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Index of State Economic Momentum

The Index of State Economic Momentum ranks states based on their most recent performance in three key measures of economic vitality: personal income growth, employment growth, and population growth. *Reports* updates the index each quarter. In the final quarter of 2018, **Nevada** claimed the top spot, while **South Carolina** most closely approximated the national average economic performance.

The Continuum of State Fiscal Stress

Reports developed the Continuum of State Fiscal Stress to highlight four measures that can signal state fiscal stress. This edition of the continuum focuses on fiscal year 2018, a low-stress year for state budgets.

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INDEX OF STATE ECONOMIC MOMENTUM

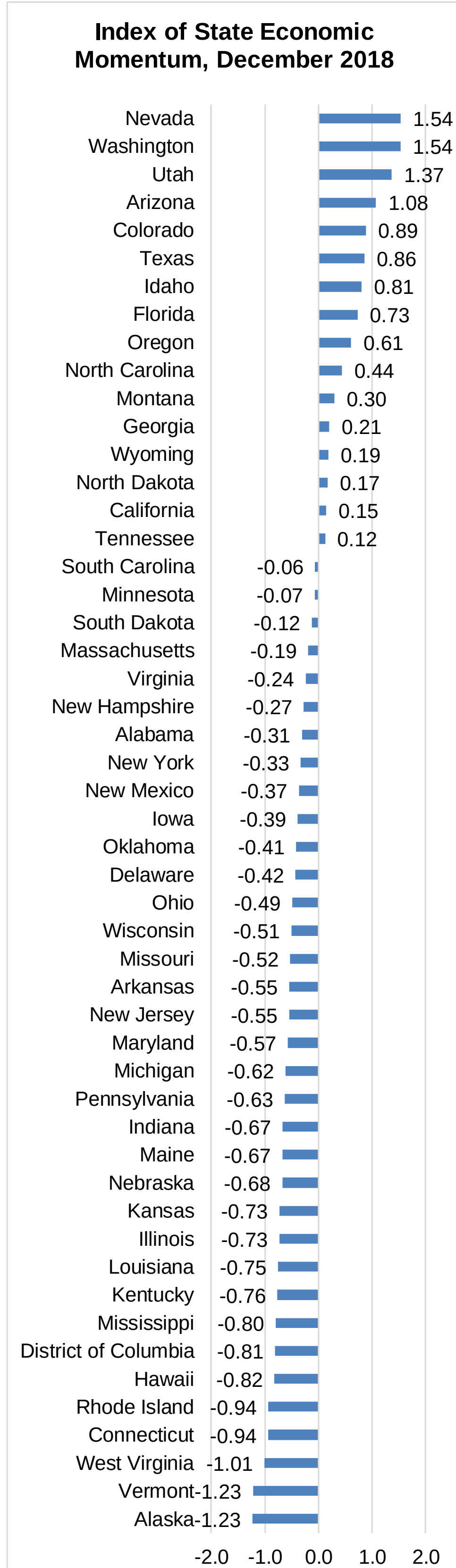
The Index of State Economic Momentum, developed by *Reports* founding editor Hal Hovey, ranks states based on their most recent performance in three key measures of economic vitality: personal income growth, employment growth, and population growth. *Reports* updates the index each quarter.

Measures of the three components are averaged, and the national average is set at zero. Each state's score is then expressed as a percentage above or below the national average. The chart on the right shows the results based on the most recent data. In the fourth quarter of 2018, **South Carolina** is closest to the national average economic performance, lagging it by 0.06%. **Nevada** moved to the top of the list, edging out **Washington** by a whisker, and **Alaska** remained in the bottom spot, edging out **Vermont**.

Sixteen states exceed the national average economic performance, while 34 and the District of Columbia lag it. Five of the 10 most-populous states exceed the average: #6 **Texas**, #8 **Florida**, #10 **North Carolina**, #12 **Georgia**, and #15 **California**.

Three states lag the national economy by more than 1%—**Alaska**, **Vermont**, and **West Virginia**—and each represents a different region of the country. There is also economic diversity among the states that lag the average, with natural resource-dependent states, agricultural states, tourism states, a state with a sizeable finance and insurance industry (**Connecticut**), and a jurisdiction reliant on federal government spending found among the bottom 10.

The top 10 states are less geographically diverse. Most are western, with a few southern states thrown in. The four top-ranking states—**Nevada**, **Washington**, **Utah**, and **Arizona**—have



economic momentum that exceeds the national average by more than 1%.

