OECD Fiscal Network

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First some context: Features of State-level of government in the U.S.

- History and culture of local autonomy

- No direct budget or revenue oversight by U.S. government

- States are central <u>and</u> SNG authorities

- Recent recessions and pandemic tested formal and informal cooperation

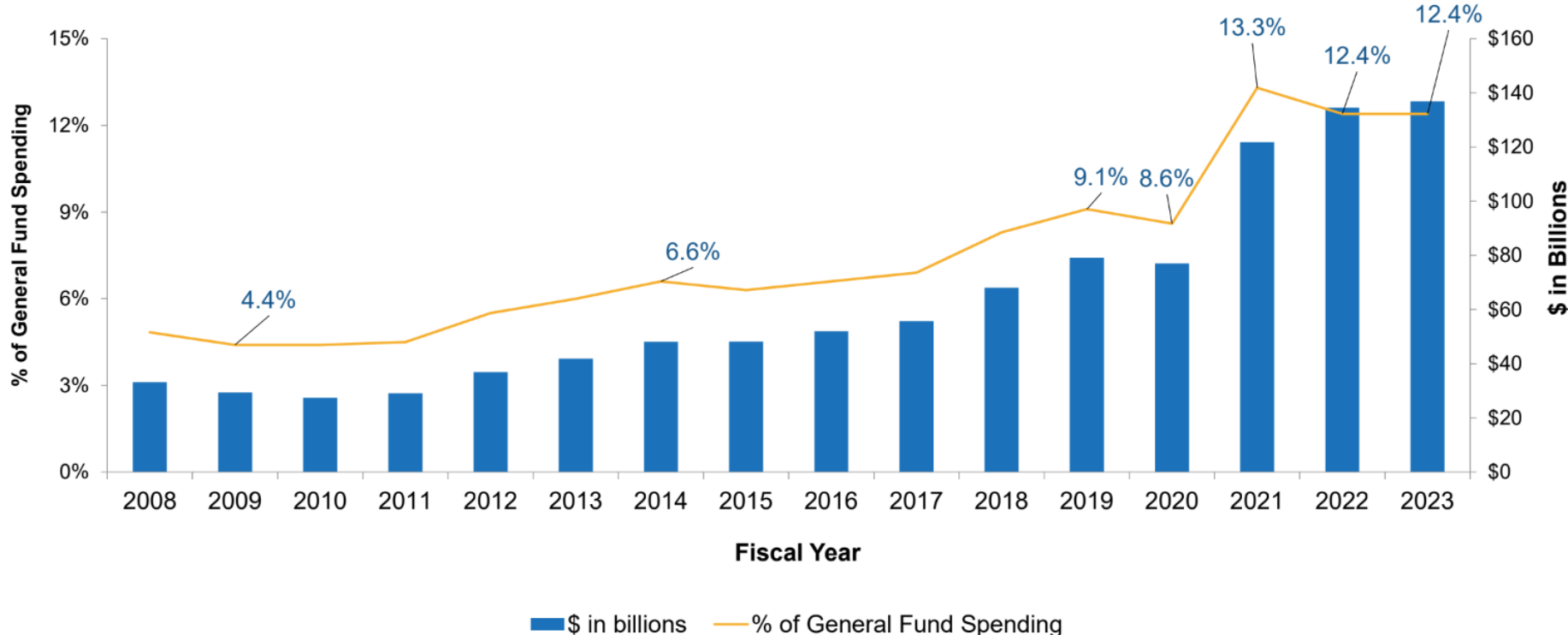# Effective Intergovernmental Cooperation in a Decentralized System

