NORTHERN TRUST
ASSET MANAGEMENT

STATE BUDGETS IN 2020

STRONG REVENUE PERFORMANCE IN 2019; GROWTH WILL MODERATE IN 2020

Fiscal Year (FY) 2019 revenues universally exceeded budget expectations. No states made mid-year budget cuts based on revenue shortfalls. That's down from a peak of 41 in FY2009 and 22 states in FY2017. The revenue outperformance has allowed 28 states to add to reserves.[1] Median rainy day fund levels hit an all-time high of 7.5% of general fund spending, up from 1.6% in fiscal 2010.[2] At the median, states are more resilient now than the prior year, but outliers still exist.

The strength in FY2019 revenues is attributed primarily to Federal tax reform limiting deductions, but also an expanding economy, rising labor force, wage growth, and improved sales tax collections. Anticipating this movement, Northern Trust's municipal research team moved the state sector outlook from negative to stable at the start of 2019. While we expect this stable outlook will continue in the next 12 months, our base case has revenue growth moderating.

Key takeaways for 2020 include:

- Most states are planning 2-4% revenue growth, which is adequately conservative.
- Nearly half of states are projecting an increase in reserves of greater than 1% (of expenditures).
- Budgets are generally balanced for 2020. Outliers vary from modest to severe.
- States with imbalanced budgets and challenged/very weak resiliency share common attributes including very large pension liabilities, underfunding of those pensions, weakening demographics/out-migration, and weak fiscal management.
- Education is the primary beneficiary of budgeted revenue growth. Pension costs continue to grow, particularly for seriously underfunded plans. Medicaid spending is projected to slow slightly to 4%.

Stephanie Woeppel
Director

Andrea McKeague
Senior Analyst

Mike O'Leary, CFA
Senior Analyst

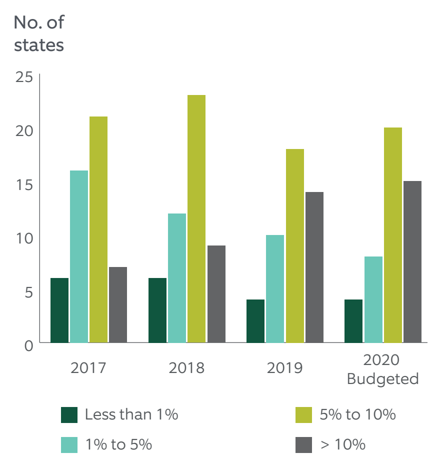
Ashwin Bhat
Analyst

Tim Blair, CFA
Analyst

Melissa Brown
Analyst

Rakshith GV
Analyst

RAINY DAY FUNDS LEVELS GROW



SOURCE: NASBO, Fiscal Survey of States

1 Standard and Poor's. "US States Take Advantage of Prolonged Economic Expansion" May 16, 2019
2 NASBO Fiscal Survey of States Spring 2019

- Only a few states are considering income tax increases (Illinois and New Mexico) in the next 18 months. The broadening of sales taxes to include services is likely to gain traction. Gasoline and "sin" taxes are on the rise, including taxes on gambling, marijuana, cigarettes and vaping, plastic bags, and high sugar products.
- As of July 5, five states (Massachusetts, North Carolina, Ohio, Oregon, New Hampshire) have not yet enacted a budget, compared to two states this time last year.

Budget Assessments: Budget balance is calculated using a full tread water pension payment. *Balanced* budgets allow for up to a 2% gap between revenues and expenditures. As a result, our assessment may differ from the state's own assessment of the budget. 'Tread water' is the sum of the current pension expense and the interest on the unfunded liability. It is the amount required to avoid an increase in the unfunded liability under the assumed rate of return.

Resiliency measures the state's ability to manage a moderate economic downturn without extraordinary measures like external borrowing, new taxes, pension holidays, or significant service/expenditure cuts.

