.4 billion



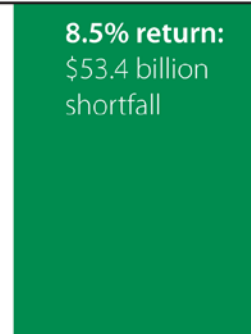
California
(PERS)

7.75% return:
\$35.1 billion
shortfall



Illinois
(SERS, SURS, TRS)

8.5% return:
\$53.4 billion
shortfall



Arizona
(AZRS, PSPRS, EORP, CORP)

Original assumptions:
\$7.9 billion shortfall



Current projections

Unfunded pension liabilities, FY2008



New York



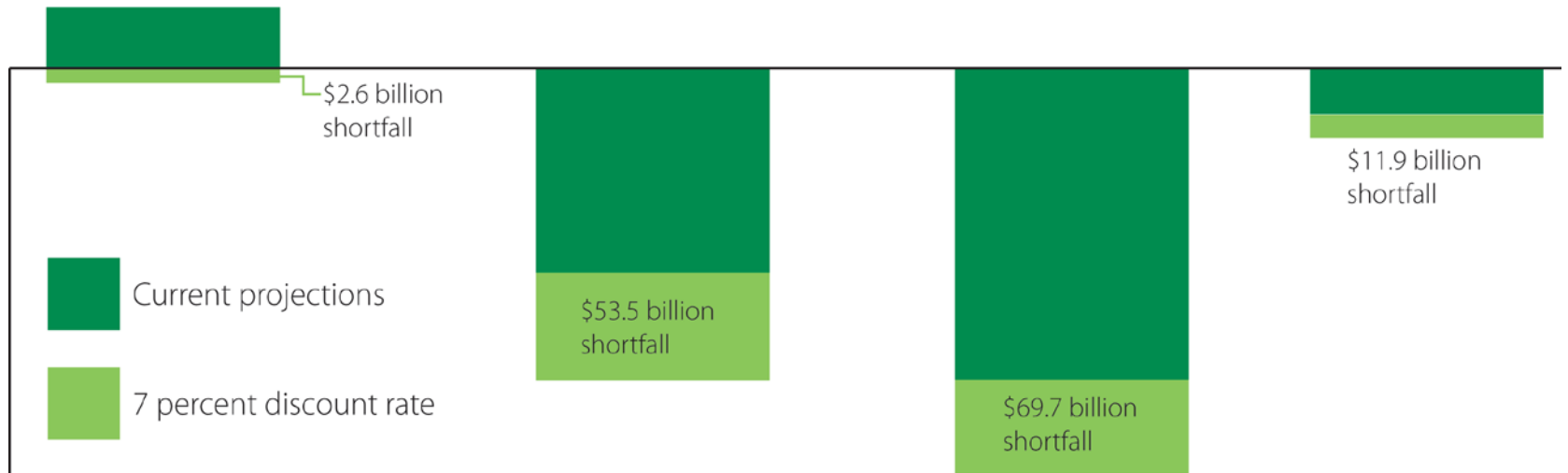
California
(PERS)



Illinois
(SERS, SURS, TRS)



Arizona
(AZRS, PSPRS, EORP, CORP)



Unfunded pension liabilities, FY2008



New York



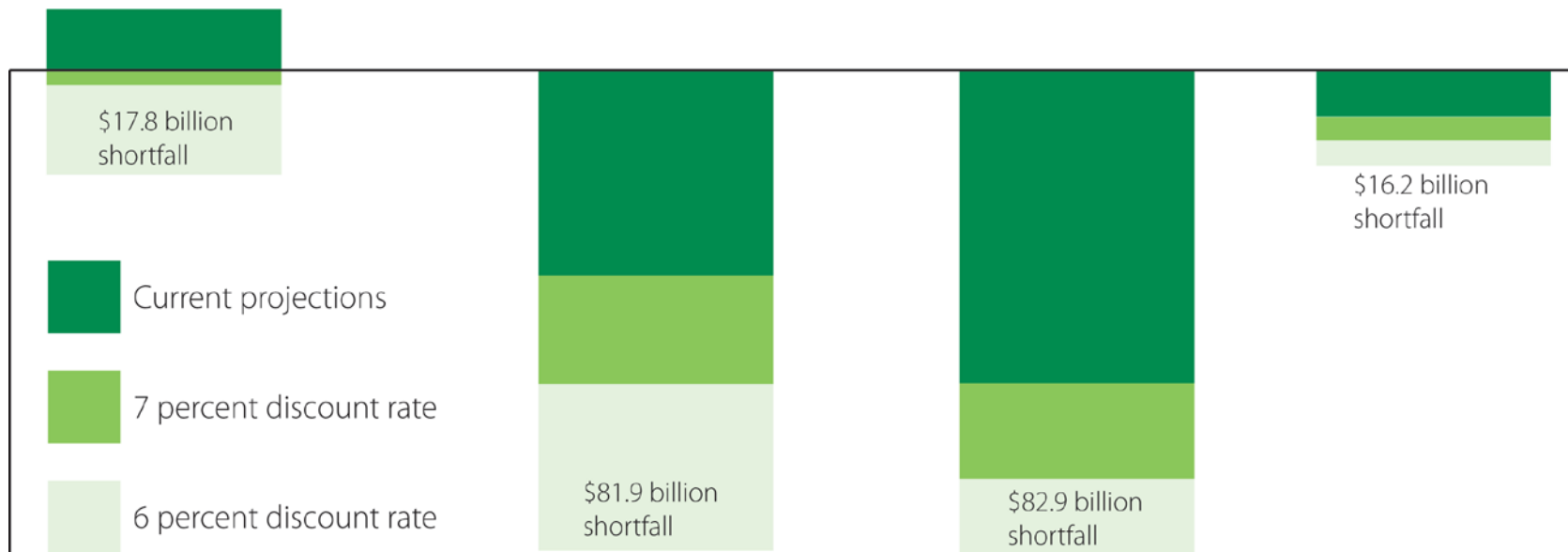
California
(PERS)



