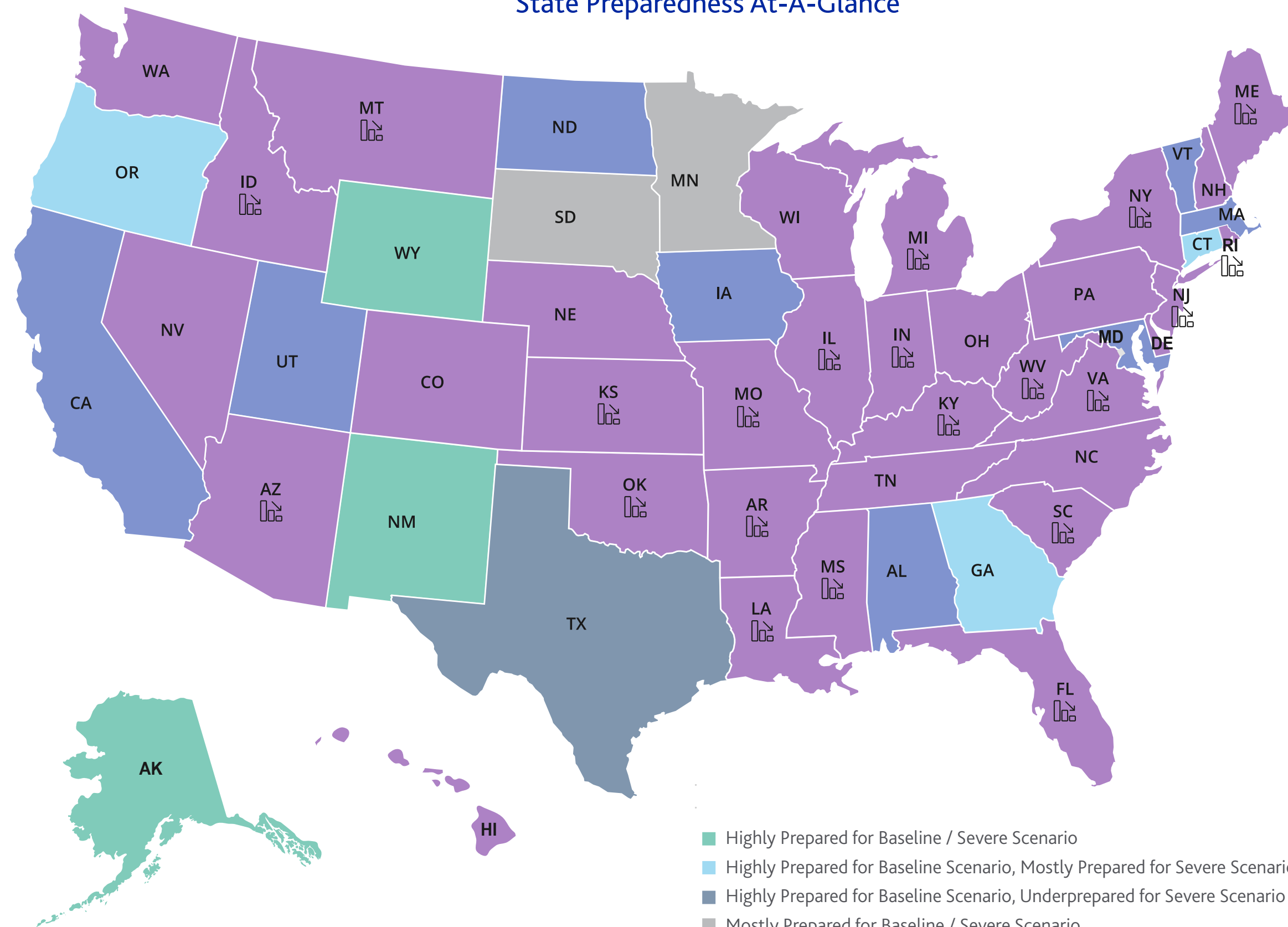


U.S. State Preparedness for a Pandemic-Induced Recession

Moody's Analytics performs stress tests on state government budgets - estimating the amount of fiscal stress likely to be applied to state budgets under different recession scenarios and comparing that to what states have in reserve. The overall results of the COVID-19 exercise are unmistakably negative during this unprecedented time.

