



State Funding: The Road Ahead

Presentation by:

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Where we are Now

- Recent rate of net job creation, indicates it will take more than 60 months to replace jobs lost in 2008-2009 recession
- 21 states had job losses of 5% or more in the Great Recession
- Only 16 of the nation's 100 largest metro areas have regained more than *half* of the jobs they lost during the recession
- Nearly one-in-three Americans who grew up middle class have slipped down the income ladder— before the recession



Where we are Now

- Americans' income have dropped since 2000 and are not expected to recover until 2021
- Housing prices won't return to their 2005 peak until 2018
- Model of housing supply indicates housing starts will return to average in 2014
- Decline in housing prices from 2005 to 2009 resulted in \$240B less economic activity in 2010, about 1.7% of annual economic activity



State Budgets

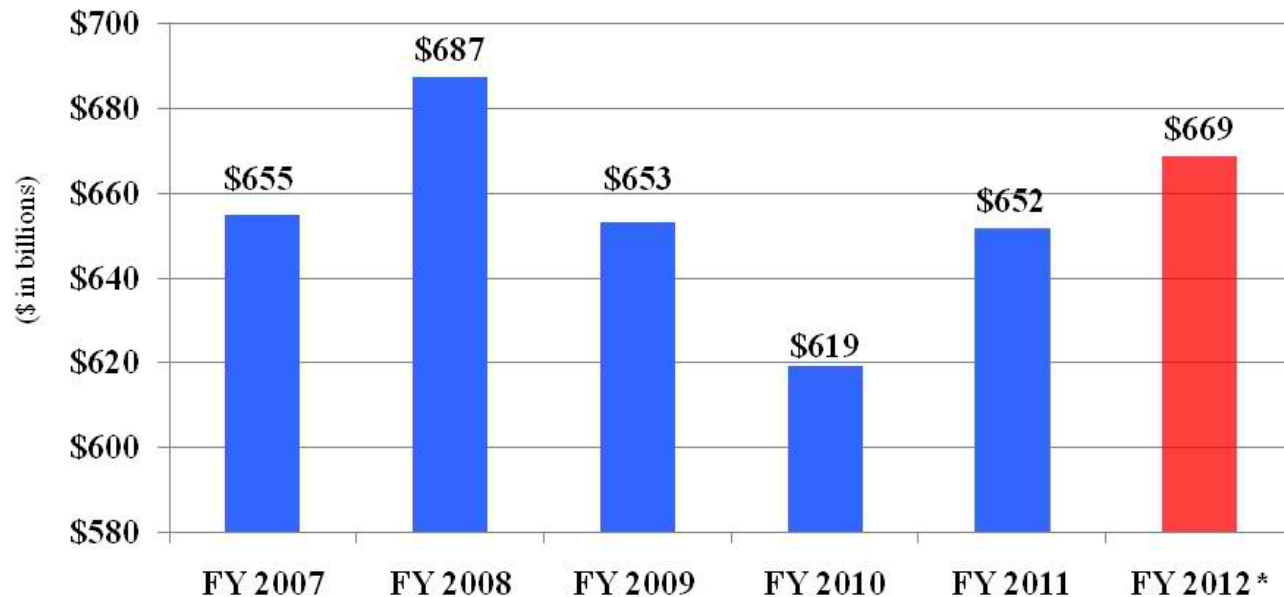
- Medicaid spending is increasing an average of 29% in FY12
- Uncertainty on whether revenue projections will be met
- “More Gloom Lies Ahead for Cities” – National League of Cities
- Serious pension and health-care obligations
- State tax revenues grew 10.8% in 2nd quarter, 2011
 - Sixth straight quarter of growth year-over-year
 - But in 38 states this is still less revenue than 2008



NASBO Reports

**FY 2012 Spending is \$18 billion
less than FY 2008**

General Fund Spending: FY 2007-FY 2012 (in billions)



** FY 2007, 2008, 2009, 2010 are actual, FY 2011 is estimated and FY 2012 is proposed.*



Addressing Capital

- Angel investor tax credits
 - AZ, CO, CT, LA, ME, MD, MI, MN, NE, ND, OH
- Other tax credits
 - NJ, UT
- Using federal SSBCI funds
- State's investments
 - CT, IL, VA
- Fund of Funds
 - MD, WI



Workforce

- Encouraging greater college attendance
 - AK, CT, OR, VA, New Haven, and Gates Foundation
 - Balanced against rising college costs and student debt
- College grad retention
 - CT, OK
- Increase number of engineers or STEM in general
 - KS, OK, TX, VT*
- Internships
 - NE, WSU/TechTown
- Affordability and completion
 - GA, TX
- Immigration
 - MI



Mismatch on Workforce

- A vicious cycle
- Unfilled positions due to lack of qualified job candidates
 - 52% of employers say they're having trouble filling positions; up from 14% last year, ManpowerGroup survey
 - Nearly half of MN mfrs report openings they can't fill



Research

- Investing in research
 - CT, KS, MD, NV, NY
- Universities playing role in economic development
 - FL
- Supporting university spin-outs
 - FL, Ontario

