

State Economic Conditions: Trends and Outlook

2017 Higher Education Government Relations Conference

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TAX POLICY CENTER
URBAN INSTITUTE & BROOKINGS INSTITUTION

- Economy is growing, but is it sustainable?
- What are economic conditions across states?
- What might limit economic picture?
 - Still missing workers
 - Uncertainty about federal actions
 - State responses
- What does this mean for higher education?

State economic outlook

- Economy is growing
 - Real GDP growth 2%
 - Annual job growth more than 2 million
 - Unemployment at 4% (above full emp)
 - Underemployment at 8%
 - Manufacturing utilization rates high
 - Stock markets high
 - Consumer spending high and debt to wealth ratios still low
- So why are we worried?

The numbers

Stock market is booming (and driving consumer spending)



Market summary > S&P 500 Index
INDEXCBOE: .INX - Dec 6, 4:51 PM EST



2,629.27 ↓ 0.30 (0.01%)

1 day

5 day

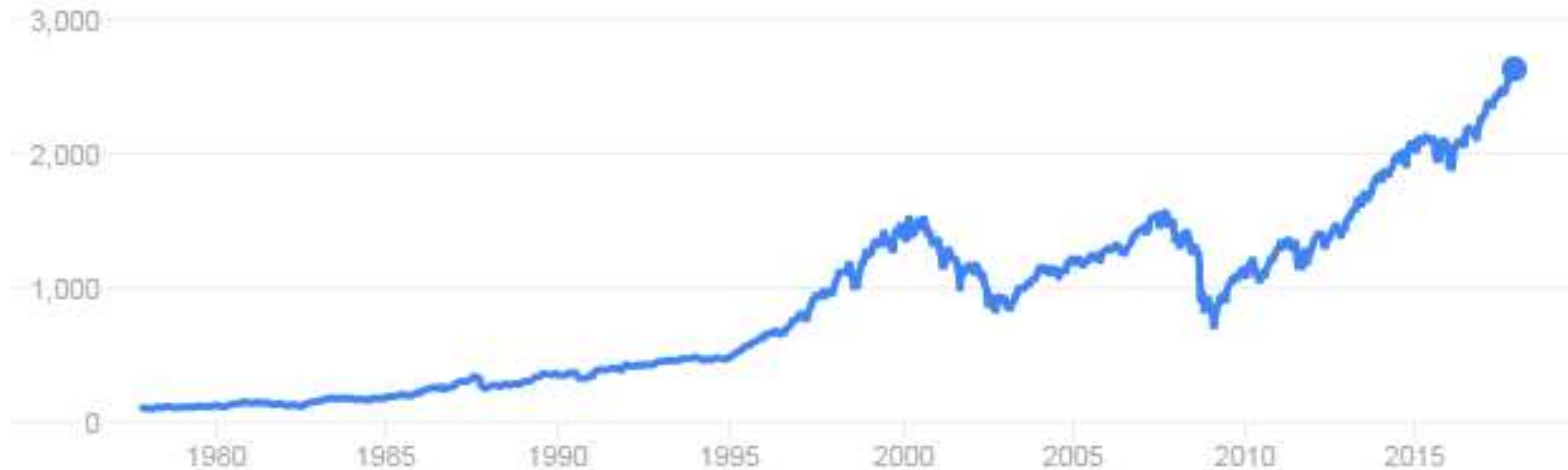
1 month

3 month

1 year

5 year

max



Open 2,626.24
High 2,634.41
Low 2,624.75

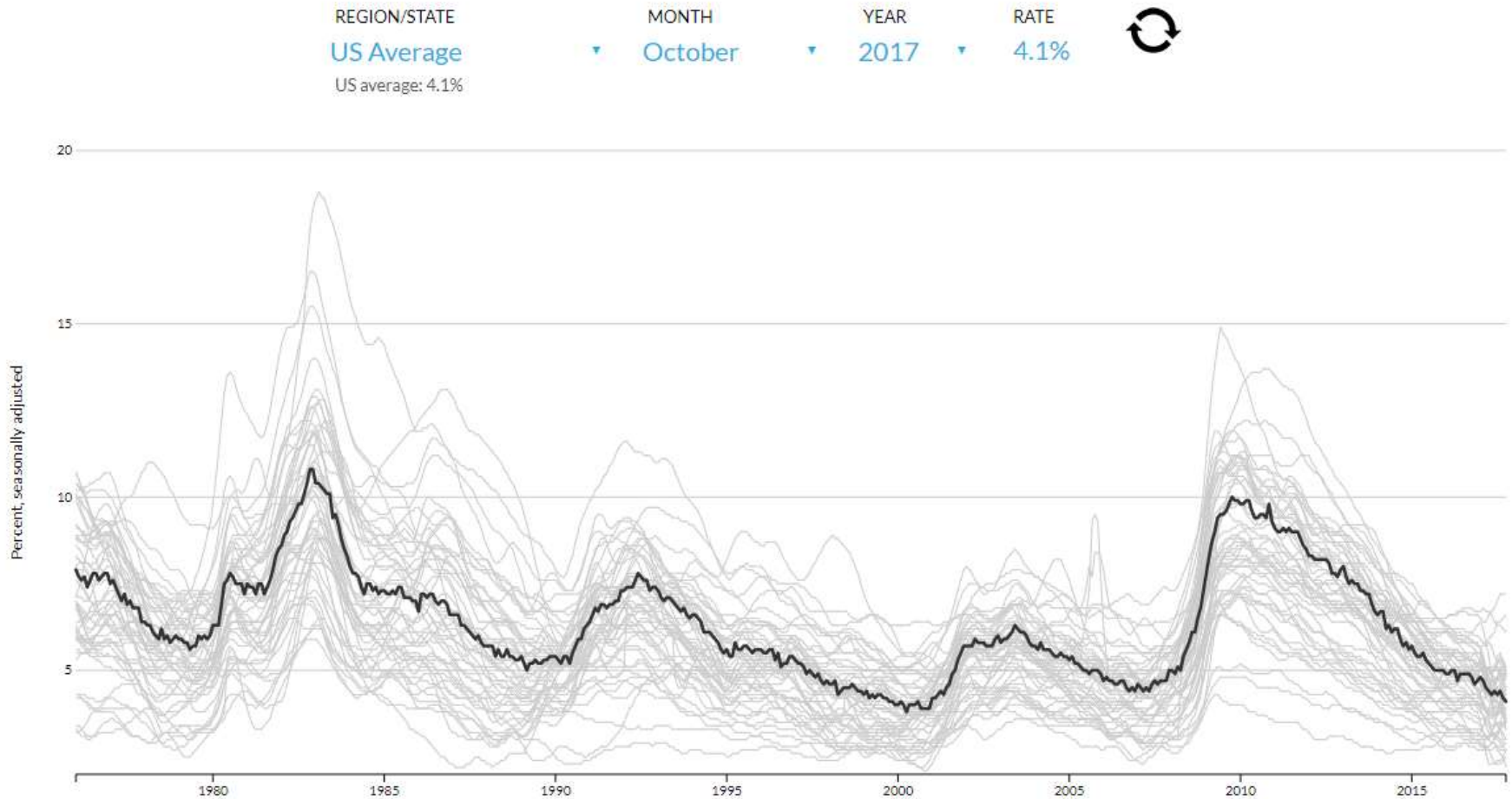
Mkt cap -
P/E ratio -
Div yield -

Unemployment rates on average at historic low levels



Unemployment Rate (percent, seasonally adjusted)

Monthly unemployment rates from January 1976 to October 2017.