State	2020 Budget Outlook (Balanced allows for up to 2% gap)	Recession Resiliency (ability to manage moderate downturn in 12-18 months)
Alaska	**Imbalanced:** Although oil prices have stabilized, prices are insufficient to plug the massive budget holes for the oil dependent state. Alaska relied on a $2.7 billion (25% of budget) draw from its Permanent Fund reserve to fill the 2019 budget gap and expects another draw to fill the 16% gap in 2020. Over the past four years, Alaska has burned over $14 billion in savings.	**Healthy:** After depleting budget reserves, Alaska passed legislation to draw down its Permanent Fund earnings reserve account to fill budget holes. Alaska maintains a large level of reserves, at over seven times the annual budget. Though short-term resiliency is very strong, continued dependence on reserves to plug budget gaps is not sustainable in the long run.
Arizona	**Balanced:** Arizona will end fiscal 2019 at 6.6% above budget estimates. The 2020 budget is structurally balanced and calls for moderate revenue growth of 3.2%. The budget includes a half billion contribution to reserves and covers the first year of a multiyear teacher pay increase. Pension contribution remains materially below tread water, but minimal as a percent of budget at under 1%.	**Moderate:** Combined reserves at 7.5% of revenue provide a moderate cushion in case of a downturn. Arizona, historically prone to higher revenue volatility, benefits from a lower than average fixed cost burden and provides full annual funding to the pension. Recently enacted pension reforms will help moderate costs going forward.
California	**Balanced:** California had a very strong year in 2019 with 6.5% growth in revenues over the prior year, allowing for a contribution to the rainy day fund and supplemental pension payment that will help reduce future costs. The 2020 budget is suitably balanced and expects an attainable 3.3% additional revenue growth. Budget includes growth in spending for education, healthcare, homelessness and additional reserve contributions. CalSTERs pension continues to fall below moderately tread water funding levels.	**Moderate:** California's fiscal stewardship post-recession has led to strong financial recovery. The State is adequately positioned with 11% reserves and full pay down of recession-era debt. California, though, requires an elevated threshold of preparedness for recession given volatility of revenues and expenses which come as a result of the State's progressive tax structure, dependence on capital gains, benefit spending, and growing pension liabilities. All of these are highly vulnerable to stock market fluctuations. While fixed costs are moderate compared to peers, pension funding is well below pre-recession.

State	2020 Budget Outlook (Balanced allows for up to 2% gap)	Recession Resiliency (ability to manage moderate downturn in 12-18 months)
Colorado	**Balanced:** Colorado experienced 8% revenue growth in 2019, well above expectations. The State projects more modest 3% revenue growth in 2020 as growth will be tempered by a tighter labor market, low oil and gas prices and global trade tensions. The 2020 budget is close to balanced, but held back by persistent underfunding of pension contributions at about 70% of tread water.	**Moderate:** Reserves of 10% provide a moderate cushion against downturn given volatility in revenues and continued annual pension underfunding. Revenue flexibility is constrained by taxpayer bill of rights (TABOR) restrictions that prohibit tax increases and requires the rebate of tax revenue above a certain threshold absent a voter referendum. Overall fixed costs are low at 6.2% of revenues; this reflects low debt and OPEB costs, but does account for pension underfunding.
Connecticut	**Balanced:** Connecticut anticipates a 2.7% surplus in 2019. The fiscal 2020 budget is structurally balanced with no revenue growth and includes a full pension payment. Budget did not include income tax or sales tax rate increase but the sales tax code was broadened to include services. State's movement to build reserves, reduce future debt issuances, and control expenditure growth at least maintains stability in the near term.	**Very Weak:** Reserves of 11% are at the highest level since the recession but are insufficient to hedge the elevated revenue volatility stemming from progressive tax structure and state's exposure to capital gains. Although reserves have increased from 4% a year ago, large and growing fixed cost burden of over 30% of expenditures coupled with large unfunded pension liability and lagging economy will present severe challenges to the state's budget should a downturn occur.
Delaware	**Balanced:** Delaware's 2019 revenue estimates are 4% above the original budget. The 2020 budget projects a modest 2% revenue growth. Budget remains modestly imbalanced with a 2% gap, but includes full annual pension payment and a fully funded rainy day fund at 5.5% of revenues	**Healthy:** Aggregate budget reserves over 17% of spending provides healthy cushion to support a moderate downturn. Fixed costs are moderate given manageable debt and well-funded pensions. Additionally, Delaware is one of few states in the Northeast that has positive net migration, which also supports its resiliency.
District of Columbia	**Balanced:** DC projects a healthy 2019 surplus. The fiscal 2020 proposed budget (10/1 start) is structurally balanced, anticipates 3.3% revenue growth, and includes full annual pension payment.	**Healthy:** DC is well positioned to handle a moderate downturn or a medium term federal government shutdown as 2019 year end combined reserves are a very healthy 27% of expenses. Fixed costs are manageable and pension is fully funded. Revenue volatility is moderate due to federal grant exposure.
Florida	**Balanced:** 2019 revenue collections were above the estimates due to higher than expected corporate income tax collections. Fiscal 2020 budget is structurally balanced with anticipated revenue growth of 1.8% and includes full annual pension payment. Sales tax revenue that comprises 71% of revenue has grown 56% after declining 18% during the downturn. Florida does not have a state income tax and did not benefit from the higher-than-expected individual income tax collection many other states experienced.	**Moderate:** Florida has built up a healthy reserve position after the downturn and the current $4.4 billion or 12.8% in combined reserves provide a moderate cushion for the higher volatility exhibited by the reliance on sales tax. Fixed costs are manageable and pensions are well funded. Florida is well equipped to handle $1.1 billion in net associated cost (after FEMA reimbursements) to recover from the damages caused by Hurricanes Irma and Michael. FEMA reimbursement can take time and limit flexibility.
Georgia	**Balanced:** Georgia projects 5.6% revenue growth for 2019. The state has budgeted for 3.2% revenue growth in 2020 and this is the state's lowest estimate of revenue growth in 10 years. The 2020 budget is structurally balanced and will fully fund the annual pension contribution.	**Healthy:** Budget reserves of over 9% provide strong support to the state. Fixed costs are moderate and pension is well funded. Revenue volatility is moderate and the state has experienced healthy revenue and reserve growth post-recession.