The results for this update are similar to the previous one, especially at the top; the same 10 states hold the top ranks, albeit in slightly different order. Among the 10 lowest-ranking jurisdictions, six are holdovers and four—**Rhode Island**, **Hawaii**, the **District of Columbia**, and **Mississippi**—are newcomers. These four displaced **Nebraska**, **North Dakota**, **Iowa**, and **Maryland**, all of which posted gains.

PERSONAL INCOME

The table on the right shows state detail on the first component of the Index of State Economic Momentum. State personal income is the income received by all persons in a state from all sources, including net earnings by place of residence, rental income, dividends, interest, and transfer payments. Between the third quarter of 2017 and the same period in 2018, personal income across the nation grew by 4.4%, decelerating from 4.6% growth between the second quarters of the two years.

Washington had the strongest year-over-year growth and was the only state to record annual growth greater than 7%. In addition, #2 **Utah** was the only remaining state to exceed 6% growth. Eight of the 10 states with the strongest growth are western, joined by #8 **Texas** and #10 **North Dakota**.

Five of the 10 most-populous states exceeded the national average personal income growth rate: #8 **Texas**, #9 **California**, #11 **New York**, #12 **North Carolina**, and #13 **Florida**. Among this group of 10, only **Ohio** ranked near the bottom, at #46.

Change in Personal Income, 2017.3 to 2018.3

Rank	State	Percent
1	Washington	7.1%
2	Utah	6.2
3	Nevada	5.6
4	Colorado	5.5
5	Idaho	5.4
6	Montana	5.3
7	Oregon	5.2
8	Texas	5.1
9	California	5.1
10	North Dakota	5.0
11	New York	4.9
12	North Carolina	4.8
13	Florida	4.7
14	Arizona	4.7
15	Minnesota	4.7
16	Wyoming	4.5
	United States	**4.4**
17	Tennessee	4.3
18	Iowa	4.3
19	Georgia	4.3
20	Illinois	4.1
21	Massachusetts	4.1
22	Alabama	4.0
23	Arkansas	3.9
24	Missouri	3.9
25	South Carolina	3.9
26	Oklahoma	3.7
27	Louisiana	3.7
28	Michigan	3.6
29	Alaska	3.6
30	Virginia	3.6
31	Maine	3.6
32	West Virginia	3.6
33	New Mexico	3.6
34	Pennsylvania	3.5
35	New Jersey	3.5
36	Maryland	3.5
37	Wisconsin	3.5
38	District of Columbia	3.5
39	Indiana	3.4
40	Kentucky	3.4
41	Mississippi	3.4
42	South Dakota	3.3
43	New Hampshire	3.3
44	Vermont	3.3
45	Kansas	3.3
46	Ohio	3.1
47	Delaware	3.0
48	Nebraska	3.0
49	Rhode Island	3.0
50	Connecticut	2.7
51	Hawaii	2.6

Referring only to quarter-over-quarter changes (rather than the annual changes reported on the table), the Bureau of Economic Analysis (BEA), which publishes the personal income data, observed that increases in earnings and property income (dividends, interest and rent) contributed to personal income growth in all states, and increases in transfer receipts contributed to personal income growth in all states except **New York**. Additionally:

- Construction was the leading contributor to the earnings increase in **Nevada**, **Arizona**, **New Hampshire**, and **Oregon**.
- Information was the leading contributor to the earnings increase in **Washington**.
- Professional, scientific, and technical services was the leading contributor to the earnings increase in **Colorado**.

More generally, professional, scientific, and technical services; state and local government; and health care and social assistance were the industries contributing most to overall growth in personal income.

EMPLOYMENT

The table on the right lists state employment growth rates between November 2017 and November 2018. Nationally, annual job growth held steady since the last update, at 1.8%. The number of states exceeding the national average declined from 20 to 18. **Vermont** and **Alaska** recorded job losses.

Among the 10 most-populous states, five registered above-average employment growth, including three in the top 10: #4 **Texas**, #7 **Florida**, and #10 **North Carolina**. **Illinois** (#46) posted the weakest growth among this group of 10.