State Preparedness At-A-Glance



COVID-19 Stress-Testing Study Insights



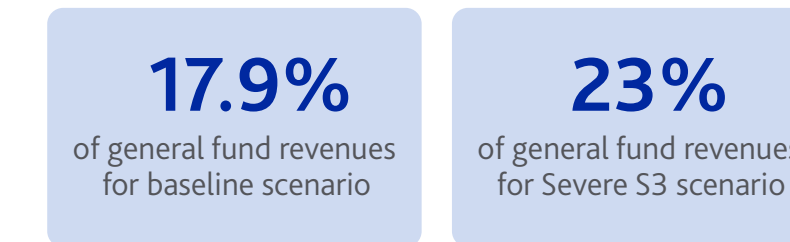
Testing Assumptions

- » State balanced-budget requirements hold true
- » Stress test limited to changes in general fund revenues and Medicaid spending
- » No new states are assumed to expand their Medicaid programs during the forecast period
- » Forecasts do not explicitly account for the enhanced FMAP provisions as part of federal stimulus legislation



Measuring Fiscal Shock

Through the end of fiscal 2021, the combined fiscal shock of lower revenues and higher spending needs from a smaller economy could be between:



Stress Test Findings

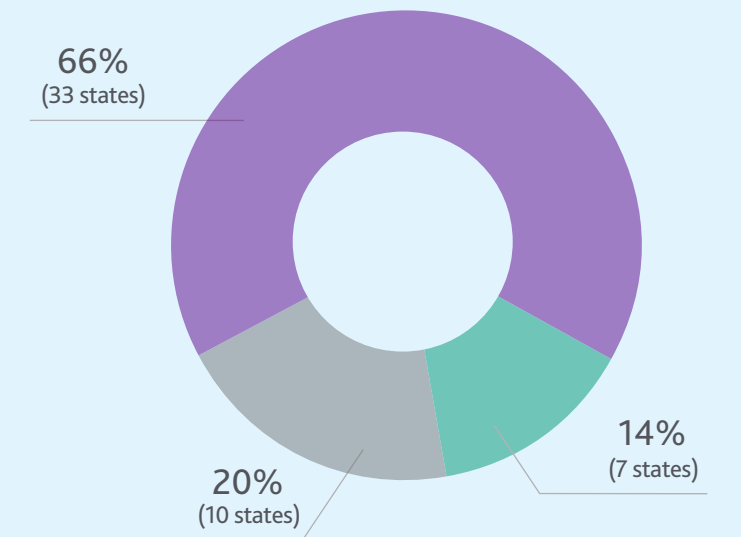


Key Takeaways

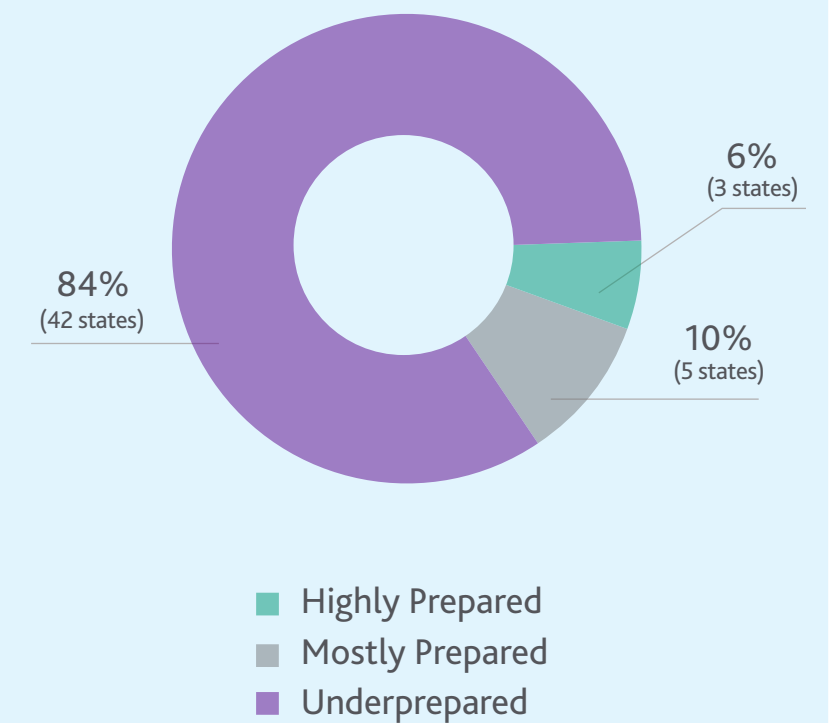
- » Total potential shortfall could be nearly \$200 billion through end of state fiscal year 2021
- » Aid to state and local governments as part of stimulus measures can help limit potential economic damage
- » \$200 billion in aid would be needed through 2021 fiscal year and can grow to \$300 billion to get through 2022
- » Without aid, the weight of state budget cuts or revenue increases can slow economic growth

Preparation of US States (%)

Baseline Scenario



Severe S3 Recession



Research Analysis

Stress-Testing States: COVID-19

[Read Report](#)