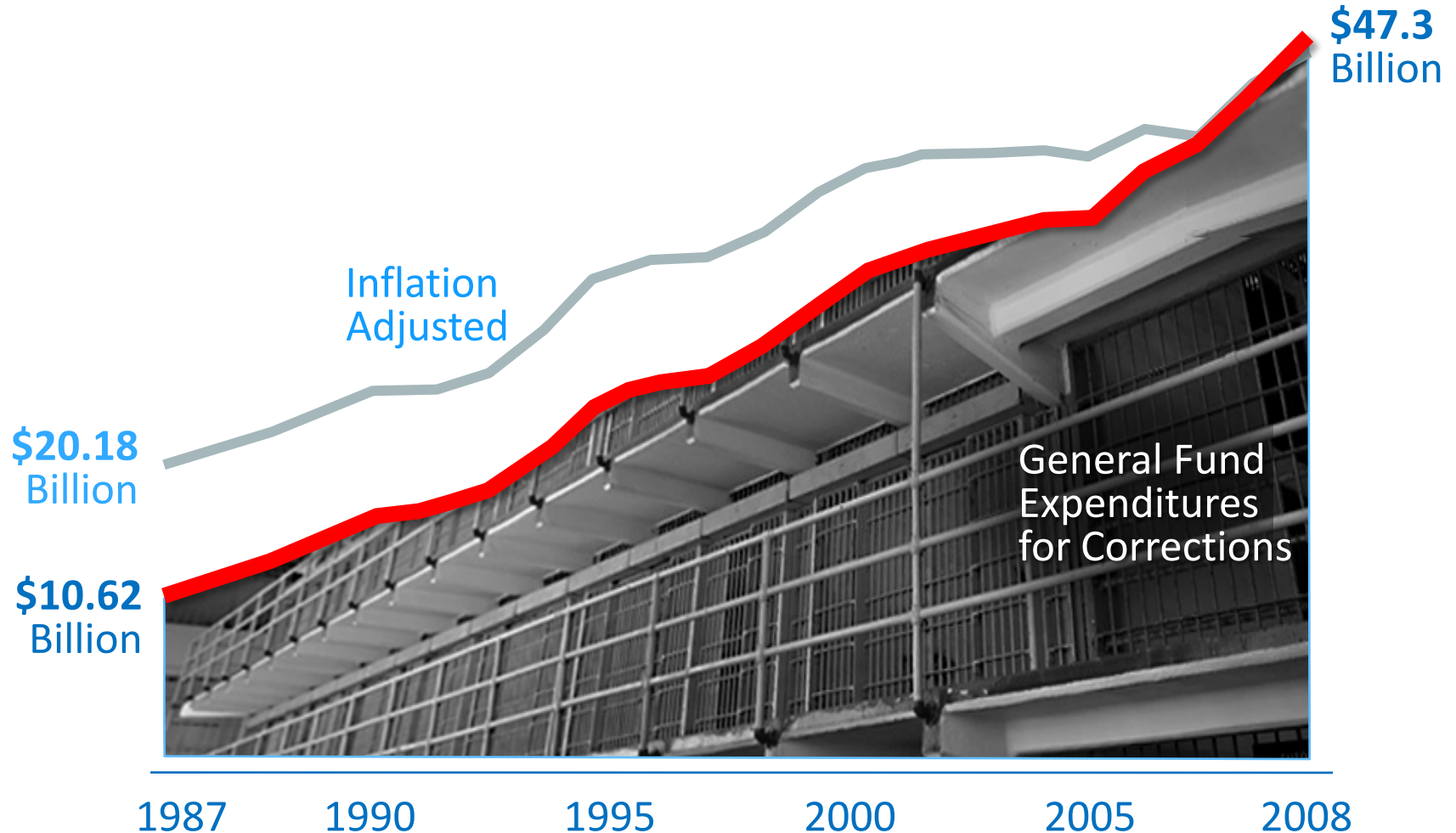
Illinois
(SERS, SURS, TRS)

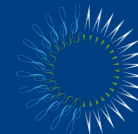


Arizona
(AZRS, PSPRS, EORP, CORP)

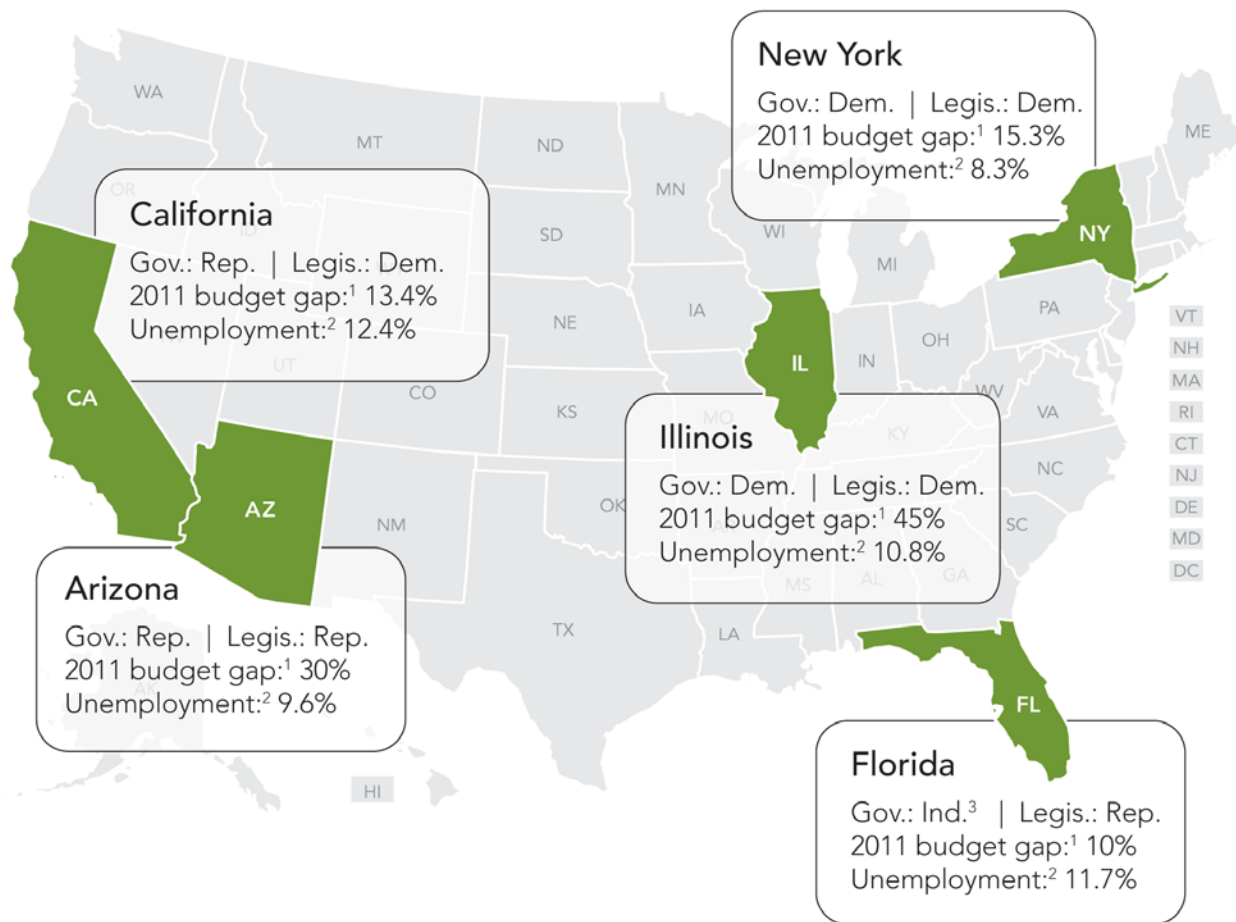


The Rising Cost of State Corrections





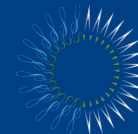
Facing facts: a look at five states



¹Estimated gap as a percentage of general fund expenditures

²Estimated for the second quarter of 2010 based on analysis of U.S. Bureau of Labor Statistics data

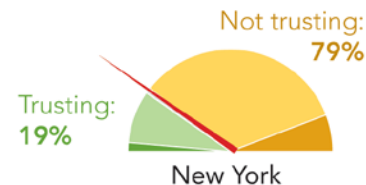
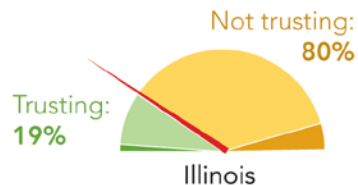
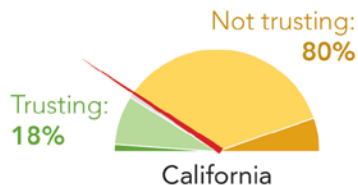
³Governor Charlie Crist was elected governor as a Republican in 2006. He became an independent in April 2010 to run for a



A lack of trust

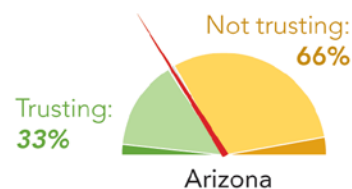
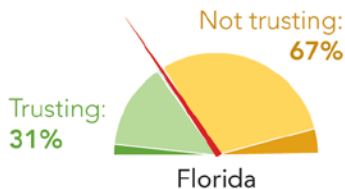
LESS TRUSTING

Fewer than one in five respondents in California, Illinois and New York say they can trust state government to do what is right just about always or most of the time, as opposed to only some or none of the time.



MORE TRUSTING

In Florida and Arizona, respondents are less negative; about one-third are more trusting.