1. Principles for Recession Response

2. Principles for Disaster Response

3. Appendix: U.S. state impediments/advantages to effective intergovernmental cooperation

Principles for recession response include flexibility, speed, and a culture of open communication and sharing.
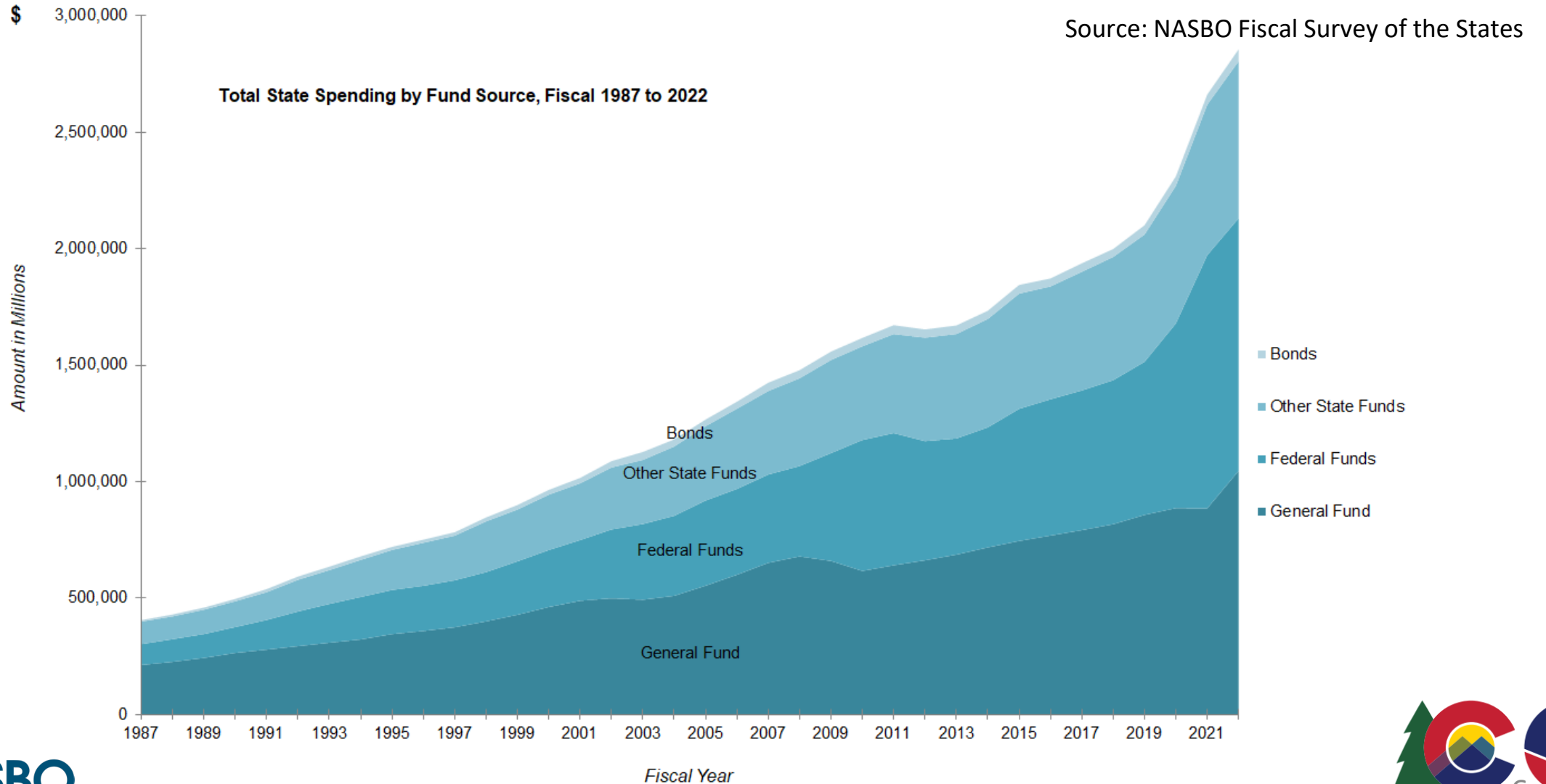
Flexible aid can vertically align fiscal policy

State Rainy Day Funds -- Markers of Belt Tightening

Chart showing State Rainy Day Funds with bars ($ in billions) and line (% of General Fund Spending), Fiscal Years 2008–2023. Labeled data points: 4.4%, 6.6%, 9.1%, 8.6%, 13.3%, 12.4%, 12.4%.

