

# State Stress Tests – COVID 19

# Managing Stress

## Baseline Scenario Moderate Stress

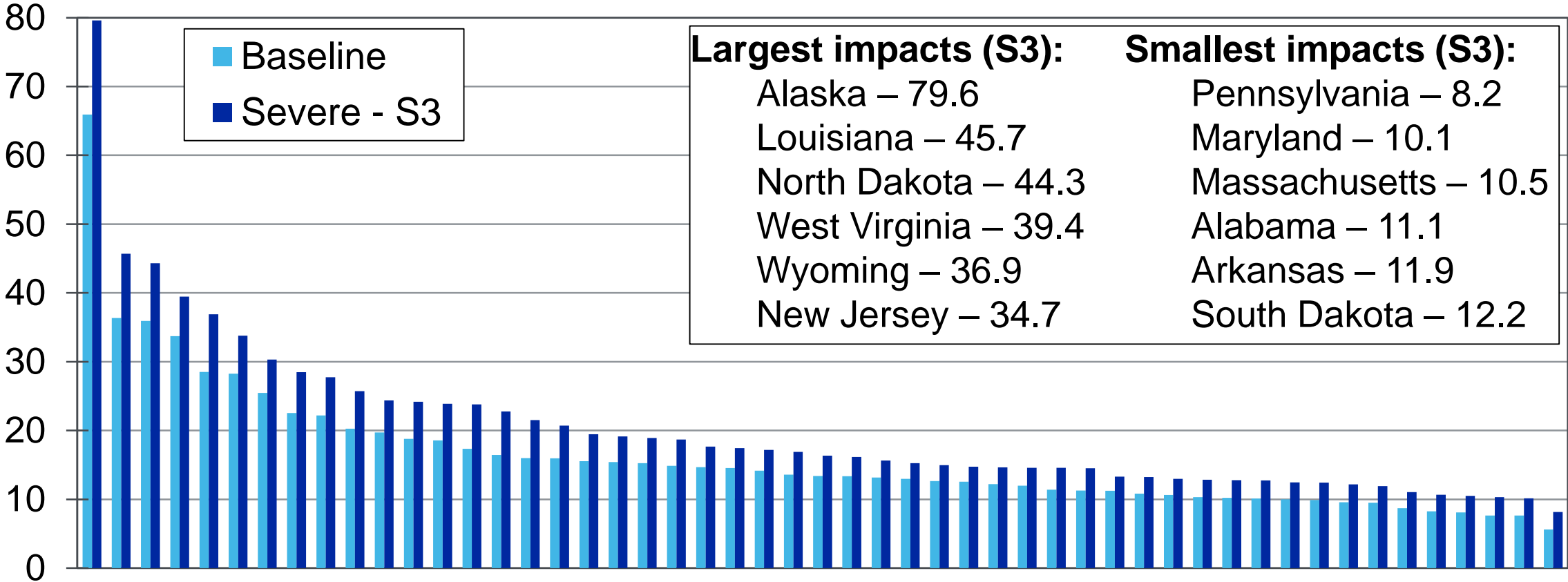
- » Deep recession in first half of 2020 followed by modest rebound. Travel and business restrictions in effect through late second quarter.
- » Peak jobless rate of 13% in 2020Q2. Peak-to-trough real GDP decline of 10%.

## S3 Scenario Severe Stress

- » 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%.

# Wide Range of Revenue Outcomes

Estimated revenue losses, % of 2019 general fund revenues



**Largest impacts (S3):**

- Alaska – 79.6
- Louisiana – 45.7
- North Dakota – 44.3
- West Virginia – 39.4
- Wyoming – 36.9
- New Jersey – 34.7

