Pew's Approach to Strengthening State Fiscal Health, 2019

Data and analysis can help improve policy decisions

Over the past several years, The Pew Charitable Trusts has compiled a significant body of research analyzing how well states manage fiscal issues, such as debt, state-sponsored retirement plans, cost-benefit analyses, budget reserves, and tax incentives. By researching emerging topics and developing 50-state comparisons, Pew identifies innovative ways that states are solving complex budget challenges.

Drawing from this research, Pew helps advance sound, data-driven decisions and practices that build fiscally well-managed states. Our experts also work with individual states to implement targeted, evidence-based solutions to pressing challenges. A wide range of stakeholders use Pew's research, including business groups, journalists, state legislative committees, credit-rating agencies, and national organizations representing governors, legislators, and budget directors.

Some of Pew's specific areas of research and expertise are discussed below.

Develop a plan to regularly evaluate economic development tax incentives

Tax incentives are one of the primary tools that states use to try to strengthen their economies. They also collectively cost states billions of dollars a year, so state officials need solid data on their results. We help states design processes to regularly study these programs. Then we assist the staff members who produce these evaluations to ensure that their analyses are high quality and draw clear, well-supported conclusions. Finally, we help lawmakers understand and use the findings as they consider changing tax incentives.

Use evidence to identify and fund programs that work

State and local leaders allocate millions of dollars each year for programs designed to improve health, child welfare, and public safety in their communities. With limited access to rigorous research about what works, it can be hard for policymakers to discern how best to distribute public resources. The Pew-MacArthur Results First Initiative provides tools to access and incorporate evidence, identifies and disseminates best practices in evidence-based policymaking, and works with select states and counties to help them strategically target resources to policies and programs that are proved to work.

Set rainy day fund policies that consider revenue volatility

Whether policymakers want to cut taxes, provide high-quality infrastructure and services, pay down liabilities, or spur economic growth, wide swings in a state's resources from year to year can undermine these goals. Savings strategies can mitigate the impact of economic ups and downs on a state's finances. We help states examine trends in revenue volatility. We also help policymakers craft effective savings policies, ensuring that reserves are available when they are needed most.

Assess the sustainability of public sector retirement systems

Many state and local retirement plans are on an unsustainable course, having set aside too little money to fund the promises they have made. Pew's public sector retirement systems project performs 50-state and major city research on all aspects of public pension systems, including fiscal health, investment practices, benefits design, and governance.

Based on our research, Pew provides technical assistance to policymakers who are considering ways to ensure that their public sector retirement systems are affordable and sustainable—and that they put workers on a path to a secure retirement. At the invitation of state and local governments across the country, we use objective and data-driven processes to analyze public retirement systems, and to develop and examine options for improvements.

Study debt affordability to make better-informed decisions about state borrowing

States frequently borrow to fund long-lasting infrastructure projects to spread the cost over generations and finance multiple pressing needs simultaneously. But policymakers often lack the data needed to make informed decisions about how much they can afford to borrow and when. To address these difficulties, we conduct research to help states better understand how to manage long-term debt and work with policymakers to improve their states' debt affordability studies.

Consistently monitor municipal finances

State and local policymakers play a critical role in strengthening cities' long-term fiscal well-being and generating opportunities for economic development. To inform their decisions, we study the fiscal landscape of cities, best practices for proactively assessing local governments' financial conditions, and policy options to help states respond to signs of fiscal distress.

Focus on long-term budgeting to ensure fiscal stability

Forecasting revenue and expenditures beyond the current budget cycle can help states assess their fiscal condition and prepare for potential shortfalls. By regularly forecasting state revenue and expenditures, states can ensure fiscal stability and avoid sudden adjustments to tax rates or program funding. Researchers at Pew work with state officials to identify key factors to consider when projecting into the future.

Stress-test state budgets to prepare for downturns and economic shifts

Studying how possible economic events will affect state revenue and spending can help state leaders take steps to better prepare for the future and identify budget contingencies. These analyses support state policymakers' efforts to evaluate risk and ensure that resources are available to support critical programs. Pew provides tools and research to help states assess how their budgets might weather various economic conditions.

For further information, please visit:

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