Legend: $ in billions — % of General Fund Spending

- **2008-09** states forced to tighten belts despite ARRA enactment (required application and reimbursement)

- **2020-21** state general fund revenues and spending increased with CARES and ARPA (issued direct to state treasuries, with relatively fewer strings)

Source: NASBO Fiscal Survey of States

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Tight controls can slow spending and counter stimulus

Source: NASBO Fiscal Survey of the States

**Total State Spending by Fund Source, Fiscal 1987 to 2022**

Culture of open communications and data sharing advances horizontal cooperation

- NASBO resources
  - Ready-made network for sharing real time updates on revenue and expenditure trends
  - Data analysis and testimony to Congress on pandemic fiscal impacts
  - Answers to state questions on stimulus implementation
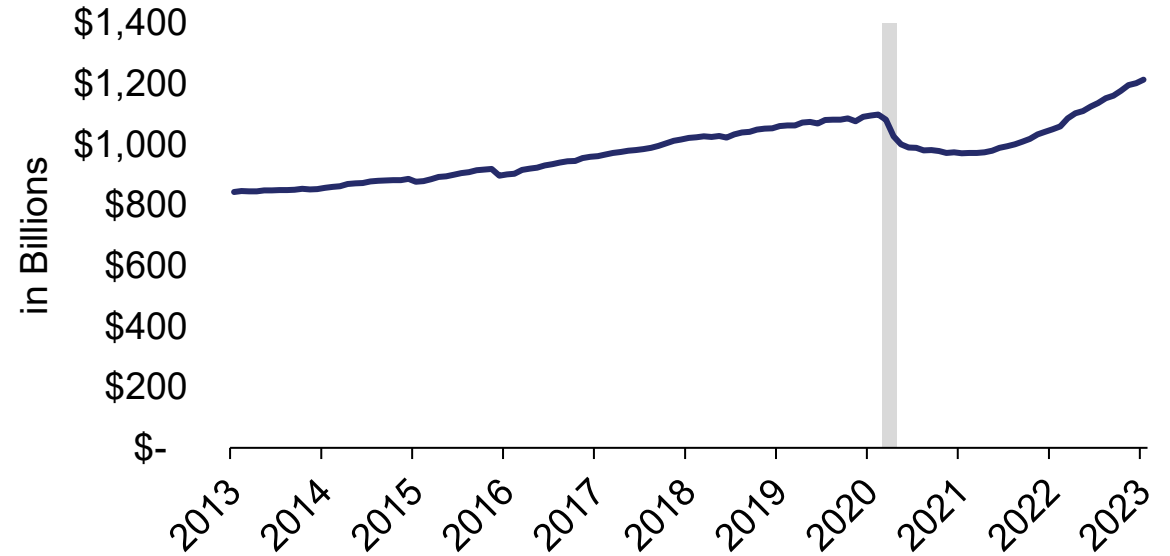 - Resources for unwinding emergency declarations

Will we be tested again soon?