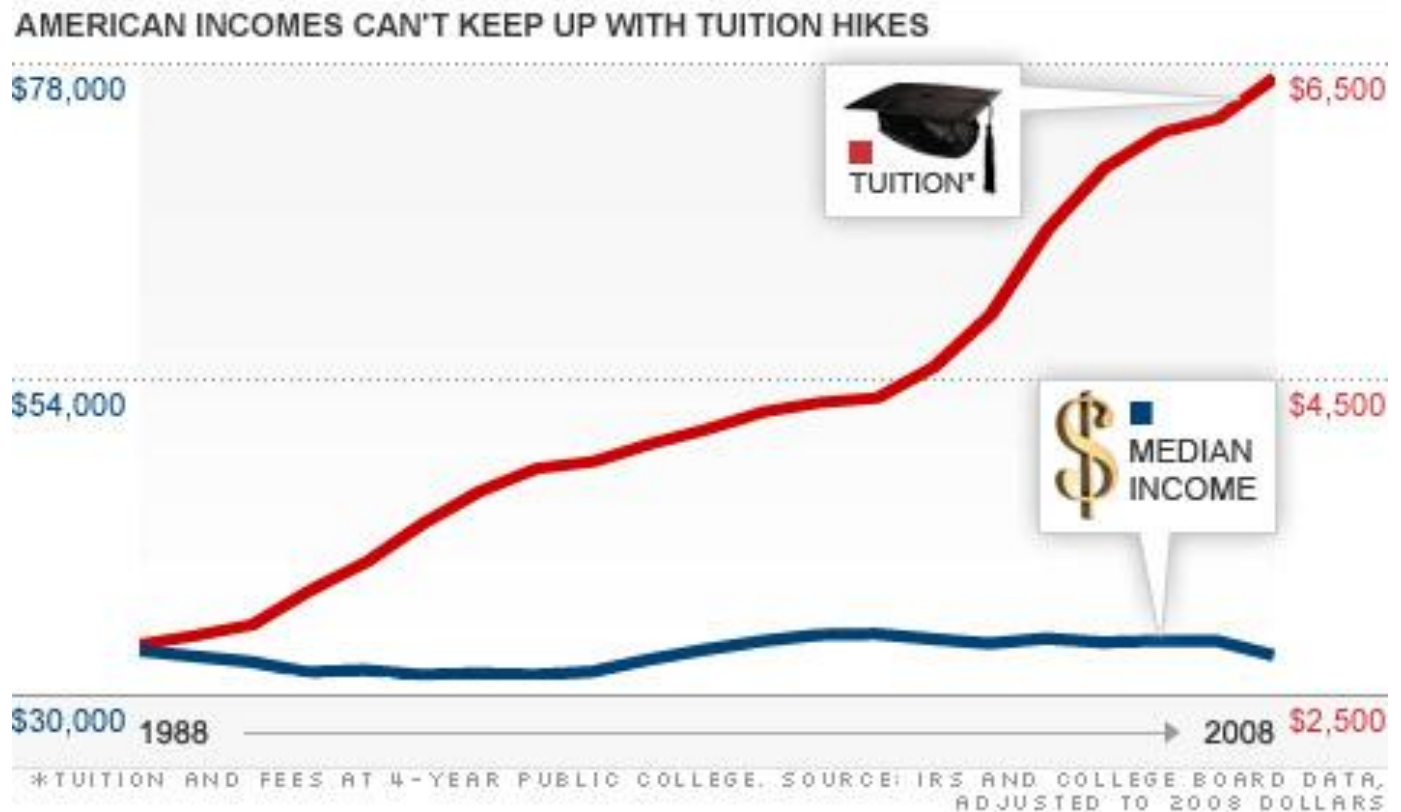


Higher Ed has a Problem

- “Spend Less, Deliver More Value”
- Approaches being proposed
 - Rate professors to determine how cost-effective they are
 - Moratorium on campus construction
 - Target sabbaticals
 - Cut programs
 - End tenure
 - Significant cuts in funding
 - Offer a four-year degree that costs no more than \$10,000
 - Faculty spend more time in the classroom, less on research



Income Flat; Tuition Increasing





Accountability

- “How many jobs from Oregon’s green energy incentives? No one knows.”
 - The Oregonian, March 13, 2011
- “State audit faults Emerging Technology Fund’s transparency”
 - Austin American-Statesman, April 28, 2011
- “Behind Perry’s Jobs Success, Numbers Draw New Scrutiny”
 - Wall Street Journal, October 11, 2011
- “Companies got millions– but state got no jobs”
 - Orlando Sentinel, October 21, 2011
- “How to Create a Job”
 - This American Life, aired May 13, 2011



Recommendations

- Demonstrate relevance
 - Support from industry
 - Creating needed workers
- Report results that mean something to state funders
 - Jobs, sales, spin-off companies, quality of jobs being created
 - Don't rely on process measures or metrics that are meaningful to academics (publications, citations, patents)
- Tell an interesting, understandable story
- Effort should be part of a long-term strategy



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