But still variation across states



STATE ECONOMIC MONITOR

Employment

Earnings

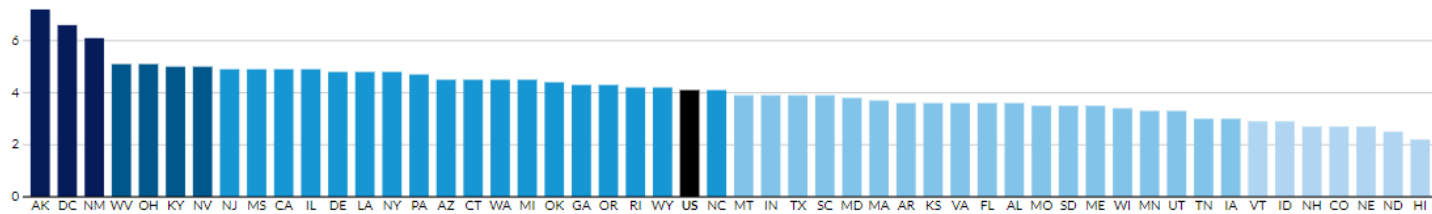
Housing

Taxes

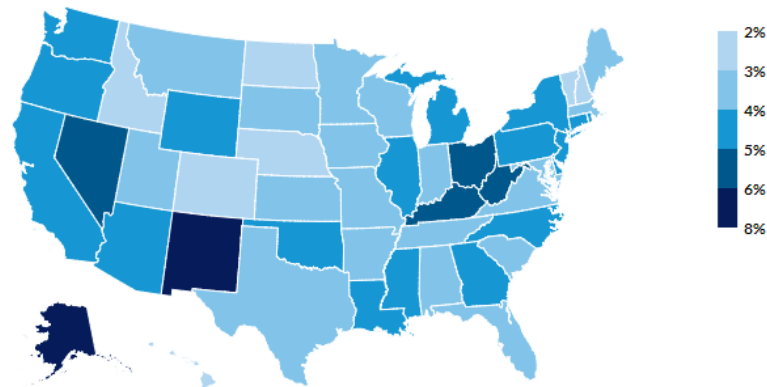
Historical

Unemployment Rate (percent, seasonally adjusted)

The national unemployment rate was 4.1 percent as of October 2017.



REGION/STATE	RATE	MONTH	YEAR
United States of America	4.1%	October	2017



Source: Bureau of Labor Statistics.

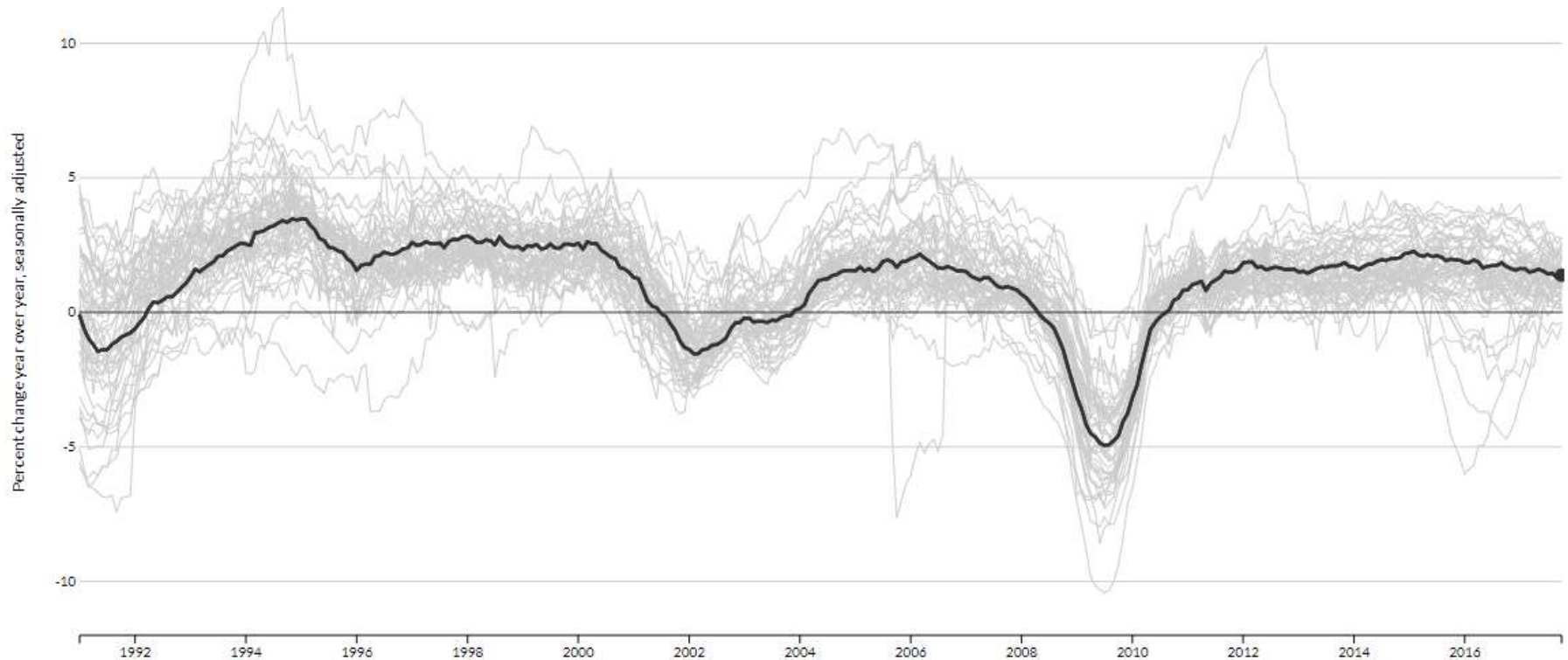
Employment levels also back to peak levels but share of 25-64 year olds employed below peak