Among the 10 states with the strongest job growth, none is located outside the West or South. **New Hampshire** ranks highest in job growth among northeastern states (#11), and **South Dakota** highest among midwestern states (#13). In

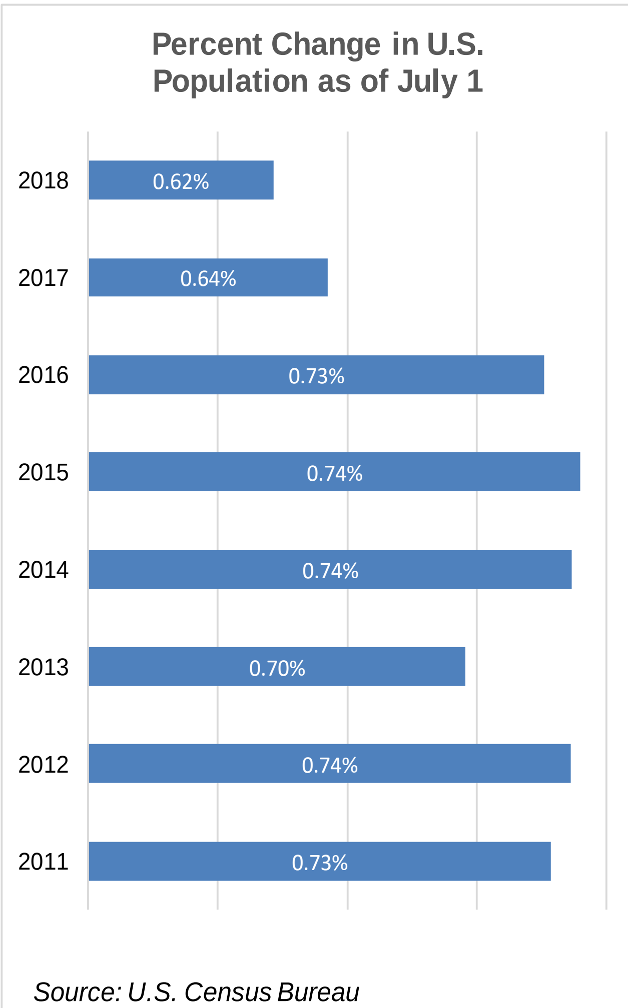
Employment Change, November 2017 to November 2018

Rank	State	Percent
1	Nevada	3.8%
2	Arizona	3.6
3	Wyoming	3.2
4	Texas	3.0
5	Washington	2.9
6	Utah	2.9
7	Florida	2.8
8	Colorado	2.6
9	Oregon	2.5
10	North Carolina	2.3
11	New Hampshire	2.2
12	Georgia	2.2
13	South Dakota	2.1
14	New Mexico	2.1
15	Ohio	2.1
16	Hawaii	2.0
17	Tennessee	2.0
18	Virginia	1.9
	United States	**1.8**
19	Idaho	1.8
20	California	1.8
21	North Dakota	1.7
22	Alabama	1.7
23	Oklahoma	1.7
24	Massachusetts	1.7
25	Montana	1.6
26	South Carolina	1.6
27	Delaware	1.6
28	Wisconsin	1.5
29	New Jersey	1.5
30	Kansas	1.4
31	Connecticut	1.4
32	Maryland	1.3
33	Pennsylvania	1.3
34	Nebraska	1.3
35	Mississippi	1.2
36	Minnesota	1.2
37	New York	1.2
38	Michigan	1.2
39	Louisiana	1.2
40	Missouri	1.1
41	Rhode Island	1.0
42	Iowa	1.0
43	Arkansas	1.0
44	Maine	1.0
45	Indiana	1.0
46	Illinois	0.9
47	Kentucky	0.9
48	West Virginia	0.9
49	District of Columbia	0.0
50	Alaska	-0.2
51	Vermont	-0.4

contrast, the 10 states with the slowest job growth represent every region of the country.

POPULATION

The final component of the Index of State Economic Momentum is the change in state population. Population estimates for July 1, 2018, were released recently. Most notable in this year's estimates are lower population growth rates, as shown in the chart below. Not only was 2018's growth rate of 0.62% the lowest in recent years, but 2017's estimate was also revised downward from



an original estimate of 0.72%. Prior to the Great Recession, population growth rates were closer to 1% per year.