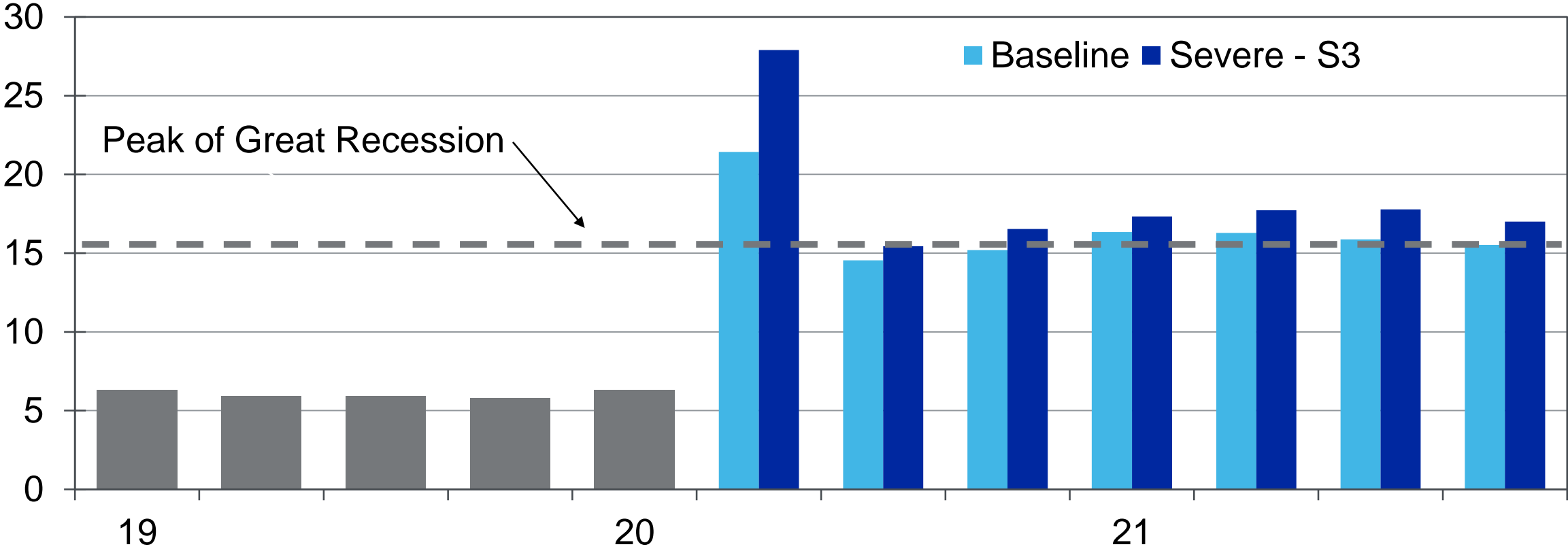
**Smallest impacts (S3):**

- Pennsylvania – 8.2
- Maryland – 10.1
- Massachusetts – 10.5
- Alabama – 11.1
- Arkansas – 11.9
- South Dakota – 12.2

Source: Moody's Analytics

# Unemployment Drives Medicaid Higher

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



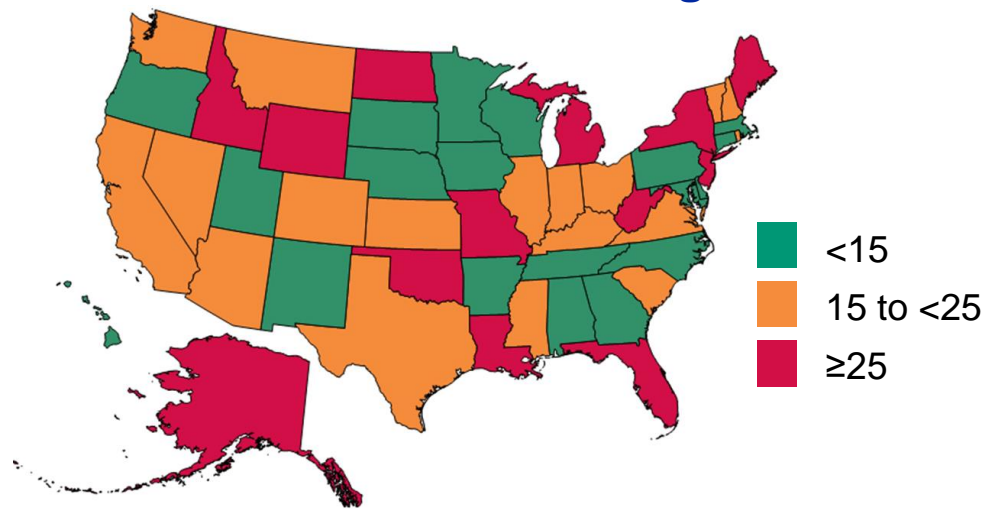
Sources: BLS, Moody's Analytics

# Economic Stress Is Unprecedented

	Baseline		Severe - S3	
	\$ bil	% of GF	\$ bil	% of GF
Revenues	130.4	14.8%	172.1	19.5%
Medicaid	27.4	3.1%	31.2	3.5%
Fiscal shock	157.8	17.9%	203.3	23.0%

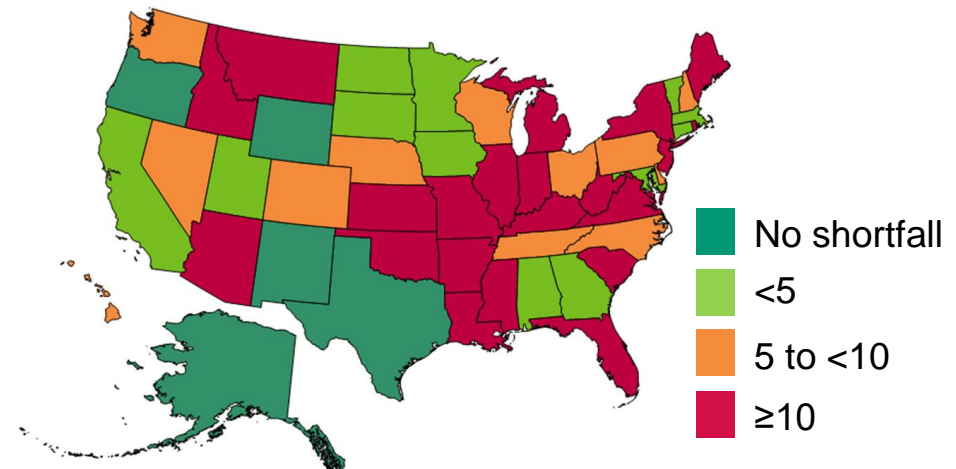
- » **5** states have the reserves they need to absorb baseline levels of projected economic stress
- » **12** states have most of the reserves they need to absorb the baseline scenario
- » An unprecedented **21** states would see budget gaps of 10% or more even after using reserves

