State Revenue Estimating
Pew Center on the States & Rockefeller Institute of Government

2010 FTA Revenue Estimation & Tax Research Conference
September 20, 2010

PEW CENTER ON THE STATES

Informative
Daily examination of current policy developments and trends: original reporting and interactive features available at Stateline.org

Thought provoking
Analysis of data and events in several states to present a deeper, but timely look at developing issues

Problem solving
In-depth reports provide 50-state assessments, case studies and individual state fact sheets and highlight promising policies
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.

What a recession means for states

(In billions)

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>12.8</td>
<td>40.3</td>
<td>145.9</td>
<td>83.9</td>
<td>72.1</td>
<td>64.3</td>
</tr>
</tbody>
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Source: The Nelson A. Rockefeller Institute of Government
September 2010
www.pewcenteronthestates.com
Estimates off in second year of recent recession

2009 Tax Revenue Estimates Off by Nearly $50 Billion

- Error size
- Actual tax collections

<table>
<thead>
<tr>
<th>Category</th>
<th>Estimated</th>
<th>Actual</th>
<th>Error</th>
<th>Error Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Income Tax</td>
<td>$23.9 billion</td>
<td>$245.9 billion</td>
<td>$22.0 billion</td>
<td>-9.7%</td>
</tr>
<tr>
<td>Sales Tax (General Sales and Gross Receipts)</td>
<td>$17.3 billion</td>
<td>$228.1 billion</td>
<td>$15.8 billion</td>
<td>-7.6%</td>
</tr>
<tr>
<td>Corporate Income Tax</td>
<td>$7.7 billion</td>
<td>$40.3 billion</td>
<td>$32.6 billion</td>
<td>-19.0%</td>
</tr>
</tbody>
</table>

Average Percent Error

- Personal Income Tax: -9.7%
- Sales Tax: -7.6%
- Corporate Income Tax: -19.0%

Techniques
A look at process

25 STATES USED CONSENSUS FORECASTING

Errors over time

Median Percentage Forecast Errors, 1987-2009

September 2010

www.pewcenteronthestates.com
Consequences of volatility

Real change in state general fund expenditures, FY1999 – FY2010

Total state spending dropped 11 percent from FY08 to FY10.

Pew’s ongoing state fiscal research

- State and local pensions
- State and local debt
- State and local revenue systems
- States’ fiscal health project
- Ongoing Stateline.org coverage