The table on the right shows the state detail. **Nevada** reclaimed the #1 position it last held in 2007. Its growth never fell very much, in contrast to **North Dakota**, which shot to the #1 position during its boom years. With softening energy prices, North Dakota's growth rate dropped as low as #44 in

Percent Change in State Population, July 1, 2017 to July 1, 2018

Rank	State	Percent
1	Nevada	2.09%
2	Idaho	2.05
3	Utah	1.87
4	Arizona	1.74
5	Florida	1.54
6	Washington	1.48
7	Colorado	1.42
8	Texas	1.34
9	South Carolina	1.25
10	North Carolina	1.10
11	Oregon	1.06
12	Delaware	1.05
13	South Dakota	1.02
14	Georgia	1.02
15	District of Columbia	0.97
16	Tennessee	0.91
17	Montana	0.88
18	Minnesota	0.77
19	North Dakota	0.65
	United States	**0.62**
20	Virginia	0.62
21	Nebraska	0.61
22	Massachusetts	0.57
23	New Hampshire	0.50
24	Indiana	0.48
25	California	0.40
26	Iowa	0.40
27	Wisconsin	0.37
28	Arkansas	0.36
29	Kentucky	0.33
30	Maryland	0.30
31	Missouri	0.29
32	Vermont	0.28
33	Oklahoma	0.27
34	Alabama	0.26
35	Maine	0.25
36	New Jersey	0.22
37	Ohio	0.22
38	Michigan	0.20
39	Pennsylvania	0.13
40	New Mexico	0.10
41	Rhode Island	0.08
42	Kansas	0.03
43	Connecticut	-0.03
44	Mississippi	-0.10
45	Wyoming	-0.21
46	Louisiana	-0.23
47	New York	-0.25
48	Hawaii	-0.26
49	Alaska	-0.32
50	Illinois	-0.35
51	West Virginia	-0.62

2017 before rebounding to #19 in 2018. **Idaho** joined Nevada as the only states with annual population growth greater than 2%.

State Population, Share of National Population, and Cumulative Population, 2018

Rank	State	Population	Share	Cumulative Total
1	California	39,557,045	12.1%	
2	Texas	28,701,845	8.8%	20.9%
3	Florida	21,299,325	6.5%	27.4%
4	New York	19,542,209	6.0%	33.3%
5	Pennsylvania	12,807,060	3.9%	37.3%
6	Illinois	12,741,080	3.9%	41.2%
7	Ohio	11,689,442	3.6%	44.7%
8	Georgia	10,519,475	3.2%	47.9%
9	North Carolina	10,383,620	3.2%	51.1%
10	Michigan	9,995,915	3.1%	54.2%
11	New Jersey	8,908,520	2.7%	56.9%
12	Virginia	8,517,685	2.6%	59.5%
13	Washington	7,535,591	2.3%	61.8%
14	Arizona	7,171,646	2.2%	64.0%
15	Massachusetts	6,902,149	2.1%	66.1%
16	Tennessee	6,770,010	2.1%	68.2%
17	Indiana	6,691,878	2.0%	70.2%
18	Missouri	6,126,452	1.9%	72.1%
19	Maryland	6,042,718	1.8%	73.9%
20	Wisconsin	5,813,568	1.8%	75.7%
21	Colorado	5,695,564	1.7%	77.5%
22	Minnesota	5,611,179	1.7%	79.2%
23	South Carolina	5,084,127	1.6%	80.7%
24	Alabama	4,887,871	1.5%	82.2%
25	Louisiana	4,659,978	1.4%	83.6%
26	Kentucky	4,468,402	1.4%	85.0%
27	Oregon	4,190,713	1.3%	86.3%
28	Oklahoma	3,943,079	1.2%	87.5%
29	Connecticut	3,572,665	1.1%	88.6%
30	Utah	3,161,105	1.0%	89.6%
31	Iowa	3,156,145	1.0%	90.5%
32	Nevada	3,034,392	0.9%	91.4%
33	Arkansas	3,013,825	0.9%	92.4%
34	Mississippi	2,986,530	0.9%	93.3%
35	Kansas	2,911,505	0.9%	94.2%
36	New Mexico	2,095,428	0.6%	94.8%
37	Nebraska	1,929,268	0.6%	95.4%
38	West Virginia	1,805,832	0.6%	96.0%
39	Idaho	1,754,208	0.5%	96.5%
40	Hawaii	1,420,491	0.4%	96.9%
41	New Hampshire	1,356,458	0.4%	97.3%
42	Maine	1,338,404	0.4%	97.7%
43	Montana	1,062,305	0.3%	98.1%
44	Rhode Island	1,057,315	0.3%	98.4%
45	Delaware	967,171	0.3%	98.7%
46	South Dakota	882,235	0.3%	99.0%
47	North Dakota	760,077	0.2%	99.2%
48	Alaska	737,438	0.2%	99.4%
49	District of Columbia	702,455	0.2%	99.6%
50	Vermont	626,299	0.2%	99.8%
51	Wyoming	577,737	0.2%	100.0%
	United States	**327,167,434**	**100.0%**	