State	2020 Budget Outlook (Balanced allows for up to 2% gap)	Recession Resiliency (ability to manage moderate downturn in 12-18 months)
Hawaii	**Balanced:** Hawaii ended 2019 with revenues slightly above budget. Projecting 3.8% revenue growth, the 2020 is near balanced with a negligible deficit. Reserve draws aren't expected from 2021 onwards but Hawaii's reliance on its reserves in previous years despite economic expansion is a concern. Pension contributions remains modestly below tread-water level.	**Challenged:** Hawaii's highly progressive income tax, above average volatility, and very high fixed cost burden (high debt, unfunded pension and large OPEB liability that the state is prefunding) reduces flexibility and make it more vulnerable in downturns. Projected combined reserve of 12.5% at the close of 2019 is above average, but provides only a moderate cushion to hedge elevated downturn or equity market risk.
Illinois	**Imbalanced:** Illinois revised the 2019 budget to reflect unexpectedly strong April revenues, up by $1.25B. The State has budgeted for $40B in 2020 revenues, up 4% from 2019. Illinois has not presented a balanced budget since 2001 and the 2020 budget continues that trend with a gap of $3 billion, or 8%, due to pension underfunding. The state plans to partially close this budget gap with new tax revenues created from recent legalization of sports betting and recreational cannabis in addition to new taxes on ridesharing, plastic bags, e-cigarettes, cable, and liquor. The backlog of bills stands at $6 billion despite issuance of bonds in 2017 to reduce. The state plans to borrow another $1.5 billion this year to further reduce the backlog. Pension funding remains well below tread-water level.	**Very Weak:** Illinois has no formal rainy day fund and does not use a consensus revenue estimate, resulting in multi-year annual budget misalignments. Illinois has chosen to use short-term fixes such as bond refinancing to buttress spending and one-off loans to fulfill the recurring obligations of public worker pensions and health care benefits. The significantly high fixed costs and huge backlog of bills pressures core government programs such as education, public safety and social services. A ballot initiative (Nov 2020) to adopt a graduated income tax structure passed the legislature, and if passed by voters, would go into effect 2021.This measure alone is not enough to alleviate the massive pension burden of $135 billion.
Kansas	**Imbalanced:** Kansas experienced a healthy 2019 with revenues 4.8% over estimates, leading to higher reserve and pension contributions. The 2020 budget projects a 3.6% structural misalignment due to significant expenditure growth intended to improve the ongoing long-term fiscal pressures, including accelerated repayment of loans, tread water level pension contribution, and increase in state aid to schools. While budget is imbalanced, we feel the state will be better positioned at the close of 2020 given prudent longer-term plans.	**Moderate:** After the reversal of tax cuts (tax relief bill) and strong revenue performance in 2019, reserves increased to 11.9%, may decline to a moderate 7% by the end of fiscal 2020 given the budget gap. Revenue volatility and fixed costs are moderate and the state is budgeting pension contributions at tread water. Kansas continues to combat sluggish economic growth and an above average unfunded pension liability.
Kentucky	**Imbalanced:** Kentucky projects 2019 revenue to be 2.6% over budget, with similar growth expectations in 2020. Despite this, Kentucky continues to project a structural imbalance, at 3.4% in 2020. The imbalance would widen significantly if the state were to account for the underfunding of the pension contribution, currently at 42% of their actuarial required contribution and about 50% of tread water.	**Very Weak:** While revenues are less volatile than peers and current pension costs not expected to escalate as much as peers in a downturn, Kentucky's weak reserves, high fixed costs and highly underfunded pensions are key concerns. Additionally, Kentucky lags the nation in employment and economic growth and also suffers from a weak demographic profile relative to other states. Efforts to implement pension reforms are currently in litigation. Budget pressures would ease slightly if reforms are implemented.