Total Employment (percent change year over year, seasonally adjusted)

Year-over-year change in monthly total (public and private) nonfarm payroll employment from January 1991 to October 2017.

REGION/STATE MONTH YEAR RATE 
US Average October 2017 1.4%
US average: 1.4%

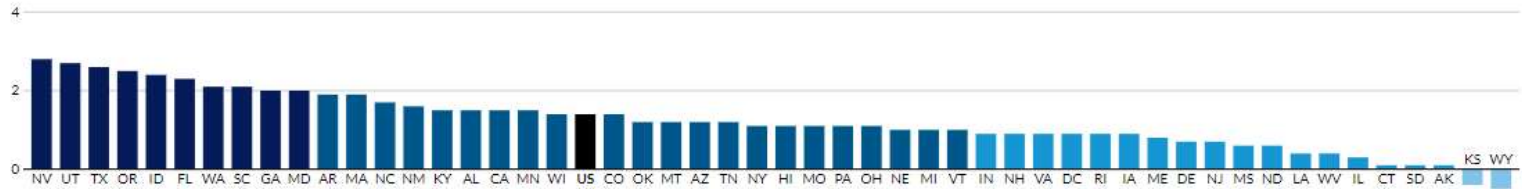


State total employment growing in all but 2 states

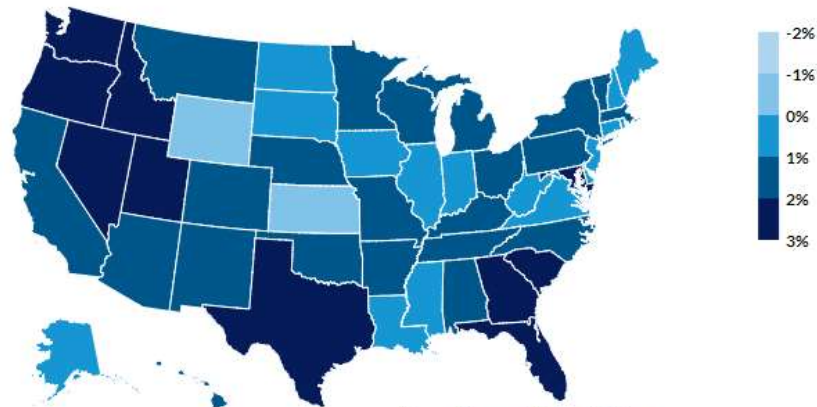
STATE ECONOMIC MONITOR

Total Employment (percent change year over year)

Total (public and private) nonfarm payroll employment increased 1.4 percent from October 2016 to October 2017.