Nine states are estimated to have lost population: **West Virginia**, **Illinois**, **Alaska**, **Hawaii**, **New York**, **Louisiana**, **Wyoming**, **Mississippi**, and **Connecticut**. While every region of the country is represented on this list, the prevailing trend continues to be a shift of population from the North and East to the South and West. This is reflected in the fact that the 10 states with the strongest population growth are in one of these two regions. Among the 14 states with growth greater than 1%, only **South Dakota** is not in the Census Bureau-defined West or South. Very slow population growth—including a few declines—in five of the 10 most-populous states outside the West and South also underscores the trend.

State Shares and Ranks. The table on the page 6 includes the new state population estimates and ranks states by population. It also lists each state's share of the national total, and the cumulative total population. As in previous years, the nine most-populated states accounted for more than half the nation's total population.

There were a few changes in state population ranks this year, compared to the rankings based on last year's release. **Utah** replaced **Iowa** as the thirtieth most-populated state. **Nevada** leapfrogged **Arkansas** to claim #32, and **Montana** moved ahead of **Rhode Island** at #43.

California remains the most populous state by a wide margin; its share of the national total held steady at 12.1%. It is followed by **Texas**, **Florida**, and **New York**. While more than half the nation's population resides in the nine most-populous states, less than 10% resides in the 20 least-populous (including the District of Columbia).

The least-populous state remains **Wyoming**, which also saw its population decline in 2018.

UNEMPLOYMENT RATES

State unemployment rates, shown on the right, are not a component of the Index of State Economic

State Unemployment Rates, November 2018

Rank	State	Percent
1	Hawaii	2.4%
1	Iowa	2.4
3	New Hampshire	2.5
4	Idaho	2.6
5	Vermont	2.7
6	Minnesota	2.8
6	Nebraska	2.8
6	North Dakota	2.8
6	Virginia	2.8
10	Missouri	3.0
10	South Dakota	3.0
10	Wisconsin	3.0
13	Kansas	3.2
13	Utah	3.2
15	Colorado	3.3
15	Florida	3.3
15	Oklahoma	3.3
15	South Carolina	3.3
19	Maine	3.4
19	Massachusetts	3.4
21	Georgia	3.5
22	Arkansas	3.6
22	Indiana	3.6
22	North Carolina	3.6
22	Tennessee	3.6
26	Montana	3.7
26	Texas	3.7
	United States	**3.7**
28	Delaware	3.8
28	Rhode Island	3.8
30	Michigan	3.9
30	New York	3.9
30	Oregon	3.9
33	Alabama	4.0
33	Maryland	4.0
33	New Jersey	4.0
36	California	4.1
36	Connecticut	4.1
36	Wyoming	4.1
39	Illinois	4.2
39	Pennsylvania	4.2
41	Washington	4.3
42	Nevada	4.4
43	Kentucky	4.5
44	New Mexico	4.6
44	Ohio	4.6
46	Arizona	4.7
46	Mississippi	4.7
48	Louisiana	5.0
49	West Virginia	5.2
50	District of Columbia	5.6
51	Alaska	6.3

Momentum, but they are an important indicator of a state's economic condition. While a low unemployment rate signals a state that can put its residents to work, it also may signal a state facing labor shortages that could constrain future job growth, or a state with a workforce that isn't growing much.

Some of the states with the lowest unemployment rates have slow-growing populations, such as **Hawaii**, which lost population in 2018, and **Iowa**, **New Hampshire**, **Vermont**, and **Nebraska**, all with below-average growth. Others are experiencing above-average population growth, such as **Idaho**, **Minnesota**, and **North Dakota**.

Among states with relatively high unemployment rates, **Nevada**, **New Mexico**, **Ohio**, and **Arizona** reported above-average employment growth, which should begin to pull down their unemployment rates. In contrast, **Alaska** lost jobs, suggesting its unemployment rate could rise.

