

The Fiscal State of the West and Preparing for the Future of Work

Hosted by the Westrends Board, the [Legislative Exchange](#) session on November 10 addressed the fiscal state of the West and preparing for the future of work. The session aimed to provide a high-level overview of the current state fiscal condition in the region and insights of what states, in collaboration with private, nonprofit and other stakeholders, are doing to prepare for the future of work.

Fiscal State of the West

Kathryn Vasey White, Director of Budget Process Studies with the [National Association of State Budget Officers \(NASBO\)](#), kicked off the session by providing a general sense of where states stood prior to the start of the pandemic. According to Ms. White, state budgets were strong, and many had ended FY19 with revenue surpluses, had healthy rainy-day funds, and several states were even showing moderate spending growth. Over the course of the last several months, however, the COVID19 pandemic has had a dramatic impact on state finances.

Ms. White stated that all sources of state revenues (income, sales and other) have been impacted by the COVID19 pandemic and its economic fallout. States have also been impacted differently depending on their key revenue producing industries, tax structures, and other variations within the region. In the West, there are some differences in how states are faring and it's still too soon to tell the full impact. For instance, oil producing states are getting hit hard by both declining economic activity and the collapse in oil markets. States dependent on tourism revenue have been affected by travel bans from other states, as well as international travel restrictions.

Policymakers were cautioned from comparing the state fiscal impacts from this year to the Great Recession during fiscal years 2008-2010 which included significant drops in revenue from corporate and personal income taxes.

According to Ms. White, because of those steep declines, coupled with slow recovery, revenues lagged their inflation levels for a decade. In more recent years, revenue growth was robust in the years leading up to pandemic.

Ms. White indicated that states are not only seeing revenue loss but also spending increases in response to virus containment. As a result, several states have already taken actions to overhaul or revise their budgets with more adjustments expected in the coming months.

In FY20, before COVID, most states were exceeding their revenue projections. However, some early data collected in late August showed a three percent decline in revenues, the first-time states saw a decline in revenues since the Great Recession. This reduction occurred despite revenue growth prior to pandemic.

In her presentation, Ms. White highlighted a few key takeaways, which were:

- Many states project multi-billion-dollar revenue declines;
- Revenue projections are a moving target, surrounded by a lot of uncertainty;
- The worst is likely still to come for state tax revenues, as the full economic impacts of the pandemic are felt; and
- Federal stimulus provided some support but has waned.

Ms. White stated that to address their budget shortfalls states will need to consider several options, including making budget cuts (targeted, across the board, personnel), tap their rainy-day funds, look at tax increases, and possible federal support. Several states have already taken actions, including revising their budgets, cancelling increases, and furloughing or laying off workers. Additionally, states have turned to one-time measures which have assuaged some of the negative budget impacts caused by the pandemic. It's too early in the crisis, however, to know the full extent of impacts on next year's budget.

According to Ms. White, Western states tends to release budget recommendations and revenue forecasts earlier and what makes this downturn challenging is the ripple effect on both government revenues and the economy as a whole. Unfortunately, increases in state spending demands will be here for some time, particularly to address the health and economic impacts of the pandemic.

Future of Work

Devon Miner, State Network Manager of the [National Skills Coalition \(NSC\)](#), provided participants with an overview of the work of NCS, which aims to help states develop a more inclusive economy. Some of the on-the-ground experiences that have been observed by partner organizations during the pandemic were shared, which include:

- The need to reimaged program delivery
- Workers being laid off at alarming rates
- Increased health risks (especially for those that were able to keep their jobs due to lack of reliable protective equipment)
- Unreliable access to broadband and devices; and

- Closure of small businesses (particularly those owned by people of color, which have been disproportionately impacted)

Based on these realities, Mr. Miner highlighted recommendations by NCS's recent report, titled [Skills for an Inclusive Economic Recovery](#), which calls for action, greater equity and accountability, and the removal of structural barriers.

The report's recommendations, which are aimed for state and local policymakers, includes the following goals that should be part of any economic recovery:

1. Remove barriers to our nation's safety net for all workers and make it a foundation for new career pathways;
2. Guarantee income, healthcare, training and re-employment support for displaced workers;
3. Ensure publicly funded job creation programs include training and support service investments;
4. Invest in local business to avert more layoffs and encourage upskilling;
5. Support sector partnerships to drive industry-specific training and hiring strategies;
6. Expand access to digital learning for all workers;
7. High quality, job-ready education for those who need to re-enter the labor market, including making college work for working people; and
8. Provide data transparency and accountability regarding who is being included in the recovery.

Examples of programs that have been working to achieve some of the goals stated above were provided including Oregon's Pathways to Opportunities, which is a coalition of community colleges, human service providers and others aimed at closing opportunity gaps. Another program highlighted was South Dakota's

Upskill that provides online certificates for short term employment assistance. The efforts by the City of Long Beach, California, which has provided additional skills building and support for workers through the federal Cares Funds, were also highlighted.

Mr. Minor concluded his remarks by stating that policymakers have an opportunity to shape their state's responses to the pandemic and to ensure the economic recovery is inclusive.

CSG Future of Work Efforts

CSG's senior policy analyst, Sean Sloane, provided a brief overview of CSG's [National Task Force on the Future of Work](#), which has included the engagement of both state policymakers and private sector partners. The work of the task force has been conducted via four subcommittees resulting in a report that includes 37 broad policy recommendations. In addition to the recommendations, the report includes a section on education during the COVID era. Areas addressed include instruction, attendance, learning loss, preparedness and remote instruction.

The task force is comprised of four subcommittees and Mr. Sloan highlighted some of the key areas of focus of the subcommittees. The Workforce of Tomorrow subcommittee has focused on two areas: how states can foster lifelong learning opportunities addressing the need of future workers to be self-motivated and lifelong learners, including reskilling; and how states can redefine measurements of success for lifelong career readiness. According to Mr. Sloan, CSG's report speaks to how K12 education may need to be reshaped, the importance of apprenticeships, connecting students with employers, and how standardized testing may need to be reexamined.

The Smart Government subcommittee has focused on the digital transformation in government. The What's Next: Embracing the Future subcommittee has focused on access to broadband, data privacy, and portable benefits. Addressing how states can be model employers to foster equity and inclusion in the workplace has been the focus of the Equity and Inclusion subcommittee.

Mr. Sloan invited attendees to learn more about the report, which will be launched during CSG's National Conference Reimagined – The Future of Work: New Strategies for a New Economy. Recordings of the session are available [online](#).

If you missed this *Legislative Exchange* session, be sure to check out the [recording](#).