THE NATIONAL MOOD

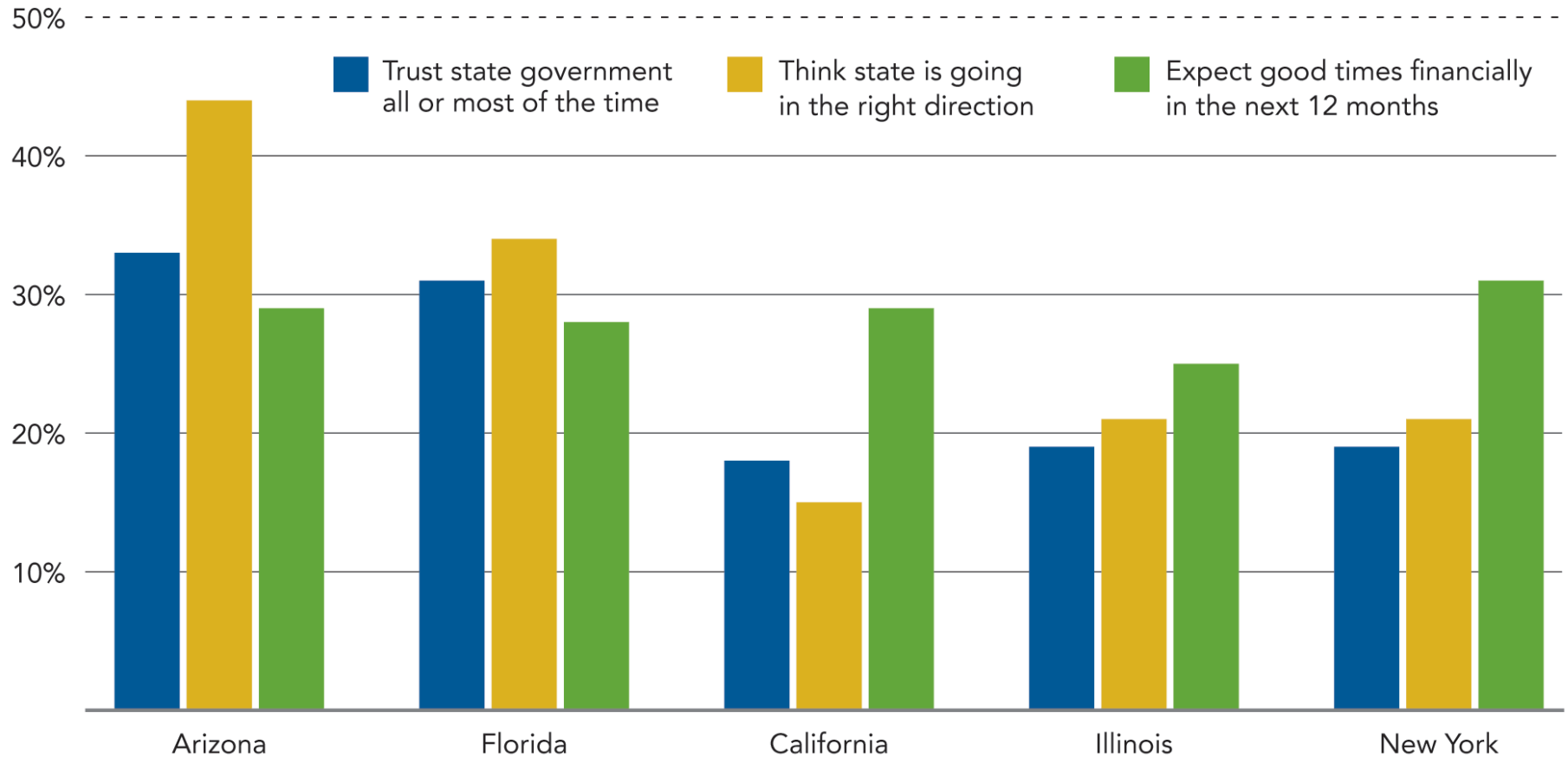
According to a survey released in April 2010 by the Pew Research



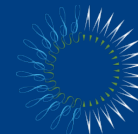
Center for the People & the Press, 22 percent of Americans trust the federal government almost always

A lack of trust

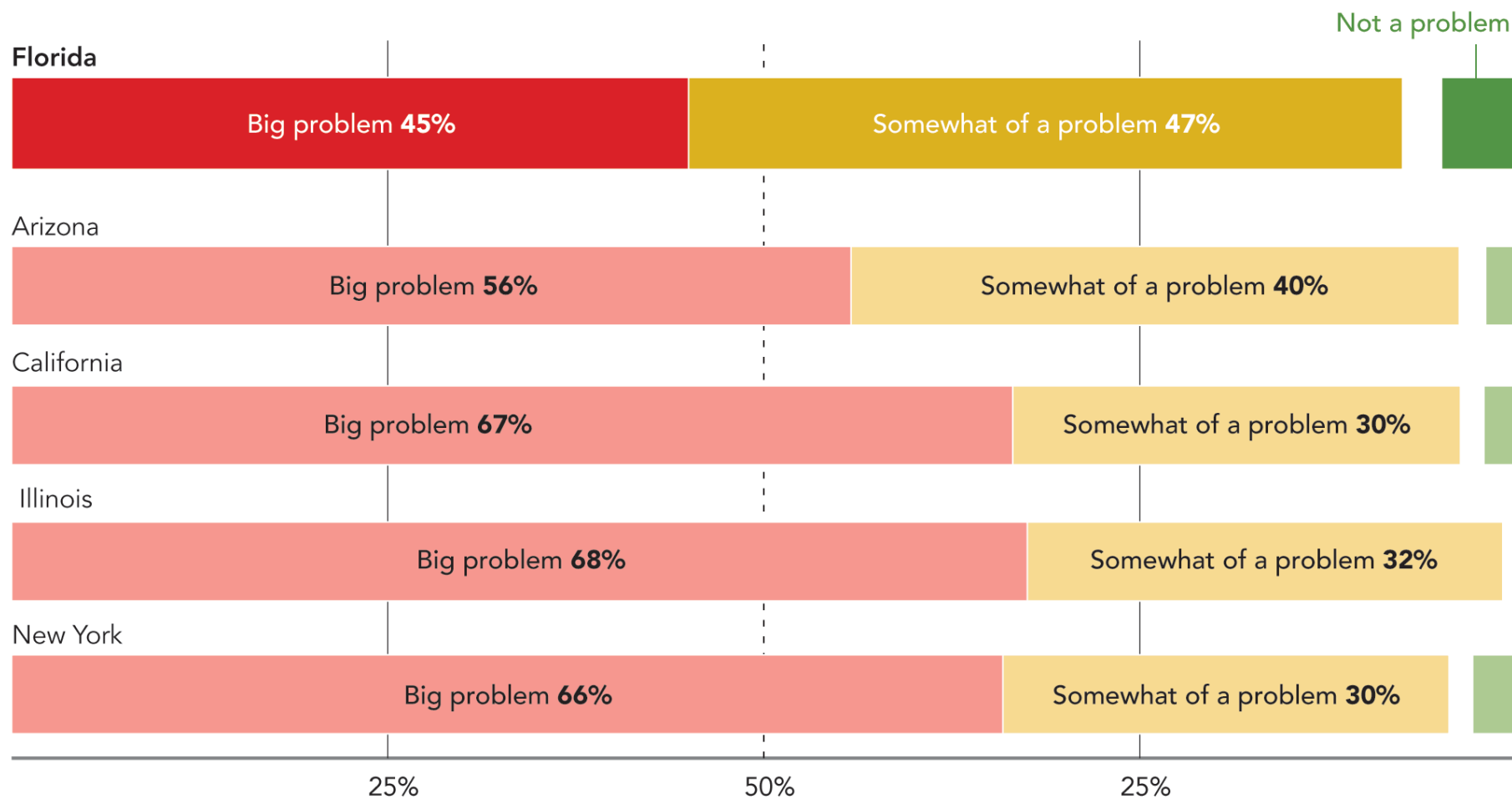
Arizonans are more likely to think the state is going in the right direction.