Nationally, the unemployment rate declined in this update, dropping from 3.9% in August to 3.7% in November. Twenty-seven states recorded rates lower than the national average and 23 (plus the District of Columbia) recorded higher rates.

Among the 10 most-populous states, **Florida**, **Georgia**, **North Carolina**, and **Texas** had unemployment rates lower than the average. While states with the lowest unemployment rates typically have small populations, an enduring economic recovery has resulted in more highly populated states—such as **Minnesota**, **Missouri**, **Virginia**, and **Wisconsin**—having rates of 3% or lower.

This update holds no big changes and no big surprises. Its most notable feature is the new population estimates that point to even more tepid growth in the nation's population. Low birth rates will have important economic implications down the road, while low immigration rates may have a more immediate impact. Unemployment rates are at historic lows; muted growth in the workforce may exacerbate the stresses and strains of this long-lived economic expansion.

THE CONTINUUM OF STATE FISCAL STRESS

Reports developed the Continuum of State Fiscal Stress to give a sense of the challenges states face in a given fiscal year. This edition of the continuum focuses on fiscal year (FY) 2018, which for 46 states ended in June 2018. The continuum uses data reported to the National Association of State Budget Officers (NASBO) in its *Fiscal Survey of States*. The continuum is not an assessment of state fiscal management, but an indicator of state fiscal challenges. It focuses on criteria that highlight the state budgeting environment. As such, it tallies state responses to the following four survey components:

1. Did states reduce their FY 2018 budgets at mid-year?
2. Did FY 2018 tax collections meet or exceed expectations?
3. Did states end FY 2018 with balances equal to or greater than 5% of general fund expenditures?
4. Did total balances as a percent of general fund spending decline between FY 2017 and FY 2018?

REDUCING THE ENACTED BUDGET

Frequently, circumstances arise after a budget has been enacted that require a state to provide additional resources to some area of the state budget. Perhaps a natural disaster requires additional state spending, or the state loses a court case that results in additional funding for the affected program.

In periods of fiscal stability and economic growth, states typically respond to unanticipated needs by appropriating additional resources—a net increase in state spending. Such resources typically come from one of two places: accumulated reserves or current-year revenues that exceed budget projections.

In times of fiscal stress and economic contraction, however, accommodating unanticipated spending is more difficult. Reserves may be small or depleted. Revenues may not be meeting expectations. In that case, states have two options:

1. increase revenues to provide the additional resources
2. cut other areas of the budget and funnel those savings to the area(s) of need

A variation on this situation occurs when overall state spending needs have not increased, but revenues fail to meet the levels on which the enacted budget was based.

Most states facing these situations respond by cutting the enacted budget rather than raising taxes at mid-year. For one thing, raising taxes takes time, including a vote of the legislature. For another, tax increases create an economic drag, potentially exacerbating a tenuous situation. If taxes are to be increased, that typically happens in subsequent years.

In a more recent variation, a state may reduce its enacted budget as a proactive measure, or for other reasons. For example, in recent years both **Idaho** and **Utah** have reported that they reduced enacted budgets to recoup unneeded spending authority, rather than to implement a reduction in services or a redirection of funds.

The seven states that reported reducing their enacted FY 2018 budgets are listed below. This is a sharp drop from 20 states that reported FY 2017 budget cuts, and it is Exhibit #1 that FY 2018 was a banner year for state finances.

States Reducing the Enacted Budget
Iowa
Kentucky
Maryland
Montana
Nebraska
Vermont
Wyoming
Source: NASBO, Fall 2018

MEETING THE REVENUE ESTIMATE

If revenues meet or exceed the estimate on which the enacted budget is based, chances are the budget year will proceed without too much disruption. If revenues fall short of projections, however, budgeting can become difficult if there are insufficient reserves to support enacted spending.

While not common, states can miss the estimate for reasons that have nothing to do with a faltering state economy. This happened in FY 2014. Because of federal tax changes, many states saw revenue windfalls in FY 2013, which in turn complicated the estimating process for FY 2014. Even though their underlying economies were stable, some states missed their revenue estimates because of modeling errors.

More recently, 27 states missed their FY 2017 revenue estimates as taxpayers held off on certain taxable events in anticipation of federal tax reform, which was signed into law in December 2017. Once those taxable events occurred, many states experienced a FY 2018 windfall. The list below identifies only two states that reported FY 2018 general fund collections that fell short of the estimates on which the budget was based.