REGION/STATE: United States of America
 CHANGE: 1.4%
 MONTH: October
 YEAR: 2017



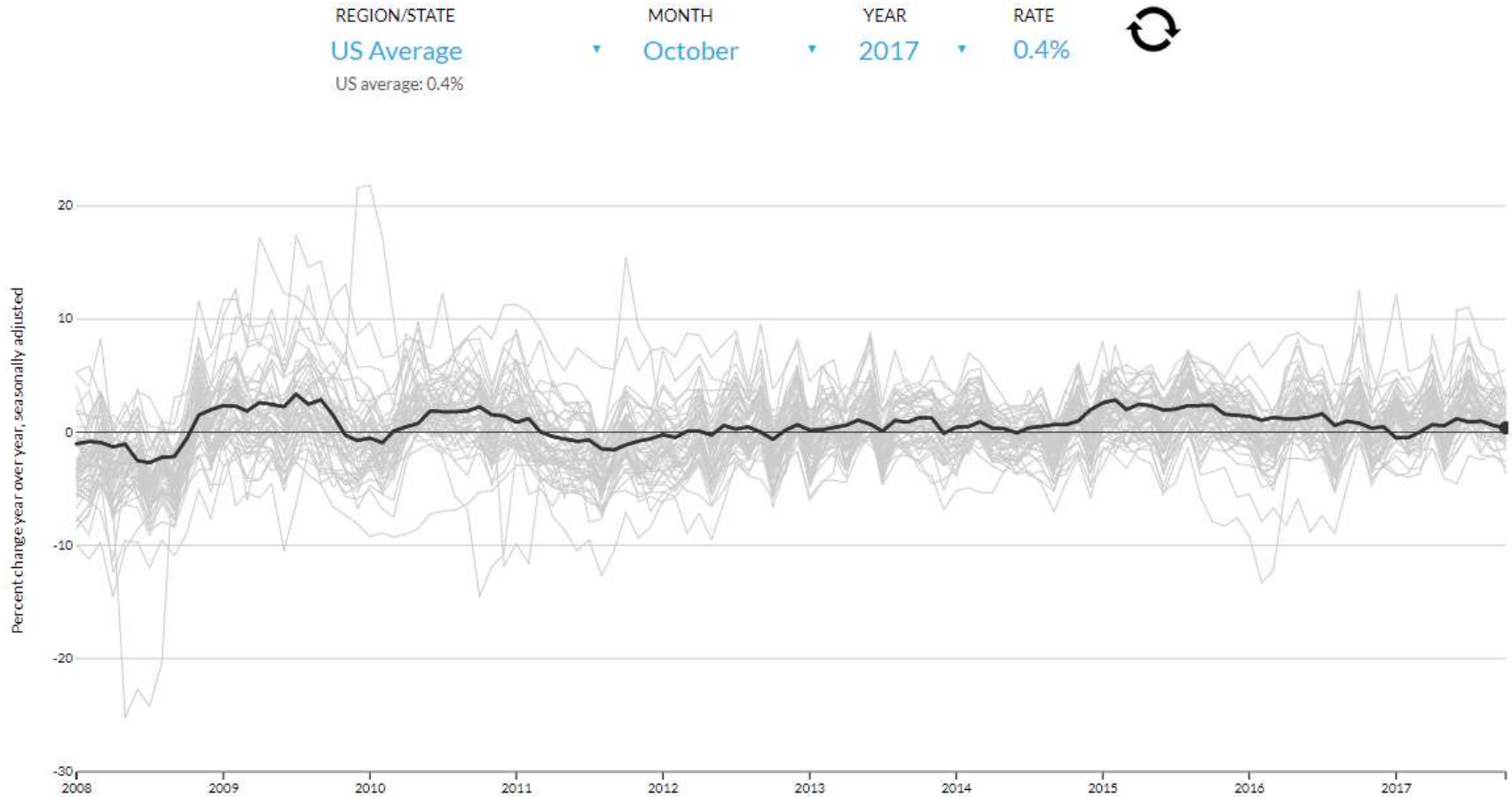
Source: Bureau of Labor Statistics.

But real state average weekly earnings are flat



Real Average Weekly Earnings (percent change year over year, seasonally adjusted)

Year-over-year change in monthly real earnings (i.e., earnings adjusted for inflation) from January 2008 to October 2017.



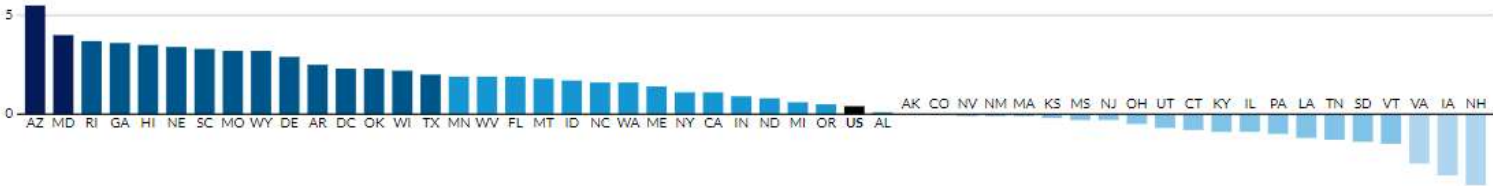
Masks variation with wage growth in some and falling wages in other states