U.S. Savings Rate is fourth lowest on record, after the years leading up to the Great Recession
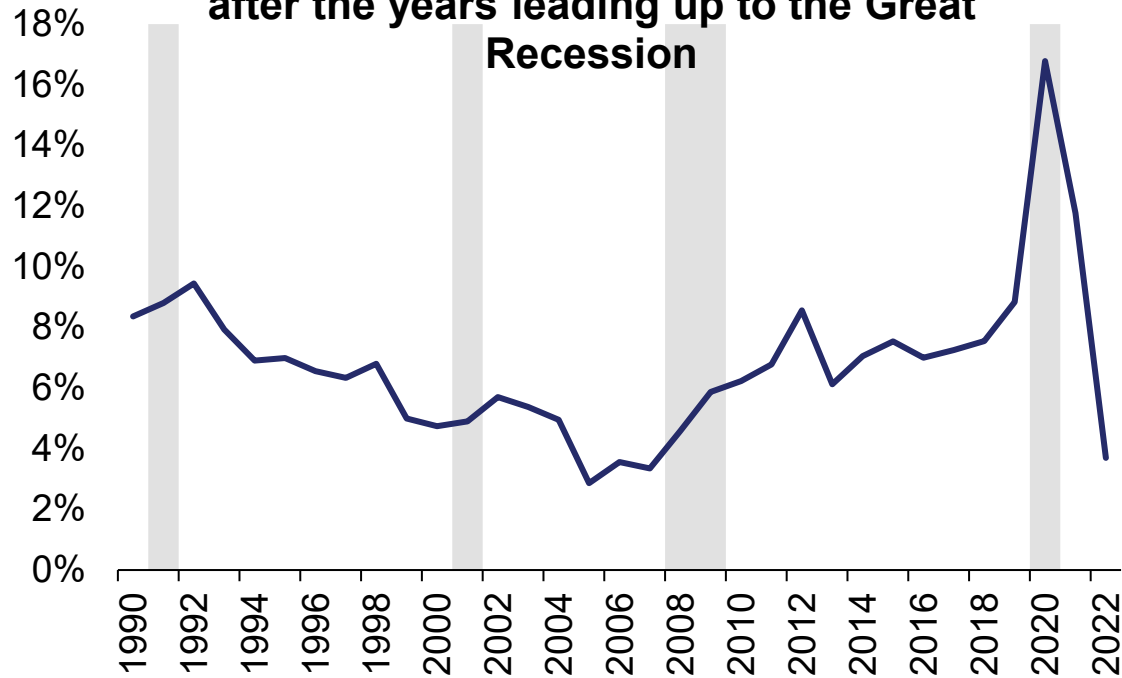
Note: Shaded areas denote recession
Source: Bureau of Economic Analysis

Revolving Consumer Credit Q42022 Largest Jump on Record

Note: Shaded areas denote recession
Source: Board of Governors of the Federal Reserve System

Principles for disaster response include remember the big picture, be noisy, and never let a good crisis go to waste.

Disaster budgeting may not be tied to best ROI

- Remember the big picture, for ex, Schools reopening drives economy
  - Tight FEMA budget controls that funded only PCR testing threatened workforce

- Be noisy, if procurement looks like the "wild west," it's probably at the wrong level of government
  - Colorado's PPE Response podcast
  - Staffing agencies charging 4-5x for nurses

Never let a good crisis go to waste

Prep for next pandemic

Colorado enacted new flexible funding for public health response, previously funding tied to disease

Includes flexible funds to Local PHAs

Harness pandemic lessons to mitigate other disasters

Colorado and other states using stimulus dollars to harden against wildfires

Includes better coordination among federal, state, and local lands

Analyze pandemic workforce data for long-term vulnerabilities

For ex, labor gaps linked to lack of access to childcare, upskilling

NASBO identifying regional/national financial solutions

Questions?

Lauren Larson is the elected President of the *National Association of State Budget Officers*, a 75-year old membership organization for chief financial advisers to Governors in all 50 states. In Colorado, she holds a Cabinet position as Executive Director of the *Governor's Office of State Planning and Budgeting*, where she has led the state's fiscal response to the COVID-19 pandemic and the deployment of federal stimulus. Larson is responsible for developing the Governor's annual budget, forecasting State revenue, and conducting research and evaluation of programs. She also brings experience in state operations and agency leadership, serving as Colorado's statewide Director of State Operations and directing a regulatory licensing agency.