States Missing the Revenue Estimate
Connecticut
Montana
Source: NASBO, Fall 2018

No matter the reason, state budget officials agree that it is better to meet or exceed the estimate than to fall short of it, as shortfalls can lead to the budget cuts described in the previous section. Accordingly, this list with only two states on it is Exhibit #2 of a very good fiscal year.

TOTAL BALANCES

In effect, balances serve as states' savings accounts. They typically are held in one of two forms:

1. operating balances that are carried forward from year to year
2. rainy day fund balances that are squirreled away for times of greatest need

There is an implicit "standard" that states should hold the equivalent of at least 5% of their general fund spending in total reserves, the sum of carryover and rainy day fund balances. Many analysts believe that reserves should be much higher to minimize budget cuts and other disruptions that frequently occur in economic downturns, and several states hold much higher balances.

At the same time, some states have budget management provisions that allow for lower balances. Until recently, **Arkansas** reported a zero balance because of its unique budgeting system. Its ending balance is now transferred to an account that funds one-time projects in the ensuing biennium. **Vermont** sometimes reports a balance of less than 5% because a state statute requires a balance equal to 5% of the previous year's general fund spending.

The seven states listed below ended FY 2018 with balances less than 5% of general fund spending. This compares with 14 states in FY 2017. It is Exhibit #3 in the argument for stellar state fiscal conditions in FY 2018.

States with Balances Less than 5%
Arkansas
Illinois
Kentucky
Louisiana
New Jersey
Pennsylvania
Virginia
Source: NASBO, Fall 2018

DECLINING RESERVES

The final component of the continuum is whether states are building their reserves or spending them. This component is included because it can be an early indicator of structural imbalance—revenues are insufficient to finance current spending. In FY 2018, only 15 states reported declining balances as a share of general fund spending, after 35 states did so in FY 2017. The next table lists them.

States with Declining Balances
Alaska
Florida
Hawaii
Illinois
Indiana
Kentucky
Louisiana
Michigan
Minnesota
Nebraska
New Jersey
Rhode Island
Tennessee
Texas
Virginia
Source: NASBO, Fall 2018

In recent years, many states have accumulated large balances; reducing them may not be a sign of fiscal stress. For example, **Nebraska's** balances declined from 21.4% of general fund spending in FY 2017 to 18.2% in FY 2018. While large reserves may keep potentially productive resources out of the state economy, *Reports* does not penalize states for maintaining them. Including **Nebraska**, NASBO reports 30 states ending FY 2018 with balances equal to or greater than 10% of general fund spending. Among the most notable examples are **Wyoming** (100.5%), **Alaska** (57.1%), **West Virginia** (25.7%), and **Oregon** (25.5%).

PUTTING IT TOGETHER

Reports takes the four components outlined here and combines them into a Continuum of State Fiscal Stress. A state receives one point for each component that indicates fiscal stress. A state that didn't reduce its FY 2018 budget, met or exceeded its FY 2018 revenue estimate, held FY 2018 balances equal to or greater than 5% of general fund spending, and maintained or increased its balances in FY 2018 would be under no fiscal stress with a score of zero points. A state with all those conditions would receive four points; scores range from 0-4. The table below summarizes the very strong FY 2018 results.

The continuum is not intended as a tool to evaluate fiscal management, but a tool to evaluate the fiscal environment in which that management occurs. It identifies obstacles budget managers face but it doesn't assess whether decision makers have responded to those obstacles in the appropriate way.

The FY 2018 continuum lists more than half the states (27) with no symptom of fiscal stress. This compares to seven states in FY 2017, 11 in FY 2016, and 12 in FY 2015. This is indicative of the