SOURCE: Pew Center on the States and Public Policy Institute of California 2010.



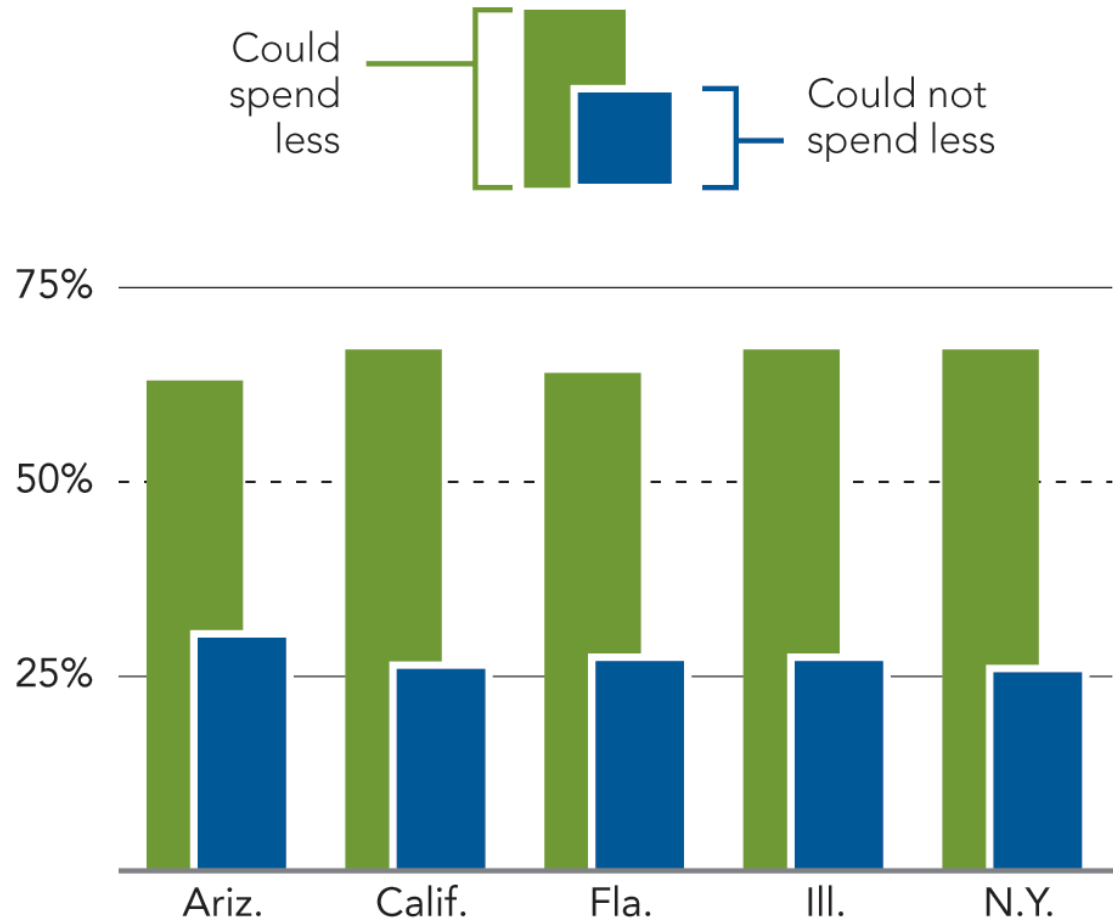
A lack of trust



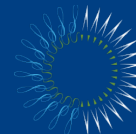
SOURCE: Pew Center on the States and Public Policy Institute of California 2010.

Too big, too small or just right?

Of those who thought states could spend less, most think 10 percent or more could be cut.



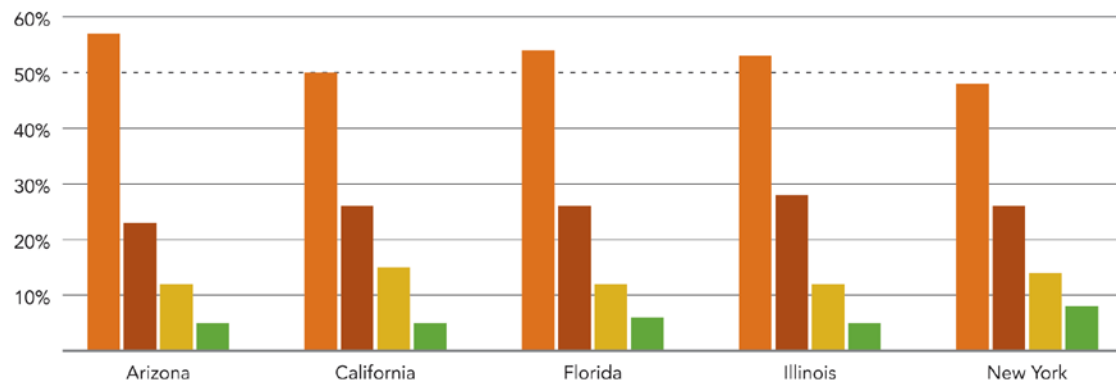
SOURCE: Pew Center on the States and Public Policy Institute of California 2010.



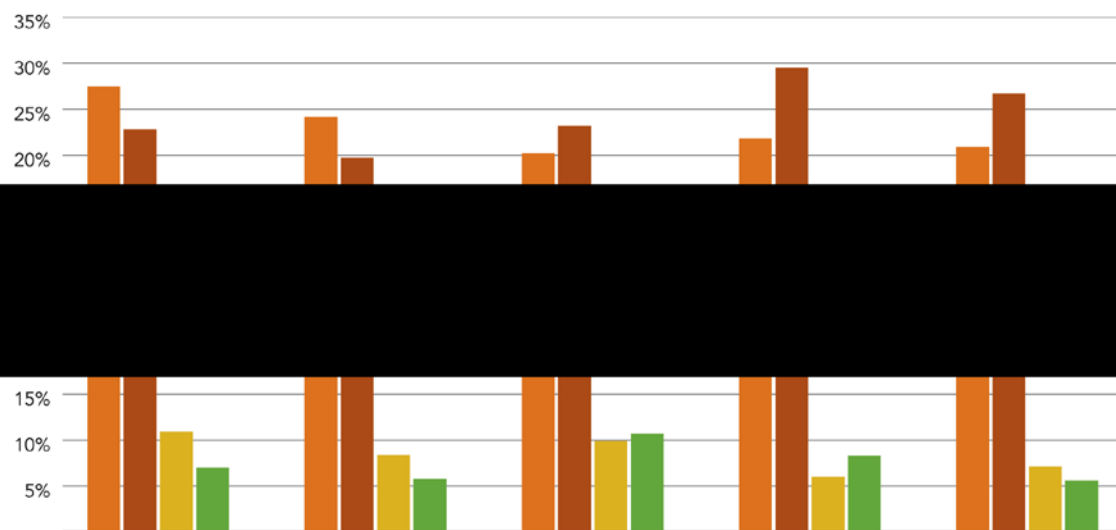
The essentials: Residents want to protect K-12