State	2020 Budget Outlook (Balanced allows for up to 2% gap)	Recession Resiliency (ability to manage moderate downturn in 12-18 months)
Louisiana	**Balanced:** Extension of the Sales tax increase in 2018 supports stabilization of Louisiana's finances and provides relief for future budgets. Revenues for 2019 are on track to come in 1% above estimates helped by an improving economy and stabilizing oil prices. 2020 budget is balanced and projects 1.8% revenue growth along with full annual pension payment. Education will see a boost in spending with teachers getting a $1,000 raise and this marks the first statewide teacher raise in a decade.	**Challenged:** Budget flexibility is limited as more than half of the state's general revenue dollars are obligated due to constitutional provisions which have historically led to budget cuts being focused on health care and higher education. Revenue volatility is moderate, but more susceptible to the energy industry. Reserves of 4% are below other energy focused states. Fixed costs of 11% are slightly above peers.
Maryland	**Balanced:** Maryland expects to report a small surplus for 2019. Fiscal 2020 budget is near balanced and projects 2% revenue growth and includes a tread water pension payment. Federal funds, the largest revenue stream is expected to grow by a modest 1%. Expenditure growth will likely outpace revenue growth. Maryland has a track record of filling mid-year shortfalls, and mostly outperforms its enacted budget.	**Moderate:** Projected reserves of 6.5% provide moderate resiliency in case of a downturn. Large government presence and dependency on federal spending provides a unique level of stability to the state, but would be vulnerable to cuts in the federal budget or delays in federal funding. Fixed costs are higher than peers but are manageable and amortize quickly within 15 years. Pension funding is moderate and reform to push teachers' pensions to local governments is positive for state.
Massachusetts	**Imbalanced:** Massachusetts is projecting a small fiscal 2019 operating surplus of 0.6%. The proposed 2020 budget is structurally imbalanced given underfunding of the pension. Favorably, the State anticipates 2% revenue growth allowing for a contribution into the stabilization fund. Massachusetts continues to underfund the pension, at 66% in prior years. As of this report, Massachusetts has not passed the budget for 2020 and there has been no provision for a full pension payment since 2011.	**Challenged:** Massachusetts performs well economically, but is susceptible in the event of a moderate downturn given its elevated fixed cost burden including its underfunded pension, long term debt load and rising healthcare costs. After recent declines, combined reserves of 5.4% provide only a modest hedge against downturn. Annual pension contributions remain inadequate to stem liability and cost growth. Pension is only 60% funded.
Michigan	**Balanced:** Fiscal 2019 revenues are on track with budget estimates and the state transferred $265 million to its rainy day fund. Michigan's financial year begins in October. Fiscal 2020 proposed budget is structurally balanced like the previous seven years, projects 2.3% revenue growth and includes more than the required 100% annual pension payment.	**Moderate:** Fluctuations in oil prices can impact auto sales as Michigan's economy still relies on the cyclical auto sector, but to a lesser degree than previous years. State's rainy day fund has grown significantly to $2.2 billion from just $2 million in 2011. Combined reserves of 21% provide moderate cushion against a downturn. Revenue volatility is above average, fixed costs are manageable and pension plans are adequately funded.
Minnesota	**Balanced:** 2019 projected revenues are closely tracking budget estimates. Fiscal 2020 budget is near balanced and projects 3% revenue growth. Budget includes a pension payment significantly below tread water, but modest as a percent of the budget at under 1%. Recently enacted pension reforms should improve the pension profile.	**Moderate:** Reserves of 10% provide a moderate financial cushion as Minnesota has above slightly elevated volatility, given their dependence on a progressive income tax rate. Fixed costs are low at 6% of budget and will increase modestly due to increase in pension cost as a result of a recent pension reform.
Missouri	**Imbalanced:** State is on track to achieve its 2.5% revenue growth target for 2019. Phased income tax cut for the top tax bracket will reduce revenues over the next several years. The 2020 budget is not structurally balanced with a 3% budget gap as expenditure growth outpaces revenue growth. Reserves will be used to cover the shortfall. Favorably, the budget includes full annual pension payment equal to tread water level.	**Healthy:** With fixed costs lower than peers, below average pension liability and lower revenue volatility, combined reserves of 18% provide healthy cushion.