Continuum of State Fiscal Stress, FY 2018

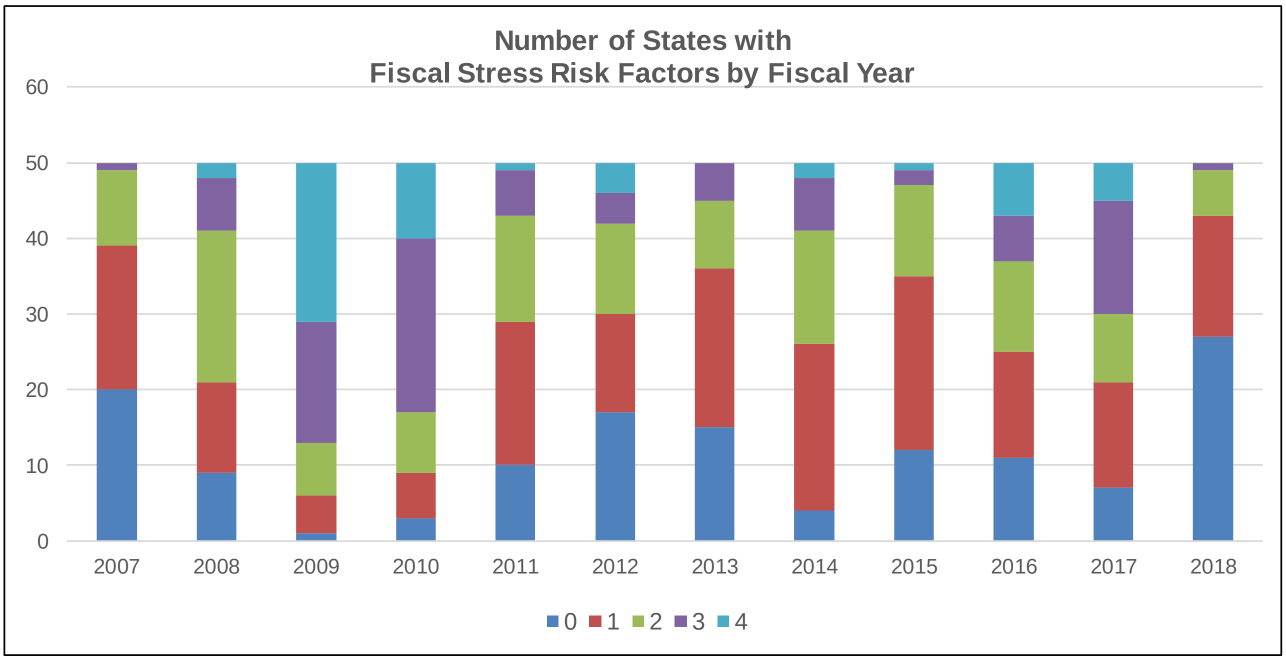
0	1	2	3	4
Alabama	Alaska	Illinois	Kentucky	N/A
Arizona	Arkansas	Louisiana	**1**	
California	Connecticut	Montana		
Colorado	Florida	Nebraska		
Delaware	Hawaii	New Jersey		
Georgia	Indiana	Virginia		
Idaho	Iowa	**6**		
Kansas	Maryland			
Maine	Michigan			
Massachusetts	Minnesota			
Mississippi	Pennsylvania			
Missouri	Rhode Island			
Nevada	Tennessee			
New Hampshire	Texas			
New Mexico	Vermont			
New York	Wyoming			
North Carolina	**16**			
North Dakota				
Ohio				
Oklahoma				
Oregon				
South Carolina				
South Dakota				
Utah				
Washington				
West Virginia				
Wisconsin				
27				

Source: NASBO, Fall 2018

tailwinds state budget managers enjoyed in FY 2018. Sixteen states encountered one symptom of fiscal stress in FY 2018, up from 14 in FY 2017 and FY 2016. At the other end of the spectrum, not a single state faced all four sources of fiscal stress in FY 2018, and only **Kentucky** encountered three sources.

All in all, the FY 2018 results are about as good as it gets, as the chart below shows. For the fiscal years listed, FY 2018 has the largest share of states encountering less than two of the four sources of fiscal stress on which the continuum is based. Moreover, it is one of only three years when no state faced all four sources of stress (the others were FY 2007 and FY 2013).

Like the Index of State Economic Momentum, this iteration of the Continuum of State Fiscal Stress presents a positive picture. However, this extremely strong fiscal situation may be less sustainable than the nation's current economic momentum. As the chart at the bottom of the page makes clear, state fiscal conditions are dynamic. Much of FY 2018's strength owes to one-time federal tax reform that boosted revenues in many states. That will not recur in FY 2019, even if the national economy continues to hum along. That said, it's good to see strong fiscal results, if only they weren't so reminiscent of FY 2007.



TECHNICAL NOTES

State Economic Momentum. The Bureau of Economic Analysis (www.bea.gov) publishes quarterly state personal income data. Employment levels are published by the Bureau of Labor Statistics (BLS) (www.bls.gov), as are state unemployment rates. Population counts and estimates are available at www.census.gov.

State Fiscal Stress: www.nasbo.org/reports-data/fiscal-survey-of-states.

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