K-12 education Medicaid Higher education Transportation

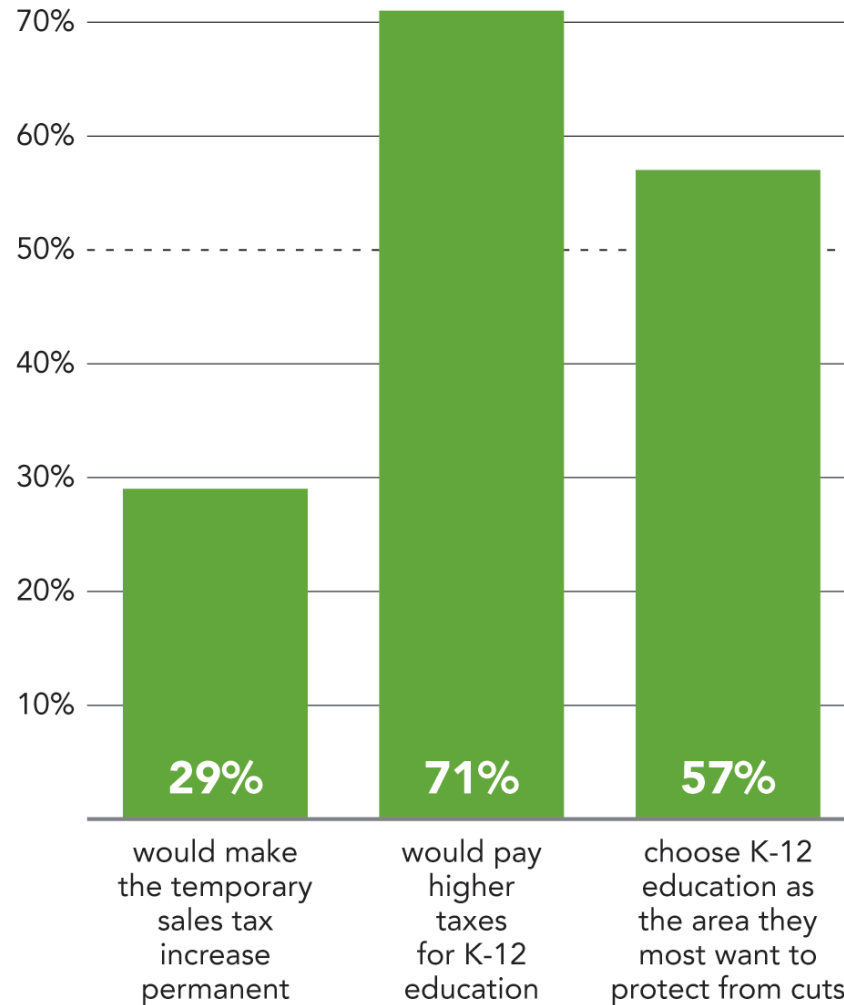
PERCENTAGE OF RESPONDENTS THAT MOST WANT TO PROTECT EACH AREA FROM CUTS*



MAJOR SPENDING AREAS, BY SHARE OF OVERALL STATE BUDGET IN FISCAL YEAR 2008



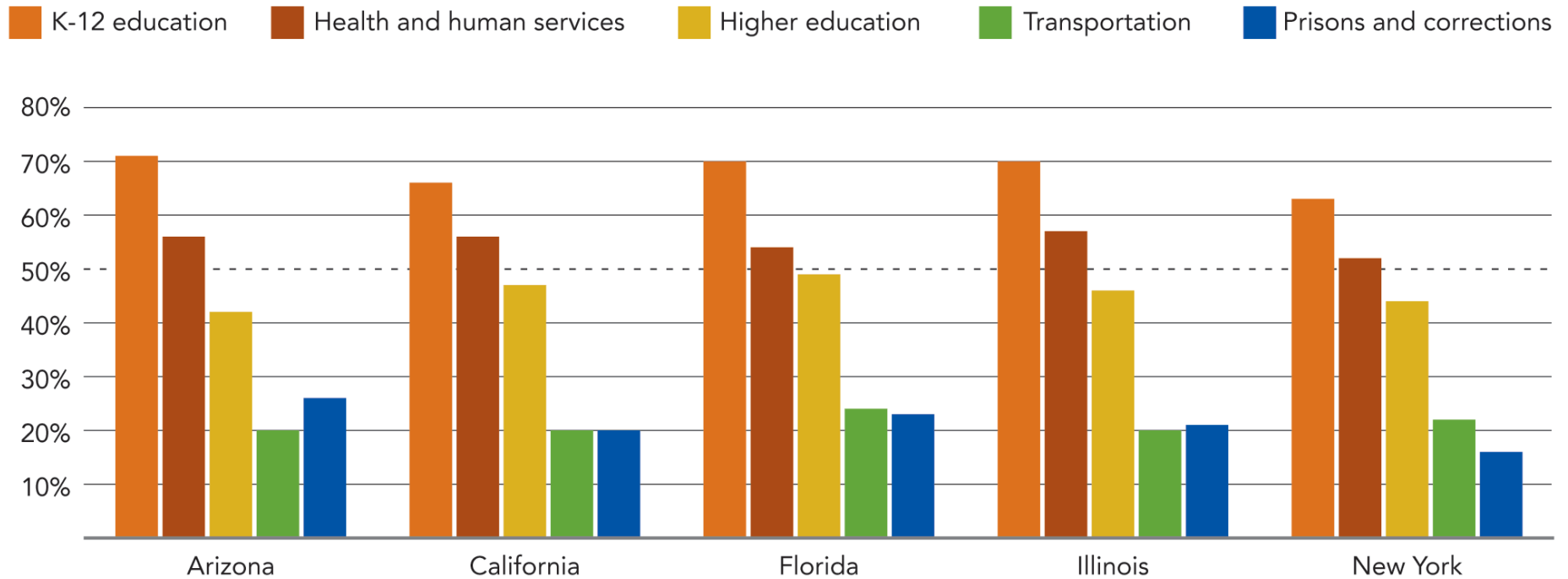
Arizonans' tax and spending choices



SOURCE: Pew Center on the States and Public Policy Institute of California 2010.

What people say they will pay higher taxes to support

More than six out of 10 respondents across the five states would be willing to pay higher taxes to maintain current funding for K-12 education. Fewer than three in 10 respondents would be willing to raise taxes to maintain current funding for transportation or prisons and corrections.

