State Stress Tests – COVID 19
Managing Stress

Moderate Stress Scenario

» Deep recession in first half of 2020 followed by modest rebound. Travel and business restrictions in effect through late second quarter.

» Peak jobless rate of 13% in 2020Q2. Peak-to-trough real GDP decline of 10%.

Severe Stress Scenario

» Travel and business restrictions last into the third quarter, delaying recovery and causing more long-term disruptions.

» Peak jobless rate of 17%. Peak-to-trough real GDP decline of 14%.
Unemployment Drives Medicaid Higher

Number of unemployed people in the U.S., mil

Sources: BLS, Moody’s Analytics
Wide Range of Revenue Outcomes

Estimated revenue losses, % of 2019 general fund revenues

Source: Moody’s Analytics

Largest impacts (Severe):
- Alaska – 79.6
- Louisiana – 45.7
- North Dakota – 44.3
- West Virginia – 39.4
- Wyoming – 36.9
- New Jersey – 34.7

Smallest impacts (Severe):
- Pennsylvania – 8.2
- Maryland – 10.1
- Massachusetts – 10.5
- Alabama – 11.1
- Arkansas – 11.9
- South Dakota – 12.2
States Better Prepared Than Ever

State fund balances as a % of general fund, state fiscal year

Sources: NASBO, Moody’s Analytics
Economic Stress Is Unprecedented

» 5 states have the reserves they need to absorb severe levels of projected economic stress

» 11 states have most of the reserves they need to absorb the severe scenario

» An unprecedented 34 states would see budget gaps of 10% or more even after using all reserves

Severe Fiscal Shock, % of general fund

Moderate | Severe
---|---
Revenues | 130.4 | 172.1
Medicaid | 27.4 | 31.2
Fiscal Shock | 157.8 | 203.3

Severe Shock Net of Reserves, % of general fund

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Medicaid</th>
<th>Fiscal Shock</th>
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<tbody>
<tr>
<td>$, bil</td>
<td>% of GF</td>
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</tbody>
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Sources: NASBO, Moody’s Analytics
Even Best Prepared States Will Face Tough Decisions

State governments under the severe scenario, $ bil

- **COVID-19 Spending** - $150b
- **Estimated shortfall** - $172b
- **Family First** - $35b
- **CARES** - $110b
- **Reserve draws** - $36b

- Assumes states will initially draw on roughly half of their overall reserves
- Total need for additional federal aid comes to nearly **$200 billion** through FY21
- Impacts through FY22 could be at least another **$100 billion+**
- Shortfalls of this magnitude will lead to massive layoffs and substantially increase the likelihood of local government defaults

Source: Moody’s Analytics
Two Decades Gone in Two Months

State and local government employment, mil

Sources: BLS, Moody’s Analytics