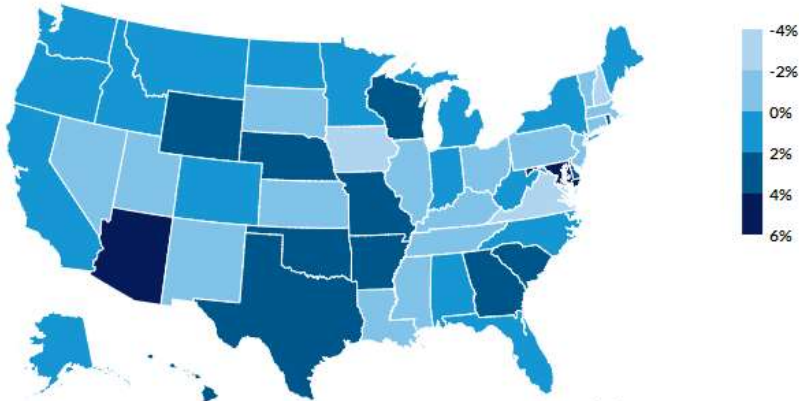
U STATE ECONOMIC MONITOR

Changes in Real Average Weekly Earnings, Private Employment (percent change year over year)

National real (inflation adjusted) average weekly earnings increased 0.4 percent from October 2016 to October 2017.



REGION/STATE: United States of America
 CHANGE: 0.4%
 MONTH: October
 YEAR: 2017




Source: Bureau of Labor Statistics.

Historical state house prices have increased from crash but variation across states



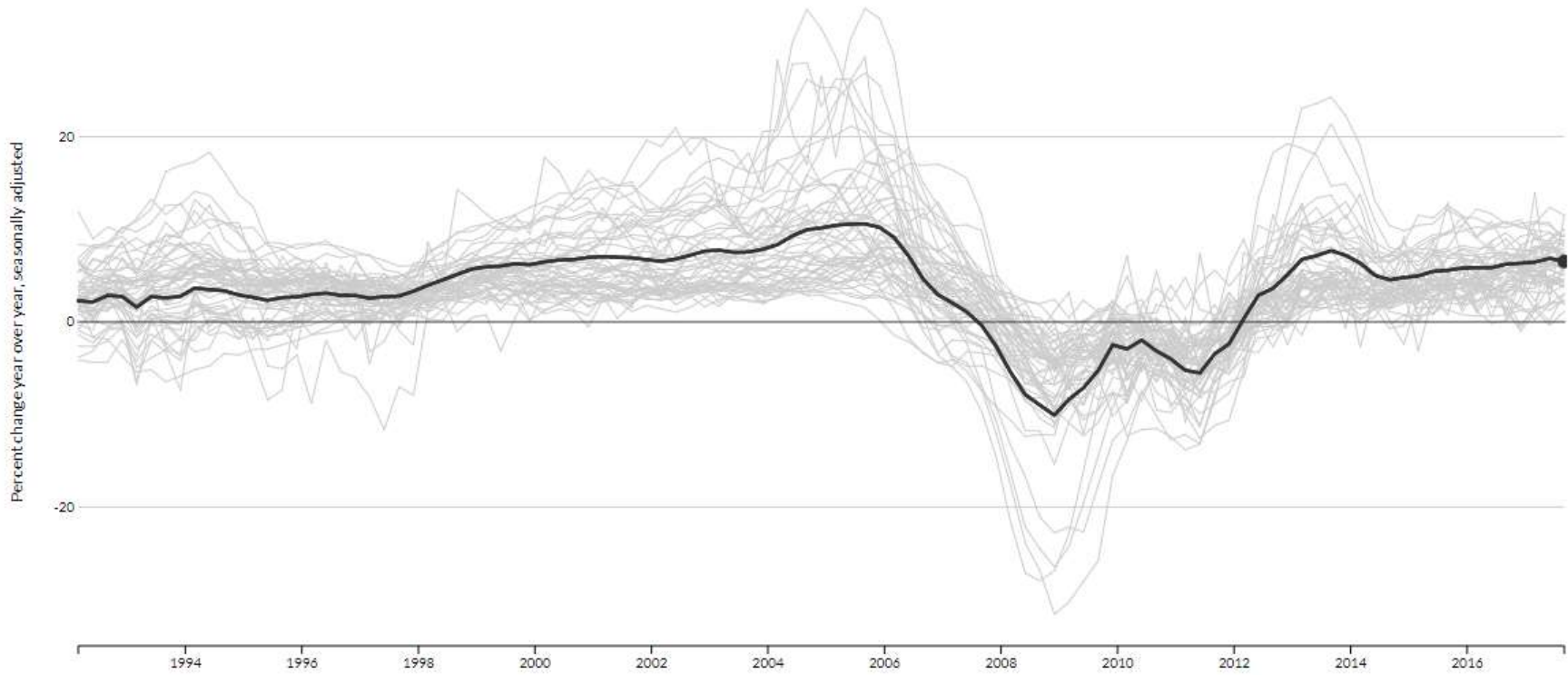
House Prices (percent change year over year, seasonally adjusted)