State	2020 Budget Outlook (Balanced allows for up to 2% gap)	Recession Resiliency (ability to manage moderate downturn in 12-18 months)
Nevada	**Balanced:** For fiscal 2019, the revenue estimates are tracking 3.6% over the budget. The 2020 budget is structurally balanced and projects 4.4% revenue growth. Budget includes tread water pension contribution.	**Moderate:** Combined reserves of 13% provide a moderate cushion for the state where revenue volatility is above average due to dependence on economically sensitive gaming and hospitality revenues. Fixed costs are moderate with low debt and moderately funded pension.
New Jersey	**Imbalanced:** New Jersey is expected to have a $1 billion (2.6%) budget surplus at the end of fiscal 2019. Fiscal 2020 budget is structurally imbalanced while the state projects 3.5% revenue growth. Growth is mostly organic and will come from projected increase in corporate taxes. The state has significantly underfunded pensions for many years with no plans for closing the gap (greater than 5% of budget) in 2020, resulting in rapid growth of the liability. Proposed Millionaire's Tax that would have increased revenues by $447 million was not enacted.	**Very Weak:** After a series of chronic budget deficits and lagging economy, reserves have been depleted to less than 1% of budget. The state's volatility is above average due to a highly progressive tax structure and a population that is taxed at the highest rate in the nation. Debt burden is also high and state severely underfunds its pension. State's largest pension plan is only 40.5% funded. Lacking significant reform toward addressing the state's poor liquidity and pension funding, New Jersey remains mired in the lower rating categories and at risk of a downgrade in recessionary times.
New York	**Balanced:** Revised projections for Personal income tax (PIT) receipts were down by $2.6 billion in 2019. The state closed the gap by cutting expenses and using reserves. 2020 budget is structurally balanced, anticipates 9.3% revenue growth largely due to collection of PIT income that was granted extension from April payment. Budget includes near tread water pension payment. State's new $150 billion 5-year infrastructure plan will help fund MTA infrastructure needs, affordable housing and new schools.	**Moderate:** New York has been historically resilient due to its prudent fiscal management. Fiscal 2020 budget reflects combined reserves to be a good 11.7% of budget. The highly progressive individual income tax dominates the state's revenues and hence revenue volatility is above average. The State's fixed costs are moderate with high debt and a well-funded pension.
North Carolina	**Balanced:** For fiscal 2019, the revenue estimates are tracking over the budget. State utilized its rainy day fund to recover from the damages caused by Hurricane Florence. Fiscal 2020 budget is delayed due to dispute on Medicaid funding and teacher pay increases. Proposed budget is structurally balanced, anticipates moderate revenue growth of 3.1% and includes near tread water pension payment.	**Healthy:** Strong combined budgetary reserve of 26% of spending provides healthy cushion to support a moderate downturn and respond to future contingencies. State also has access to $2 billion in other reserves that provide additional liquidity. Revenue volatility is moderate as the state replaced a progressive personal income tax system with a flat rate in 2014. Fixed costs are low given manageable debt and well-funded pensions.
Ohio	**Balanced:** Ohio expects to report a small surplus for 2019. The budget for fiscal 2020 has not been enacted (as of July 12) as negotiations continue in the senate. The proposed 2020 budget projects 3.9% revenue growth. Ohio has implemented a tax-cut package over 6 years providing $6 billion in tax relief. Budget includes tread-water level pension contribution.	**Moderate:** State is susceptible to changes in trade policies as auto manufacturing and agriculture, particularly soybeans, are the leading industries. Projected reserves of 10% provide moderate cushion. Ohio's revenue volatility is moderate and slow economic growth is expected to continue due to slowing population growth and an aging workforce. Pensions are well funded.
Oklahoma	**Balanced:** Revenues for 2019 are tracking 6.3% above estimates and 15.3% above last year partially due to tax increases enacted in 2018. Revenues have improved with the recovery in oil prices, but the economy remains dependent on the energy sector and allocated revenues for many departments remain below 2009 levels. 2020 budget is structurally balanced and projects 2.8% revenue growth. Pension funding can be volatile given formula-based funding, but is projected at well above tread water in 2020.	**Moderate:** Reserves have improved to 7% of budget but due to better than forecasted revenues for 2019, state anticipates depositing surpluses into the rainy day fund which will increase combined reserves close to peak levels of 15%. While state is less volatile in general recession, revenue will sway significantly with oil and gas pricing given heavy industry presence. Flexibility is somewhat limited since many agencies experienced funding reductions which makes further cuts increasingly difficult. Debt levels are low and fixed costs are average.