Prior to joining the State of Colorado, Lauren served as Chief of the Treasury Branch under Presidents Bush and Obama, where she managed a $50 billion budget at the White House Office of Management & Budget and ensured strong fiscal controls for the $700 billion Troubled Asset Relief Program (TARP). Lauren also worked as an economist at PricewaterhouseCoopers, later becoming a senior advisor at the U.S. Department of the Treasury, Internal Revenue Service. Early in her career, Larson managed projects at nonprofits in London and New York City. She holds degrees from Syracuse University (BA) and the University of Michigan (MPP), and is an elected Fellow of the *National Academy of Public Administration*.
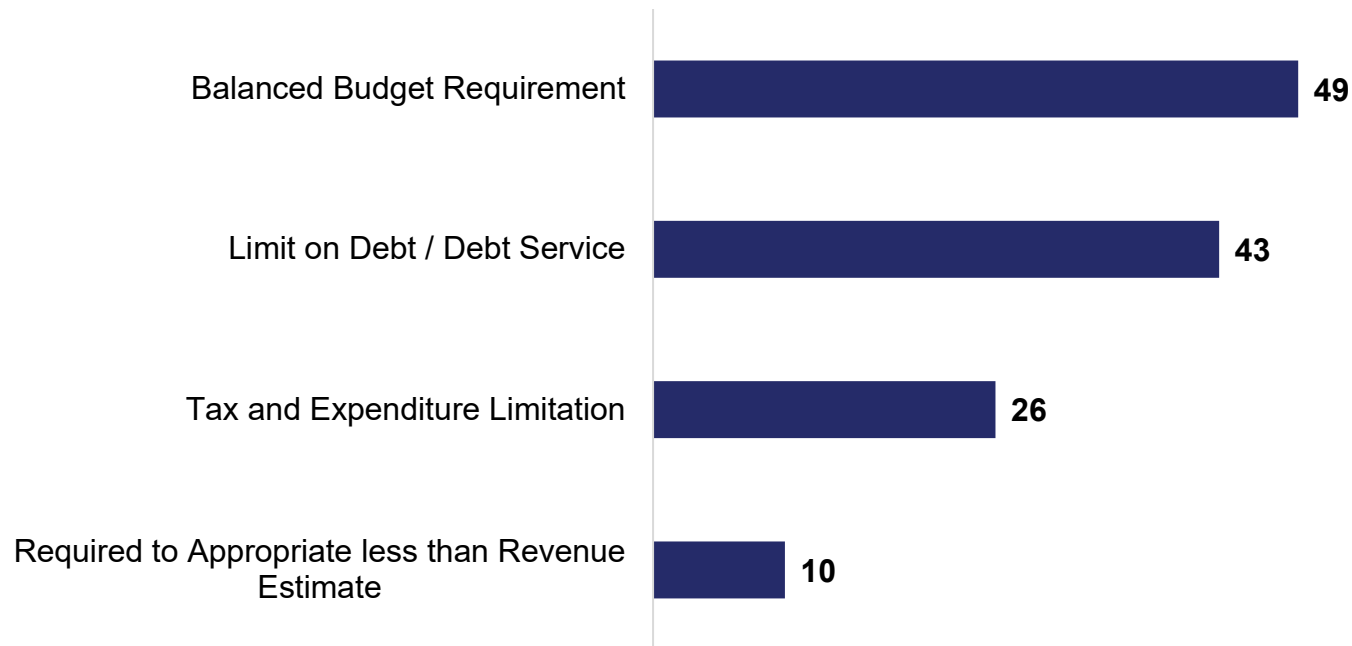
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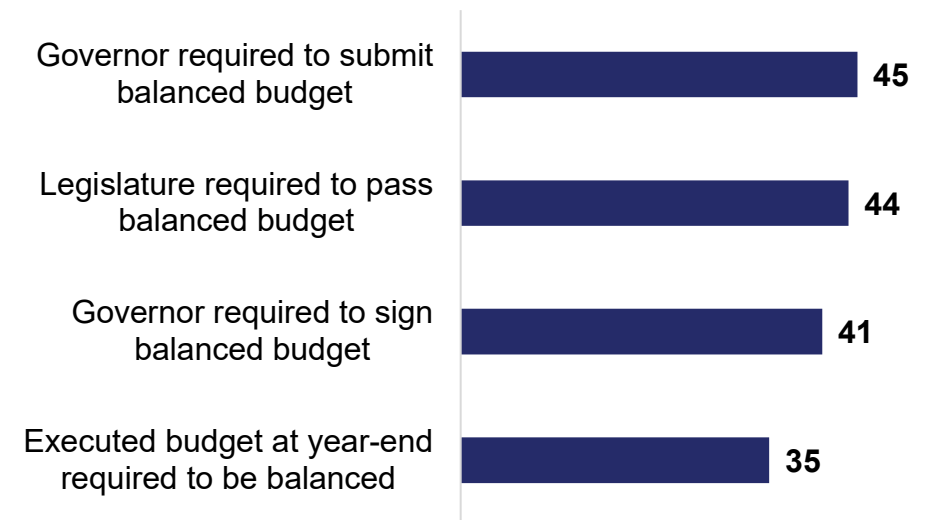
Appendix: U.S. States