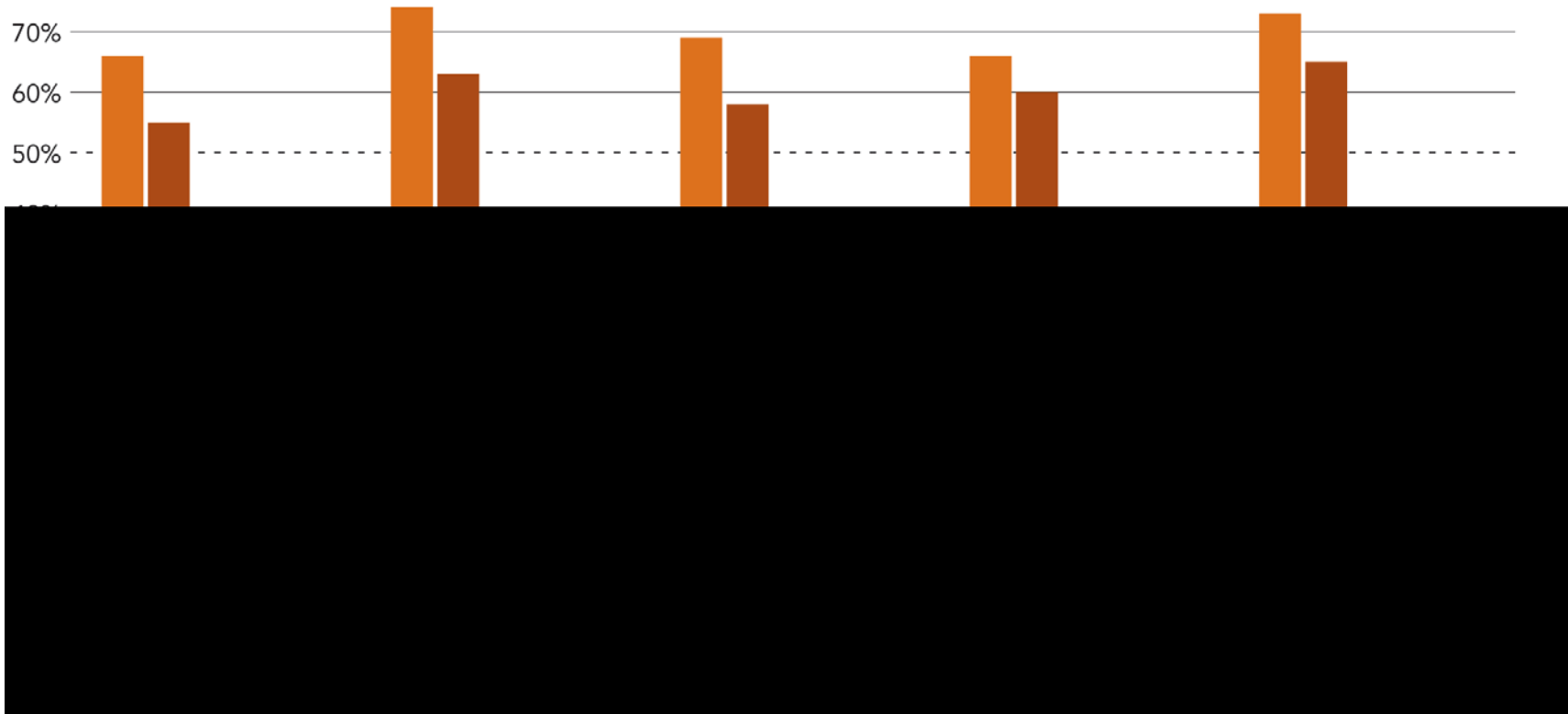


SOURCE: Pew Center on the States and Public Policy Institute of California 2010.

Paying for the essentials: Tax the other guy

■ Taxes on cigarettes and alcohol
 ■ Corporate tax
 ■ Sales tax
 ■ Personal income tax
 ■ All other

TAX INCREASES FAVORED BY RESIDENTS



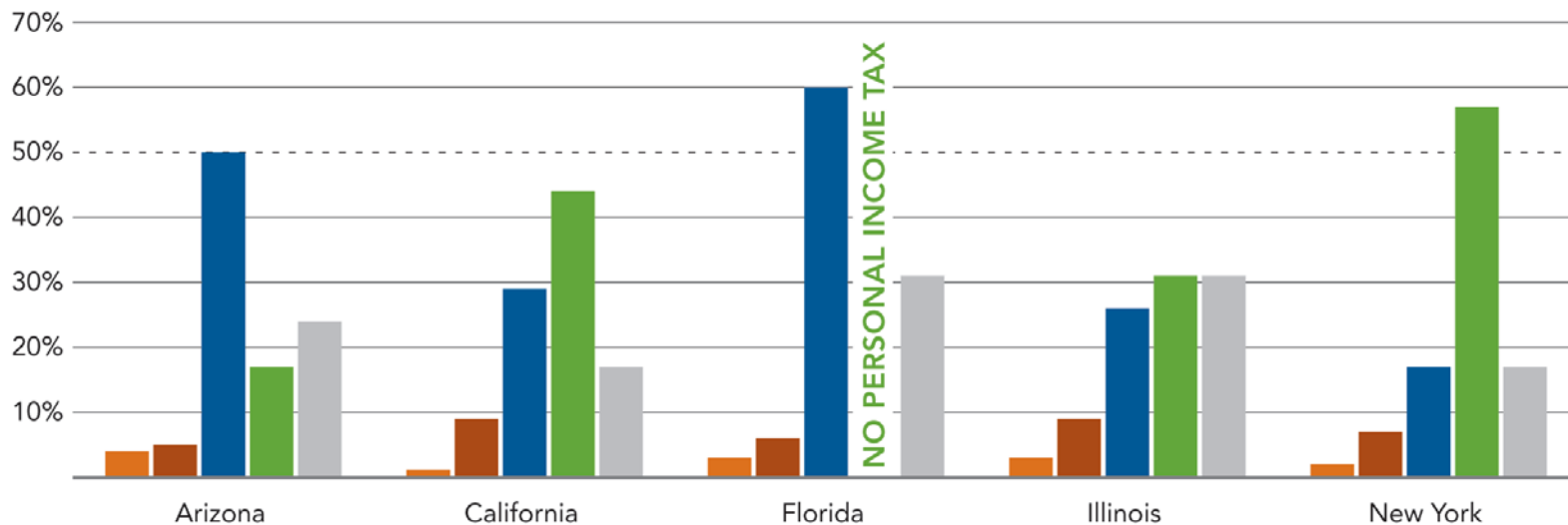
Reality check: Tax the other guy

Reality check: Taxes public prefers will not close budget gaps

Although respondents support raising taxes on corporations and alcohol and cigarette consumption, those types of increases will not close the budget gap in their state. As a share of current state revenue, these two sources—the corporate income tax and “sin” taxes—comprise about \$1 out of every \$10.

■ Taxes on cigarettes and alcohol
 ■ Corporate tax
 ■ Sales tax
 ■ Personal income tax
 ■ All other

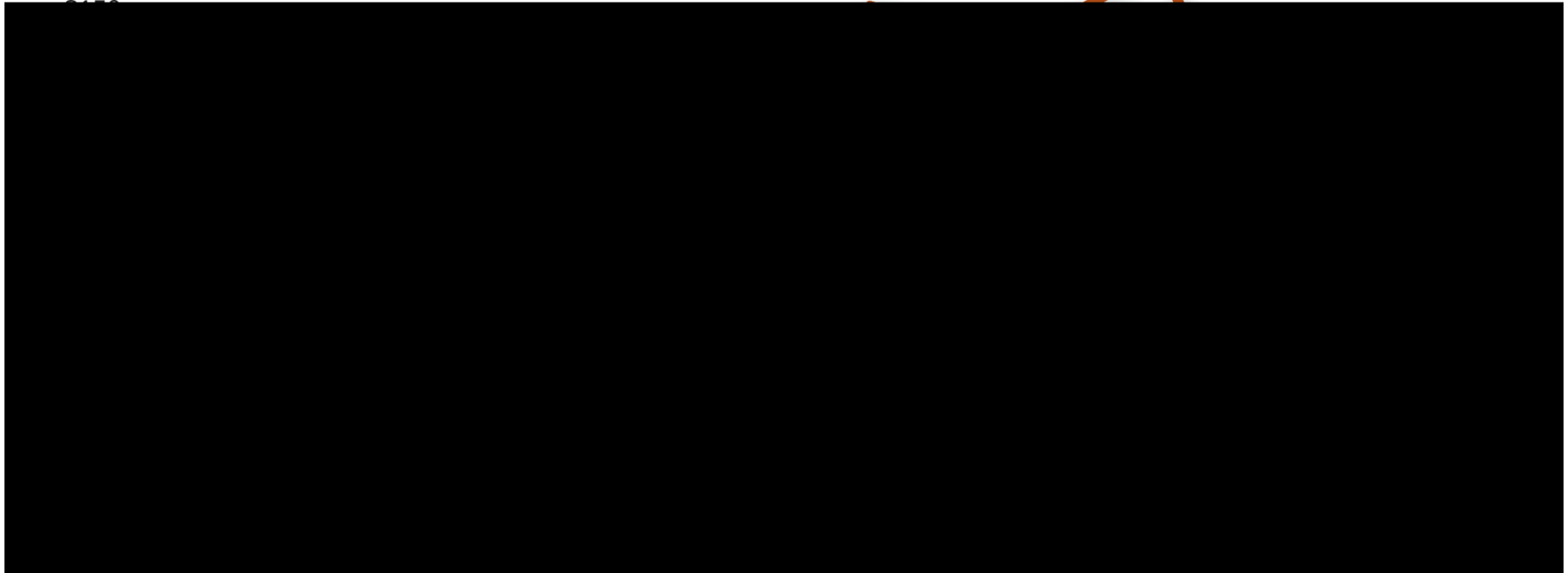
SHARE OF STATE TAXES IN FISCAL YEAR 2009



State and local borrowing grew at an annual average rate of 85 percent, between 2000 and 2007. The lack of credit early in the recession slowed state and local borrowing, but it has picked up sharply since the end of 2008.