## Baseline Fiscal Shock, % of general fund



Sources: NASBO, Moody's Analytics

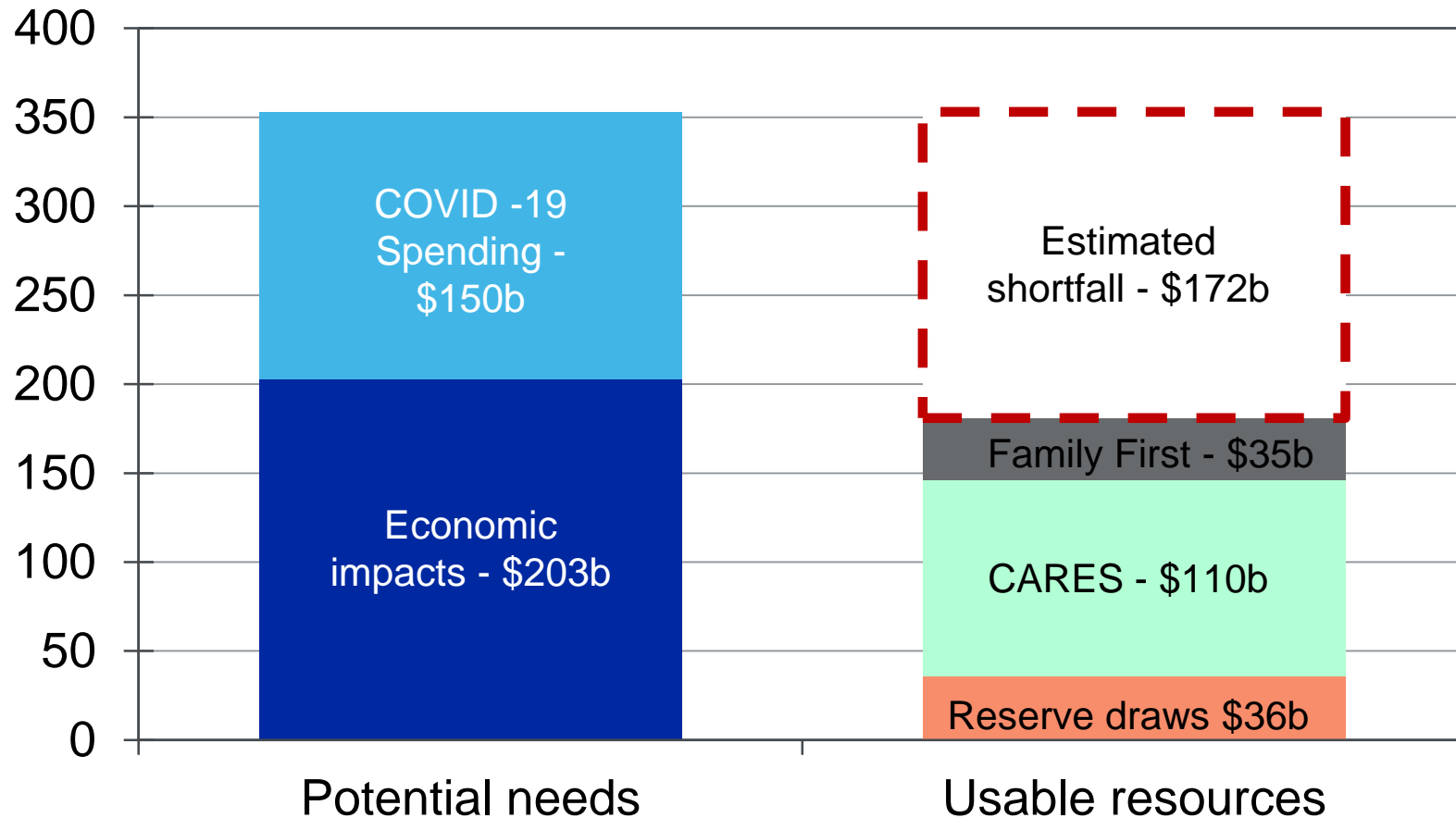
## Baseline Shock Net of Reserves, % of general fund



Sources: NASBO, Moody's Analytics

# Even Best Prepared States Could Eventually Struggle

State governments, \$ bil



- » 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



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