Impediments/advantages to effective intergovernmental cooperation

While U.S. States have significant revenue/budget autonomy relative to most SNGs, restrictions exist
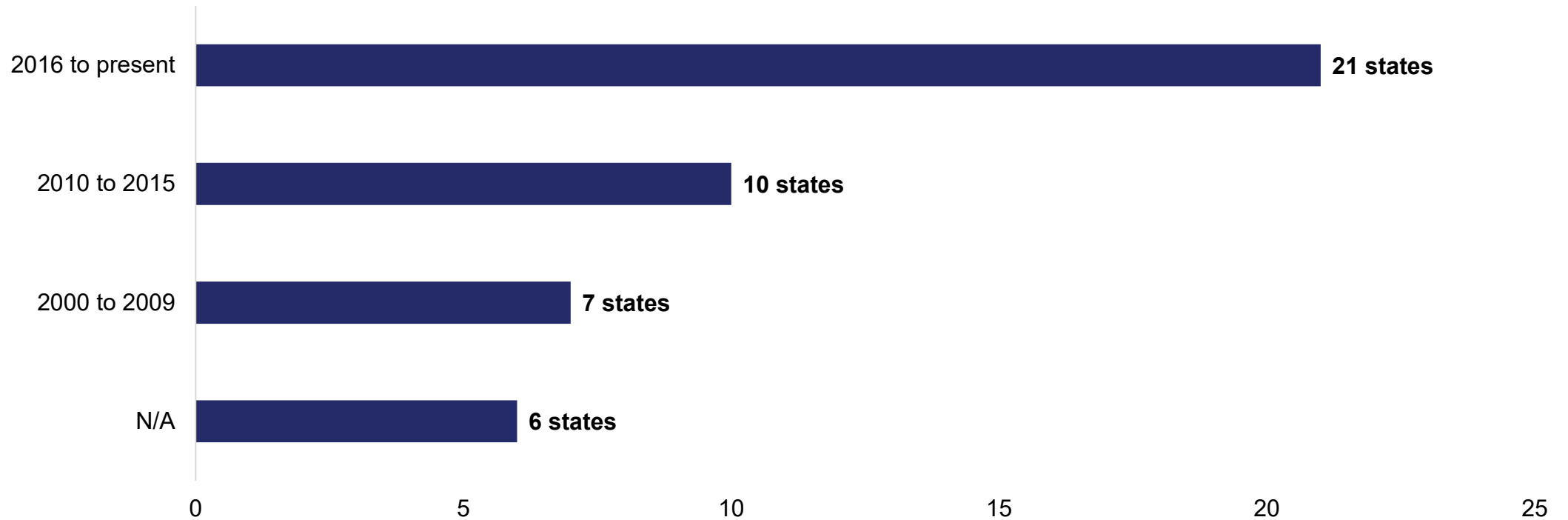
Limitations on State Budgets

Limitation	Value
Balanced Budget Requirement	49
Limit on Debt / Debt Service	43
Tax and Expenditure Limitation	26
Required to Appropriate less than Revenue Estimate	10

Types of Balanced Budget Requirements

Requirement	Value
Governor required to submit balanced budget	45
Legislature required to pass balanced budget	44
Governor required to sign balanced budget	41
Executed budget at year-end required to be balanced	35

NASBO
NATIONAL ASSOCIATION OF STATE BUDGET OFFICERS

Intergovernmental data sharing hampered by outdated systems*

Most Recent Update to Enterprise Financial Management System

Category	States
2016 to present	21 states
2010 to 2015	10 states
2000 to 2009	7 states
N/A	6 states