Year-over-year change in quarterly house prices from the first quarter of 1992 to the third quarter of 2017.

REGION/STATE MONTH YEAR RATE 

US Average 3rd quarter 2017 6.5%

US average: 6.5%



With future outlook also promising



What might limit economic picture?



- Still missing workers
- If above full employment does stimulus translate into
 - Higher and sustainable growth
 - Inflation and bubble
- Uncertainty about federal actions
 - Tax reform
 - Budget Issues/Government Shutdown
 - Trade and Immigration
 - Foreign Policy
- State responses – drag on GDP

What Does This Mean for Higher Education?



- Moody November economic report was generally upbeat
 - But stressed high level of uncertainty
- December report on higher education sector revised to negative due to softening revenue growth prospects
 - Revenue grow by 3.5% but expenses by 4%
 - Pressure to limit tuition growth
 - Affordability and enrollment pressures
 - Federal tax bill likely
 - Increase pressure to limit/lower tuition
 - Lower state funds due to SALT change
 - Lower charitable giving

THANK YOU

For more information please contact:

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urban.org/policy-centers/cross-center-initiatives/state-and-local-finance-initiative

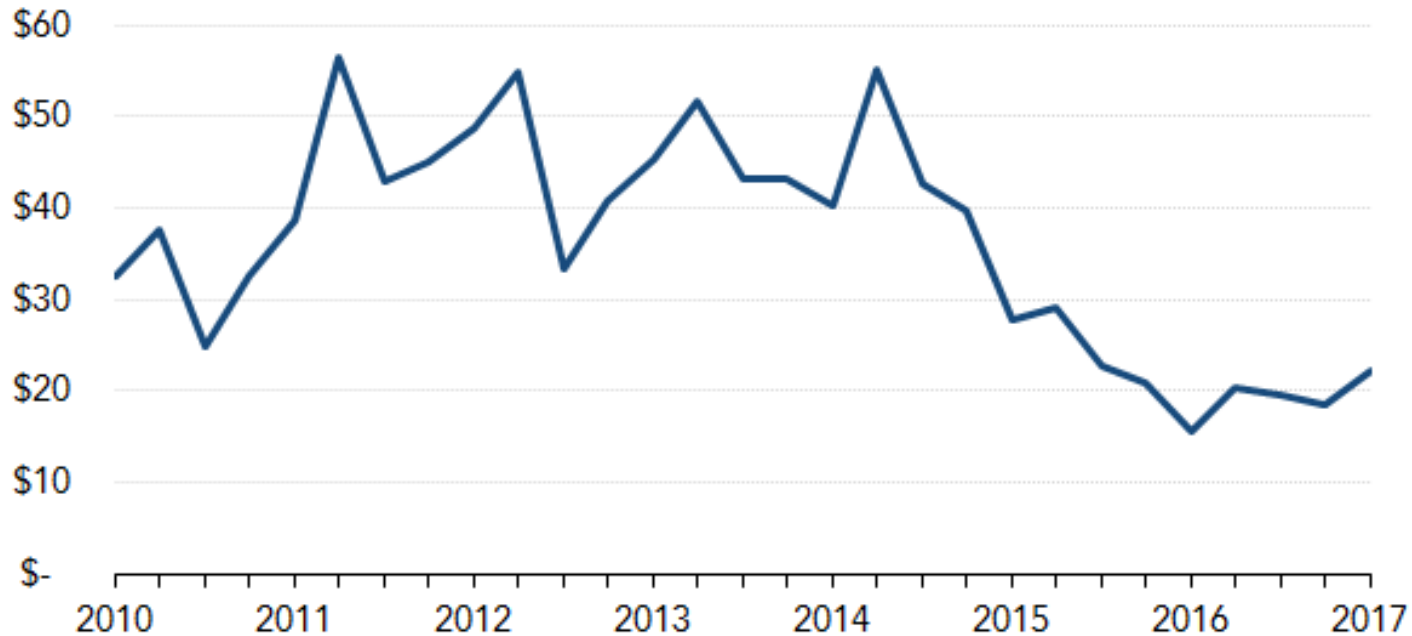


Declining Severance Tax Revenue



National State Severance Tax Revenue

\$billions, real dollars



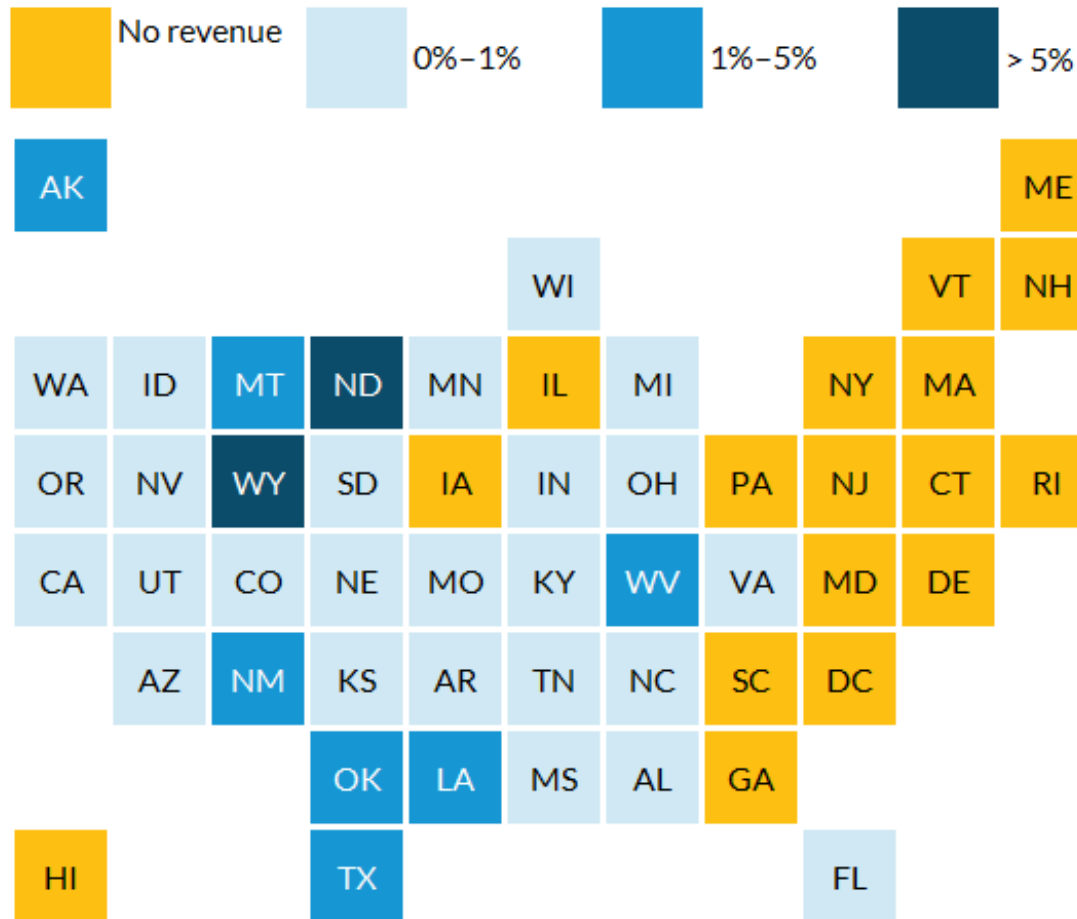
Source: Census, BLS.

Severance Taxes Are Concentrated in a Few States

Severance Tax Revenue, 2015

Percentage of state and local general revenue

US: < 1%



Source: US Census Bureau.