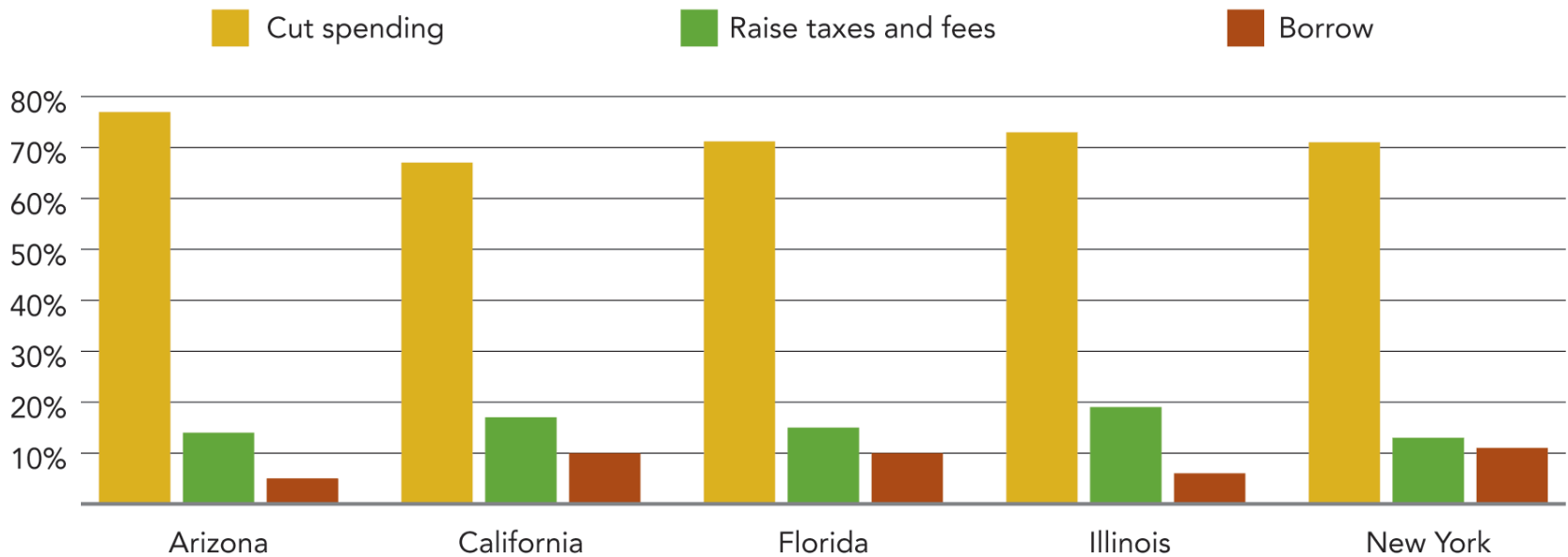
STATE AND LOCAL BORROWING

\$200
billion

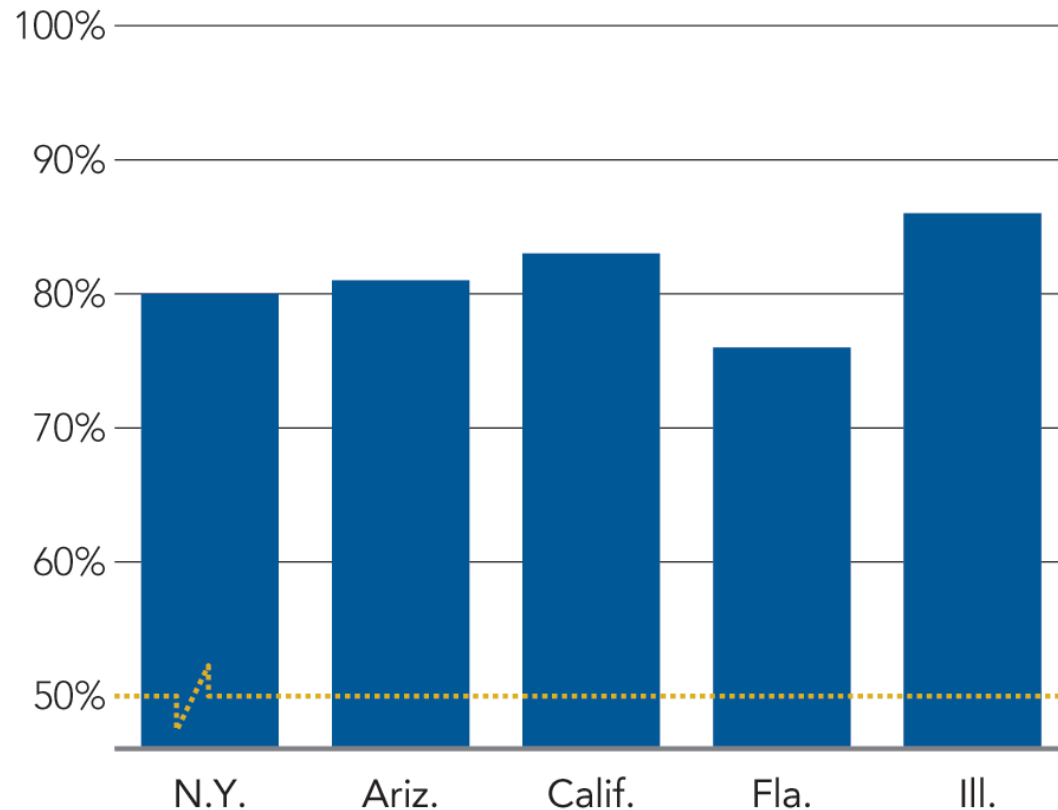


Cut up the credit card

TOP CHOICE FOR BALANCING THE STATE BUDGET

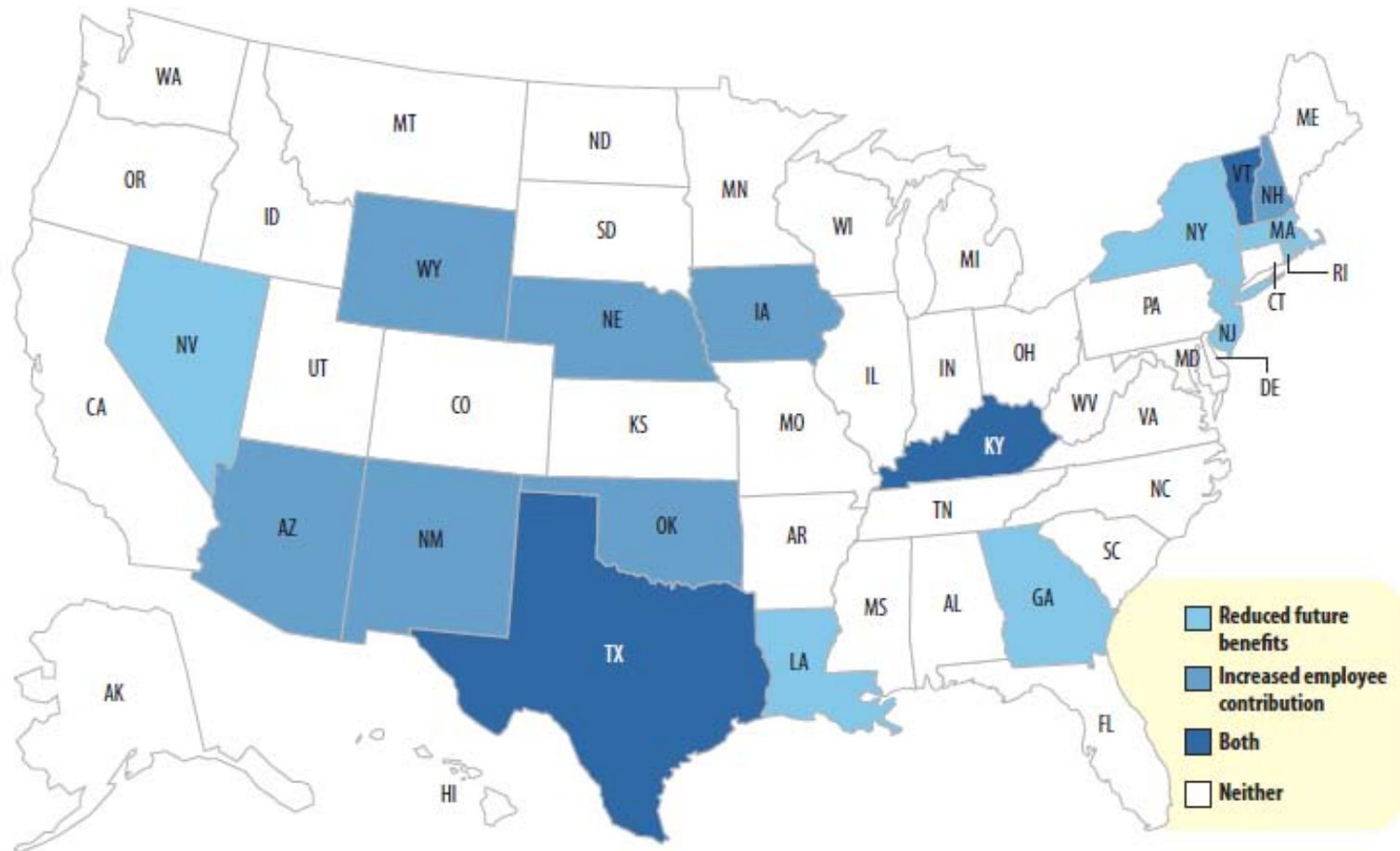


Large majorities say their state should act now.



SOURCE: Pew Center on the States and Public Policy Institute of California 2010.

Reforms: 2008-2009



SOURCE: Pew Center on the States, 2010.

Reforms: 2010



Colorado's Weekly Nonpartisan Political Newspaper ★ *Founded in 1898*

Ruling on PERA bill expected shortly

7/09/2010

By Marianne Goodland
THE COLORADO STATESMAN

The effort to overturn Senate Bill 1, the law passed in February that seeks to shore up the Public Employees' Retirement Association (PERA), is now in its fourth month with a ruling on the first round of motions expected shortly from Judge Robert S. Hyatt of the Second Judicial District in Denver.

Three days after Gov. Bill Ritter signed SB 1, members of SAVE PERA COLA filed suit against the state and PERA, attempting to overturn a portion of the SB 1 law dealing with PERA's annual Cost of Living Adjustment (COLA). The original motion was amended in March in part to add named plaintiffs who come from PERA's four divisions. The lawsuit, which seeks class-action