*New federal Financial Data Transparency Act (FDTA) may help

Data sharing also hampered by state-specific complexity

Number of Bills Making Up Enacted Budget

14 states	16 states	5 states	9 states	5 states
1	2 to 5	6 to 10	11 to 20	20 to 187
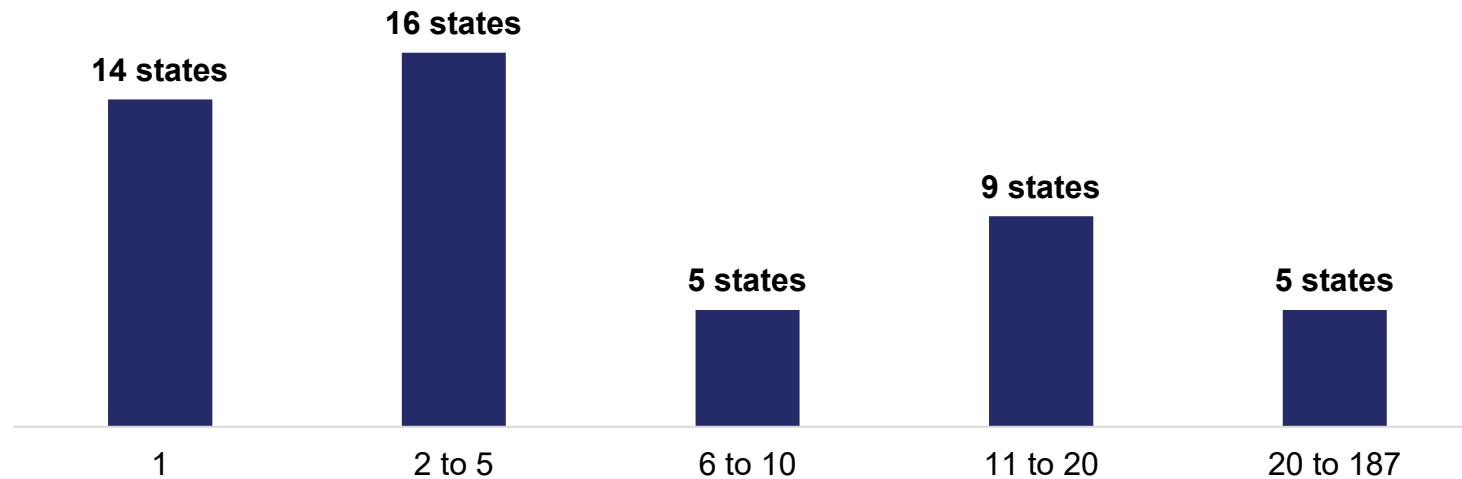
- 30 states follow an annual budget process
- 20 states budget on a biennial basis

But increasingly, U.S. States tying budget to data and performance

RESULTS FOR AMERICA

drives friendly competition

1. Strategic Goals

The state has statewide strategic goals that are public, quantitative, published regularly, customer oriented, aligned, equity oriented, and publicly informed.

LEADING EXAMPLE
Colorado

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2. Performance Management

The state has achieved better outcomes through an enterprise performance management system that engages state leaders in using performance data to continuously improve results.

LEADING EXAMPLE
Washington

LEARN MORE

3. Culture

The state has a culture that supports the sustainable use of data and evidence to deliver results in a transparent, equitable, and ethical manner.

LEADING EXAMPLE
Colorado

LEARN MORE

4. Innovation

The state uses innovation to achieve its priority goals and improve results for residents.

LEADING EXAMPLE
Maryland

LEARN MORE

5. Data Leadership & Governance

The state has senior leadership and governance structures with the mandate to equitably use data to improve results.

LEADING EXAMPLE
Connecticut

6. Data Policies

The state has data policies that outline the principles, people, and activities that govern its data collection and use.

LEADING EXAMPLE
Colorado

7. Data Infrastructure

The state has improved outcomes through technology infrastructure that allows it to efficiently collect, inventory, and share data.

LEADING EXAMPLE
Ohio

8. Data Use

The state has improved outcomes by combining and analyzing cross-agency data to inform policy, budget, or management decisions.

LEADING EXAMPLE
Indiana

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