State	2020 Budget Outlook (Balanced allows for up to 2% gap)	Recession Resiliency (ability to manage moderate downturn in 12-18 months)
Oregon	**Imbalanced:** Oregon posted strong revenue performance for the 2017-19 biennium and grew 10.3% over the previous biennium. As of this writing Oregon has not enacted its budget due to a political stalemate. The 2019-2021 proposed biennium budget projects 5% revenue growth. The proposed budget is structurally imbalanced with 4% deficit that will be plugged with reserves along with moderate underfunding of pensions. Federal tax reforms will generate a surge in state tax collections, much of which will be temporary in nature and Oregon's unique kicker law will mute expected revenue growth.	**Healthy:** Oregon's heavy reliance on a progressive income tax structure results in somewhat elevated volatility. Fixed cost burden is moderate and pensions are currently well funded but funding ratio is expected to decrease. Combined budget reserve of over 11% provides a moderate cushion to absorb short-term shock. Oregon also has access to substantial reserves through inter fund borrowing which it can utilize in case of a downturn.
Pennsylvania	**Balanced:** Fiscal 2019 revenues are projected to be above budget expectations largely due to a boost in revenues from newly instated online sales taxes as well as the federal tax law changes. Fiscal 2020 budget is balanced, projects 2.8% revenue growth allowing for a small surplus and a modest contribution to the rainy day fund. Budget includes full annual pension payment but is still below tread-water level. State has also expanded its tax base in recent years to include gaming, cigarettes and alcohol to boost revenues in the last two years.	**Challenged:** After carrying negative general fund reserve in recent years, Pennsylvania anticipates a small positive combined reserve of 0.1% at 2019 close. Volatility is relatively low, and although overall debt is moderate, fixed cost burden is elevated due to underfunded pension liabilities and growing pension contributions. The state will be challenged to handle a moderate downturn given depleted reserves, lagging economy, and aging demographics.
Texas	**Imbalanced:** Texas anticipates ending fiscal 2019 with revenues coming in around 3% ahead of conservative projections. The state's 2020-2021 biennium budget projects 8% revenue growth over the 2018-2019 period based on organic growth and stabilization in energy markets. The state continues to underfund the pension at over 2% of budget, but has maintained stable funding given robust growth of active employees.	**Healthy:** Generally conservative budget estimates, relatively low volatility, and strong reserves over 20% provide a strong cushion to counter downturn or storm risk. The economy continued to strengthen based on improvement in the energy markets which is positive, but does highlight the reliance upon energy. Fixed costs are average at 8.8%, but would be higher at 11.5% if made tread water pension contribution.
Washington	**Balanced:** Fiscal 2019 revenues were a healthy 3.6% above budget estimates and 9.6% over the prior year. Fiscal 2020 budget is near balanced, projecting a moderate 3.1% revenue growth. The budget includes a full tread water pension payment and uses reserves to plug the modest deficit. The budget includes significant education spending.	**Healthy:** Healthy combined reserves of 14% provide a good cushion to support below-average volatility in the sales tax and export based revenue structure and rising K-12 education expenditures. Fixed costs are manageable, incorporating a high debt load and well-funded pensions. We note elevated exposure to international trade agreements.
Wisconsin	**Balanced:** Historically plagued by structural imbalance, the state ended 2019 with a structural balance and made contribution to its rainy day fund. The 2020 budget is near balanced and projects a moderate 2.6% organic revenue growth. Budget includes sufficient tread water pension payment.	**Healthy:** Per generally accepted accounting principles (GAAP), Wisconsin continues to carry a negative balance. However, with cash reserves of 8.4%, low volatility, low fixed costs, and strong pension funding, the state will be comparably well positioned in a downturn.

Sources: Northern Trust Research, State budget and performance documents, CAFRs, Merritt Research Services, Moody's Investors Service, Standard and Poor's.

northerntrust.com Q62754 (7/19)