status, now names as plaintiffs Gary Justus, a retired Denver Public Schools teacher who testified against SB 1 at the state capitol in January; Kathleen Hopkins, a retired state employee; retired Judge Eugene Halaas; and Lisa Silva-Derou, a current employee of the Colorado Department of Public Health and Environment. Silva-Derou, according to the amended motion, is eligible to receive a full service pension benefit from PERA because she has met PERA's age and service requirements.

The lawsuit charges that SB 1 is unconstitutional "because it impairs the retirees' contractual rights to receive pension benefits at the level promised" when employees retired or were

- 21 states enacted reforms this past year
- We are continuing to track states' progress on retirement benefits.
 - COLAs (CO, MN and SD)
 - Changes to benefits of current retirees

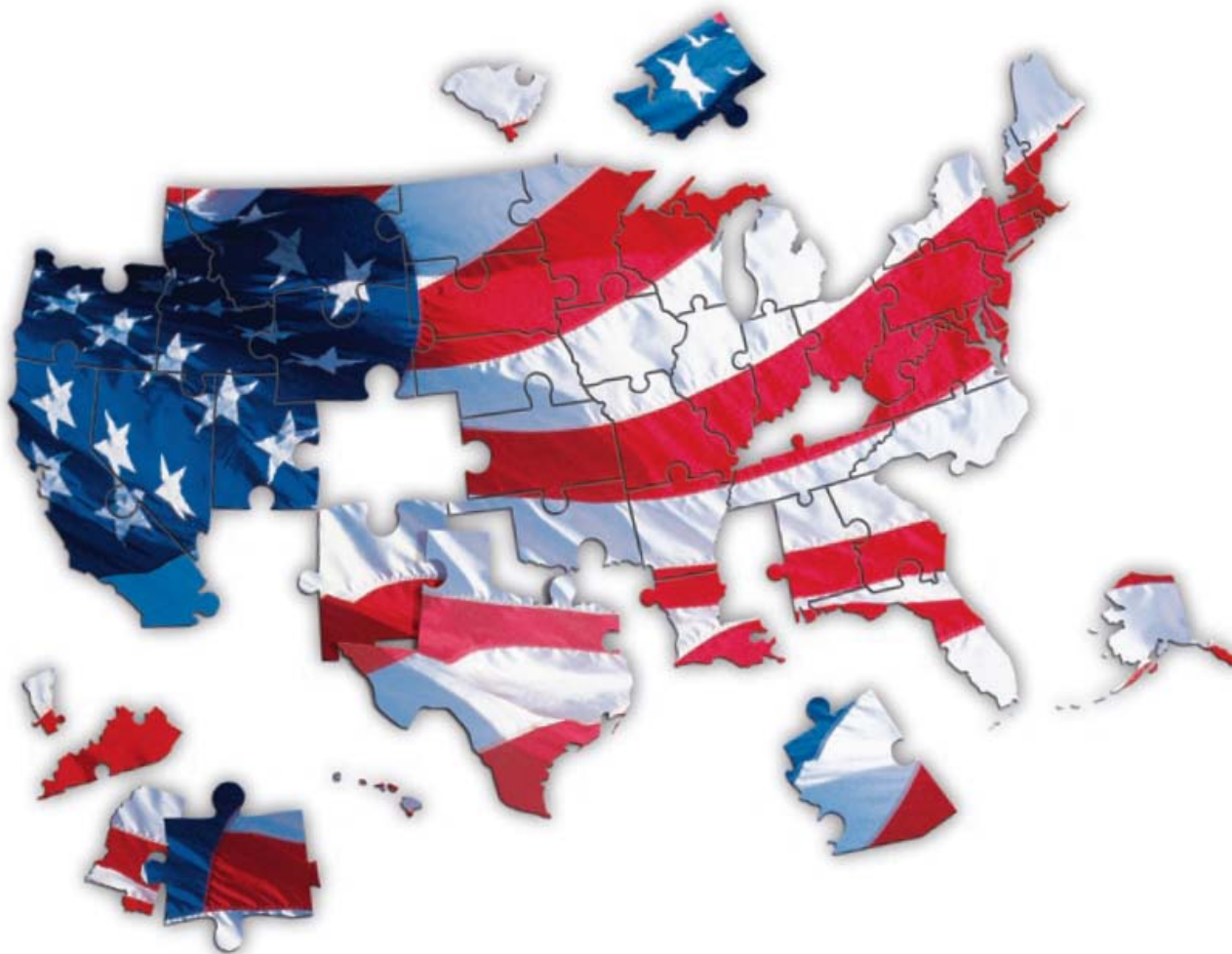
Actual savings in FY 2008/09: **\$512M**

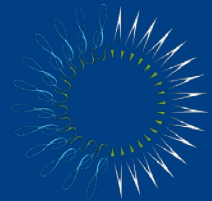
Estimated savings through FY 2012: **Over \$1B**

State crime rate tracks national figures

\$120M Annual reinvestment in community corrections continued by 2009 Legislature

How do states recover?





THE
PEW
CENTER ON THE STATES

www.PewCenterontheStates.org

Kil Huh
Director, Research
khuh@pewtrusts.org